

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 October 3, 2023
9:30 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

16 BY: DANIELLE R. SASSOON

17 NICOLAS ROOS

18 DANIELLE KUDLA

19 SAMUEL RAYMOND

20 THANE REHN

21 Assistant United States Attorneys

22 COHEN & GRESSER, LLP

23 Attorneys for Defendant

24 BY: MARK S. COHEN

25 CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

S. GALE DICK

SHARON L. BARBOUR

Also Present:

Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

Grant Bianco, USAO Paralegal Specialist

1 (Case called)

2 MR. ROOS: Good morning, your Honor, Nicholas Roos,
3 Danielle Sassoon, Thane Rehn, Samuel Raymond, and Danielle
4 Kudla for the United States.

5 THE COURT: Good morning.

6 MR. ROOS: We are joined at the rear table by special
7 agents from the FBI, Luke Booth and Kristin Allain; paralegals
8 working with our office, and I think we have another paralegal
9 who is going to slot in at the end.

10 THE COURT: Good morning.

11 MR. COHEN: Good morning, your Honor.

12 THE COURT: Mr. Cohen.

13 MR. COHEN: Mark Cohen, Chris Everdell, Sri Kuehnlenz,
14 and Dave Lisner for the defense. Also sitting in the gallery,
15 Gale Dick and Sharon Barbour of our firm.

16 THE COURT: Good morning.

17 MR. COHEN: Good morning, your Honor.

18 THE COURT: The defendant isn't until the building
19 yet, I understand. I am not sure why that happened, but he is
20 not. He is not far away.

21 There were one or two things that I thought we could
22 deal with before he gets here.

23 First of all, one point with respect to the voir dire.
24 I have found over the years that particularly in what may well
25 be a longer trial or a trial with controversy -- all trials

1 have controversy, but more than the usual dose, it is useful
2 for me to ask right at the beginning of the voir dire, after
3 having told the venire in broad terms what the case is all
4 about, whether there is anything about the nature of the case
5 or the parties that would make it difficult for them to be
6 entirely fair and for any of them to be entirely fair to both
7 sides and to come to a just and impartial verdict based solely
8 on the evidence and so forth, and then, with the consent of
9 counsel, if everyone consents, simply to excuse right at the
10 outset everybody who holds their hand up in response to that.

11 This is a procedure that was recommended to me by the
12 late Judge Duffy as a way to start every narcotics case because
13 you lose them in buckets, but it generalizes beyond that.

14 Does anybody object to my doing that here? Does
15 everyone agree to my simply excusing anybody right out of the
16 box who says, I would have a problem being fair in this case?

17 MR. ROOS: The government has no objection to that
18 process.

19 MR. COHEN: Who are we to question Judge Duffy.

20 THE COURT: Exactly, especially now that he's up on
21 high. That was the first thing.

22 The second thing that I wanted to deal with quickly is
23 this controversy with respect to the possible Ukrainian
24 witness.

25 Who is going to address this for the government?

1 MR. REHN: I can address this, your Honor.

2 THE COURT: Here is my question. What, if anything,
3 would that witness, if I allowed him to testify remotely, have
4 to say that wouldn't be cumulative?

5 MR. REHN: Your Honor, I do think there is some
6 overlap with other FTX customer witnesses. As we articulate in
7 our letter, the government has made significant efforts to
8 identify a range of customer witnesses, but I think that one of
9 the factors that will be important for the jury to consider is
10 that there were in fact a range of FTX customers who put money
11 into FTX for different reasons, and their activity on FTX was
12 different. Some, for example, put money on FTX to engage in
13 margin trading. Others did not. Some may have participated in
14 particular programs on FTX that others did not. And the
15 expectations of all of those customers may not be exactly the
16 same, and certainly the experience they had with the exchange
17 may not be exactly the same. He does bring another perspective
18 of a particular type of FTX customer.

19 THE COURT: Specifically what perspective does he
20 bring that nobody else brings?

21 MR. REHN: I think he's an example of a customer that
22 viewed the exchange as a safe place to store assets in a
23 situation where he didn't have a lot of other safe options to
24 store his assets, which makes him unlike some of the other
25 customers that we will be calling. In fact, I don't believe

1 there is another customer who would have exactly that
2 perspective.

3 THE COURT: You are not going to call any other
4 witnesses who are going to say that they thought it was a safe
5 place to store their assets.

6 MR. REHN: No. Many witnesses will say that. But
7 unlike some other witnesses, he didn't have other safe options,
8 in his view, to store assets.

9 THE COURT: That's material here why?

10 MR. REHN: Your Honor, we think it just illustrates
11 the way in which FTX is marketing appeal to a range of
12 customers, including customers who viewed it as one of their
13 only options to store their assets.

14 THE COURT: As long as we have the time, Mr. Cohen, do
15 you want to address that?

16 MR. COHEN: Your Honor, with your permission, we would
17 like for Mr. Dick to address it, if that's OK for the Court.

18 THE COURT: Sure.

19 MR. DICK: As described by the government, material
20 portions of his testimony are clearly cumulative of that of
21 other witnesses.

22 As your Honor notes, what distinguishes this witness,
23 according to the government, is simply that he felt he had no
24 other safe options, which is not really relevant to the issues
25 in this case. I think, in addition, there is no set of

1 circumstances under which the confrontation clause rights of
2 our client could be fully protected if this witness were to
3 testify.

4 THE COURT: Let's stick to the question I asked. I
5 didn't think much of that argument. I've been down this path
6 more than once before.

7 MR. DICK: Fair enough.

8 THE COURT: The Second Circuit made clear in *Gigante*
9 that the confrontation clause does not prohibit calling this
10 witness if there are extraordinary and compelling
11 circumstances. There are obviously are. The question is the
12 materiality and whether the prejudice substantially outweighs
13 doing it.

14 Any response, Mr. Rehn?

15 Thank you, Mr. Dick.

16 MR. REHN: Your Honor, the one thing I would just say
17 is, if the Court is uncertain about whether this witness'
18 testimony would be cumulative, one option would be to defer
19 ruling until after one or more other customers have testified,
20 at which point it may be clearer whether there is a need for
21 this witness' testimony.

22 THE COURT: There is no reason not to do that, so we
23 will entertain this down the road.

24 We will wait and see if the government doesn't decide
25 to bag it all together.

1 In terms of other safeguards, I would, if this is
2 going to happen, require that the testimony be given in a U.S.
3 embassy in Ukraine or elsewhere which is not Ukrainian
4 territory. The State Department people on hand include people
5 authorized to administer oaths. And to the argument that there
6 is no extradition treaty with Ukraine, the situation would not
7 be any different than what happens when a foreign national or
8 resident comes into the United States, testifies live in the
9 courtroom, and then immediately leaves to go home to some place
10 without an extradition treaty with the United States. I can't
11 distinguish that from this.

12 In both cases it's reasonably obvious that if perjury
13 is committed, the government has no way to get their hands on
14 the perjurer, and I can't distinguish between the two. It
15 makes no sense to me. But we will just kick down the road on
16 whether it's cumulative and whether any unfair prejudice would
17 substantially outweigh the value of the testimony, even if it's
18 not wholly cumulative.

19 That takes care of the things that I wanted to deal
20 with in advance of starting the voir dire.

21 The defendant is in the building now. I am told that
22 we can thank the delay to what's going on in the other
23 courtroom nearby. We will recess until we have the defendant
24 in the courtroom.

25 I am going to take up one thing with the defendant

1 present, namely, his right to testify in his own defense and
2 the fact that that's ultimately his decision, not the lawyers.
3 I am not criticizing the lawyers. Of course they understand
4 that. But it's my practice to do that with the defendant live
5 and in person. As soon as we are ready to do that, we will do
6 that, and then we will bring up the first batch of jurors.

7 I'll see you quite shortly, I'm sure.

8 (Recess)

9 THE COURT: The jurors are on their way up. Before
10 they get here, there is something I want to discuss directly
11 with the defendant, who is now present.

12 Mr. Bankman-Fried, I want to make sure this is
13 something that you understand. You have the right to testify
14 in your own defense in this case, and the decision as to
15 whether or not you testify is a decision solely for you. You
16 are entitled to have your counsel's best advice on whether they
17 think it is wise or potentially advantageous or not
18 advantageous for you to testify, but they can't make the
19 decision for you. It is your call. And you could decide to
20 testify against their advice or not to testify against their
21 advice. You need to understand that.

22 Now, if for any reason we get to the point where the
23 government has rested and your lawyers say the defense has no
24 case or the defense rests, and you wish to testify, what you
25 should do at that point, what you must do is simply stand up,

1 don't say anything, just stand up and I'll send the jury out
2 and I'll find out why you're standing. I'll probably know by
3 that time anyway. But I'll find out. And if it's that you
4 want to testify, you will be given that opportunity.

5 Likewise, if there is a defense case and your lawyers
6 at some point say the defense rests, and you haven't testified
7 and you wish to do so, do the same thing. Stand up, I'll take
8 the jury out, I'll find out why you're on your feet. And if
9 you want to testify, you will be permitted to do so, regardless
10 of whatever advice you have received.

11 Do we understand each other on this?

12 THE DEFENDANT: Yes.

13 THE COURT: Fine.

14 Andy, is the jury outside yet?

15 THE DEPUTY CLERK: I am going to go look for them now,
16 Judge.

17 MR. ROOS: Your Honor, as you probably know, in many
18 cases the government's practice is to put either the existence
19 or rejection of plea offers or the absence of plea offers on
20 the record.

21 THE COURT: Go ahead and do it.

22 MR. ROOS: Your Honor, the government early on in the
23 case, after the case was charged, raised the question of
24 whether the parties should engage in plea discussions, and the
25 answer was no, meaning there were no discussions about a plea,

1 and the government never made any plea offers.

2 THE COURT: Mr. Cohen, is that accurate?

3 MR. COHEN: Yes, your Honor.

4 THE COURT: Thank you.

5 With the exception of the one question I already
6 discussed, the questions I intend to put to the jurors are all
7 typed out. Because of the way I will deal with the potential
8 jurors who are not in the courtroom, they will all have a copy
9 of the questions, for reasons that I'll explain, and I'll ask
10 John Hammel to give each side two copies of the script that I
11 will be using, just so you can have it in front of you.
12 Obviously, I may change a word here or there, but the substance
13 will be exactly what's on the pages.

14 Out of curiosity, are there going to be Power Points
15 on the openings?

16 MR. REHN: Yes, your Honor. The parties exchanged
17 slides last night. I think we intend to meet and confer about
18 some potential issues. But if there is any issues we can't
19 resolve, we will raise them with the Court.

20 THE COURT: Defense going to use a Power Point?

21 MR. COHEN: We will be using slides, your Honor. We
22 have been conferring with the government.

23 THE COURT: OK.

24 MS. SASSOON: Your Honor, may I have a moment to
25 confer with defense counsel?

1 THE COURT: Sure.

2 MS. SASSOON: Your Honor, whenever convenient for you,
3 the parties had one question to raise about the voir dire.

4 THE COURT: Yes.

5 MS. SASSOON: As your Honor knows, the parties had
6 some briefing regarding questions related to pretrial publicity
7 about the case. And in reading the proposed voir dire, I noted
8 that there are questions about prospective publicity, meaning,
9 are you willing to not look at any publicity going forward, and
10 also a question about following the Court's instructions about
11 that. And then there is a question about one specific pretrial
12 news story, the CBS special.

13 And the government would propose asking a more general
14 question about whether the jurors have seen any pretrial
15 publicity and whether, nonetheless, they can render a fair
16 verdict.

17 THE COURT: You can bring that up at the end.

18 I think, Ms. Sassoon, you might look at question 46.

19 MS. SASSOON: Thank you, your Honor. That addresses
20 the government's question.

21 THE COURT: I'm afraid the jury kept had been told
22 that they were all ready to be sent up, but they weren't. We
23 will recess until they get here.

24 (Jury selection follows under separate cover)
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1 (A jury of 12 and six alternates was duly impaneled
2 and sworn)

3 THE COURT: Okay. Folks, now that you're sworn, I
4 have a few preliminary instructions to facilitate your
5 participation in the trial. I think I said before that your
6 job is going to be to decide the facts—that is to say, come to
7 a conclusion about what, if anything, happened. That's your
8 job. Nobody's going to tell you the answer. As there are
9 conflicts in evidence, nobody is going to tell you who's
10 telling the truth. Things like that are for you to decide.
11 You will then apply the law that I instruct you on, and you're
12 bound to do that.

13 Bear in mind that I run the trial, which means that in
14 the course of it, I'm going to make various rulings; I will say
15 things to the lawyers; I may ask questions of the witnesses. I
16 want you to understand absolutely that under no circumstances
17 should you construe anything that I do or say as having any
18 bearing at all on your evaluation of whether the defendant has
19 been proved guilty or has not been proved guilty. I'm
20 expressing no opinion on the case. I just decide the issues of
21 law, and you do the rest. And so if, as has been known on rare
22 occasions to happen, I seem that I'm getting impatient with a
23 lawyer or something like that, I'm just doing my job, and it
24 doesn't reflect on the lawyer's client or anything like that.
25 It doesn't reflect any views on my part.

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1 The evidence from which you are going to find the
2 facts will consist of the testimony of the witnesses, documents
3 and other things that may come into the record as exhibits, and
4 in certain circumstances facts that the lawyers agree upon, or,
5 to use the jargon with which my profession is afflicted,
6 stipulate to. A stipulation is simply an agreement between the
7 lawyers, and you must accept those agreements, if there are
8 any. I'll instruct you in more detail if that happens.

9 Some things are not evidence, and they're not to be
10 considered by you, and let me just tick off a list. First of
11 all, statements, arguments, and questions by the lawyers are
12 not evidence. Lawyers object to evidence all the time. They
13 have a job to do. Their job includes objecting to evidence
14 when they think it shouldn't be offered or considered by you.
15 You shouldn't be influenced by the fact that lawyers make
16 objections. I will rule on them. If I let the evidence in,
17 you'll consider it like any other evidence. If I don't let the
18 evidence in, you'll just ignore it entirely, you'll ignore the
19 question entirely, and you won't speculate about what the
20 answer might have been if I had let the witness answer the
21 question.

22 There are occasions when a piece of evidence comes in
23 because an objection is not voiced quickly enough or something
24 like that and I then tell you to strike it or disregard it.
25 When I do that, you must disregard it, disregard whatever came

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1 in.

2 There will be occasions in all likelihood in this case
3 where I will instruct you that a particular piece of evidence
4 may be considered for a certain purpose but not for others, and
5 if I do that, you must follow that instruction. That will
6 become clearer to you as we roll along here.

7 As I'm sure you understand by now, nothing that you
8 may have seen or heard outside the courtroom or may hereafter
9 hear or see outside the courtroom is evidence. You must
10 disregard it and put it entirely out of your mind. I remind
11 you you're not to do any research or allow yourself to be
12 exposed to any conversation or reporting or anything else like
13 that about the case.

14 You're not to tweet or make Instagram posts or
15 anything else about the case. And I'm just not making these
16 up. These things have all happened, and it's nothing but
17 aggravation, and it just eats up time when things like that
18 happen. You are to decide the case based solely on what
19 happens in the courtroom.

20 You've probably all heard the terms "direct evidence"
21 and "circumstantial evidence." I'll explain all that in more
22 detail at the end of the case. The one thing I want you to
23 understand is what they mean, and the punchline, so to speak.
24 Direct evidence is something that either you observed in the
25 evidence, like what does a document say. You can read it.

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1 It's direct evidence of what the document says. Or something a
2 witness tells you as the witness perceived it with the
3 witness's own senses, and is now here telling you: I
4 personally saw it and this is what happened. Circumstantial
5 evidence relates generally to the process of reasoning from
6 something you can observe to a conclusion about something that
7 is either not clear to you or that you can't observe. I'll
8 give you the famous examples that are always used in this court
9 at the end of the case, but just bear in mind that whatever you
10 may have heard on TV, the law considers direct and
11 circumstantial evidence to be the same. It just requires that
12 your verdict be a product of your reasoned and impartial
13 consideration of all the evidence, whether it's direct or
14 circumstantial.

15 Obviously part of what you're going to do in deciding
16 the facts is deciding which witnesses you believe or how much
17 of what a witness testified to you believe, and bear in mind
18 that that refers not only to matters as to whether you think a
19 witness is consciously lying to you but also to matters such
20 as, well, did the witness really have an opportunity to know
21 that; is the witness telling you something that he now believes
22 because he's talked himself into it and would like to believe
23 it. Things like that. Credibility of witnesses is a nuanced
24 thing sometimes. And I just want you to understand that a lot
25 goes into making those nuanced evaluations. And of course once

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1 in a while it's clear as a bell. You see somebody gets on the
2 witness stand and your sense of it, for all sorts of reasons,
3 may be, this is a made-up story. That happens. But that
4 doesn't happen all the time. And juries all the time make
5 judgments about what you think is credible and what you think
6 isn't credible for reasons well short of that, even with
7 respect to things that people tell you in subjective good
8 faith, they think they're telling an accurate story, but you
9 think otherwise. That's your job. And I'm not going to give
10 you any answers about that at the end of the case.

11 Now of course I told you basic rules about criminal
12 cases at the beginning. Just to remind you, the defendant is
13 innocent unless and until proven guilty to the unanimous
14 judgment of all 12 jurors.

15 The burden of proof is always on the government. The
16 defendant has no burden to prove innocence, no burden to
17 produce any evidence, no burden to testify or obligation to
18 testify. The defendant has an absolute right to remain silent,
19 and if that's what happens in this case, you may not consider
20 his silence against him in any way.

21 I'll talk to you about what "proof beyond a reasonable
22 doubt" means at the end of the case. Just bear in mind that
23 the burden of proof in a civil case—for example, who gets to
24 pay the damages for a bumper dent—is much lower. Proof beyond
25 a reasonable doubt is a high burden, and it's intended to be a

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1 high burden because people's lives are at stake. I don't mean
2 in the literal sense of the death penalty, but important things
3 about their lives are at stake in criminal cases.

4 I'm going to say a few words about the charges, but
5 not too much, because I'm going to talk to you at great length
6 at the end, and I'll try to make it not so great length.

7 You know what the case is about generally. There are
8 seven counts in the indictment. And I want you to understand
9 that the indictment is a piece of paper that contains the
10 charges against the defendant. The fact that there is an
11 indictment is not evidence. The indictment is not evidence.
12 It is an accusation, and it's going to be your job to decide
13 whether it's been proven beyond a reasonable doubt or not.

14 There are seven accusations.

15 Counts One and Three—and you don't have to remember
16 this now because you'll get it all later again—charge the
17 defendant with committing the crime of wire fraud. They
18 allege, generally, that he engaged in a scheme to defraud
19 customers of FTX—that's Count One—and a scheme to defraud
20 lenders to Alameda Research. That's Count Three.

21 Counts Two and Four charge the defendant with two
22 different crimes of conspiracy. In the case of Count Two, it's
23 a conspiracy to commit wire fraud, and to defraud customers of
24 FTX; and in the case of Count Four, it's to defraud lenders to
25 Alameda.

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1 Count Five is another conspiracy charge. It's a
2 charge of conspiracy to commit securities fraud, and it
3 alleges, very generally speaking, that the defendant and at
4 least one other person agreed to defraud investors in FTX in
5 connection with this alleged conspiracy.

6 Count Six is another conspiracy count. That one is to
7 commit commodities fraud on customers of FTX.

8 And finally, Count Seven charges a fifth conspiracy,
9 and that is a conspiracy to commit money laundering, and it
10 alleges that the defendant and others agreed to violate either
11 of two federal statutes, which I'll explain to you later on.

12 The defendant, just to make absolutely clear, denies
13 all these charges. He's presumed innocent, as I said before,
14 unless the government convinces the jury unanimously to the
15 contrary, and beyond a reasonable doubt. You do have to
16 consider each of the seven charges separately.

17 Now I just want to give you a couple of points that
18 you should bear in mind about what the law is, and principally
19 about the law of conspiracy as distinguished from the law of
20 wire fraud. The essence of the crime of conspiracy is an
21 agreement or an understanding between or among two or more
22 people to accomplish one or more unlawful objectives. The
23 agreement that constitutes an element of conspiracy can be
24 explicit, such as if two people sat down around the dining room
25 table and agreed that they're going to do some horrible thing,

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1 or it may be implicit; that is, it can be simply a matter of an
2 understanding among the people involved that they're going to
3 work toward some unlawful objective. And the existence of an
4 implicit agreement is something that can be inferred from all
5 the evidence in a case.

6 I always use a concrete example to illustrate this
7 point. If two guys sit down together and say, Let's rob the
8 Chase Manhattan Bank on the corner, and they agree, and one of
9 them gets a bag to carry loot out of the bank, the crime of
10 conspiracy to commit bank robbery is committed by what I have
11 just described to you, and that's true even if nobody ever robs
12 the bank. If they rob the bank, that is a substantive crime of
13 bank robbery, and if that happens, the defendant can be found
14 guilty both of conspiring to rob the bank and of robbing the
15 bank.

16 Just to complete the circle, if one guy decides to rob
17 a bank and then goes and does it and there's no second person
18 involved, there's no conspiracy but there's a bank robbery,
19 substantive crime of bank robbery. That's the law of
20 conspiracy as opposed to substantive crimes, and we have here
21 two substantive crimes charged, mail fraud, and five
22 conspiracies with different objectives, which I'll explain
23 later on.

24 What's wire fraud? Real simple. In order to prove a
25 case of wire fraud, the government has to prove that there was

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1 a scheme to defraud a victim or more than one victim of money
2 or property by false or fraudulent pretenses. The defendant
3 has to have participated in the scheme, and somebody, not
4 necessarily the defendant, foreseeably has to have used
5 interstate or foreign wires. What is that? Email, telephone,
6 cellphones, a lot more things, in this electronic world.

7 That's the elements of mail fraud, briefly stated.

8 Now I tell you, I'm going to explain this all in much
9 more detail later, and the takeaway for right now is: This is
10 a brief summary. To whatever extent at the end of the case my
11 instructions are more complete or even different, those are the
12 instructions you apply in deciding the case, and if they're
13 different from what I've said now—I doubt they will be but if
14 they are—it's those final instructions you apply, not this
15 quick summary, which I'm only giving you so you have some idea
16 of why people are putting in proof on different points.

17 The last thing I want to talk to you about is your
18 conduct as jurors, which I've pretty much covered, but I'll run
19 through it quickly, and how the trial will work.

20 I don't have to repeat what I've said about not
21 discussing the case or reading anything about the case, or
22 doing any research on the case. If anybody approaches you and
23 tries to talk to you about the case, turn it off and tell Andy.

24 I told you all about not doing any research. You
25 understand where we are on that.

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1 Try to keep an open mind till the end of the trial.
2 Evidence does not come in at trials the way you would tell a
3 bedtime story to your kids, with a logical progression.
4 Lawyers do the best they can to accomplish that, but it's
5 impossible because sometimes you have four or five or six
6 people telling you different parts of the story, no one of
7 which is known to all of them. So sometimes there's not one
8 person who can come and tell you everything that's relevant.
9 So just hang in there and follow it all.

10 You're welcome to take notes during the trial. If you
11 decide to take notes, make sure, if you can, that it doesn't
12 interfere with listening and considering all the evidence.
13 Don't discuss your notes with anybody before deliberations
14 start at the end of the case. Don't take your notes out of the
15 jury room at night. Leave them there. They'll be kept secure.
16 It's your individual obligation to follow the evidence, and I
17 know you're going to do that and do your very best whether or
18 not you're taking notes.

19 Okay. We're starting the trial. Or we've already
20 started, actually, but we're starting the next part, in just a
21 minute, with the opening statements. Opening statements are
22 not evidence. They're not arguments. The way I often think
23 about opening statements is the way I think about trailers at
24 the movies. The lawyers are going to get up and in a sense try
25 to tell you what the movie they plan to present is going to

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1 turn out being. They'll tell you the story and how it's going
2 to come out. And when I see trailers in the movies and then
3 see the movie, sometimes it's just what I expected, and
4 sometimes it doesn't turn out that way. So you'll listen to
5 the opening statements, and it will help you understand why the
6 lawyers are doing what they're doing, but it's going to be your
7 job to decide whether the presentations they make actually are
8 consistent or not consistent with the proof at the end.

9 The government will go first. The defendant has the
10 right but not the obligation to make an opening statement. The
11 government then will call its witnesses. The defense has the
12 right to cross-examine the government witnesses. When the
13 government is all done, when they rest their case, as the
14 language goes, the defendant may, if he wishes, present
15 evidence. He may elect not to do that. We'll see. If the
16 defense calls witnesses, the government gets to cross-examine
17 them. When the evidence is all in, the government has the
18 right, although not the obligation, to make a rebuttal
19 presentation, which may involve witnesses. And then we'll go
20 to closing arguments, where the lawyers will argue what they
21 think you should find they proved and why. And then I'll
22 instruct you on the law, and then you will deliberate.

23 One thing you should be aware of is that before the
24 lawyers give their closing statements, their closing arguments,
25 I have to meet with the lawyers and inform them of what my

1 instructions are going to be and hear any objections they may
2 have and resolve those objections. The likelihood in a trial
3 of this duration is that you won't ever know that that's going
4 on. But depending on how the timing works right at the end,
5 there may come a point where we may have a recess for an hour
6 or two while the lawyers and I flesh out some point of law and
7 so that they can sum up, and we'll do our best to avoid having
8 to do that.

9 We will likewise do our best to avoid too many
10 sidebars—you've seen quite enough of those already in the
11 course of jury selection—and to resolve matters affecting the
12 flow of the trial at the end of the day or over the lunch hour,
13 but we're very conscious of your time. Believe me, we all are.

14 So there we are. And we will now hear the opening
15 statement for the government.

16 And Andy, we have sworn the jury, right?

17 THE DEPUTY CLERK: We have.

18 THE COURT: We have. Thank you.

19 Okay. Mr. Rehn for the government.

20 MR. REHN: One year ago, it looked like Sam
21 Bankman-Fried was on top of the world. He ran a huge company
22 called FTX. He lived in a \$30 million apartment in the
23 Bahamas. He jetted around the world on private planes. He
24 hung out with celebrities like Tom Brady and politicians like
25 Bill Clinton. His face was on magazine covers. He had wealth,

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Opening - Mr. Rehn

1 he had power, he had influence. But all of that, all of it,
2 was built on lies. Behind the curtain, Sam Bankman-Fried was
3 not who he appeared to be. He was using his company, FTX, to
4 commit fraud on a massive scale. And the money he was spending
5 to build his empire, it was money he was stealing from FTX's
6 customers. He was committing a massive fraud and taking
7 billions of dollars from thousands of victims. Let me say that
8 again. Sam Bankman-Fried, the defendant, was committing a
9 massive fraud and taking billions of dollars from thousands of
10 victims.

11 You see, the defendant had started a company called
12 FTX, which was a cryptocurrency exchange. That means that
13 customers of FTX could deposit money with the company and use
14 it to trade with each other.

15 (Continued on next page)

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1 MR. REHN: But while the defendant told his customers
2 that they could deposit their money with FTX and FTX would keep
3 it safe for them, in reality, he was taking those customer
4 deposits and spending them for himself. He spent the money on
5 lavish houses for himself, his parents, and his friends. He
6 spent it so he could get introduced to celebrities. He spent
7 millions more on political donations to gain influence in
8 Washington. He poured money, other people's money, into his
9 own investments to try to make himself even richer.

10 But about a year ago the truth started to come out.
11 Customers tried to get their money back, the money they had
12 been told FTX was holding for them. But that money, the
13 customers' money, was gone. The defendant had taken it.

14 FTX collapsed and its customers were left with
15 billions of dollars in losses. That's why we are here today.
16 Because when the defendant wanted money he didn't have, he
17 committed fraud. He took other people's money. He spent that
18 money in all sorts of ways on himself, and he lied about it.
19 We are here today to hold the defendant accountable for his
20 crimes.

21 This morning I am going to talk about what we expect
22 you will see in this trial. First, I'll tell you what we
23 expect the evidence will show, and then I'll tell you about the
24 types of evidence that you will see at this trial.

25 First, let me tell you what the evidence will show the

1 defendant did. The defendant was the founder and chief
2 executive officer of FTX, a cryptocurrency exchange that he
3 created in 2019. Now, at this trial you will learn all about
4 how cryptocurrency exchange works.

5 For now, understand that FTX was a website where
6 people could buy and sell cryptocurrency from each other. It's
7 not a bank. An exchange is a marketplace that matches buyers
8 and sellers. An exchange is supposed to make money by taking a
9 fee from each trade, not by borrowing or spending customer
10 money. Customers could go to the FTX website or use an FTX app
11 on their phones to buy and sell cryptocurrency.

12 And cryptocurrency is just a kind of money that exists
13 on the Internet and is sometimes called crypto. You can buy
14 crypto through a cryptocurrency exchange, and then you can
15 either spend that crypto or hold onto it as an investment,
16 hoping the price will go up. You may have heard of Bitcoin.
17 That's one example of cryptocurrency. And there are others as
18 well.

19 But to buy and sell crypto, using the FTX exchange,
20 customers needed to have money in their accounts. So FTX
21 customers had to first deposit money with FTX to set up their
22 accounts. They might send dollars from their bank accounts or
23 they might send cryptocurrency that they had already bought
24 somewhere else.

25 How did the defendant convince people to trust FTX

1 with their money? Well, the defendant assured customers that
2 FTX was holding the money for them and that they would be able
3 to withdraw the money whenever they wanted. He went to
4 Washington, D.C., and he told Congress and the whole world that
5 FTX had controls in place to protect customer money. He also
6 said that FTX would not use customer money for itself. In
7 other words, the defendant promised customers that the money
8 that he put into FTX was still their money. It was not FTX's
9 money. And the defendant set up the FTX website and the app to
10 lie to customers. If you were a customer, you could open the
11 FTX app and this is what it looked like. It would tell you how
12 much money you had in your account, tell you that it was there
13 for you and that it was available to you to withdraw at any
14 time.

15 And the defendant put this same promise in FTX's terms
16 of service, which told customers how the company would treat
17 their money. Those terms of service told customers that their
18 crypto belonged to them and not to FTX, that the customers
19 could withdraw the money whenever they wanted and that FTX
20 would not use the customers' money.

21 In addition to the website, the defendant put
22 commercials on TV and the Internet, like this one, saying that
23 FTX was the most trusted way to buy and sell Bitcoin. That's
24 right. FTX's advertising slogan was about how customers could
25 trust it. And the defendant went on Twitter and claimed that

1 he was keeping customer money safe.

2 He said, and this is a quote from just one of his
3 tweets, that FTX had a long history of safeguarding client
4 assets, and that remains true today. But that wasn't true.
5 You will learn that this tweet and all of the defendant's other
6 statements about keeping customer money safe were lies. You
7 will learn that the defendant knew these were lies. He knew
8 his company didn't keep customer money safe.

9 Why? Because he was the one taking their money. When
10 customers deposited dollars with FTX, he stole that money. And
11 when customers deposited crypto with FTX, he stole that too.

12 Now I will explain just how he did that. The
13 defendant used a second company, a smaller and more secretive
14 company that he owned and controlled. That company was called
15 Alameda Research. You can see here that the defendant owned
16 both FTX and Alameda. They were both his companies. Before
17 the defendant had started FTX, he had started Alameda. Alameda
18 was a company that bought and sold crypto. It made some money,
19 but it also suffered some losses, and he wanted to be more
20 successful and to make even more money, so he started FTX. He
21 named a trader at Alameda, who was also his on-and-off
22 girlfriend, to be the CEO of Alameda. But he was using her as
23 a front. In reality, he was still calling the shots at
24 Alameda, and he came up with a scheme to take money from FTX
25 and give it to Alameda.

1 When the defendant created FTX, he set FTX up so that
2 Alameda had secret access to FTX customer money, and with that
3 access came the ability to take customer money. And once
4 Alameda had the money, then the defendant walked out the door
5 with it and spent it as he pleased.

6 So how did the defendant give himself the secret
7 ability to send FTX customer money straight to his other
8 company, Alameda? There were two ways. First, as I mentioned,
9 customers sometimes deposited dollars onto FTX to trade crypto.
10 When customers sent dollars to FTX, the company would tell them
11 that the money was in their accounts at FTX. You saw the app
12 earlier. They could go onto the FTX website or go on the app
13 and see how much money supposedly sat in their FTX accounts.
14 This was what the customer saw. This is what they were told
15 was happening with their money. But the defendant was keeping
16 his customers in the dark about what is really happening.

17 In fact, the money never actually made it to FTX.
18 Instead, the defendant opened a bank account that was under the
19 control of Alameda, his other company. He put the information
20 for that Alameda bank account on FTX's website as the place
21 where customers should send their money. So when customers
22 thought their money was going to the exchange, they were
23 actually sending their money right into the defendant's pocket.
24 You will hear that the defendant even lied to a bank to set up
25 an Alameda bank account that he used for this. Then the

1 defendant told customers that the money was on FTX and in their
2 accounts.

3 But that was all a lie. The website told them that
4 they had money in their FTX accounts, but the defendant had the
5 money in Alameda bank accounts that he controlled where he
6 could spend it whenever he wanted, and he didn't hold it in
7 those Alameda bank accounts. He did spend it. You will learn
8 that the defendant took billions of dollars in FTX customer
9 deposits from those Alameda bank accounts and he spent it, and
10 the customers had no way to know that their money was being
11 used in this way.

12 Now, here is the second way that the defendant sent
13 customer money to Alameda for his own spending. The second way
14 involved the defendant taking customers' crypto. When
15 customers transferred crypto, they already had to FTX, it went
16 to an account that FTX controlled.

17 You will learn that accounts that hold crypto are
18 called digital wallets. And, again, this is what it looked
19 like to customers. The customers could look into FTX and they
20 were told that the crypto was there in their accounts. But,
21 again, the defendant was keeping his customers in the dark
22 about what was really happening.

23 The defendant set up FTX with a secret special
24 privilege for Alameda, again, his other company. He gave
25 Alameda the ability to secretly withdraw as much of the FTX

1 customers' crypto as Alameda wanted. The defendant made sure
2 that Alameda's special access to customer money was written
3 right into FTX's computer code. It allowed the defendant to
4 use Alameda to make unlimited withdrawals and spend unlimited
5 amounts of money, and that is just what the defendant did.

6 Using Alameda, the defendant withdrew billions of
7 dollars worth of customer crypto out of the FTX digital wallet
8 and into Alameda's digital wallet that he owned and controlled.
9 Again, as you can see here, customers were told that the crypto
10 was there for them in FTX, but that was a lie. The defendant
11 had taken that crypto out through Alameda and spent it. And in
12 these two ways the defendant used Alameda to take both dollars
13 and crypto from FTX customers. All that was left in FTX was
14 what amounted to an IOU from Alameda.

15 Now, you will hear that the defendant didn't steal all
16 the customer money from the beginning. He started by taking
17 some of the money from the bank accounts and some of the money
18 from the FTX digital wallets, and for a while customers were
19 able to make withdrawals from their accounts because he left
20 some money in FTX and more and more customers were joining FTX,
21 and they had no reason to suspect that the defendant was
22 pulling some of their money out whenever he wanted to.

23 You will also hear that FTX had various programs for
24 its customers. For example, customers could choose to lend out
25 their crypto to other customers on FTX. But that's not what

1 happened when the defendant took money. You will learn that
2 the defendant took money secretly, that he took money from
3 customers who never agreed to that and who had no way of
4 knowing that he was taking their money. He took it from
5 customers who were told that FTX would hold their money for
6 them and would not use it. The billions of dollars that he
7 took for his own investments, for real estate, for his
8 political donations, he took it from people without their
9 consent or approval and after lying to them that he would keep
10 their money safe.

11 And, as time went by, the defendant used Alameda to
12 pull more and more customer money out of FTX, and the money the
13 defendant stole really started to add up. By the summer of
14 2022, the defendant had used Alameda to take more than \$10
15 billion of customer money out of FTX, \$10 billion stolen from
16 thousands of customers.

17 That's not all. The defendant didn't just defraud his
18 customers. You will also hear that the defendant defrauded
19 other people as well. He sold millions of dollars worth of
20 stock in FTX to investors by lying to them about how the
21 business worked and the money he was stealing, and he used
22 Alameda to borrow millions of dollars from lenders, and he lied
23 to those lenders by sending them false documents. Just like
24 the fraud on his customers, the defendant lied to get money
25 from his investors, and he lied to get money from his lenders.

1 That's how the defendant took money from other people, based on
2 lies and misrepresentations.

3 During this trial you will also hear about how the
4 defendant spent the money that he got through his fraud. He
5 took a lot of the money and put it into investments through
6 Alameda to try to make himself even richer. He took millions
7 more and spent it on political donations so he could get
8 influence in Washington to help his businesses. He bought
9 beachfront property in the Bahamas. And to boost his public
10 image, he gave stolen customer money to a nonprofit
11 organization that his brother controlled.

12 You will also learn that the defendant tried to hide
13 how he was spending this stolen money. He sent it through
14 various bank accounts to conceal where it came from. He gave
15 some money to his friends and had them make political donations
16 in their own names, even though the money came from the
17 defendant.

18 In May and June of 2022, the defendant's schemes
19 started to fall apart. At his direction, Alameda had made a
20 bunch of risky investments in crypto and a lot of those
21 investments were losing money. That meant that Alameda didn't
22 have enough money to pay its bills. But the defendant didn't
23 come clean. Instead, he doubled down. The defendant pulled
24 even more customer money out of FTX to pay off Alameda's loans,
25 more than he ever had before, and to cover up his fraud he

1 directed the creation of false financial statements for Alameda
2 and he lied some more.

3 Within days of stealing billions of dollars of
4 customer money to cover Alameda's debts, he testified to
5 Congress again that FTX wasn't using customer money. A few
6 days later he tweeted that protecting customer money was his
7 top priority. The defendant lied to the world, and he kept the
8 truth about what he was doing with customer money a secret. It
9 was a secret that he only shared with a few members of his
10 inner circle, his girlfriend and some of his closest friends,
11 the people who were helping him commit these crimes.

12 In September 2022, the defendant talked with his inner
13 circle about how deep the hole had gotten at FTX, how many
14 billions of dollars the defendant had taken, and how customers
15 could never be repaid. But the defendant kept lying. He kept
16 encouraging customers to deposit more money with FTX, and he
17 kept trying to get more money from investors and lenders.

18 But the defendant couldn't hide the truth forever.
19 You will hear that, in November 2022, some of Alameda's
20 financial information was leaked and published online. People
21 started to realize that the defendant's companies were house of
22 cards and customers began asking to withdraw their money from
23 FTX. Remember, this was the money that FTX had told its
24 customers was being kept safe for them, but FTX did not have
25 the money to pay the customers back. It didn't have the money

1 because the defendant had stolen billions in customer money and
2 spent it.

3 What did the defendant do? He lied some more. He
4 went on Twitter and said his customers' money was safe. He
5 tweeted, and this is a quote from November, FTX is fine.
6 Assets are fine. That was a lie. He said that he had never
7 invested customer money in anything. "We don't invest client
8 assets, even in treasuries." That was a lie. He had taken
9 customer money and sent it to Alameda and then spent it. Where
10 FTX was supposed to have enough money for customers to withdraw
11 their money, now it just had a huge hole, a hole that was
12 billions of dollars deep.

13 Now, you will hear that the defendant knew all along
14 that his schemes might be exposed. It planned for it. He had
15 orchestrated a coverup in advance. You will see how he took
16 steps to cover his tracks, to hide his crimes, how he acted
17 like he was no longer in charge of Alameda when the opposite
18 was true, how he backdated contracts to mislead outsiders about
19 how the company worked, about how he insisted that his
20 employees communicate over an encrypted messaging app, and also
21 demanded that they set their messages to auto delete after 30
22 days. He didn't want a paper trail for his crimes.

23 In fact, the defendant also lied to FTX's employees,
24 and he used them as a front to make his business appear more
25 legitimate. Only his small inner circle knew the truth, that

1 he was taking customer money.

2 In the end, the hole that the defendant had created at
3 FTX was too big. Once customers started asking for their money
4 back, the whole thing came crashing down. Those customers were
5 left with billions of dollars in losses, and his investors and
6 lenders were left with nothing.

7 You will learn that even after his company collapsed,
8 the defendant tried to cover up his crimes. He tried to
9 confuse the issue by pointing to parts of FTX's terms of
10 service that had nothing to do with the way he took customer
11 money, and by claiming that the customer's losses were caused
12 by a downturn in the crypto markets. But you will see that
13 those excuses were false and that the truth was that the
14 defendant had committed fraud on his customers and taken their
15 money.

16 That is what the evidence at this trial will show.
17 The defendant lied to his customers, and he took the money that
18 they had entrusted to him. He also lied to his investors and
19 to his lenders, and he spent other people's money for himself,
20 and then he lied to try and avoid being caught.

21 Now, what will the evidence be in this case? First,
22 you will see documents. The defendant wasn't able to delete
23 everything. You will see documents he hopes to keep secret.
24 You will see internal company files that document the money
25 that he took and the ways in which he tried to cover it up.

1 You will see how customers were told they had money in their
2 accounts as if it was sitting right there.

3 And you will see and hear the defendant's own words.
4 You will see the ways he made his customers believe that their
5 money was safe and secure when they deposited it with FTX, even
6 while he was secretly taking the money and spending it. You
7 will read parts of his testimony before Congress.

8 And those tweets I told you about, the ones where he
9 told his customers their assets were fine, the defendant tried
10 to delete those tweets, but you will see them here at this
11 trial. You will also see the documents that the defendant gave
12 to his investors and the financial statements he sent to his
13 lenders and the lies they contain.

14 You will hear live testimony from witnesses. You will
15 hear from some of the defendant's victims. You will hear from
16 customers who put money into FTX, who trusted the defendant's
17 company with their money and believed the money would be kept
18 safe and available to withdraw. And you will hear from
19 investors who trusted the defendant and bought stock in FTX
20 after hearing the defendant's lies.

21 You will also hear directly from the members of the
22 defendant's inner circle, including his close friends who were
23 his most trusted employees at FTX and who knew about and helped
24 the defendant commit the fraud. They will give you an
25 insider's view of how the defendant's crimes occurred. They

1 will tell you about how the defendant told them to create the
2 secret access that Alameda had that let it take customer money
3 out of FTX. They knew this meant that the defendant was taking
4 customer money, but they agreed to do it anyway. They will
5 tell you how they helped the defendant commit the fraud and
6 helped him keep it a secret.

7 One of the members of the defendant's inner circle was
8 his girlfriend who he put in charge of Alameda. She will tell
9 you about how she and the defendant stole the money that
10 customers entrusted to FTX and used it to make investments
11 through Alameda. She will testify that she and the defendant
12 took customer money again and again to spend it and invest it
13 through Alameda.

14 Make no mistake about it, these witnesses have
15 committed crimes, and they have accepted responsibility for
16 their conduct, pled guilty, and agreed to testify in the hope
17 of receiving a shorter sentence. So you should scrutinize
18 their testimony carefully, ask yourself whether it is
19 consistent with the documents and other testimony in this case.
20 When you do that, you will see that what these witnesses say
21 makes sense and is backed up by the other evidence in the case.

22 Now, the evidence is not going to come in all at once.
23 You will see it witness by witness, document by document, one
24 piece at a time. But by the end of this trial, after you have
25 heard the testimony and you have seen the evidence, you will

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Opening - Mr. Cohen

1 see the full picture. This man stole billions of dollars from
2 thousands of people. He defrauded sophisticated investors and
3 lenders, and he emptied the accounts of ordinary customers too.
4 He bought himself wealth, power, and influence.

5 At the end of this trial you will know how he
6 committed this fraud and you will have seen the evidence that
7 holds him to account. And you will see that there is only one
8 verdict consistent with the evidence in this case and with your
9 common sense, that the defendant, Sam Bankman-Fried, is guilty.

10 THE COURT: Thank you, Mr. Rehn.

11 Mr. Cohen.

12 MR. COHEN: Thank you, your Honor.

13 THE COURT: You may proceed.

14 MR. COHEN: Thank you, your Honor.

15 Good morning, ladies and gentlemen. Really, good
16 afternoon.

17 I'm Mark Cohen, and I'll be presenting the case, the
18 defense on behalf of Mr. Bankman-Fried, along with my
19 colleague, Mr. Everdell. We are privileged to do so. We are
20 grateful to you for your service. As the evidence comes in
21 before you in this case, we ask you to consider it based on
22 your real-world experience. We submit that when you do that,
23 you will see that it tells a very different story than the
24 government claimed in its opening statement.

25 How shall we answer these allegations? Let's start

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Opening - Mr. Cohen

1 with the basics. Sam didn't defraud anyone. Sam didn't intend
2 to defraud anyone. Sam acted in good faith in trying to build
3 and run FTX and Alameda.

4 You know, in its opening statement the government used
5 the phrase over and over again that Sam committed theft, that
6 he stole funds. They claim that, under Sam, FTX stole funds
7 from its customers and improperly loaned them to Alameda. But
8 there was no theft.

9 Rather, you will learn that Sam believed, reasonably
10 believed, that loans that FTX made to Alameda were permitted
11 and backed by reasonable security and collateral. And far from
12 being secret, they were open and known within both companies.
13 As well, Sam believed that the loan funds were not spirited
14 away but remained in investments, and Sam did not steal from
15 anyone. He did not intend to steal from anyone.

16 Now, I am not going to address every single point in
17 the government's opening statement or talk about every piece of
18 evidence you will see over these many weeks. That's not the
19 purpose of this opening statement. Rather, the purpose is to
20 give you, members of the jury, a context for what really
21 happened at the time and suggest ways for you to think about
22 the evidence as it comes in before you.

23 So what will the evidence show about what really
24 happened? This case is in many ways about the crypto world
25 from 2017 to 2022. You will learn that crypto was not for

1 everyone. On the one hand, it was new and exciting. Now
2 people could use a currency like Bitcoin to buy and sell
3 things. They could trade in Bitcoin and other
4 cryptocurrencies, buy and sell it, but, on the other hand, many
5 factors that nobody controlled could make crypto go up or down
6 in value.

7 So two crypto companies themselves could rise and fall
8 very quickly. Sam entered this world in 2017. In the
9 government's opening they'd have you think he was quite the
10 villain or, more precisely, almost a cartoon of a villain.
11 Think of the photo they chose to show you of him. You will see
12 many other photos like that.

13 But the evidence will give you a very different
14 context. The evidence will show that Sam was someone who
15 worked very hard to try and build things, not harm them. He
16 was a math nerd who didn't drink or party. He went to college
17 at NYT. He worked for a few years for a traditional trading
18 firm on Wall Street, and then, in 2017, he got into the new
19 world of trading, in crypto, by founding Alameda.

20 Brian, could we get the next slide, please.

21 What was Alameda? The government made it sound like
22 it was this dark secret company, that it only existed to accept
23 transfers from Sam in the dark of night. But that's not true
24 at all. You will learn that Alameda was a trading firm called
25 a hedge fund and it traded in cryptocurrency, so it was called

1 a crypto hedge fund. And over time Alameda grew to more than
2 30 employees, traders, computer developers, and settlements
3 people who handled the details of the trades. Alameda became
4 successful in a short period of time. It ultimately traded in
5 hundreds of millions of dollars and earned billions in profits.
6 And along the way, to build the business, Alameda raised funds
7 by borrowing from lenders who specialized in crypto and wanted
8 to be involved because they believed in crypto and they thought
9 Alameda was a new and exciting company. There is nothing wrong
10 with that. After all, that was the lender's business.

11 In 2019, based on the success, Sam founded FTX, which
12 was a foreign company. FTX was a crypto exchange. Now, an
13 exchange sits between buyers and sellers and let's them make
14 transactions from each other. The New York Stock Exchange,
15 just a few blocks south of here, is one of the most famous
16 exchanges. At the time there were already a lot of crypto
17 exchanges out there. As it grew, FTX tried to stand out and be
18 different, to be more innovative.

19 Many people have heard of Bitcoin, but, as it turns
20 out, you will learn there were thousands of cryptocurrencies.
21 So FTX offered its customers the ability to trade in many of
22 them. It provided other innovations as well.

23 As you see on the slide, one thing it offered its
24 customers was the ability to take something called margin
25 loans, which you will hear about in this case. What is a

1 margin loan? Well, at a high level, it's a loan that an
2 exchange makes to a customer where the customer puts up
3 collateral, and FTX every customer who wanted to take a margin
4 loan also agreed that under certain circumstances his or her
5 collateral could be used to cover the losses of other customers
6 who also had margin accounts.

7 Brian, the next slide.

8 No need to study this now, but this is a section of
9 the terms of service of FTX that relates to margin trading and
10 what I just talked about. Again, there was nothing wrong with
11 margin trading or margin loans, nothing wrong with this. From
12 a business point of view, the issue was whether the customer
13 taking the margin loan had sufficient security or collateral
14 for that loan.

15 Now, FTX grew rapidly in just a period of a few years,
16 but it was a start-up company too. You know there is an
17 expression about startup companies that you all may have heard.
18 Working on a startup or at a startup is like building a plane
19 as you are flying it.

20 You will learn that happened here as well. Sam and
21 his colleagues were building the plane as they were flying it.
22 They had to figure out how to navigate a world where they were
23 running FTX, building out its systems, dealing with hacking
24 threats, managing the credit risk of their customers, managing
25 hundreds of employees, all while building up their actual

1 exchange.

2 You will learn that, as FTX grew, it hired more and
3 more people to address these matters, ultimately reaching 350
4 employees. To listen to the government's opening, there were
5 no employees. It was Sam doing everything by himself. That
6 wasn't true. No one person, no CEO, certainly not Sam, could
7 be everywhere and do everything, particularly at such a
8 fast-growing, complex business, and they built out a team.

9 Things were happening quickly, very quickly. Sam and
10 others made hundreds of decisions a day. At any given point in
11 time there are dozens of things on his to-do list and on others
12 too, everyone else's too. As a result, some things got
13 overlooked, some things were still in progress, things a more
14 mature company, an older company would have built out over
15 time. But at FTX they were still works in progress, building
16 the plane as you're flying it. For example, you will learn
17 that FTX had not yet built out a fully-developed risk
18 management team. It didn't have a chief risk officer, which
19 became an issue later on, when the storm hit.

20 Even so, in a few years FTX became very successful.
21 This was a very real, innovative, successful company. As you
22 can see on the slide, it had 6 million registered users,
23 handled over 15 billion in trades per day, and over 3 million
24 in revenues per day.

25 As it grew, in order to build the company still

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1 further, FTX sought to raise funds from investors. Nothing
2 wrong with that. FTX would announce an offering to investors,
3 would provide them with standard data and materials, and within
4 days that offer would be sold out because if you wanted to
5 invest in crypto, with all its risks, FTX had huge potential.

6 So it was FTX, the crypto exchange, and there was
7 Alameda, the crypto trading hedge fund. Did they have business
8 relationships with each other? Yes, they did.

9 In its opening the government claimed that from the
10 very beginning these relationships were corrupt and part of a
11 fraud, a dark and secret fraud. But to the contrary, during
12 this trial you will learn that these business relationships
13 were reasonable under the circumstances.

14 Let me just go through them for you quickly.
15 Customer. You will learn that Alameda was one of the many
16 customers of FTX. It had its own account on FTX which was
17 called the Alameda info@ account. Nothing wrong with that. It
18 was open and known. The employees at Alameda could access this
19 account. At FTX many of the company could see this account
20 just as they could see any other customer's account.

21 As I mentioned a moment ago, FTX offered all its
22 customers the ability to take margin loans. As a customer,
23 Alameda signed up for and took margin loans. Alameda was a big
24 customer, so it took big margin loans, but it also posted large
25 amounts of security or collateral. Again, nothing wrong with

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1 that.

2 Market maker. What's that? In order to run an
3 exchange, FTX needed to provide liquidity. If an exchange has
4 more people who want to buy something than sellers who want to
5 sell it, the whole system can freeze up. The way the exchange
6 deals with it is by having companies act as market makers who
7 step in, buy for their own account when there are no other
8 available buyers.

9 When FTX opened, it was starting from scratch. It
10 needed a way to have liquidity for its customers, so Alameda
11 took on the role of market maker. Nothing wrong with it doing
12 so. The hope was that over time the exchange would become
13 successful and it would be able to track other companies to
14 also be market makers and that's what happened.

15 By 2022, Alameda handled less than 5 percent of that
16 activity, and other market makers had stepped in to handle the
17 rest.

18 Payment agent, what's that? Well, back when FTX
19 started in 2019, it didn't have its own bank account to receive
20 dollars, which in the crypto world you will learn are called
21 field. As more and more customers wanted to send in dollars,
22 there needed to be a way to receive them. The idea was this
23 would be short term until FTX could get its own bank accounts,
24 which it later did. FTX would ask customers who wanted to open
25 accounts to send their dollars to an Alameda bank account or an

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1 associated account. From the customer viewpoint they were
2 getting what they requested. They were able to wire dollars
3 from their institutions to Alameda in order to set up their FTX
4 Trading account, and there was no secret that the funds for
5 their FTX account were being wired to an Alameda account.

6 We can look at the next slide, Brian.

7 Here you see just one example, wire instructions from
8 June 24 of 2020. Customer wants to open an account at FTX, is
9 told if he or she wants to do that they have to wire the funds
10 to Silvergate Bank in the name of Alameda. Nothing secret
11 about that.

12 Now, what happened? The funds went into the bank
13 account at Alameda, and they were tracked on a ledger entry at
14 FTX called the fiat@ entry, and we will hear a lot about this
15 fiat@ account. This was tracked in a way similar to if the
16 customer had paid in his or her dollars using PayPal or a
17 credit card. The fiat@ account was open and known. But as we
18 will get to in a moment, due to the lack of a fully built-out
19 risk management function, this fiat@ entry was not tracked and
20 not reconciled as it should have been, which became an issue
21 later on when the storm hit.

22 Now, what can FTX do -- we are not up to that, Brian.
23 Sorry.

24 What could FTX do with the funds that came in, the
25 fiat@, the dollars that came in. You heard from the government

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1 this morning their view that it would it not have been invalid
2 for Sam to believe that they could be loaned out. It would not
3 have been invalid for him to believe in good faith that FTX
4 could do so.

5 But what will the evidence show? Again, the evidence
6 will show that Sam reasonably believed that there were no laws
7 or provisions in the terms of service that prohibited FTX from
8 loaning out these deposits, whether loans went to Alameda or to
9 other customers. And for Sam, as the CEO, from a business
10 perspective, the issue was whether the borrower had sufficient
11 security or collateral to pay back any loans.

12 As you listen to this evidence, think about this. If
13 Sam believed in good faith the funds were permitted to be
14 loaned by FTX to Alameda, then there was nothing wrong with
15 Alameda using them, provided there was sufficient assets for
16 them to be paid back. So given Sam's good-faith belief, how
17 could there be a theft. There wasn't. In short, you will
18 learn that each of these business relationships between FTX and
19 Alameda were in keeping with business practice. They were not
20 set up to create some grand fraudulent scheme.

21 Over time Sam stepped away from the day to day at
22 Alameda because he was running FTX, which was more than a
23 full-time job. In 2021, he gave up his role as CEO of Alameda
24 and turned it over to Caroline Ellison and another person and
25 ultimately to just Ms. Ellison.

1 Did he stay involved? Of course he did. He was still
2 the majority owner of Alameda, still interested in its
3 performance. But he relied on her and he trusted her to act as
4 the CEO and manage the day to day of trading management,
5 preparing financial documents, handling lender relationships,
6 and he stayed involved as owners do.

7 As I mentioned, 2021 ended on a high note for FTX and
8 Alameda, and the crypto world was booming. But you will learn
9 that, based on his overall view of the market, Sam became
10 concerned. What would happen if things changed? What if the
11 price of Bitcoin and other cryptocurrencies that Alameda was
12 invested in were to go down? What if it were to go down a lot?
13 As the majority owner of Alameda, he spoke to Ms. Ellison, the
14 CEO, and he urged her to put on a hedge, something that would
15 protect against such a downturn. She didn't do so at the time,
16 and this also becomes an issue later on, when the storm hit.

17 OK, Brian.

18 That brings us to 2022, in many ways the turning point
19 year in the case. And what happened from May to November? As
20 I mentioned, Sam and the others had been building the plane as
21 they flew it, but now, unknown to them, they were about to fly
22 into the perfect storm.

23 In May, you will learn that a series of market shocks
24 took place. The price of Bitcoin, the leading cryptocurrency,
25 dropped by 70 percent. Further drops were coming, could be

1 coming. The entire crypto world was affected. Many crypto
2 companies suffered great shocks and losses and wound up going
3 out of business.

4 What did this mean for Alameda, the crypto hedge fund?
5 Well, Alameda was a hedge fund that traded in crypto. And if
6 crypto was going down in value, plummeting, that meant Alameda
7 was losing value. Some of the lenders recalled their loans to
8 Alameda, in other words, asked to be paid back.

9 And what happened? Well, you will learn that Sam and
10 Ms. Ellison discussed the situation and Sam didn't say, well,
11 to heck with the lenders, don't pay them, put them off. You
12 will learn that Sam believed in good faith that, consistent
13 with Alameda's business and assets, this could be done. So
14 Alameda paid the lenders back on time, in full. As you listen
15 to that evidence come in, ask yourselves, how can these lenders
16 be victims of fraud when they were paid back this way. They
17 weren't.

18 Now, the government in its opening claimed that Sam
19 also directed the creation of false statements or false
20 documents to be sent to these lenders, and you will learn
21 during this trial that that's not what happened.

22 But staying in this period from May forward, where you
23 see all the price of Bitcoin plummeting, another issue
24 developed. Remember that fiat account I told you about. This
25 was the account set up to receive the bank account set up to

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1 receive -- the account set up to receive dollars back in 2019,
2 when FTX didn't yet have its own bank accounts.

3 Now, FTX had since gotten its own bank accounts and
4 Sam reasonably believed that Alameda had stopped taking
5 deposits from FTX customers. And even though this fiat@
6 account had been in place for three years, it hadn't been dealt
7 with. It should have been from a risk management viewpoint.
8 Again, this was part of the claim that they didn't get built
9 out while they were flying it, but it hadn't.

10 Now this fiat@ account had a large balance in it, 8 to
11 \$10 billion. Alameda had assets, but many of them were not
12 liquid. They couldn't be quickly turned into funds. Now,
13 Alameda owed payments on back to FTX, which would be used to
14 pay FTX's customers if they asked to withdraw the funds.

15 Well, how did Sam react? During this trial we will go
16 through the details with you, but for now we ask you to think
17 about the big picture as you hear the evidence from that
18 period, and it's this. Sam acted in good faith and took
19 reasonable business measures. He reviewed financial documents
20 for both Alameda and FTX and believed they had the assets to
21 weather the storm. Things were tight, much tighter than they
22 had been at the beginning of the year, and tight because
23 earlier in the year Ms. Ellison had not put on the hedges for
24 Alameda, which would have offset some of this.

25 But Sam still believed in good faith that both

1 companies remained good, innovative profitable companies that
2 were dealing with a liquidity crisis that they could get
3 through it. He took reasonable steps in good faith. Among
4 other things, Sam began speaking to outside investors to line
5 up capital if necessary. He always kept nearly all of his own
6 assets in the companies, and now he was willing, if necessary,
7 to give up everything he owned personally in order to make
8 things work.

9 That brings us to November 2022, which you also heard
10 about from the government. In particular, you will hear a lot
11 about the period from November 1 to November 11. No question,
12 a lot happened in those 11 days.

13 As you hear the evidence about this time, consider the
14 following. Things were changing moment to moment, minute to
15 minute. Alameda and FTX came under attack in crypto media.
16 Then the CEO of Binance, the largest crypto exchange and FTX's
17 fierce competitor, put out a tweet attacking Alameda. Because
18 of Alameda's association with FTX, this triggered a run on the
19 bank at FTX. Now, many customers sought to withdraw their
20 funds. Normally, FTX would see around 50 million flowing in
21 and out of the company in a day normally. But now, on November
22 7, it saw billions of dollars of withdrawals in a single day.
23 At the same time, the market fear caused a crash in Alameda's
24 assets. Its value fell dramatically over a 12-hour period.

25 What did this all mean? Well, Alameda had

1 liabilities, but its assets were investments that weren't
2 liquid, which meant that if it had to pay back all of its loans
3 to FTX immediately, it couldn't. In a matter of months, weeks,
4 years, sure, but they wanted to process all the withdrawals --
5 if they wanted to process all the withdrawals of U.S. dollars
6 that week, they couldn't.

7 And, again, what did Sam do? In the face of this
8 liquidity crisis, he didn't run away. He addressed it in good
9 faith and put measures in place to attempt to stabilize the
10 company and repay customers. This was a frenetic time. The
11 plane was going into the very eye of the storm.

12 As you hear the evidence of these days, you must
13 consider what Sam did and said in real time and the context
14 that shows about his state of mind. You will learn that his
15 approach was the opposite of someone who intended to harm.
16 Well, that's certainly a different narrative than you heard
17 from the government, isn't it.

18 As I mentioned, I am not going to go through
19 everything they said in their opening statements, but let me
20 mack a few points about their case. As you listen to their
21 evidence, we ask you to consider this. A lot of their case is
22 what we would call a hindsight case. The approach goes like
23 this. FTX was worth billions and ultimately filed for
24 bankruptcy, alameda was worth billions and went out, people
25 lost money, so Sam must have committed fraud.

1 Of course it's not a crime to be the CEO of a company
2 that later files for bankruptcy. It's not a crime to run a
3 business in good faith that winds up going through a storm.

4 What does the government do? It points to various
5 business practices that were reasonable at the time and says,
6 well, in hindsight, given what we know now about what happened,
7 it must have been part of a fraudulent scheme.

8 I won't go through every example now, but let me just
9 touch on a few. You heard multiple times in the government's
10 opening about the apartments in the Bahamas, the spending on
11 the apartments in the Bahamas. Because that's what a bad guy
12 does, he steals money, goes to the Caribbean and buys
13 apartments. Well, is that what the evidence will show you?

14 Here is what the government didn't say in its opening.
15 FTX bought those apartments, not Sam, and they were bought for
16 FTX employees in order to attract the best and the brightest
17 who worked at places like Google and Facebook to see if they
18 could get them to move to the Bahamas.

19 As to meetings with famous people, television ads,
20 these have also been taken out of context to make Sam look like
21 a bad guy. At the time they were appropriate business and
22 advertising expenses. It's not a crime to try to get Tom Brady
23 to go on ads for your company.

24 The government also referred to loans that Alameda
25 made to Sam and others claiming they proved Sam committed a

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Opening - Mr. Cohen

1 crime. But wait a minute. As I mentioned, Alameda was a
2 private company, it was worth billions, and Sam was the
3 majority owner. He was permitted to take such loans. They
4 went along with what Alameda could do and used them for
5 benefits that would benefit Alameda and FTX and the remaining
6 value for the companies. Nothing wrong with that.

7 What else did the government tell you? We heard
8 multiple times, my hand wasn't keeping up, but at least four or
9 five about special secret privileges in the Alameda code base,
10 special secret privileges.

11 Remember back when FTX started it needed liquidity, so
12 Alameda served as its primary market maker. You will learn
13 that Mr. Wang and Mr. Singh put certain things in the code base
14 to allow Alameda to function as a market maker. Now today they
15 are called special secret privileges. In fact, you will learn
16 that they were done for reasonable purposes at the time related
17 to the market maker role and they were far from secret. Any
18 senior computer developer at FTX could see them.

19 The government also referred to the terms of service,
20 but they failed to tell you that the terms of service didn't
21 apply to the fiat transfers or margin loans we just talked
22 about, and they claimed another bad act that Sam misused auto
23 delete at the company and that was bad. But you will learn
24 that what the company used were forms of communication called
25 Slack and Signal that were used to talk internally and with

1 other companies all over the world and that the approach which
2 was ultimately taken at FTX regarding what to delete and what
3 to keep was reasonable under the circumstances. And there are
4 many more examples like this, but you have the point.

5 Taking something out of context and in hindsight and
6 calling it improper is not proof beyond a reasonable doubt.
7 That's critical because, as Judge Kaplan told you, the
8 government has the burden of proving its case beyond a
9 reasonable doubt. He told you, and he is right, of course,
10 that a criminal case is different, very different, and rightly
11 so. A life is at stake.

12 In a criminal case the government must prove its case
13 beyond a reasonable doubt. These are not just words but the
14 bedrock of our system. What does it mean? It means if the
15 government doesn't prove its case beyond a reasonable doubt,
16 you must find Sam not guilty, period. The government has the
17 burden of proof. It never shifts to the defendant and it's a
18 very heavy burden.

19 We just told you about what really happened at FTX and
20 Alameda and the perfect storm, but in fact we weren't even
21 required to do that. We are not required to ask a single
22 question or offer any evidence at all. And the burden of proof
23 also means that if Sam in good faith made business decisions
24 that didn't work out or ended up poorly or turned out to be
25 mistaken, this is not the stuff of a criminal case.

1 You must also keep the burden of proof in mind when
2 you consider the government's evidence, and there are many gaps
3 and limitations in its case in addition to what I have pointed
4 out.

5 Now, Mr. Rehn mentioned documents and other things,
6 and you will certainly see plenty of those. But, in the end,
7 this case turns on the testimony of the witnesses and three
8 witnesses in particular who we referred to, Ms. Ellison,
9 Mr. Wang, and Mr. Singh. You will evaluate them. You will
10 evaluate all the witnesses for yourself. But let me suggest a
11 way to think about their testimony and other testimony as it
12 comes in before you. Each of them has pleaded guilty to
13 various offenses. It took them a while to get to that. Their
14 own pleas have no bearing to the case, but it is relevant to
15 the context of the testimony.

16 You will learn that they entered into cooperation
17 agreements and, as a result of their pleas, they face
18 potentially very serious consequences unless they cooperate and
19 satisfy those agreements. Let's face it. Here in the real
20 world cooperation means testifying against Sam in a way that
21 supports the government case. It overhangs everything they
22 will say to you. So be careful as you hear from them to think
23 about what they did and said then and what they are saying now.
24 As you hear their testimony, ask yourselves, are they saying
25 that Sam was part of the conversations and they don't really

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1 remember, saying Sam did things that he didn't really do when
2 they are guessing he did. Are they pointing to out-of-context
3 or ambiguous statements that now they are saying led to
4 black-and-white conclusions?

5 Perhaps, most of all, are they spinning things that
6 Sam said and did at the time that were good-faith business
7 decisions that they themselves were fine with and now claiming
8 they were sinister and deceitful and they knew it all along.
9 Ask the same questions when you hear from the other government
10 witnesses as well.

11 In the end, Sam started and built two billion-dollar
12 companies in the span of a few years. They both grew very
13 quickly, maybe too quickly, a little too quickly. Then
14 building a plane as they were flying it. And part of their
15 management was not fully developed. A giant market crash wiped
16 out the crypto sector. FTX survived that.

17 But, in November, a follow-on crash specifically hit
18 FTX and Alameda. Even then Sam took reasonable measures under
19 the circumstances. He didn't steal any money. He invested
20 nearly everything he had in the companies, and when they faced
21 a crisis he was the first to lose and that each point in time
22 he made business decisions that he thought were right when he
23 made them.

24 We will have another opportunity to speak with you in
25 the closing statement. When we do, we will ask you to find

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1 that the government has not met its very heavy burden of proof
2 beyond a reasonable doubt, and we will ask you to find Sam not
3 guilty on all counts. Thank you.

4 THE COURT: Thank you, Mr. Cohen. We will break for
5 lunch until 2:40. See you then.

6 Members of the jury, I am not going to remind you all
7 the time every time you go in and out not to talk about the
8 case.

9 (Jury not present)

10 (Continued on next page)

NA41BAN3

AFTERNOON SESSION

2:43 p.m.

(In open court; jury not present)

THE COURT: Good afternoon, folks. We are still missing a juror at last count, but I gather there's something you wanted to raise with me, so let's try.

MS. SASSOON: Yes, your Honor. Last night the government shared with the defense the exhibits it intends to introduce through its first and second witnesses, and the defense noted that it had some objections to those exhibits, and so we thought we could address them now for efficiency.

THE COURT: There's a binder up here that looks like it's got a couple dozen exhibits in it. So what are we talking about?

MS. SASSOON: We're going to pass to your Honor the binder of exhibits for the witness, Adam Yedidia, which are going to be discussed now.

THE COURT: Okay. So what are we talking about? This one has even more.

MS. SASSOON: The government intends to present this witness with a binder of photographs, and I have a copy of that binder here, which I can share with the Court. Otherwise it's at Tab 1500-1555 of your Honor's binder. These are photographs of the Albany penthouse apartment, and my understanding is that the defense objects to some of these.

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1 THE COURT: To some or all of them, Mr. Everdell?

2 MR. EVERDELL: Well, your Honor, there are two flavors
3 of objections. We'll start with the specific photos.
4 Generally they are cumulative. In our view there's tons of
5 photos in there about the same apartment. I don't know if
6 they're all actually necessary. But let's start with the
7 actual specific objections. There's 1533, 1549, and 1550.
8 I'll tell you the objection after you've taken a look.

9 THE COURT: Yes. So?

10 MR. EVERDELL: So, your Honor, each of those
11 photographs, you can see a large luxury yacht in the
12 photograph. The government has opened on the fact that they
13 intend to show and argue that the defendant spent lavishly on
14 himself with customer funds, and there's no evidence in the
15 record at all that he bought a yacht or anything really
16 expensive like that with any funds, and I think the jury sees
17 photographs—

18 THE COURT: Other than the \$30 million condo, which
19 used to be expensive in New York.

20 MR. EVERDELL: Your Honor, there are obviously a lot
21 of photographs of the condo so we're not objecting to every
22 single one of those, but the ones with the yacht in the
23 background, the jury could assume everyone who had a house in
24 this complex owns a yacht like that, and that's not what the
25 evidence shows and that's I think prejudicial.

NA41BAN3

Julliard - Direct

1 THE COURT: Overruled. Let's get the jury.

2 MS. KUDLA: Your Honor, one point while we wait for
3 the jury to come in. For the introductory witness, there are
4 at least two stipulations. They are in your binder. For
5 Marc-Antoine Julliard. They are Government Exhibit 2000 and
6 Government Exhibit 2001. Based on the length of the
7 stipulations, with the Court's permission, we will offer the
8 stipulation but we will not publish or read it to the jury.

9 THE COURT: Then what's the point of offering it?

10 MS. KUDLA: Your Honor, we just will not publish it
11 for the jury and read it out loud. We can—

12 THE COURT: Look, that's not the point.

13 MS. KUDLA: It authenticates the exhibits that we are
14 going to offer and publish to the jury.

15 THE COURT: All right. You don't have to read them.
16 I mean, I don't think anybody wants you to read them. You'll
17 just offer them and they'll be received, I assume.

18 MS. KUDLA: Thank you, your Honor.

19 THE COURT: Okay.

20 THE DEPUTY CLERK: Okay. Jury entering.

21 (Continued on next page)

22

23

24

25

NA41BAN3

Julliard - Direct

1 (Jury present)

2 THE COURT: Okay. The record will reflect that the
3 defendant and the jurors are all present, as has been the case
4 throughout.

5 The government will call its first witness.

6 MS. KUDLA: Thank you, your Honor. The government
7 calls Marc-Antoine Julliard.

8 THE DEPUTY CLERK: Sir, please come this way.

9 Please step around and remain standing for a moment,
10 and raise your right hand.

11 (Witness sworn)

12 THE DEPUTY CLERK: Thank you. Please be seated.

13 And if you could please state your name and spell your
14 first and last names for the record.

15 THE WITNESS: My name is Marc-Antoine Julliard.

16 THE DEPUTY CLERK: If you could just step back a
17 little bit from the mic. That's perfect.

18 THE WITNESS: M-A-R-C hyphen A-N-T-O-I-N-E. And my
19 last name is Julliard, J-U-L-L-I-A-R-D.

20 THE COURT: You may proceed, Ms. Kudla.

21 MS. KUDLA: Thank you, your Honor.

22 MARC-ANTOINE JULLIARD,

23 called as a witness by the Government,

24 having been duly sworn, testified as follows:
25

NA41BAN3

Julliard - Direct

1 DIRECT EXAMINATION

2 BY MS. KUDLA:

3 Q. Mr. Julliard, where are you from?

4 A. I'm from Paris suburb in France.

5 Q. And did you grow up in France?

6 A. Yes, I have.

7 Q. Do you still live in France?

8 A. I do not.

9 Q. And where do you live now?

10 A. I live in London for the last ten years.

11 Q. Now what do you do for a living in London?

12 A. I work in commodities trading, and I'm specialized as a
13 cocoa broker.

14 Q. Have you ever bought or sold cryptocurrency?

15 A. Yes, I have.

16 Q. And did you ever buy and sell cryptocurrency on FTX.com?

17 A. Yes, I have.

18 Q. Now let's start off: What was FTX?

19 A. A centralized exchange allowing customers of retail or
20 professional investors to accept—access cryptocurrencies
21 trading.

22 Q. So let's break that down. You mentioned a centralized
23 exchange to access cryptocurrency. What is cryptocurrency?

24 A. It's a digital online currency that is not state or not
25 government regulated and that works on a blockchain process.

NA41BAN3

Julliard - Direct

1 Q. So you mentioned state- or government-owned currency. Is
2 there an example of that?

3 A. Yes. We refer to that as fiat currency.

4 Q. And are there different types of cryptocurrency,
5 Mr. Julliard?

6 A. Yes, many of them.

7 Q. Can you provide a few examples to the jury.

8 A. Bitcoin, Ethereum are the main two I would look at.

9 Q. So I want to turn back to FTX for a moment. How did you
10 first learn about FTX?

11 A. Through a friend.

12 Q. Now after hearing about FTX through your friend, did you
13 take any additional steps to learn more about the exchange?

14 A. I went onto Google, researched it online.

15 Q. And before going into what you learned, why did you
16 research FTX?

17 A. I was about to commit significant amounts of money to
18 trading cryptocurrencies, and I wanted to be sure of what I was
19 dealing with, so I wanted to assess the exchange.

20 Q. And you mentioned that you went online. Can you describe
21 the types of online resources you reviewed.

22 A. I went onto the website first; I went onto newswires; I
23 researched many articles on Google and also used—via social
24 media.

25 Q. And what type of social media are some of the examples that

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Julliard - Direct

1 you used?

2 A. I would use Twitter.

3 Q. And with respect to Twitter, did you follow any particular
4 accounts?

5 A. Yes.

6 Q. And which were those?

7 A. I would follow the official account of the exchange FTX,
8 and I would also follow the account of its CEO.

9 Q. And who was the CEO of FTX?

10 A. Sam Bankman-Fried.

11 Q. Now as part of your research, did you ever see any
12 photographs of Mr. Bankman-Fried?

13 A. Yes, plenty online.

14 MS. KUDLA: Can we please show for the witness what's
15 marked for identification as Government Exhibit 1633.

16 Q. Mr. Julliard, who is this?

17 A. The CEO of FTX.

18 Q. And as you previously identified, that is
19 Mr. Bankman-Fried?

20 A. Yes.

21 MS. KUDLA: The government offers Government
22 Exhibit 1633.

23 MR. COHEN: No objection, your Honor.

24 THE COURT: Received.

25 (Government's Exhibit 1633 received in evidence)

NA41BAN3

Julliard - Direct

1 MS. KUDLA: May we publish?

2 THE COURT: You may.

3 BY MS. KUDLA:

4 Q. Now, Mr. Julliard, in the news articles and online research
5 you were doing, how was Mr. Bankman-Fried described in the
6 publications?

7 A. He would come across to me as the future face of the
8 general crypto industry, as a leading CEO and a leader of the
9 industry.

10 Q. How did Mr. Bankman-Fried stand out in any way, if at all,
11 compared to others in the cryptocurrency industry?

12 A. Wanting to do good towards the industry; giving access to
13 customers, retail investors like me; provide to the platform a
14 great user-friendly access; and to me, just wanted to develop
15 the industry, really, is how I felt.

16 Q. And what effect, if any, did that have on you in choosing
17 FTX as a cryptocurrency exchange?

18 A. The level of engagement was important and as well as when I
19 researched the company, the number of users and the size of the
20 exchange, which came across to me as second biggest in the top
21 three biggest exchanges, that combined together was important
22 to my decision.

23 Q. So let's focus for a moment on FTX. You mentioned the
24 number of users was an important factor for you. In
25 particular, why did the number of users stood out?

NA41BAN3

Julliard - Direct

1 A. I joined cryptocurrency trading later than many people, in
2 the spring of 2021. Many people were trading already. Bitcoin
3 existed at the time for somewhere around 10 or 12 years, maybe
4 more. So I considered that a vouch—a vote of confidence from
5 these people, and I felt comfortable that having users around
6 the world and a presence in most continents, the size of it led
7 me to believe that I was comfortable.

8 Q. And in particular, apart from the size of FTX, did anything
9 else stand out to you about FTX during your research?

10 A. No.

11 Q. During the course of your research did you ever learn about
12 any investors into FTX?

13 A. Major venture capital firms seemed to have been involved in
14 investing in the company itself, FTX.

15 Q. And what, if any, effect did the fact that major venture
16 capital firms had invested into FTX have on you?

17 A. Well, they don't commit hundreds of millions without doing
18 due diligence, checking the books, the accountancy of the firm,
19 going through several compliance process, so that was also a
20 vote of confidence for me.

21 Q. Now as part of your research, Mr. Julliard, did you ever
22 see any advertisements about FTX?

23 A. I did.

24 Q. And can you provide an example of some of the types of
25 advertisements that you saw.

NA41BAN3

Julliard - Direct

1 A. I would—I remember Formula One sponsorship.

2 Q. What is Formula One?

3 A. Car racing.

4 Q. Okay. And in the advertisements that you saw, did you ever
5 see individuals featured or hear about individuals featured in
6 advertisements for FTX?

7 A. There were on social media celebrities, influencers
8 advertising for FTX.

9 Q. Any particular celebrities or influencers that you recall
10 sitting here today?

11 A. I do remember one.

12 Q. Who was that?

13 A. A model, Gisele. I don't know her last name.

14 MS. KUDLA: The government offers Government Exhibit
15 S-2000, a stipulation; and pursuant to that stipulation as to
16 authenticity, the government offers Government Exhibit 902.

17 THE COURT: S-2000 is received.

18 (Government's Exhibit S-2000 received in evidence)

19 THE COURT: Government Exhibit 902 is received.

20 (Government's Exhibit 902 received in evidence)

21 MS. KUDLA: May we publish to the jury?

22 THE COURT: You may.

23 BY MS. KUDLA:

24 Q. Mr. Julliard, do you recognize anyone in this ad?

25 A. Yes, the person I just mentioned.

NA41BAN3

Julliard - Direct

1 Q. And what is her name, first name?

2 A. Gisele.

3 MS. KUDLA: We can take that down now.

4 Q. Now what impression, if any, did FTX marketing materials
5 that you described with Formula One, Gisele, and others have on
6 you, as you researched the company?

7 A. Well, I can think of another example when it comes to
8 marketing. I didn't see the ad, but I remember reading online
9 that FTX was advertising the company at the Super Bowl, so
10 you're under the impression when you commit major amounts in
11 marketing at major events, that you have some financials behind
12 the company.

13 Q. Now, Mr. Julliard, did you ever open an FTX customer
14 account?

15 A. Yes, I have.

16 Q. And approximately when did that occur?

17 A. In the spring of 2021.

18 MS. KUDLA: So pursuant to Government Exhibit S-2000
19 as to authenticity, the government now offers Government
20 Exhibit 587.

21 THE COURT: Received.

22 (Government's Exhibit 587 received in evidence)

23 MS. KUDLA: May we publish to the jury?

24 THE COURT: You certainly may.

25 BY MS. KUDLA:

NA41BAN3

Julliard - Direct

1 Q. Mr. Julliard, what is Government Exhibit 587?

2 A. The website page of FTX for creating your account.

3 Q. Is this one of the first FTX online pages that you were
4 directed to when creating your account?

5 A. Yes.

6 Q. And what is the box below email and password?

7 A. "I agree to the FTX terms of service."

8 Q. Now did you have to accept the FTX terms of service to open
9 your account?

10 A. Yes.

11 Q. After you opened your FTX account, Mr. Julliard, did you
12 need to fund your account to begin trading?

13 A. Yes.

14 MS. KUDLA: So pursuant to Government Exhibit S-2000,
15 the stipulation as to authenticity, the government offers
16 Government Exhibit 590.

17 THE COURT: Received.

18 (Government's Exhibit 590 received in evidence)

19 MS. KUDLA: May we publish?

20 THE COURT: Yes.

21 BY MS. KUDLA:

22 Q. Mr. Julliard, what is Government Exhibit 590?

23 A. This is the FTX website page giving you four ways of
24 funding your account.

25 Q. And which of these ways did you use to fund your FTX

NA41BAN3

Julliard - Direct

1 account?

2 A. I would only use the last three—credit or debit cards,
3 wire transfer, or cryptocurrencies; but nearly most of it, wire
4 transfer.

5 Q. Now after you opened and funded your FTX account did you
6 engage in cryptocurrency trading?

7 A. Yes.

8 MS. KUDLA: And pursuant to Government Exhibit S-2000
9 as to authenticity, the government now offers Government
10 Exhibit 599.

11 THE COURT: Received.

12 (Government's Exhibit 599 received in evidence)

13 MS. KUDLA: And may we publish to the jury?

14 THE COURT: Yes.

15 BY MS. KUDLA:

16 Q. Mr. Julliard, what are we looking at now in Government
17 Exhibit 599?

18 A. The FTX website page with the product offering, what you
19 could trade with the website.

20 Q. Now what, if any, of these various products that we see
21 here did you use?

22 A. I would use the spot trading.

23 Q. And can you describe for the jury what spot trading is.

24 A. I would directly trade the instant price of
25 cryptocurrencies on the blockchain.

NA41BAN3

Julliard - Direct

1 Q. So using the example of Bitcoin, can you provide an
2 example, a simple example of spot trading.

3 A. Yes. I would have funded my account with fiat currency,
4 GBP, Great British Pounds, or US dollars, and with that, I
5 would be able to buy, for instance, one Bitcoin.

6 Q. Okay. And then what is the goal after you buy the Bitcoin
7 with that type of trading, later on?

8 A. I had a pretty simple long-term strategy. I would
9 accumulate over a period of time Bitcoins and with a view to
10 sell within five to ten years back, hopefully at higher prices.

11 Q. Now does spot trading involve trading on margin?

12 A. It does not.

13 Q. And what is margin trading?

14 A. I'm not especially, but my understanding, it gives you
15 leverage to commit bigger amounts of funds than you actually
16 have, so you're borrowing money, in a sense.

17 Q. And Mr. Julliard, to be clear, did you engage in margin
18 trading on the FTX exchange?

19 A. I would not.

20 MS. KUDLA: So we can take that down now.

21 And can we please show Mr. Julliard what's marked for
22 identification as Government Exhibit 426.

23 Q. Mr. Julliard, do you recognize what is shown on your
24 screen?

25 A. The history of my deposits on FTX.

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Julliard - Direct

1 MS. KUDLA: The government offers Government
2 Exhibit 426.

3 THE COURT: Any objection?

4 MR. COHEN: No, your Honor.

5 THE COURT: Received.

6 (Government's Exhibit 426 received in evidence)

7 MS. KUDLA: May we publish, your Honor?

8 THE COURT: Yes.

9 BY MS. KUDLA:

10 Q. So, Mr. Julliard, you testified that this was your deposit
11 history. Is this the deposit history shown here from the FTX
12 website or the FTX mobile app?

13 A. This would be from the mobile app.

14 Q. And how frequently did you use the FTX mobile app?

15 A. Certainly daily; probably almost hourly.

16 Q. And what were you using it for?

17 A. Well, for trading and monitoring the price change of the
18 crypto monies I was interested in and monitoring the price
19 changes of my portfolio.

20 MS. KUDLA: Mr. Ahuja, can we please pull up
21 Mr. Julliard's deposit history from April 20, '22, to May 12,
22 2022.

23 Q. First, to orient the jury, what is USD?

24 THE COURT: I'm sorry. Let's just get it clear. Is
25 Government Exhibit 426 a multiple-page exhibit?

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Julliard - Direct

1 MS. KUDLA: No, it's not, your Honor. It's a one-page
2 exhibit.

3 THE COURT: So what are you referring to now?

4 MS. KUDLA: It is the portion—it's a callout of the
5 deposit history on specific dates. Do you see that in the
6 middle? Below GBP, there will be a date, your Honor.

7 THE COURT: Yes, I see that.

8 MS. KUDLA: And so all we're doing is calling out the
9 deposit history for a particular period of time, April 2022 to
10 May 12, 2022.

11 MR. COHEN: Your Honor, I'm not sure I follow. Is
12 this—

13 THE COURT: I'm not sure either.

14 MR. COHEN: Yeah. Is this a new exhibit?

15 THE COURT: I'm told that Government 426 is a single
16 page.

17 MS. KUDLA: Yes, this is a—

18 THE COURT: Except at the bottom, on the left image on
19 the screen, it says page 6 of 9.

20 MR. COHEN: That's what I was looking at.

21 THE COURT: That refers, presumably, to the 3600
22 materials. So I'm really not a hundred percent clear how the
23 image on the right side of my screen is any different than the
24 image on the left side, other than the fact that the border is
25 different, and I don't know how you're calling out if 426 is a

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Julliard - Direct

1 one-page exhibit. You follow me?

2 MS. KUDLA: I do, your Honor. I think I can help.
3 We're just trying to make it larger for the jury to see. I can
4 ask Mr. Julliard a few questions to clarify.

5 And Mr. Ahuja, could we take down the callout and just
6 show the exhibit.

7 THE COURT: Okay.

8 MS. KUDLA: There we go.

9 BY MS. KUDLA:

10 Q. So Mr. Julliard, to help orient the Court and the jury, how
11 did you have this history shown here? How did you get this?

12 A. This would be a screenshot I've taken of my history
13 deposits on my iPhone at the time the app was working.

14 Q. Okay. And let's start at the bottom of Government
15 Exhibit 426, where it says GBP, May 19, 2021, that bottom row
16 there. Mr. Julliard, what is the date? What do we see there?
17 What does that bottom row represent?

18 A. This is the very first deposit I made—I made on my FTX
19 account to try out the process and make sure it was functioning
20 correctly for me.

21 Q. Okay. And how much money did you deposit at that point in
22 time?

23 A. This would have been 50 pounds.

24 Q. Okay. And then what was the next deposit after that?

25 A. I transferred some Doge currency.

NA41BAN3

Julliard - Direct

1 Q. Okay. And so are the remaining deposits here
2 deposits—your entire deposit history on FTX?

3 A. Yes.

4 Q. Okay. So at this point in time I'd like to focus on your
5 deposit history that was from April 20, 2022, to May 12, 2022.
6 And what I've done here is just magnified it for you to be able
7 to see. Can you see it now?

8 A. Yes. Thank you.

9 Q. Okay. So Mr. Julliard, starting off, what is USD?

10 A. United States national currency.

11 Q. Okay. And then we also see BTC. What is BTC?

12 A. This would be cryptocurrency, Bitcoin.

13 Q. And you've already told us what GBP is. Now during this
14 time period of April 20, 2022, to May 12, 2022, approximately
15 how much money did you deposit into your FTX account?

16 A. 110,000 pounds.

17 Q. Now what is the approximate US dollar equivalent of that?

18 A. The rate varies, but it would be somewhere between 140,
19 \$150,000.

20 Q. Mr. Julliard, was that a significant amount of money for
21 you at this period of time?

22 A. Huge.

23 Q. Setting aside trading risk, did you have any major concerns
24 about the safety of depositing your money into your FTX
25 account?

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Julliard - Direct

1 A. No.

2 MS. KUDLA: Mr. Ahuja, we can take that down now.

3 Q. Now when you deposited your money into your FTX account,
4 did you see that deposit recorded anywhere?

5 A. Yes, in the history of deposits.

6 MS. KUDLA: Could we please show the witness what's
7 marked for identification as Government Exhibit 425.

8 Q. And, Mr. Julliard, do you recognize this exhibit?

9 A. Yes. This would be a screenshot of my portfolio I've taken
10 at some point in time. I don't know the date.

11 MS. KUDLA: The government offers Government
12 Exhibit 425.

13 MR. COHEN: No objection.

14 THE COURT: Received.

15 (Government's Exhibit 425 received in evidence)

16 MS. KUDLA: May we publish to the jury?

17 THE COURT: You may.

18 BY MS. KUDLA:

19 Q. Mr. Julliard, looking at Government Exhibit 425, where is
20 your FTX account balance shown, if anywhere?

21 A. On the top left, just on the wallet balance.

22 Q. Now you mentioned the term "wallet balance." What is a
23 wallet?

24 A. It's—it's akin to my account, but it's the aggregated
25 value of all my positions, so fiat currency and cryptocurrency

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Julliard - Direct

1 converted to the US dollar rate.

2 Q. Do you see any difference between the term your "wallet" or
3 your FTX account?

4 A. I would not.

5 Q. Now how frequently would you see your FTX wallet balance?

6 A. Daily.

7 Q. And when you saw your FTX wallet balance recorded in the
8 manner that we see here, what effect, if any, did it have on
9 you?

10 A. I was—no effect. It was the value of my holdings.

11 Q. Did you have any understanding about whether you could
12 withdraw the money that you see here?

13 A. Yeah.

14 Q. And what was your understanding about that?

15 A. That I could withdraw it at any point in time.

16 Q. Was the ability to control when you were able to withdraw
17 your deposits at any point in time an important asset to you?

18 A. Well, essential. I wouldn't put money somewhere if I
19 couldn't take it back with me.

20 Q. So Mr. Julliard—

21 MS. KUDLA: And Mr. Ahuja, we could take it back for a
22 moment now.

23 Q. Let's switch gears for a minute. You testified earlier
24 that FTX was a cryptocurrency exchange to buy and sell crypto.
25 What was your understanding about how FTX made money?

NA41BAN3

Julliard - Direct

1 A. It would charge a fee on each and every single trade.

2 Q. And did you pay FTX trading fees?

3 A. Yes.

4 Q. And when you deposited money into your FTX account, did you
5 expect anyone other than you would use your money?

6 A. No.

7 Q. Did you ever agree to lend out your money?

8 A. Not that I can recall.

9 Q. Did you expect that anyone would borrow or lend out your
10 money?

11 A. No, and this is why I refrained from trading certain
12 products that were offering interest rates if you lend your
13 cryptocurrencies. I would refuse to trade that.

14 Q. Now I want to focus for a moment. If another party was
15 borrowing your deposits, the 110,000 Great British Pounds we
16 just looked at, would you have considered that information
17 important to know?

18 A. Essential.

19 Q. Why?

20 A. If I trade, I'm responsible of my own decisions and I bear
21 the consequences. I had the strategy. I was prepared for—I
22 knew how it was connoted and for what period of time. If
23 someone else trades on my behalf, all for themselves and face
24 consequences, that's not the consequences of my actions. If
25 money is lost, I'm not responsible for it. That's not what I

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Julliard - Direct

1 signed up for.

2 Q. When you evaluated the risks associated with cryptocurrency
3 trading, did you ever consider the risk that FTX was borrowing
4 your money?

5 A. I did not.

6 Q. Mr. Julliard, you mentioned certain products. Did you ever
7 opt into any FTX trading market that allowed you to lend your
8 deposits to other FTX customers?

9 A. Not that I can recall.

10 Q. And did you ever see in your FTX account a reflection of
11 any interest payments that would suggest that your money was
12 being borrowed?

13 A. Not that I can recall.

14 Q. Let's focus for a moment. After opening your FTX account
15 did you continue in any way to follow news about FTX?

16 A. Yes, alongside general cryptocurrency news.

17 Q. Did you continue to follow any news about
18 Mr. Bankman-Fried?

19 A. I would see—I would check daily cryptocurrency dedicated
20 newswires, and it would be many articles on a weekly basis.

21 Q. During this time period, Mr. Julliard, did you continue to
22 follow FTX on Twitter?

23 A. I cannot remember when I precisely stopped following the
24 account, but yes.

25 Q. And you had mentioned previously that you did follow FTX,

1 however, though.

2 A. Yes.

3 Q. And that was true with Mr. Bankman-Fried?

4 A. Yes.

5 Q. So during the time period after opening your account what
6 types of news did you hear about Mr. Bankman-Fried?

7 A. Well, it goes to what I said earlier. He would generally
8 be a leader of the crypto industry and the face of the crypto
9 industry. I remember some—I remember seeing videos with him
10 and politicians. I remember him bailing out companies, other
11 cryptocurrency companies, and the—and pledging money to—to
12 help customers that were detrimentally affected by the
13 consequences of that.

14 MR. COHEN: Your Honor, might we have a limiting
15 instruction about that testimony.

16 THE COURT: You have to enlighten me a little more
17 about what you want it to be limited to.

18 MR. COHEN: Yes, that it's—oh, I'm sorry.

19 (Continued on next page)

NA41BAN3

Julliard - Direct

1 (At the sidebar)

2 MR. COHEN: Your Honor, if I heard correctly, he said
3 he didn't remember what news he heard or followed, and now he's
4 being asked to give a summary of that. I assume the
5 government's not asking that for its truth. I'm fine with the
6 testimony, but I would ask for that instruction. He's giving a
7 summary of—

8 THE COURT: Of what he heard.

9 MR. COHEN: Yeah, yeah.

10 MS. SASSOON: It's being offered for the effect on the
11 listener, so that's fine.

12 THE COURT: Yes. Okay.

13 (Continued on next page)

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1 (In open court)

2 THE COURT: This evidence about what Mr. Julliard
3 remembers from seeing videos about bailing out companies and
4 the other things he mentioned is offered not for the truth of
5 the things that he remembers but for the effect on his actions
6 and knowledge at the time.

7 MS. KUDLA: Thank you, your Honor.

8 BY MS. KUDLA:

9 Q. Mr. Julliard, you had mentioned a number of items, and I
10 want to go back to them.

11 First, you had mentioned you had seen photographs or
12 articles of Mr. Bankman-Fried with politicians.

13 MS. KUDLA: At this point in time can we please show
14 for the witness what is marked as Government Exhibit 1469.

15 Q. Do you recognize the individuals in Government
16 Exhibit 1469?

17 A. The CEO of FTX to the right, Sam Bankman-Fried; Bill
18 Clinton, a former US president, in the middle; and Tony Blair
19 to the left, our former UK prime minister.

20 MS. KUDLA: The government offers Government
21 Exhibit 1469.

22 THE COURT: Received.

23 (Government's Exhibit 1469 received in evidence)

24 MS. KUDLA: May we publish to the jury?

25 THE COURT: You may.

NA41BAN3

Julliard - Direct

1 BY MS. KUDLA:

2 Q. Now, Mr. Julliard, you had also mentioned that you heard
3 about Mr. Bankman-Fried bailing out other cryptocurrency
4 companies at that time. What effect, if any, did hearing this
5 news, seeing who Mr. Bankman-Fried was with, have on you, if
6 any, at all?

7 A. Well, one of two. You believe that the person wanted to do
8 good towards people and the industry, so it goes to building
9 your faith in the company and the CEO; and two, I—I don't
10 precisely recall details of—of the—the collapse of Terra and
11 Luna at the time, cryptocurrency-related firms, but my
12 understanding is it was significant amounts of money and
13 therefore that FTX would have excess liquidities and would be
14 in strong financial health.

15 MS. KUDLA: We could take that down now. Thank you
16 very much.

17 Q. Mr. Julliard, I'd like to turn your attention now to
18 November 20, 2022. Did there come a point in November 2022
19 when you learned that FTX was receiving increased customer
20 withdrawals?

21 A. Yes.

22 Q. Now at this time what were the forms of information that
23 you were learning? Like how were you learning about this?

24 A. I use professional newswires systems, such as Bloomberg; I
25 had a number of news outlets with cryptocurrency-related

NA41BAN3

Julliard - Direct

1 topics; I would be on social media such as Twitter; and I would
2 also, as I mentioned earlier, go on specialized newswires, such
3 as CoinDesk, for instance.

4 Q. And when you mentioned social media such as Twitter, did
5 that include Mr. Bankman-Fried's Twitter feed?

6 A. Yes.

7 MS. KUDLA: And the government offers, pursuant to the
8 stipulation in Government Exhibit S-2001, Government
9 Exhibit 863.

10 THE COURT: Received.

11 (Government's Exhibit 863 received in evidence)

12 MS. KUDLA: May we publish to the jury, your Honor?

13 THE COURT: You may.

14 BY MS. KUDLA:

15 Q. Mr. Julliard, looking at the top, who posted this tweet?

16 A. SBF account.

17 Q. And who is SBF?

18 A. FTX CEO, Sam Bankman-Fried.

19 Q. And what is the date of this tweet?

20 A. November the 6th, 2022.

21 MS. KUDLA: Can we please zoom in on No. 3.

22 November—SBF, November 6, 2022. "3. We've already
23 processed billions of dollars of deposits withdrawals today.
24 We'll keep going. Taking up antispam checks to process more.
25 Sorry if you got those. We're hitting node rate capacities.

NA41BAN3

Julliard - Direct

1 We'll keep going. Also tons of USD stable coin conversions
2 going on."

3 Did you see this tweet, Mr. Julliard?

4 A. Yes.

5 Q. And what did you understand from this tweet about the
6 reasons for the slow withdrawals on FTX?

7 A. Technical computing difficulties.

8 Q. Was there any indication from what's written here that
9 there was a shortfall in customer funds?

10 A. No.

11 Q. Did you withdraw your money from your FTX account on
12 November 6, 2022?

13 A. No, I did not.

14 MS. KUDLA: And can we please take that down now.

15 And pursuant to Government Exhibit S-2001 as to
16 authenticity, the government offers Government Exhibit 866.

17 THE COURT: Received.

18 (Government's Exhibit 866 received in evidence)

19 MS. KUDLA: May we publish to the jury, your Honor?

20 THE COURT: Yes.

21 BY MS. KUDLA:

22 Q. And Mr. Julliard, who posted this tweet?

23 A. Sam Bankman-Fried.

24 Q. And recognizing it's a little bit harder to read, what is
25 the date of this tweet?

NA41BAN3

Julliard - Direct

1 A. November 7th.

2 Q. Now is that of 2022?

3 A. Yes.

4 Q. Did you see this tweet?

5 A. Absolutely.

6 Q. We're going to zoom in on No. 1.

7 "A competitor is trying to go after us with false
8 rumors.

9 "FTX is fine. Assets are fine."

10 Can we please zoom in on No. 2.

11 "2. FTX has enough to cover all client holdings.

12 "We don't invest client assets (even in treasuries).
13 We have been processing all withdrawals, and will continue to
14 be."

15 Can we now pull up No. 3.

16 "3. It's heavily regulated. Even when that slows us
17 down, we have gap audits with greater than 1 billion excess
18 cash. We have a long history of safeguarding client assets,
19 and that remains true today."

20 Mr. Julliard, what did you understand about your FTX
21 deposits from this series of tweets?

22 A. Money was there, it was fine, technical—technical
23 difficulties, wait for the dust to settle, just sit and wait.

24 Q. Did you withdraw your money on November 7th?

25 A. I did not.

NA41BAN3

Julliard - Direct

1 Q. Did you ever attempt to withdraw your money?

2 A. Yes.

3 Q. And when?

4 A. I believe the day after that.

5 MS. KUDLA: Can we please show for the witness what is
6 marked for identification as Government Exhibit 427.

7 Q. Mr. Julliard, do you recognize this?

8 A. Yes. It's a screenshot of my phone app of my withdrawals
9 attempt.

10 MS. KUDLA: Now the government offers Government
11 Exhibit 427.

12 THE COURT: Received.

13 (Government's Exhibit 427 received in evidence)

14 MS. KUDLA: May we publish?

15 THE COURT: Yes.

16 BY MS. KUDLA:

17 Q. Mr. Julliard, do you see your first withdrawal attempt
18 anywhere on Government Exhibit 427?

19 A. Yes, I would have—so I was keeping fiat USD currency on my
20 account for the purpose of having more trading power to buy
21 cryptocurrencies if the prices were coming off, so I could add
22 to my Bitcoin position. I first tried—when I understood the
23 situation was not what it seems, I first tried to withdraw the
24 fiat currency, which isn't the easiest process of the two.

25 Q. And what was the date of your first withdrawal attempt?

NA41BAN3

Julliard - Direct

1 A. 8 of November 2022.

2 Q. And how much did you request to withdraw?

3 A. About \$20,000.

4 Q. Was the request that we see highlighted on the screen, was
5 that request processed?

6 A. It was never processed.

7 Q. How did it make you feel when it was not processed?

8 A. Extremely anxious.

9 Q. And did you make any other subsequent attempts?

10 A. Yes. I then went on to try and withdraw Bitcoin, but
11 because I wasn't clear whether it was technical difficulties or
12 indeed missing money, I—I wanted to spread my transactions and
13 not do all at once, so I went on to try and withdraw one
14 Bitcoin on the same day I tried to withdraw the US dollars.

15 Q. Was that request processed?

16 A. It was never processed.

17 Q. Now looking at Government Exhibit 427, what was the
18 approximate amount of Bitcoin valued at at that time?

19 A. I don't know the exact amounts on that particular day, but
20 Bitcoin was ranging around \$20,000.

21 Q. And in November of 2022, how many Bitcoin did you have in
22 your account?

23 A. Four.

24 Q. And how much US dollars did you have in your account?

25 A. \$20,000.

NA41BAN3

Julliard - Cross

1 Q. So fair to say about a hundred thousand dollars?

2 A. Yes.

3 Q. Were any of the withdrawal requests that we see in
4 Government Exhibit 427 processed?

5 A. Never.

6 Q. And as we sit here today, have you ever been able to
7 withdraw your FTX customer deposits that we see?

8 A. Never.

9 MS. KUDLA: Your Honor, no further questions on
10 direct.

11 THE COURT: Thank you.

12 Cross-examination?

13 CROSS EXAMINATION

14 BY MR. COHEN:

15 Q. Good afternoon, Mr. Julliard.

16 A. Good afternoon.

17 Q. Now you and I have never met; is that correct?

18 A. Correct.

19 Q. And you told us on your direct that you are originally from
20 Paris; is that right?

21 A. Yes, Paris suburb.

22 Q. Okay. And you're a French citizen?

23 A. I am.

24 Q. But you now work for a—you've moved to London; is that
25 correct?

NA41BAN3

Julliard - Cross

1 A. Yes.

2 Q. And you work as a broker in commodities.

3 A. Yes.

4 Q. Okay. Are you a licensed broker?

5 A. I am regulated, yes.

6 Q. Okay. And you said I believe that you—the commodity you
7 work in is cocoa; is that correct?

8 A. Correct.

9 Q. Okay. And commodities can be things like cocoa or corn or
10 other products, correct?

11 A. Yes.

12 Q. Okay. Help me understand how you interact with your
13 customers.

14 MS. KUDLA: Objection.

15 THE COURT: Grounds?

16 MS. KUDLA: Relevance.

17 MR. COHEN: Your Honor, this is to follow up on the
18 direct about his job as a broker. I just want to understand
19 whether he has direct client contact, which was not brought out
20 on direct.

21 THE COURT: Why don't you ask that question.

22 BY MR. COHEN:

23 Q. I think I'll ask whether you have direct contact with your
24 clients.

25 THE WITNESS: Can I answer?

NA41BAN3

Julliard - Cross

1 THE COURT: Oh, yes. I'm sorry.

2 A. Yes, I do have direct contact with my clients.

3 Q. And you advise them on commodity purchases they're
4 considering making; is that correct?

5 MS. KUDLA: Objection.

6 THE COURT: Sustained.

7 Q. Now you told us that you opened an account at FTX in, if I
8 have this right, the spring of 2021?

9 A. Yes.

10 Q. Okay. You thought FTX had a good product, correct?

11 A. Absolutely.

12 Q. That it was innovative?

13 A. I don't know about innovative, but I liked the user
14 interface of the product.

15 Q. You thought it had a strong trading platform.

16 A. Yes.

17 Q. That it was user friendly.

18 A. Yes.

19 Q. That it had a good fee structure.

20 A. Yes.

21 Q. And I think you told us that you were a little bit late to
22 the crypto market; is that correct?

23 A. Yes.

24 Q. And you told us that crypto was not regulated.

25 A. It was not regulated by governments of—that's correct.

NA41BAN3

Julliard - Cross

1 Q. And in fact, sir, isn't that one of the reasons you wanted
2 to put funds into the crypto market?

3 A. I was allowed to trade cryptocurrencies because they were
4 not regulated.

5 Q. Right. So just to understand this, at the company you
6 worked for, you were able to trade crypto because it wasn't
7 regulated.

8 A. Correct.

9 Q. If you had traded in things that were regulated, you would
10 have had to make disclosures to your company and get them
11 approved.

12 A. Yes, correct.

13 Q. And you understood that crypto was new and also a risky
14 asset, didn't you, sir?

15 A. Yes.

16 Q. You could make a lot but you could lose a lot.

17 A. Yes.

18 Q. Now you had other accounts, right? You had a savings
19 account, you had other brokerage accounts?

20 A. I have a bank account, a couple.

21 Q. Do you have any other investment accounts?

22 MS. KUDLA: Objection.

23 THE COURT: Basis?

24 MS. KUDLA: Relevance.

25 THE COURT: I'll allow it. We'll see where it goes.

NA41BAN3

Julliard - Cross

1 A. I have what we call an ISA in England, United Kingdom.
2 It's an investment account akin to preparing for your
3 retirement.

4 Q. I'm sorry, sir. I didn't—

5 A. Used to prepare for your retirement.

6 Q. So, okay. I think we might call it a 401(k) here, but
7 okay.

8 So you had that account and you had a savings account,
9 and then you told us you opened a crypto account.

10 A. Yes.

11 Q. And how much of your assets did you put in the crypto
12 account, percentagewise?

13 A. I don't know. I cannot answer that.

14 Q. Okay. Is it fair to say that you put 70 percent of your
15 savings into this crypto account?

16 A. I don't know in British pounds how much I had in there. It
17 would be a significant amount of my savings, yes.

18 Q. Now I think on direct you were shown the slide—I don't
19 think we have to put it up again—where you checked the box
20 that you had received the terms of service for FTX, correct,
21 sir?

22 A. Yes, correct.

23 Q. Now you didn't review those at the time, correct?

24 A. Not that I can recall.

25 Q. Okay. And I think you also were asked some questions about

NA41BAN3

Julliard - Cross

1 advertisements. Do you recall we saw the advertisement of the
2 model you called Gisele? Do you recall that, sir?

3 A. Sorry. Can you repeat the question.

4 Q. Sure. Let me try a better question.

5 You testified on direct about some advertisements for
6 FTX that you saw, correct?

7 A. Yes.

8 Q. Okay. And one of them was the photo we saw of the model,
9 the fashion model advertising FTX.

10 A. Yes.

11 Q. Okay. Now you're not saying you made an investment
12 decision based on a model, an ad with a model in it, are you,
13 sir?

14 A. Correct, I'm not saying that.

15 Q. You certainly didn't make an investment decision based on a
16 Formula One car racing advertisement, correct?

17 A. Not investment decision.

18 Q. Now you also mentioned that one of the things that you
19 looked at when you were deciding whether to select FTX was you
20 said that other investors—or excuse me—investors had invested
21 in FTX. Do you recall that, sir?

22 A. So I—I misphrased if I said that. I meant there were many
23 customers not investing into FTX the company but using FTX the
24 exchange as customers.

25 Q. Let me try a better question. I think—correct me if I'm

NA41BAN3

Julliard - Cross

1 wrong—you told us that one of the things you looked at was
2 that major firms, major investment firms had invested in FTX;
3 is that right?

4 A. Yes, correct.

5 Q. Okay. And I believe you told us that this was a factor you
6 considered because those firms did what you called due
7 diligence, correct?

8 A. Yes.

9 Q. So they asked FTX questions about what it was doing and
10 they got their answers and they were satisfied, correct?

11 MS. KUDLA: Objection.

12 THE COURT: Sustained.

13 Q. You took comfort from the fact that other investors had
14 looked at FTX, correct, sir?

15 THE COURT: Sustained.

16 Q. Now let me move forward to the period in November—

17 THE COURT: Let me see if I can just help out a little
18 bit.

19 You took comfort from the fact that, as you understood
20 it, other people had invested, and you assumed that they had
21 done their homework; is that right?

22 THE WITNESS: It was contributory, yes, correct, on
23 top of doing some of my own research.

24 THE COURT: Okay. Go ahead, please.

25 BY MR. COHEN:

NA4MBAN4

Julliard - Cross

1 Q. Okay. You talked about the dates November 6th and 7th and
2 November 8th. Do you recall that testimony, sir?

3 A. Yes.

4 Q. And you told us you had some issues with your withdrawals
5 then, correct?

6 MS. KUDLA: Objection.

7 THE COURT: Sustained as to form.

8 Q. Let me rephrase.

9 Before November of 2022, did you ever try to withdraw
10 funds from FTX?

11 A. I did not.

12 MR. COHEN: Your Honor, one moment?

13 (Continued on next page)

NA4MBAN4

Julliard - Redirect

1 Q. Sir, is it fair to say that you never met my client in
2 person before today?

3 A. Correct.

4 Q. You have never spoken to him in person before today?

5 A. Never.

6 Q. You have never emailed with him before today?

7 A. Never.

8 MR. COHEN: Your Honor, I have nothing further.

9 THE COURT: Thank you.

10 Is there any redirect?

11 MS. KUDLA: Your Honor, just very briefly.

12 REDIRECT EXAMINATION

13 BY MS. KUDLA:

14 Q. Mr. Julliard, you were asked about cryptocurrency being
15 risky on cross-examination.

16 Do you recall that?

17 A. Yes.

18 Q. Is that because the price of Bitcoin could fluctuate very
19 quickly?

20 A. It's a very volatile asset.

21 Q. Did you ever consider one of the risks of the FTX was that
22 they could take your money and spend your money?

23 A. I did not.

24 Q. And who did you believe owned the Bitcoin in dollars in
25 your FTX account?

1 A. Myself.

2 MS. KUDLA: No further questions, your Honor.

3 THE COURT: Thank you. Anything further, Mr. Cohen?

4 MR. COHEN: No, your Honor.

5 THE COURT: Thank you, Mr. Julliard.

6 THE WITNESS: Thank you.

7 (Witness excused)

8 THE COURT: Anybody on the jury who needs a break or
9 shall we just go?

10 Let's continue.

11 MS. SASSOON: Your Honor, there is a computer issue
12 that we would like to address, so a five-minute break --

13 THE COURT: Take a short break.

14 (Jury not present)

15 THE COURT: Ms. Sassoon, I assume that there is
16 agreement on how far in advance you are disclosing your
17 witnesses to the defense.

18 MS. SASSOON: Yes, your Honor. We disclosed to the
19 defense --

20 THE COURT: Do you think I could be privy to the
21 understanding so I know what's coming?

22 MS. SASSOON: Your Honor, that is a very reasonable
23 request. Absolutely.

24 So the next witness is Adam Yedidia. Subsequent to
25 Mr. Yedidia, I suspect we will be calling Matt Huang. And

NA4MBAN4

Yedidia - Direct

1 after Matt Huang, Gary Wang, and that will likely take us to
2 the end of this week.

3 THE COURT: Thank you. Keep me posted as we move
4 along, please.

5 (Recess)

6 THE COURT: Ready to bring your witness in?

7 MS. SASSOON: The government calls Adam Yedidia.

8 (Jury present)

9 THE COURT: Your next witness, Ms. Sassoon.

10 MS. SASSOON: Yes. The government calls Adam Yedidia.

11 THE COURT: Swear the witness, please.

12 ADAM YEDIDIA,

13 called as a witness by the Government,

14 having been duly sworn, testified as follows:

15 THE COURT: You may proceed, Ms. Sassoon.

16 MS. SASSOON: Thank you, your Honor.

17 DIRECT EXAMINATION

18 BY MS. SASSOON:

19 Q. Good afternoon, Mr. Yedidia.

20 A. Good afternoon.

21 Q. How do you know Sam Bankman-Fried?

22 A. We were longtime friends. We met in college.

23 Q. In college were you friends?

24 A. Yes. We were close friends.

25 Q. How about after college?

NA4MBAN4

Yedidia - Direct

1 A. We remained friends.

2 Q. Were there times that you and Mr. Bankman-Fried lived
3 together?

4 A. Yes.

5 Q. Did you also work together?

6 A. Yes.

7 Q. Where were you working a year ago?

8 A. A year ago I worked for FTX.

9 Q. What was FTX?

10 A. FTX was a cryptocurrency exchange.

11 Q. What is a cryptocurrency exchange?

12 A. A cryptocurrency exchange is a website where people can go
13 in order to buy and sell cryptocurrency from each other.

14 Q. Who ran FTX?

15 A. Sam Bankman-Fried.

16 Q. Did you ever work for Sam Bankman-Fried at another company?

17 A. Yes.

18 Q. What company?

19 A. Alameda Research.

20 Q. What was Alameda Research?

21 A. It was a cryptocurrency trading firm.

22 Q. Do you see Sam Bankman-Fried in the courtroom today? And
23 there are a lot of people. So if you need to stand up to
24 survey the courtroom, take your time.

25 A. I see him.

NA4MBAN4

Yedidia - Direct

1 Q. Can you point him out by where he's sitting and an article
2 of clothing that he is wearing.

3 A. Yes. He's right there. He's wearing a suit with a purple
4 tie.

5 MS. SASSOON: Let the record reflect that the witness
6 has identified the defendant, Sam Bankman-Fried.

7 THE COURT: Yes.

8 Q. Before you saw the defendant today, when was the last time
9 that you saw him?

10 A. The last time I saw him was early November 2022.

11 Q. Have you spoken to him since then?

12 A. No.

13 Q. Are you still working at FTX?

14 A. No.

15 Q. AND when did you stop working at FTX?

16 A. I stopped working in early November 2022, the Thursday of
17 the week when the company went bankrupt.

18 Q. Why did you stop talking to the defendant and working at
19 FTX in November of 2022?

20 A. That day I received a phone call from another developer at
21 the company in which I learned that FTX --

22 THE COURT: Hold it right there.

23 MS. SASSOON: The question is being asked to explain
24 the witness' subsequent actions.

25 MR. EVERDELL: Hearsay objection.

NA4MBAN4

Yedidia - Direct

1 THE COURT: Members of the jury, the answer here is to
2 be received not for the truth of whatever, if anything, this
3 other person told the witness unless I otherwise instruct you
4 in the course of the trial, but to understand why the witness
5 did what he did, if anything.

6 Q. At a general level, Mr. Yedidia, can you explain why you
7 stopped talking to the defendant and working at FTX in November
8 of 2022?

9 A. I learned that Alameda Research had used customer -- FTX
10 customer deposits to pay back its loan to creditors.

11 Q. After you learned that, what did you do?

12 A. I resigned.

13 Q. Do you know what happened to FTX shortly after you
14 resigned?

15 A. It went bankrupt.

16 Q. Mr. Yedidia, have you ever testified in court before?

17 A. No.

18 Q. Did you receive a subpoena requiring you to be here in
19 court today?

20 A. No.

21 Q. Are you aware whether your lawyer was provided a subpoena
22 requiring your testimony?

23 A. I am not certain.

24 Q. Are you testifying under an immunity order from the Court?

25 A. Yes.

NA4MBAN4

Yedidia - Direct

1 Q. What do you understand an immunity order does?

2 A. It protects me from being prosecuted on the basis of my
3 testimony.

4 Q. And in order to be protected by the immunity order, what do
5 you understand you must do in court today?

6 A. I must tell the truth.

7 Q. And if you don't tell the truth, can you be prosecuted for
8 lying under oath?

9 A. Yes.

10 Q. Do you have any agreements with the government about your
11 testimony here today?

12 A. No.

13 Q. Are you willing to testify at trial without receiving an
14 immunity order from the Court?

15 A. No.

16 Q. Why did you believe you needed immunity?

17 A. I was concerned that as a developer at FTX I may have
18 unwittingly written code that contributed to the commission of
19 a crime.

20 Q. I want to turn to your personal background, Mr. Yedidia.

21 Where did you go to college with the defendant?

22 A. MIT.

23 Q. What year did you graduate?

24 A. I graduated in 2014.

25 Q. How did you meet the defendant at MIT?

1 A. We lived together at a living group -- we met at that
2 living group.

3 Q. I believe you touched on this, but what was the nature of
4 your friendship while you were in college?

5 A. It was a close friendship.

6 Q. What did the defendant do professionally after college?

7 A. He went to go work at Jane Street.

8 Q. What is Jane Street?

9 A. It's a trading firm.

10 Q. So the defendant went into finance. What did you do?

11 A. I began a Ph.D.

12 Q. Did your professional paths cross after that, Mr. Yedidia?

13 A. Yes.

14 Q. When was that?

15 A. It was in late 2017, I went to go work for Alameda Research
16 for two months.

17 Q. What was Alameda Research?

18 A. It was a cryptocurrency trading firm.

19 Q. Had the defendant started Alameda Research?

20 A. Yes.

21 Q. If I refer to Alameda Research sometimes as Alameda, will
22 you know what I'm talking about?

23 A. Yes.

24 Q. About how long did Alameda existed when you went to work
25 there?

NA4MBAN4

Yedidia - Direct

1 A. I think about six months.

2 Q. When you worked there, what was the defendant's role at
3 Alameda?

4 A. He was the co-CEO.

5 Q. What did you do at Alameda when you worked there?

6 A. I was a trader.

7 Q. And what does it mean to be a trader?

8 A. It means that you trade things. You buy and sell
9 cryptocurrencies.

10 Q. Why did you stop working at Alameda?

11 A. I wanted to return to my Ph.D. studies.

12 Q. Did you do that?

13 A. Yes.

14 Q. And did there come a time when you went to work for the
15 defendant again?

16 A. Yes.

17 Q. Around when was that?

18 A. January 2021.

19 Q. How did it come about that you went back to work with the
20 defendant in January 2021?

21 A. I had a phone call with him in which he invited me to
22 become a software developer at FTX.

23 Q. And did you go work as a software developer at FTX?

24 A. Yes.

25 Q. I want to talk more about your work, but, first, I want to

1 spend some time with you talking about FTX and what it is and
2 how it worked.

3 What is a cryptocurrency exchange?

4 A. A cryptocurrency exchange is a website where people can go
5 to buy and sell cryptocurrencies from each other.

6 Q. What is cryptocurrency?

7 A. Cryptocurrency is a form of digital currency which in most
8 cases is decentralized, which means that the currency exists
9 across many different computers rather than a single one.

10 Q. Can you give us some examples of popular cryptocurrencies.

11 A. Bitcoin, Ethereum, Solana are all popular cryptocurrencies.

12 MS. SASSOON: At this time the government offers
13 Government Exhibit 1566, which is a video called Get To Know
14 Crypto, full version, which paragraph 3 of a stipulation
15 between the parties at Government Exhibit 2000 notes was posted
16 on FTX's home page.

17 MR. EVERDELL: No objection.

18 THE COURT: It's received.

19 (Government Exhibit 1566 received in evidence)

20 MS. SASSOON: Mr. Ahuja, if you could please play
21 Government Exhibit 1566 for the jury, which is called Get To
22 Know Crypto.

23 (Video played)

24 Q. Mr. Yedidia, did you recognize the cartoon man in the blue
25 T-shirt in this video?

NA4MBAN4

Yedidia - Direct

1 A. Yes.

2 Q. Who was that?

3 A. Sam Bankman-Fried.

4 Q. Generally, was the defendant the public face of FTX?

5 A. Yes.

6 Q. As far as you were aware, was he involved in the public
7 marketing of FTX?

8 A. Yes.

9 Q. How would you describe his role?

10 A. I would say he was highly involved in marketing and grand
11 strategy, for lack of a better term.

12 Q. Do you remember him being featured in the press?

13 A. Yes.

14 MS. SASSOON: Mr. Ahuja, did you could please show the
15 witness Government Exhibit 1471.

16 Q. Do you recognize this?

17 A. Yes.

18 Q. What is this?

19 A. This is Sam Bankman-Fried on the cover of Forbes.

20 MS. SASSOON: The government offers Government Exhibit
21 1471.

22 MR. EVERDELL: No objection.

23 THE COURT: Received.

24 (Government Exhibit 1471 received in evidence)

25 MS. SASSOON: Mr. Ahuja, if you could publish this for

NA4MBAN4

Yedidia - Direct

1 the jury.

2 Q. Mr. Yedidia, now that the jury has the benefit of seeing
3 the exhibit, can you describe what this is.

4 A. This is Sam Bankman-Fried on the cover of Forbes.

5 Q. Do you remember around when this was published?

6 A. I think it was published sometime in 2022.

7 Q. Did FTX also have advertisements in order to attract
8 customers?

9 A. Yes.

10 Q. Did you ever see any advertisements that emphasized the
11 trust or safety of FTX?

12 A. Yes.

13 MS. SASSOON: At this time the government offers
14 Government Exhibits 900 and 905 pursuant to stipulation
15 Government Exhibit 2000.

16 THE COURT: They are received.

17 (Government Exhibits 900 and 905 received in evidence)

18 MS. SASSOON: Mr. Ahuja, if you could please play
19 Government Exhibit 900.

20 (Video played)

21 Q. In this video who said that FTX is the safest and easiest
22 way to trade crypto?

23 A. Tom Brady.

24 MS. SASSOON: Mr. Ahuja, if you could please pull up
25 Government Exhibit 905 and play the first 20 seconds.

NA4MBAN4

Yedidia - Direct

1 (Video played)

2 MS. SASSOON: If you could play a few more seconds of
3 the video, please.

4 (Video played)

5 MS. SASSOON: Please hit pause, Mr. Ahuja.

6 Q. Do you recognize this?

7 A. Yes.

8 Q. What is this?

9 A. This is a Super Bowl ad.

10 Q. Who did you recognize in the Super Bowl ad?

11 A. Larry David.

12 Q. Did you see this commercial, this Super Bowl ad, around the
13 time of the Super Bowl?

14 A. Yes.

15 MS. SASSOON: If we could please play to the end of
16 Government Exhibit 905.

17 (Video played)

18 THE COURT: Just to make sure we are all complete, who
19 is Tom Brady?

20 THE WITNESS: He's a professional football player.

21 Q. You're anticipating my next question, which is, who is
22 Larry David?

23 A. He's a comedian.

24 Q. Did you hear on that commercial of Larry David and FTX
25 being a safe and easy way to trade crypto?

NA4MBAN4

Yedidia - Direct

1 MR. EVERDELL: Objection.

2 THE COURT: Sustained.

3 MS. SASSOON: Your Honor, the audio of the recording
4 is not going to be in the transcript, so it's for clarity of
5 the record.

6 THE COURT: The audio -- I withdraw the ruling.

7 Answer the question, please.

8 Q. Did you hear in the commercial with Larry David FTX being
9 described as a safe and easy way to trade crypto?

10 A. Yes.

11 Q. If a customer wanted to trade on FTX, how did people go to
12 the exchange?

13 A. They visited the website.

14 Q. And what website is that?

15 A. FTX.com.

16 MS. SASSOON: At this time the government offers
17 screenshots from the FTX website, Government Exhibits 568, 582,
18 583, 589, 594. This is pursuant to the stipulation, Government
19 Exhibit 2000, which states that these exhibits are true and
20 correct copies of materials that were available on the FTX
21 website.

22 THE COURT: They are all received.

23 (Government Exhibits 568, 582, 583, 589, and 594
24 received in evidence)

25 MS. SASSOON: Mr. Ahuja, if we could begin by pulling

NA4MBAN4

Yedidia - Direct

1 up Government Exhibit 599.

2 THE COURT: Do you mean 589?

3 MS. SASSOON: 599 I believe is already in evidence.

4 THE COURT: Thank you.

5 Q. Mr. Yedidia, were you familiar with the FTX website?

6 A. Yes.

7 Q. What is this that we are looking at?

8 A. I believe this is the front page of the website.

9 Q. Where were FTX's customers located?

10 A. All over the world.

11 Q. Was FTX.com the main website for the FTX exchange?

12 A. Yes.

13 Q. And as far as you know, did FTX.com, the main exchange
14 website, have some customers that were based in the United
15 States?

16 A. Yes.

17 Q. What types of customers based in the United States were you
18 aware of that were permitted to trade on FTX.com?

19 A. Institutions that were based in the United States but had
20 entities outside the United States I believe were allowed on
21 FTX.com, assuming they were trading with their other entities.

22 MR. EVERDELL: Objection, your Honor.

23 THE COURT: What's the objection?

24 MR. EVERDELL: Seems to be based on a belief rather
25 than actual knowledge.

NA4MBAN4

Yedidia - Direct

1 MS. SASSOON: Your Honor, he worked at the company.

2 THE COURT: Let's do a foundation, please.

3 Q. Mr. Yedidia, in the course of working at FTX, did you learn
4 about customers at the exchange?

5 A. Yes.

6 Q. How did you learn about the types of customers that traded
7 on the FTX exchange?

8 A. In the course of working at the company, it was natural to
9 see what customers were doing. As a developer I needed to fix
10 bugs sometimes which could relate to customers, and then I
11 would see that those customers existed.

12 Q. In the course of performing your duties you learned things
13 about FTX customers?

14 MR. EVERDELL: Objection.

15 THE COURT: Overruled.

16 A. Correct.

17 Q. Did that sometimes include information about where the
18 customers were located?

19 A. Yes.

20 Q. Including information about customers that had offices in
21 the United States?

22 A. Yes.

23 Q. Can you please explain again what types of customers with
24 connection to the United States were permitted to trade on FTX?

25 A. I believe that institutions that had entities that were

NA4MBAN4

Yedidia - Direct

1 offshore were permitted to trade --

2 MR. EVERDELL: Objection, your Honor.

3 THE COURT: Is that a conclusion you drew from data
4 and code that you saw, Mr. Yedidia?

5 THE WITNESS: I'm thinking. Yes.

6 THE COURT: I'll allow it.

7 Q. A trade on FTX, did a customer need an online account?

8 A. Yes.

9 Q. If we can look at Government Exhibit 587, which is in
10 evidence, what is this?

11 A. This is the sign-up dialogue.

12 Q. When you say sign-up dialogue, is this a step for a
13 customer to create an account on the website?

14 MR. EVERDELL: Objection. Leading.

15 THE COURT: Sustained.

16 Q. Can you explain what you meant by that.

17 A. This is a dialogue that a customer could use to sign up for
18 an account on the exchange.

19 Q. What is the box below email and password?

20 A. It's a check box that is labeled, I agree with the FTX
21 terms of service.

22 Q. Did a customer have to accept the terms of service to open
23 an account?

24 A. Yes.

25 THE COURT: Explain what you mean by accept the terms

NA4MBAN4

Yedidia - Direct

1 of service, please, Mr. Yedidia.

2 THE WITNESS: Yes, your Honor. A customer had to
3 click the check box so that it displayed a checkmark before
4 pressing the create-an-account button.

5 THE COURT: Are you familiar with the code underlying
6 the website as to whether or not it was necessary for the
7 customer or putative customer, hopeful customer to read or look
8 at the terms of services before clicking the box? Do you know?

9 THE WITNESS: I'm not certain at this moment.

10 THE COURT: Go ahead.

11 MS. SASSOON: At this time I would ask to approach the
12 witness with a binder of materials.

13 THE COURT: Yes.

14 Q. Mr. Yedidia, I've handed you a binder of materials. Do you
15 recognize it?

16 A. Yes.

17 Q. Does it have your initials on it?

18 A. Yes.

19 Q. What does this binder contain?

20 A. It contains pictures of the apartment in which I lived
21 while I was in the Bahamas.

22 Q. Have you reviewed the material in this binder prior to your
23 testimony?

24 A. Yes.

25 Q. Are the photographs of your apartment in the Bahamas

NA4MBAN4

Yedidia - Direct

1 accurate depictions of that apartment?

2 A. I recognize them, yes.

3 MS. SASSOON: The government offers Government
4 Exhibits 1500, 1501, 1509, 1510, and 1530 through 55.

5 MR. EVERDELL: Subject to the Court's prior ruling on
6 this, no objection.

7 THE COURT: They are received.

8 (Government Exhibits 1500, 1501, 1509, 1510, and
9 1530-1555 received in evidence)

10 Q. Mr. Yedidia, when did you live in the Bahamas?

11 A. I lived in the Bahamas from I think around October 2021
12 until November 2022.

13 Q. These photographs I have handed you, are those pictures of
14 an apartment that you lived in in the Bahamas?

15 A. Yes.

16 Q. Who did you live in that apartment with?

17 A. I lived in that apartment with nine other people, one of
18 whom was Sam Bankman-Fried.

19 Q. The remaining individuals who lived in that apartment, were
20 they also employees of the defendant?

21 A. Yes.

22 Q. What is your understanding of how much that apartment cost?

23 A. As I recall, I believe it costs around \$35 million.

24 Q. Who purchased the apartment?

25 A. Sam did or --

NA4MBAN4

Yedidia - Direct

1 MR. EVERDELL: Objection.

2 THE COURT: What's the objection?

3 MR. EVERDELL: Seems like he is not certain of this.
4 He just hesitated.

5 THE COURT: You can cross-examine him about that.

6 Q. Mr. Yedidia, you hesitated. Do you want to explain why?

7 A. Yes. I believe it's Alameda who purchased the apartment at
8 Sam's direction.

9 MS. SASSOON: Mr. Ahuja, if you could publish
10 Government Exhibit 1501.

11 Q. Mr. Yedidia, what are we looking at here?

12 A. This is a photograph of the orchid, which is the
13 building -- top floor of this building was the apartment in
14 which I lived.

15 Q. Just to be clear, is this the apartment you were just
16 describing in which you lived with the defendant?

17 A. That's correct.

18 Q. Where was your apartment located in this photograph?

19 A. The top floor of the building that we see in the front.

20 MS. SASSOON: Mr. Ahuja, if you could publish
21 Government Exhibit 1509.

22 Q. What's depicted in this photograph, Mr. Yedidia?

23 A. That's the interior of the apartment.

24 MS. SASSOON: Mr. Ahuja, if you could please publish
25 Government Exhibit 1545.

NA4MBAN4

1 Q. What is this, Mr. Yedidia?

2 A. That's the balcony.

3 Q. At the time that you moved into this apartment, were you
4 already living in the Bahamas?

5 A. Yes.

6 Q. And were you already working at FTX?

7 A. Yes.

8 Q. Did you remain working at FTX because the defendant
9 purchased this apartment?

10 A. No.

11 MS. SASSOON: Your Honor, I see it's about 4:30. This
12 would be a natural breaking point.

13 THE COURT: We will break now. See you folks 9:30
14 tomorrow morning. Thank you.

15 (Jury not present)

16 MS. SASSOON: May the witness be excused, your Honor?

17 THE COURT: Yes. The witness is excused for now.
18 You're due back tomorrow morning.

19 Anything else we have to take up?

20 MR. COHEN: Yes, your Honor. One item. It has two
21 parts, your Honor.

22 As the Court is aware, you have issued an order that
23 Mr. Bankman-Fried receive four doses of Adderall per day. In
24 the Bureau of Prisons he has only been getting two. But more
25 to the point is, when he comes here to court he is not getting

NA4MBAN4

1 anything at lunchtime. He was woken up this morning early to
2 get here on time. He didn't get a dose then.

3 When he doesn't have it, it's very hard for him to
4 focus, your Honor. We could bring it, if we were permitted to,
5 and give it to him at lunchtime, or, otherwise, we'd ask the
6 Court to issue an order to the Bureau of Prisons directing it
7 to do so, because it's not happening.

8 THE COURT: Have you been in touch with Ken Bork at
9 the Bureau of Prisons?

10 MR. COHEN: We speak to him a lot, your Honor.

11 THE COURT: Have you been in touch with him about
12 this?

13 MR. COHEN: No. I just found out about this today.

14 THE COURT: Please get in touch with him.

15 MR. COHEN: If we can't resolve it, we would like to
16 come back to your Honor about it.

17 THE COURT: My problem, of course, is that the last I
18 know, I don't have a medical license.

19 MR. COHEN: Relatedly, last week your Honor indicated
20 that you would issue an order that Mr. Bankman-Fried could be
21 produced early.

22 THE COURT: And I did. It was filed on Sunday.

23 MR. COHEN: He will be produced tomorrow morning.

24 THE COURT: That's the theory. You can check the
25 order. It's online. I know the marshal service is aware of it

NA4MBAN4

1 because I sent it to them Monday or Tuesday.

2 MR. COHEN: OK.

3 THE COURT: Anything else?

4 MS. SASSOON: No. Thank you, your Honor.

5 THE COURT: Thank you, folks.

6 (Adjourned to October 5, 2023, at 9:30 a.m.)

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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 October 5, 2023
9:40 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

17 BY: DANIELLE R. SASSOON

NICOLAS ROOS

18 DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

22 SRI K. KUEHNLENZ

DAVID F. LISNER

23 Also Present:

24 Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present)

2 THE COURT: I gather we are ready to go.

3 MS. KUDLA: Your Honor, before we call in the jury --
4 we can address these at a break, actually. We can call in the
5 jury.

6 MS. SASSOON: Your Honor, should the witness be
7 brought in?

8 THE COURT: Yes.

9 (Jury present)

10 THE COURT: Good morning, everybody. The defendant
11 and the jurors all are present, as they have been throughout.

12 Members of the jury, Andy and John Hammel have put
13 together a little calendar showing the days we are sitting and
14 so forth. We will pass it out.

15 Mr. Yedidia, you are still under oath. Ms. Sassoon,
16 you may proceed.

17 ADAM YEDIDIA, previously sworn.

18 DIRECT EXAMINATION (cont'd)

19 BY MS. SASSOON:

20 Q. Good morning, Mr. Yedidia.

21 A. Good morning.

22 Q. Let's start this morning by talking about the people at FTX
23 and your role there. Who founded FTX?

24 A. Sam and Gary.

25 Q. When you say Sam, are you referring to the defendant?

1 A. Yes.

2 Q. Who is Gary?

3 A. Gary Wang.

4 Q. Around when did the defendant and Gary Wang found FTX?

5 A. I believe around 2019.

6 MS. SASSOON: Can we show the witness what has been
7 marked as Government Exhibit 1801.

8 Q. Who is the person in this photograph?

9 A. Gary Wang.

10 MS. SASSOON: The government offers Government Exhibit
11 1801.

12 THE COURT: Received.

13 (Government Exhibit 1801 received in evidence)

14 MS. SASSOON: Mr. Bianco, can you please publish
15 Government Exhibit 1801 for the jury.

16 Q. Mr. Yedidia, who is in this photograph?

17 A. Gary Wang.

18 Q. Is that the Gary Wang you mentioned who cofounded FTX with
19 the defendant?

20 A. Yes.

21 Q. When you worked at FTX, where were FTX's offices?

22 A. When I started working at FTX, FTX's offices were in Hong
23 Kong. By late 2021, FTX had opened a new office, its primary
24 office in the Bahamas.

25 Q. About how many employees worked at FTX when you started

1 there?

2 A. About a hundred, maybe a little more.

3 Q. Who was in charge at FTX?

4 A. Sam Bankman-Fried.

5 Q. What sorts of things did the defendant do at the company?

6 A. He was the CEO, so he was sort of in charge of everything.

7 He did marketing and grand strategy, and he would make

8 decisions for what was important. He would sometimes set

9 priorities for the dev team. He would worry about

10 acquisitions. There is other duties too, I'm sure.

11 Q. From your vantage point, was he involved in the details of
12 the business?

13 A. Yes.

14 Q. You testified yesterday that you were a software developer
15 at FTX. What did you do as a software developer?

16 A. I wrote code.

17 Q. What is code?

18 A. Code is instructions for a computer. It's how the computer
19 knows what to do.

20 Q. Generally, what were you writing code for?

21 A. The FTX website.

22 Q. Is that FTX.com?

23 A. Yes.

24 Q. What does it mean to write code for the website?

25 A. It means that you are writing words in a document that are

1 meant to tell the computer what to do when, for example, a user
2 presses a button. So when a user presses a button, the
3 computer doesn't know what to do all by itself. It instead
4 executes commands that were written by someone, so I was
5 writing those commands for the computer to execute.

6 Q. When you were working on code for FTX.com, who did you
7 report to?

8 A. Nishad Singh.

9 MS. SASSOON: Mr. Bianco, can you please show the
10 witness what has been marked as Government Exhibit 1803.

11 Q. Do you recognize this person?

12 A. Yes.

13 Q. Who is it?

14 A. Nishad Singh.

15 MS. SASSOON: The government offers Government Exhibit
16 1803.

17 THE COURT: Received.

18 (Government Exhibit 1803 received in evidence)

19 MS. SASSOON: Mr. Bianco, if you could publish that
20 for the jury.

21 Q. Mr. Yedidia, who is in this photograph?

22 A. Nishad Singh.

23 Q. Was this the person that you reported to at FTX?

24 A. Yes.

25 Q. Did you report to anyone else informally?

1 A. Yes.

2 Q. Who?

3 A. Gary Wang and Sam Bankman-Fried.

4 Q. Who did Gary Wan and Nishad Singh report to?

5 A. Sam Bankman-Fried.

6 Q. Showing you what's been marked as Government Exhibit

7 1450 -- this may take one moment -- do you recognize the people
8 in this photograph?

9 A. Yes.

10 Q. Are you in this photograph?

11 A. Yes.

12 MS. SASSOON: The government offers Government Exhibit
13 1450.

14 MR. EVERDELL: No objection.

15 THE COURT: Received.

16 (Government Exhibit 1450 received in evidence)

17 MS. SASSOON: Mr. Bianco, if you could publish this
18 photograph for the jury.

19 Q. Where are you in this photograph, Mr. Yedidia?

20 A. I'm the second person from the left in the blue shirt.

21 Q. Who is the man to your left in a gray hoodie?

22 A. Gary Wang.

23 MS. SASSOON: You can take that down.

24 Q. Who oversaw the work you, Gary Wang and Nishad Singh did on
25 the FTX code?

1 A. Sam Bankman-Fried.

2 Q. I'd like to return to the FTX website which we started to
3 look at yesterday. Because of your work coding for the
4 website, are you generally familiar with the FTX.com website as
5 it existed when FTX was operating?

6 A. Yes.

7 Q. Are you familiar with certain features of the website?

8 A. Yes.

9 Q. Were you familiar with the processes for depositing and
10 withdrawing money on the exchange through the website?

11 A. Yes.

12 MS. SASSOON: If we could pull up for the jury and the
13 witness Government Exhibit 589, which is in evidence.

14 Q. I want to direct your attention to the upper left of this
15 screen where it says balances in blue.

16 First of all, is this a screenshot from the FTX
17 website?

18 A. Yes.

19 Q. What does balances in blue refer to?

20 A. It refers to the customers' balances on the website.

21 Q. So what does this screenshot from the website generally
22 show?

23 A. It shows a customer's balances.

24 Q. When you say balances, what are you referring to?

25 A. I'm referring to the money that they had on FTX.

1 Q. I want to direct your attention to the left side where it
2 says USD with a dollar sign next to it. What is USD?

3 A. USD stands for United States dollar. It's the official
4 currency of the United States.

5 Q. For this particular account balances page, what is the
6 balance displayed in U.S. dollars?

7 A. 80 cents.

8 Q. Once a customer went through the approval process for an
9 account on FTX, what would a customer do to begin trading on
10 the exchange?

11 A. They would deposit money.

12 Q. Do you see here where it says deposit with a red box around
13 it?

14 A. Yes.

15 Q. What does that refer to?

16 A. It refers to depositing money on the exchange.

17 Q. Let's take a look at Government Exhibit 590, another
18 screenshot from the website. What were the four methods of
19 depositing money onto FTX?

20 A. For USD they were USD stablecoins, credit or debit card,
21 wire transfer, and cryptocurrencies.

22 Q. What is fiat?

23 A. Fiat refers to any currency that's issued by a government,
24 so in some sense normal money.

25 Q. Can you give some examples of normal money.

1 A. The U.S. dollar is one example, the euro is another
2 example, the Japanese yen is another example, the Brazilian
3 real.

4 Q. Could a customer deposit money onto FTX using fiat or
5 dollars?

6 A. Yes.

7 Q. Which of the four options reflected here are methods of
8 depositing fiat or dollars onto the exchange?

9 A. Credit or debit card and wire transfer.

10 Q. If I refer to fiat as dollars as a shorthand, will you
11 understand what I mean?

12 A. Yes.

13 MS. SASSOON: I'd like to take a look at Government
14 Exhibit 1561. The government offers that exhibit pursuant to
15 stipulation, Government Exhibit 2000, which the parties have
16 agreed is a true and correct copy of a video posted on FTX's
17 home page called FTX User Guide, How to Deposit Fiat on FTX.

18 THE COURT: It is received.

19 (Government Exhibit 1561 received in evidence)

20 THE COURT: I will just say a word to the jury about
21 stipulations.

22 The parties, in order to simplify the trial, have
23 agreed on quite a few sort of basic undisputed facts. Those
24 agreements are on pieces of paper labeled stipulations. They
25 are just agreements about what these facts are. That's all

1 there is to it. And you must accept anything they have
2 stipulated to as the fact.

3 I should also say that in some cases there are
4 occasions when the parties will stipulate that if some person,
5 unimaginary person, John Jones, were called to testify, John
6 Jones would say A, B, and C. In that circumstance you must
7 assume, you must take as granted that if John Jones were
8 called, John Jones would say on the witness stand A, B, and C.
9 But in that case, and that case alone, it would be up to you to
10 decide whether, assuming he said those things, he was
11 testifying accurately and had knowledge of what he was talking
12 about and all other things that may go to the credibility of
13 what John Jones would have said had John Jones been here. But
14 that's not this particular stipulation. This is a hard, fast
15 stipulation as to particular facts.

16 Let's move on.

17 MS. SASSOON: Thank you, your Honor.

18 Mr. Bianco, if you could please play the first 45
19 seconds of FTX User Guide, How to Deposit Fiat on FTX.

20 (Video played)

21 Q. Mr. Yedidia, what is this video about?

22 A. How to deposit fiat to FTX.com.

23 MS. SASSOON: Mr. Bianco, if you could please play
24 another portion of the video from two minutes and 27 seconds
25 through the end of the video, please.

1 (Video played)

2 Q. Mr. Yedidia, this video described one method of depositing
3 dollars on the exchange involving a wire transfer. In simple
4 terms, what is a wire transfer?

5 A. It is when you tell your bank to send some of your money to
6 a different bank.

7 MS. SASSOON: Let's go back to Government Exhibit 590.

8 Q. Now, we have talked about credit or debit card deposits and
9 wire transfer deposits of dollars. Generally, how would a
10 customer deposit stablecoins or cryptocurrency on the exchange?

11 THE COURT: Excuse me. Maybe we should pause a minute
12 before that question.

13 Tell us, Mr. Yedidia, please, what is a stablecoin?

14 THE WITNESS: A stablecoin is a cryptocurrency that is
15 trying to have a value that's pegged to a particular fiat
16 currency. So a USD stablecoin would be a cryptocurrency whose
17 value would be one USD in all cases.

18 Q. So are stablecoins a subcategory of cryptocurrency?

19 A. Yes.

20 Q. That subcategory of coins that are supposed to maintain a
21 fixed price?

22 MR. EVERDELL: Objection.

23 THE COURT: Overruled.

24 A. Could you repeat the question.

25 Q. Of course. Is that subcategory cryptocurrency called

1 stablecoins, does that have coins that are meant to maintain a
2 certain fixed dollar value?

3 A. Yes.

4 Q. I'd like to return now to how a customer would deposit
5 stablecoins or cryptocurrency on the exchange. How would a
6 customer do that?

7 A. The customer would be shown a deposit address for the
8 currency, and they would send their stablecoins to that deposit
9 address.

10 Q. When you say deposit address, what do you mean by that?

11 A. A deposit address is -- it's an address in which money can
12 live for a cryptocurrency. So a cryptocurrency for each
13 possible address would have a balance associated with that
14 address, and the deposit address would be, you know, the
15 address you would enter to send your money to that particular
16 balance.

17 Q. What is the relationship, if any, between a deposit address
18 and a cryptocurrency wallet?

19 A. A cryptocurrency wallet would have a deposit address
20 associated with it.

21 Q. And what is a cryptocurrency wallet?

22 A. It's a place where you can have your cryptocurrency held.

23 Q. When you say your cryptocurrencies held in this wallet, is
24 this online, is this somewhere else?

25 A. For decentralized cryptocurrencies, the ledger that would

1 keep track of who owns what would be tracked across many
2 different computers, not just one.

3 Q. These are wallets that are tracked on computers?

4 A. Yes.

5 MS. SASSOON: At this time the government offers
6 Government Exhibit 1560, which the parties have agreed is a
7 true and correct copy of a video posted on FTX's home page
8 called FTX User Guide, How To Deposit Crypto on FTX.

9 THE COURT: It's received.

10 (Government Exhibit 1560 received in evidence)

11 MS. SASSOON: Mr. Bianco, if you could please play the
12 first 14 seconds of Government Exhibit 1560.

13 (Video played)

14 Q. What is this video about, Mr. Yedidia?

15 A. How to deposit cryptocurrencies on FTX.

16 MS. SASSOON: Mr. Bianco, if you could please play the
17 rest of the video.

18 (Video played)

19 Q. Mr. Yedidia, in this video about crypto deposits, when a
20 customer is moving cryptocurrency to FTX, is that
21 cryptocurrency they own elsewhere that they are moving to the
22 exchange?

23 A. Yes.

24 Q. So this would be cryptocurrency that a customer already
25 owns that they are transferring over to FTX?

1 A. Yes.

2 MS. SASSOON: Let's go back to Government Exhibit 589
3 and look at customer balances.

4 Q. Once a customer deposits money on the exchange through a
5 wire transfer or a cryptocurrency transfer, how is a customer
6 actually credited on the exchange?

7 A. For a cryptocurrency transfer an automatic system would
8 notice that the money had landed in the user's deposit address
9 and credit them with the money on the exchange. For a wire
10 transfer, something would notice that the money had handed in
11 the bank account, and some process would need to figure out
12 which customer on the exchange was the one whose account
13 matched the incoming transfer into the bank account.

14 Q. Can you explain what it means to credit a customer on the
15 account for their transfer of money?

16 A. It means that their balances on the balances page would
17 increase.

18 Q. And in what way would the balances increase?

19 A. By the amount of the transfer.

20 Q. Where would this information be accessible to the FTX
21 customer?

22 A. On the balances page.

23 Q. If you look here where it says available balance, do you
24 see that column on the balances page?

25 A. Yes.

1 Q. What does that column convey to the customer?

2 A. It shows the amount of money they have available in that
3 currency for trading or for withdrawal.

4 Q. When you say for trading or withdrawal, you mean on FTX?

5 A. Yes.

6 Q. What is a withdrawal?

7 A. It's when a customer requests that their money be sent to
8 one of their accounts that are external to FTX.

9 Q. Is that a way of taking a customer's money back off the
10 exchange?

11 A. Yes.

12 MS. SASSOON: Let's take a look at Government Exhibit
13 594, which is in evidence.

14 Q. What were some of the available methods for a customer to
15 withdraw money that they held on FTX?

16 A. They could withdraw via stablecoin or via wire transfer or
17 credit card.

18 Q. If a customer requested a wire transfer, would they be
19 receiving their money back in fiat or dollars?

20 A. Yes.

21 MS. SASSOON: You can take that down.

22 Q. So you touched on this, but once a customer transferred
23 their money to FTX and they had these balances on the exchange,
24 what could a customer do with that money?

25 A. It could trade with it.

1 Q. What types of products were traded on FTX?

2 A. Cryptocurrencies and derivatives on cryptocurrencies.

3 Q. We will get into that in a moment.

4 MS. SASSOON: Let's go back to Government Exhibit 599,
5 which we looked at yesterday from FTX's website.

6 Q. Generally, what do these various boxes represent?

7 A. With the exception of stake, they all represent things that
8 could be traded on the website.

9 Q. I would like to you direct you to where it says spot. What
10 does spot refer to here in the second box?

11 A. Spot refers to the asset itself, as opposed to a derivative
12 on that asset. So, for example, spot Bitcoin would be an
13 actual Bitcoin.

14 Q. Could customers trade actual Bitcoin on FTX?

15 A. Yes.

16 Q. And other coins as well?

17 A. Yes.

18 Q. Is that called spot trading?

19 A. Yes.

20 MS. SASSOON: Let's look at Government Exhibit 582.

21 Q. What does this show from the FTX website?

22 A. This is the markets page.

23 Q. For which market?

24 A. Spot markets.

25 Q. Let's just take an example. Do you see the first row that

1 says BTC/USD Bitcoin?

2 A. Yes.

3 Q. What does that entire row refer to?

4 A. It refers to the market on which customers could buy
5 Bitcoins with dollars or sell Bitcoins for dollars.

6 Q. Do you see toward the end of this row where it says price?

7 A. Yes.

8 Q. Does that reflect the price of one Bitcoin on the
9 particular day of this screenshot?

10 A. Yes.

11 MS. SASSOON: Let's go back to Government Exhibit 599.

12 Q. You see where it says futures?

13 A. Yes.

14 Q. Is that another product that was available for trading on
15 the exchange?

16 A. Yes.

17 Q. What are futures?

18 A. Futures are a type of financial instrument or financial
19 derivative which tracked the price of a given asset. So, for
20 example, a Bitcoin future would not represent a Bitcoin itself.
21 Rather, if it had an expiry date, for example, if it expired in
22 March of 2020, then that means that in March of 2020, whatever
23 the price of one Bitcoin was, that's the amount you would be
24 paid out for owning a future in Bitcoin that expires in March
25 2020.

1 Q. Let me make sure I understand this. Are those transactions
2 that allowed two parties, a buyer and a seller, to exchange
3 payments based on the change in value of a cryptocurrency?

4 MR. EVERDELL: Objection.

5 MS. SASSOON: Your Honor, I am just trying to clarify
6 a confusing subject.

7 THE COURT: Just a minute.

8 Overruled.

9 Q. I'll ask it again, Mr. Yedidia.

10 These futures transactions that you described, are
11 those transactions that allowed two parties, a buyer and a
12 seller, to exchange payments based on the change in value of a
13 cryptocurrency?

14 A. Yes.

15 Q. And were those futures traded on FTX?

16 A. Yes.

17 Q. Are there other types of futures that don't have an
18 expiration date?

19 A. Yes.

20 Q. What are those called?

21 A. Those are called perpetual futures.

22 Q. Were those traded on FTX?

23 A. Yes.

24 Q. What is your understanding of the volume of futures that
25 were traded on FTX relative to the spot market?

1 A. My understanding is that the futures markets had more
2 volume than the spot markets.

3 MS. SASSOON: Let's take a look at Government Exhibit
4 583.

5 Q. Do you see where it says futures in blue on the left-hand
6 side?

7 A. Yes.

8 Q. And what does this page show?

9 A. This is a list of futures markets on FTX.

10 Q. Just taking one example, the first row where it says
11 Bitcoin June 2022 futures, what does that mean?

12 A. These are futures that expire in June 2022 on the price of
13 Bitcoin.

14 Q. Is everything listed here or listed on the spot markets
15 page things that customers could buy and sell on the exchange?

16 A. Yes.

17 Q. We have talked about some of the things customers could
18 trade on the exchange.

19 What was the FTX business model for making money?

20 A. Collecting fees on trades.

21 Q. What does that mean exactly?

22 A. It means that when two customers trade from each other --
23 let's suppose Alex wanted to buy a Bitcoin from Bob for
24 \$10,000. Alex would lose \$10,000 and gain one Bitcoin and Bob
25 would gain slightly less than \$10,000 and lose one Bitcoin.

1 That slightly less, that difference would be the fee that FTX
2 collects.

3 Q. I want to turn back to the work you did at FTX. When you
4 first started working at FTX, which office were you working in?

5 A. The Hong Kong office.

6 Q. Over what time period was that?

7 A. That was from when I started in January 2021 to around
8 October, early October of 2021.

9 Q. Can you describe the offices in Hong Kong.

10 A. They were a large open office.

11 MS. SASSOON: Let me show the witness what has been
12 marked as Government Exhibit 1636.

13 Q. Do you recognize this?

14 A. Yes.

15 Q. What is it?

16 A. It's the Hong Kong office.

17 MS. SASSOON: Your Honor, we offer Government Exhibit
18 1636.

19 THE COURT: Received.

20 (Government Exhibit 1636 received in evidence)

21 MS. SASSOON: Mr. Bianco, can you publish Government
22 Exhibit 1636.

23 Q. Are we looking at a portion of the Hong Kong office here?

24 A. Yes.

25 Q. Did you sit in an open floor plan like this when you worked

1 there?

2 A. Yes.

3 Q. Who did you sit with?

4 A. I sat next to Nishad Singh.

5 Q. Where was the defendant generally sitting relative to where
6 you sat at the Hong Kong office?

7 A. He was sitting fairly close by. If my memory serves,
8 Nishad was to my left and then Gary and Sam were sort of close
9 to that, but at their own sort of separate desk together near
10 the center of the office.

11 Q. After Hong Kong, where did you live and work?

12 A. The Bahamas.

13 Q. Over what time period did you live and work in the Bahamas?

14 A. From around October 2021 to when I resigned in November
15 2022.

16 MS. SASSOON: Mr. Bianco if you could pull up again
17 Government Exhibit 1542, which we looked at yesterday.

18 Q. What is depicted in this photograph?

19 A. This is the common room of the penthouse apartment in which
20 I lived in the Bahamas.

21 Q. I believe you testified yesterday you lived there with the
22 defendant?

23 A. Yes.

24 Q. Where was this apartment?

25 A. It was in the Albany.

1 Q. What is the Albany?

2 A. It's a luxury resort on the western side of New Providence,
3 which is the main island of the Bahamas.

4 MS. SASSOON: Mr. Bianco, if you could show the
5 witness Government Exhibit 1625.

6 Q. Are you familiar with these messages?

7 A. Yes.

8 Q. Are you a participant in these messages?

9 A. Yes.

10 Q. Is the defendant also a participant in these messages?

11 A. Yes.

12 MS. SASSOON: The government offers Government Exhibit
13 1625.

14 THE COURT: Received.

15 (Government Exhibit 1625 received in evidence)

16 MS. SASSOON: Mr. Bianco, if you could publish this
17 for the jury.

18 Q. Mr. Yedidia, what type of message exchange is this?

19 A. Signal message exchange.

20 Q. Is that a messaging platform?

21 A. Yes.

22 Q. Do you see at the top where it has the name of the message
23 group, people of the house?

24 A. Yes.

25 Q. Who is this group people of the house? What does that

1 refer to?

2 A. These were the ten people who lived in this apartment.

3 Q. Generally, what was the subject matter of this messaging
4 group, people of the house?

5 A. Anything that related specifically to people who were
6 residents of that apartment, social stuff sometimes.

7 Q. Do you recall expressing how you felt about paying for an
8 expensive apartment in the Bahamas?

9 A. Yes.

10 Q. What was that?

11 A. Well, the number -- the cost of the rent sounded very high
12 if it was, you know, rent that would be commensurate with an
13 apartment that cost \$35 million.

14 Q. Can you read what the defendant said about that at the
15 bottom of this chat?

16 A. Heh, I've been mentally assuming that aggregate rent
17 collected would be zero dollars and mostly thinking of bidding
18 in who gets to direct marginal donation dollars anyway. I'm
19 totally fine/excited if others want to have economic exposure
20 to it, but have been assuming that it's basically just Alameda
21 paying for it in the end.

22 Q. Where it says Alameda paying for it in the end, what was
23 the it you're referring to in this conversation?

24 A. The apartment.

25 Q. That's the \$35 million apartment?

1 A. That's correct.

2 Q. So what was your understanding of how that apartment was
3 being paid for?

4 A. Alameda was paying for it.

5 Q. Were you aware of the defendant sleeping with any frequency
6 on a bean bag during your time as his roommate in the Bahamas
7 in the Orchid penthouse?

8 A. It was much rarer than when we were in Hong Kong.

9 Q. When you lived in the Bahamas, were you aware of him
10 sleeping with any frequency on a bean bag?

11 A. I think he would take occasional naps, but not with much
12 frequency, no.

13 Q. When you worked and lived with the defendant in the
14 Bahamas, were you also socializing with him?

15 A. Yes.

16 MS. SASSOON: Mr. Bianco, can you please show the
17 witness Government Exhibit 1452.

18 Q. Do you recognize the people in this photograph?

19 A. Yes.

20 Q. Who is in this photograph?

21 A. I am and Sam is and there is a third person.

22 MS. SASSOON: The government offers Government Exhibit
23 1452.

24 THE COURT: Received.

25 (Government Exhibit 1452 received in evidence)

1 MS. SASSOON: Mr. Bianco, please publish Government
2 Exhibit 1452 for the jury.

3 Q. Where are you in this photograph, Mr. Yedidia?

4 A. I'm the man on the right.

5 Q. Who is the man on the left?

6 A. That's Sam Bankman-Fried.

7 Q. Where are you eating in this photograph?

8 A. The dining room of the apartment.

9 Q. Which apartment?

10 A. The \$35 million apartment.

11 Q. I'd like to show you what's been marked as government of
12 Government Exhibit 1802.

13 Do you recognize the person in this photograph?

14 A. Yes.

15 Q. Who is it?

16 A. Caroline Ellison.

17 MS. SASSOON: The government offers Government Exhibit
18 1802.

19 THE COURT: Received.

20 (Government Exhibit 1802 received in evidence)

21 MS. SASSOON: Mr. Bianco, please publish Government
22 Exhibit 1802.

23 Q. Who is this?

24 A. Caroline Ellison.

25 Q. Was she one of your roommates in the Bahamas?

1 A. Yes.

2 Q. Before you started working at FTX, what did the defendant
3 tell you about his relationship with Caroline Ellison?

4 A. Sometime in early 2019, the defendant told me that he and
5 Caroline had had sex and asked if it was a good idea for them
6 to date.

7 Q. What did you say?

8 A. I said no.

9 Q. How did he respond to that?

10 A. He said he figured that was reasonable and thought that I
11 would say something like that.

12 Q. What role did Caroline Ellison have in the defendant's
13 organization over your time there?

14 A. When I joined, she was a trader at Alameda. And then at
15 some point while I was working at FTX, she became the co-CEO of
16 Alameda.

17 Q. When you worked with the defendant, did he ever describe to
18 you his approach to risk taking?

19 A. Yes.

20 Q. What types of things would he say?

21 A. He felt that in general taking risks was a reasonable thing
22 to do in pursuit of other goals.

23 Q. Did he describe his approach to risk taking relative to
24 other people?

25 A. Yes.

1 Q. How so?

2 A. In general, I think he would have described his own
3 approach to risk taking as being more willing to take risks
4 than many others.

5 Q. I want to turn in greater detail to your work at FTX.

6 We talked earlier about customers depositing money to
7 the exchange via wire transfer in dollars. When you first
8 started working at FTX, where did you think customer fiat or
9 dollar deposits were being received?

10 A. In the FTX bank account.

11 Q. Did you come to learn otherwise in the course of your work?

12 A. Yes.

13 Q. What did you learn?

14 A. I learned that in fact they were being received in a
15 different bank account labeled the North Dimension bank
16 account.

17 Q. Who controlled the North Dimension bank account?

18 A. Alameda.

19 Q. As a software developer, did you become involved in a
20 project related to customer deposits and withdrawals of fiat or
21 dollar currency?

22 A. Yes.

23 Q. Who assigned you to this project?

24 A. Sam.

25 Q. What was the goal of the project?

1 A. The goal of the project was to automate processing of
2 customer deposits and withdrawals.

3 Q. What do you mean by automate?

4 A. What I mean is, for the processing to happen automatically,
5 like for a computer to do it rather than a human.

6 MS. SASSOON: Let's look at Government Exhibit 589,
7 the customer balance page.

8 Q. When you talk about automating the process for crediting a
9 customer's account, what do you mean by crediting their
10 account?

11 A. What I mean is that their account will show the balances of
12 the amount of the money that was sent.

13 Q. Where else was this information tracked, if anywhere?

14 A. In the FTX database.

15 Q. What was the FTX database?

16 A. The FTX database was essentially the repository for all of
17 the stateful information related to FTX.

18 Q. This database, is it electronic? Where is it housed?

19 A. It's housed in a computer. It's electronic.

20 Q. When you said it's this electronic database housing
21 information about FTX, can you describe the types of
22 information that were contained in this database?

23 A. Customer balances were contained within this database, but
24 also records of every trade, records of every deposit and
25 withdrawal, information on users that was collected. Basically

1 anything you can think of was stored in the database.

2 Q. The database stored information, but not, let's say, money,
3 is that correct?

4 A. That is correct.

5 Q. The process you have talked about of matching up a deposit
6 via customer to their account balance on the website, did that
7 involve moving any actual money or just information?

8 A. Only information.

9 (Continued on next page)

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1 BY MS. SASSOON:

2 Q. What about the actual money associated with the account;
3 would that remain with Alameda?

4 A. Yes.

5 Q. What was the goal of your project with respect to this
6 automation of customer deposits and crediting their account?

7 A. It was to expedite the process of processing deposits and
8 withdrawals.

9 Q. What did the defendant tell you about the reason for this
10 project of automating deposits and withdrawals when he assigned
11 it to you?

12 A. The reason was twofold—one was, there was a problem where
13 more and more users were depositing money and this was placing
14 a lot of strain on the settlement team, whose job it was to,
15 for every deposit to the bank account, find which customer that
16 deposit belonged to and credit them with money on the exchange,
17 so because this is a manual process, as there were more and
18 more deposits, this job that they had was overwhelming them.
19 So the first reason for the project was to make it easier on
20 the settlement team.

21 And the second task—no, second reason, was that
22 because the deposit-processing process was manual, it would
23 sometimes take a long time for a customer deposit to be
24 credited even after the money had landed in the bank, and that
25 would be very frustrating to customers in some cases if their

1 money was taking a long time to be credited to them.

2 So the two reasons essentially were to make it easier
3 on the settlement team, make their job less hard, and to make
4 processing customer deposits faster.

5 Q. How involved did the defendant remain in the project after
6 he assigned it to you?

7 A. He was very involved.

8 Q. While working on this project, what did you learn about
9 where FTX customer deposits were being made?

10 A. The North Dimension bank account.

11 Q. And I think you mentioned this earlier, but who controlled
12 that account?

13 A. Alameda did.

14 Q. When you went to work at FTX, was the defendant still
15 operating Alameda, his cryptocurrency trading firm?

16 A. Yes.

17 Q. Was Alameda also a customer on the FTX exchange?

18 A. Yes.

19 Q. When you worked at FTX, what did you observe about the
20 relationship between FTX and Alameda?

21 A. It was a very close relationship.

22 Q. How so?

23 A. Well, the two companies shared an office, and obviously the
24 same person was the CEO of both.

25 Q. When you say the same person was the CEO of both, who was

1 that?

2 A. Sam Bankman-Fried.

3 Q. So this was before Caroline Ellison was named CEO.

4 A. Correct.

5 Q. When Alameda traded on FTX and made money, what was your
6 understanding of who was the ultimate beneficiary of Alameda's
7 profits?

8 A. Sam and Gary.

9 Q. You mentioned that you learned that Alameda was receiving
10 FTX customer deposits through a bank account called North
11 Dimension.

12 MS. SASSOON: If we could take a look at Government
13 Exhibit 568.

14 Q. What is this?

15 A. These are deposit instructions for ftx.com.

16 Q. So are these available to customers on the FTX website?

17 A. Yes.

18 Q. And if you could look at the top where it says "Where to
19 send the money to - Beneficiary Name - North Dimension," what
20 does that mean?

21 A. It means that the name of the bank account—the bank
22 account was under the name North Dimension.

23 Q. Which bank account? Where it says—Let me take a step
24 back.

25 Where it says "Wire Instructions" at the top, who is

1 viewing these wire instructions?

2 A. The customer.

3 Q. And where it says "Where to send the money to - North
4 Dimension," what information is that relaying?

5 A. That's relaying that if they want to deposit money on
6 ftx.com, they should wire the money to a bank account under the
7 name North Dimension Incorporated.

8 Q. Where it says below that, "Receiving Bank - Silvergate
9 Bank," what does that mean?

10 A. That means the bank that the bank account is in is
11 Silvergate Bank.

12 Q. Does it say anywhere here that the customer money is going
13 to Alameda Research?

14 A. No.

15 Q. As far as you know, did FTX disclose to its customers that
16 the North Dimension account was controlled by Alameda?

17 MR. EVERDELL: Objection.

18 THE COURT: Ground?

19 MR. EVERDELL: Personal knowledge.

20 THE COURT: Overruled.

21 Q. As far as you know—

22 THE COURT: I'm sorry. I overruled. Are you just
23 repeating your question?

24 MS. SASSOON: Yes.

25 THE COURT: Okay. Go ahead.

1 Q. As far as you know, did FTX disclose to its customers that
2 the North Dimension account was controlled by Alameda Research?

3 A. No.

4 Q. How did you learn that North Dimension was controlled by
5 Alameda?

6 A. I was told by one of Sam, Nishad, or Ryan Salame.

7 Q. Who was Ryan Salame?

8 A. He was the head of settlements at FTX.

9 Q. And who was Ryan Salame's boss?

10 A. Sam Bankman-Fried.

11 Q. In the conversation where you learned about the North
12 Dimension account, what were you told about North Dimension and
13 why FTX customer money was being sent there?

14 A. I was told that FTX couldn't—had had trouble opening its
15 own bank account and so this bank account was being used
16 instead.

17 Q. Were you able to successfully automate a process for
18 customers getting credited for their deposits on the exchange,
19 for the money that was going to North Dimension?

20 A. Yes.

21 Q. About how long did that project take?

22 A. About a month or two, maybe.

23 Q. Around when was that?

24 A. This was sometime in early 2021; maybe between March and
25 June.

1 Q. Based on your work, what did you understand the money in
2 Alameda's North Dimension account—about who it belonged to?

3 A. The customers of FTX.

4 Q. Why is that?

5 A. Well, they were the ones who deposited the money with the
6 expectation that—

7 MR. EVERDELL: Objection, your Honor.

8 THE COURT: What's the objection?

9 MR. EVERDELL: He's talking about the customers'
10 expectations.

11 MS. SASSOON: Your Honor, he was an employee at FTX,
12 and his understanding is relevant.

13 THE COURT: Overruled. Re-put the question.

14 BY MS. SASSOON:

15 Q. Why was it your understanding that the money in Alameda's
16 North Dimension account belonged to FTX customers?

17 A. Because they were the ones who sent the money to the
18 exchange, with the expectation that they would be able to use
19 it on the exchange as they saw fit.

20 Q. Did there come a time when FTX customers were no longer
21 sending their deposits to Alameda?

22 A. Yes.

23 Q. What happened?

24 A. FTX succeeded in opening its own bank account.

25 Q. And when that happened, what did you do?

1 A. I changed the deposit instructions so that instead of
2 pointing to North Dimension, they pointed to a different bank
3 account in the name of FTX Digital Markets.

4 Q. Around when was that?

5 A. Sometime in late 2021.

6 Q. As far as you are aware, did some customer deposits
7 continue to go to North Dimension into 2022?

8 A. Yes.

9 Q. For the period during 2021 and 2022, the FTX customer
10 deposits going to Alameda, initially, was that concerning to
11 you?

12 A. No.

13 Q. Why not?

14 A. Well, customers could still send their money wherever they
15 liked, and one common issue when switching deposit instructions
16 is that a customer would continue to use the old ones even
17 after the new ones had been rolled out.

18 Q. Was it concerning to you that at any point in time customer
19 money was being deposited with Alameda, initially?

20 A. No.

21 Q. Why not?

22 A. Well, I figured Alameda was just holding the money.

23 Q. When you say "just holding the money," what do you mean?

24 A. The money was there in Alameda's pockets, but they weren't,
25 you know—the—the money was there for Alameda to—to use—not

1 for Alameda to use, but for the customer; if the customer asked
2 for the money back, Alameda had it for them.

3 Q. If you had been told that Alameda was spending the customer
4 money that was going into its bank account, would that have
5 raised concerns for you?

6 A. Yes.

7 MR. EVERDELL: Objection.

8 THE COURT: Ground?

9 MR. EVERDELL: Speculation.

10 THE COURT: I'll allow it.

11 Q. If you had been told that Alameda was spending FTX customer
12 money that was going into its bank account, would that have
13 raised concerns for you?

14 A. Yes.

15 Q. Why?

16 A. Well, then the money wouldn't be there for the customer, if
17 the customer wanted it.

18 Q. And why is that a problem?

19 A. Then if the customer withdraws, their money isn't there.

20 Q. How, if at all, was the money that Alameda owed back to FTX
21 customers for their deposits being tracked, by the company?

22 A. It was tracked in an internal account and database called
23 fiat@ftx.com.

24 Q. You said the money Alameda owed was being tracked in an
25 internal account in the database. What database are you

1 talking about?

2 A. The FTX database.

3 Q. And you mentioned a specific account name. What was that?

4 A. Fiat@ftx.com.

5 Q. So what was the fiat@ftx.com account?

6 A. It was an account that was meant to track the net volume of
7 incoming fiat deposits.

8 Q. Can you put that in simpler terms, when you say this
9 account was tracking the net volume of fiat deposits.

10 A. Yes. It was meant to track the total amount of fiat money
11 that was deposited by customers minus the total amount of fiat
12 money that was withdrawn by customers.

13 Q. And so once you tracked the total amount deposited,
14 removing the amount that had been withdrawn, what amount
15 remained?

16 A. The total amount of money that customers had deposited in
17 fiat, had net deposited in fiat on the exchange.

18 Q. When you say the total amount of money net deposited, is
19 that money still owed back to customers for their deposits?

20 A. Yes.

21 Q. And the fiat@ftx.com account that was tracking the money
22 that was still owed back to customers, who was responsible for
23 that money that was still owed to FTX customers?

24 A. Alameda.

25 Q. And why was that money owed by Alameda?

1 A. Alameda was the one that had received the money in their
2 bank account.

3 THE COURT: Let me just see if I can clarify something
4 in my own mind. So whatever that amount was that was in the
5 account you identified, the fiat@ftx.com account, that was
6 money which showed up as balances on the customer statements
7 that appeared on the ftx.com website that customers could
8 access, yes?

9 THE WITNESS: I'm not sure if that's a totally
10 complete picture. Do you mind if I clarify?

11 THE COURT: No. That's why I asked.

12 THE WITNESS: So when a customer deposited money on
13 ftx.com, there were two things that happened. One is that the
14 customer would be credited with the value of the monies they
15 deposited, so they would see their balances increase. The
16 other thing that would happen is that this account would have
17 its balances decrease, so there was a corresponding decrease.
18 With this increase in the customers' balances, there would be a
19 corresponding decrease in the balances of the fiat@ftx.com
20 account. So both things would happen. And this other account
21 was just meant to track the total, the total amount net
22 deposited by customers.

23 THE COURT: And why would the net deposited by
24 customers not match their fiat balances on the website to which
25 the customers had access?

1 THE WITNESS: Yes, you're right, your Honor. The—it
2 would match the total amount of all the customers, but any
3 single customer would have an amount that differed from the
4 amount—

5 THE COURT: Oh, okay. Sure. Thank you.

6 Go ahead.

7 BY MS. SASSOON:

8 Q. Just to be clear, if you added up all of customer fiat
9 balances across the exchange, it should match the number that's
10 in the fiat@ftx.com account, except that would be a negative
11 number.

12 A. Yes.

13 Q. And that's because that's the amount of money that Alameda
14 still owed back to FTX customers.

15 A. Yes.

16 Q. And this fiat@ftx.com account, did it have actual money in
17 it or it was just tracking that information?

18 A. The latter.

19 Q. So it was tracking information.

20 A. Yes.

21 Q. So because this is a bit complicated, I'm just going to
22 make sure we all understand.

23 Every time a customer deposited money into Alameda's
24 bank account, what would happen to the customer's balance on
25 the FTX website?

1 A. It would increase.

2 Q. And what would happen to Alameda's liability to FTX
3 customers reflected in the fiat@ftx.com account?

4 A. It would increase by the same amount.

5 Q. When you say increase, do you mean go further negative?

6 A. Yes.

7 Q. And why would it go further negative?

8 A. The negative value of the fiat@ftx.com account effectively
9 represented the liability Alameda owed to FTX's customers.

10 THE COURT: Okay. And a third piece of this would be
11 that the amount of fiat in the Alameda bank account at North
12 Dimension, back when North Dimension was being used, would
13 increase, yes?

14 THE WITNESS: Yes.

15 THE COURT: Okay. So the money is in the North
16 Dimension account, the fiat currency, that grows when the
17 customer deposits money to the North Dimension account, the
18 fiat account you referred to, that would go down because North
19 Dimension was treating that as money it owed to FTX, and then
20 the customer balances in the aggregate on the FTX website that
21 the customers could see would go up, yes?

22 THE WITNESS: That's correct, your Honor.

23 THE COURT: Okay. Let's go.

24 BY MS. SASSOON:

25 Q. And you referred to Alameda's liability to FTX customers.

1 What is a liability?

2 A. A liability is a debt owed.

3 Q. And so following up on Judge Kaplan's question, is the
4 amount in Alameda's bank account supposed to match the amount
5 in the fiat@ftx.com account, except one's positive, one's
6 negative?

7 A. Yes.

8 Q. So if you added up all of customer-deposited balances
9 against Alameda's negative liability in the fiat@ftx.com
10 account, what number should you get?

11 A. Zero.

12 Q. Why?

13 A. For every deposit, there's a corresponding increase in
14 customer balances and a corresponding decrease in
15 fiat@ftx.com's balances, and those two amounts should be the
16 same, so when you add the deposited value into the equal
17 negative value, they should cancel to zero, no matter how many
18 times you do that.

19 Q. And just to take the opposite process, if a customer
20 withdrew money from their FTX account by wire transfer, how did
21 FTX pay for the customer's withdrawal?

22 A. Until the bank account was switched, the North
23 Dimension—the North Dimension bank account.

24 Q. And so when a customer withdrew fiat, what would happen to
25 the money in the North Dimension account?

1 A. It would decrease.

2 Q. And what would happen to Alameda's liability to FTX
3 customers reflected in the fiat@ftx.com account?

4 A. It should decrease.

5 Q. Meaning get less negative.

6 A. Yes.

7 Q. And what would happen to the total customer balances across
8 the exchange if someone withdrew some money?

9 A. It would also decrease.

10 Q. So the number in the fiat@ftx.com account in FTX's database
11 I believe you said documented how much money Alameda owed to
12 FTX customers for their dollar deposits; is that right?

13 A. That's correct.

14 Q. And in June of 2022, what did you learn about how much
15 money Alameda owed to FTX customers for their dollar deposits?

16 A. \$8 billion.

17 Q. That is \$8 billion of FTX customer money that had never
18 been withdrawn by FTX customers and that Alameda had not yet
19 repaid; is that right?

20 A. That's correct.

21 Q. So is that \$8 billion money that Alameda still owed to FTX
22 customers?

23 MR. EVERDELL: Objection. Leading.

24 THE COURT: Overruled.

25 Q. And so that \$8 billion that you saw in June of 2022, is

1 that money that Alameda still owed to FTX customers?

2 A. Yes.

3 Q. If Alameda had actually repaid the \$8 billion it owed to
4 FTX customers, what effect would that have had on the number in
5 the fiat@ftx.com account?

6 A. It would have gone to zero.

7 Q. During your time at FTX did you ever learn of any of that
8 approximately \$8 billion being repaid by Alameda to FTX
9 customers?

10 A. No.

11 Q. You testified that you automated the process for crediting
12 customers for their dollar deposits. Was that in FTX's code?

13 A. Yes.

14 Q. In late 2021 what did you learn about the code that you had
15 written for tracking the money Alameda owed to FTX customers
16 for their dollar deposits?

17 A. I learned that it had a bug.

18 Q. When we're talking about code, what is a bug?

19 A. A bug is an error by the programmer that causes the code to
20 do something different from what the programmer intended.

21 Q. What was the nature of this error or bug in the code
22 regarding what Alameda owed to FTX customers?

23 A. It exaggerated the liability to FTX customers.

24 Q. So it made it seem bigger than it was.

25 A. That's correct.

1 Q. And so this is a bug related to the fiat@ftx.com account in
2 FTX's database?

3 MR. EVERDELL: Objection.

4 THE COURT: Sustained.

5 Q. In plain terms, what effect did this bug have on Alameda's
6 debt to FTX customers for their deposits?

7 A. It made it look bigger than it was.

8 Q. So with this bug, when a customer withdrew money from FTX,
9 what would happen to the customer's balance on FTX in the
10 database?

11 A. Their balance would decrease.

12 Q. And was that accurate?

13 A. That was normal, yes.

14 Q. And with this bug, what was happening to Alameda's
15 liability to FTX customers when it processed a withdrawal for a
16 customer?

17 A. If the withdrawal was processed automatically, then
18 Alameda's liability to FTX would appear not to decrease as
19 well.

20 Q. Was that correct?

21 A. No, it was not.

22 Q. So that was an error in the code.

23 A. Correct.

24 Q. And why was it an error in the code that nothing would
25 happen to Alameda's liability if it paid for a customer's

1 withdrawal?

2 A. Alameda's liability was supposed to decrease by the amount
3 of the withdrawal.

4 Q. How did you first learn about this error in the code?

5 A. I was told about it by one of Gary or Nishad. I think one
6 of them found it. I think it was Gary.

7 Q. And did you talk to the defendant about this error in the
8 code?

9 A. Yes.

10 Q. Initially, when you first learned of this bug or error in
11 late 2021, by how much money did the bug exaggerate the total
12 amount of money that Alameda owed to FTX customers?

13 A. \$500 million.

14 Q. \$500 million. So by that time about how long had the bug
15 been in the code?

16 A. About six months.

17 Q. When was this error or bug in the code actually fixed?

18 A. Six months after that.

19 Q. So would that be around June 2022?

20 A. Yes.

21 Q. Who fixed the bug that was overstating how much money
22 Alameda owed to FTX customers?

23 A. I did.

24 Q. Who told you to fix the bug and make Alameda's liability to
25 FTX customers accurate?

1 A. Sam Bankman-Fried.

2 Q. What preceded the defendant telling you to fix the bug in
3 June of 2022?

4 A. I observed a meeting between Sam, Caroline, Gary, and
5 Nishad.

6 Q. What do you mean when you say you observed a meeting
7 between Sam, Caroline, Gary, and Nishad?

8 A. I saw the four of them walk into a room and have a meeting
9 together.

10 Q. And how did you perceive that group of people—the
11 defendant, Gary Wang, Nishad Singh, and Caroline Ellison?

12 A. I saw them as the leadership of FTX at Alameda.

13 Q. Did you learn some of what was discussed at that meeting?

14 A. Yes.

15 Q. From who?

16 A. I think it was Nishad.

17 Q. And what did Nishad tell you about that meeting?

18 A. He told me that—

19 MR. EVERDELL: Objection.

20 MS. SASSOON: Your Honor, it's the statement of an
21 agent, and it also explains the witness's subsequent actions.

22 THE COURT: All right. Go ahead.

23 Q. What did Nishad tell you about what happened in that
24 meeting?

25 A. He told me that the purpose of the meeting had been to do a

1 full accounting of the two companies.

2 Q. What is a full accounting of the two companies?

3 A. Tallying up the—or enumerating the companies' assets and
4 liabilities.

5 Q. When you say "the companies," which companies are you
6 referring to?

7 A. I'm referring to FTX and Alameda.

8 Q. And what does it mean to tally up assets and liabilities?
9 What are assets and liabilities?

10 A. An asset is something that you own, and a liability is a
11 debt that you owe.

12 Q. So in doing an accounting for FTX and Alameda, would the
13 fiat@ftx.com account fall into that accounting?

14 A. Yes.

15 Q. How so?

16 A. It would be an asset for FTX and a liability for Alameda.

17 Q. And why was it a liability for Alameda?

18 A. Because it was a debt owed by Alameda to FTX's customers.

19 Q. In this context of the full accounting review, what did the
20 defendant say to you about the bug?

21 A. He told me he wanted the bug to be fixed.

22 Q. Where did this conversation take place when the defendant
23 told you to fix the bug in Alameda's liability to FTX
24 customers?

25 A. It took place in the offices in the Bahamas.

1 Q. So this was an in-person conversation.

2 A. Yes.

3 Q. Did you in fact fix this bug or error in the code?

4 A. Yes.

5 Q. By the time you fixed the error in the code, by
6 approximately what dollar amount was Alameda's total liability
7 to FTX customers exaggerated?

8 A. About \$8 billion.

9 Q. And so what was the total liability or debt reflected in
10 the fiat@ftx.com account to FTX customers while this bug was in
11 effect?

12 A. You mean at the time I fixed it?

13 Q. Yes.

14 A. About \$16 billion.

15 Q. And once you corrected the bug, what did you learn about
16 approximately how much money Alameda actually owed to FTX
17 customers?

18 A. Also about \$8 billion.

19 Q. So the error was about 8 billion and the actual amount was
20 also about 8 billion?

21 A. As I recall, yes.

22 Q. And together, that added up to 16 billion.

23 A. Yes.

24 Q. Okay. Did you tell the leadership of the
25 companies—meaning the defendant and the others you

1 identified—when the bug was fixed?

2 A. Yes.

3 Q. Did you tell the defendant that the remaining amount of
4 money that Alameda owed to FTX customers for their dollar
5 deposits was about \$8 billion?

6 MR. EVERDELL: Objection.

7 THE COURT: What's the objection?

8 MR. EVERDELL: Leading.

9 THE COURT: Sustained, form.

10 Q. What, if anything, did you tell the defendant about the
11 actual dollar debt that Alameda owed to FTX customers, the
12 amount?

13 A. I told him the amount of money owed by Alameda to FTX
14 customers.

15 Q. What was that amount?

16 A. \$8 billion.

17 Q. Around what date did you fix the bug?

18 A. In June 2022.

19 Q. And would that be mid-June, early June, late June?

20 A. Mid-June.

21 Q. Did you document the results of your work?

22 A. Yes.

23 Q. How so?

24 A. I wrote a postmortem document that was meant to, in detail,
25 explain exactly what the bug was and exactly what I did to fix

1 it.

2 Q. Did you share this document with the defendant?

3 A. Yes.

4 Q. How did you share it with him?

5 A. By a Signal message.

6 Q. And what exactly is Signal?

7 A. Signal is an end-to-end encrypted messaging app.

8 Q. When you say Signal is an encrypted messaging app, what
9 does encrypted mean?

10 A. It means that the messages are not easily read while
11 they're in flight or possibly while they're stored.

12 Q. Why were you using Signal to communicate with the
13 defendant?

14 A. It was his instructions to use Signal in many cases for
15 communications.

16 Q. When you say it was the defendant's instruction to use
17 Signal, who did he give that instruction to?

18 A. To my knowledge, the entire company.

19 Q. What features, if any, were implemented on the Signal
20 communications between employees of FTX and Alameda?

21 A. Automatic deletion timers.

22 Q. What is an automatic deletion timer?

23 A. It causes messages to be deleted after a certain amount of
24 time.

25 Q. Who implemented the auto-deletion feature on company Signal

1 communications?

2 A. Would you clarify what you mean by "implemented."

3 Q. Yes. So why were your communications set to auto-delete on
4 Signal?

5 A. Sam instructed people to do that.

6 Q. When you say "people," do you mean employees of the
7 company?

8 A. Yes.

9 Q. Around the time that the defendant directed employees of
10 the company to auto-delete their Signal messages, what, if
11 anything, did he explain to you about this policy?

12 A. He said that it was all downside for messages to be kept
13 around.

14 Q. What, if anything, did he explain about why it was all
15 downside to preserve messages among company employees?

16 A. There wasn't much benefit to keeping messages around, and
17 if regulators found something they didn't like in those
18 messages, that could be bad for the company.

19 Q. Did the defendant say that?

20 A. He didn't use exactly those words, but that was what the
21 substance—that's the substance of what he said.

22 Q. You said that you communicated with the defendant about
23 Alameda's debt to FTX customers by Signal. Do those Signal
24 messages still exist?

25 A. The documentation that I created does, but the message that

1 carried the documentation does not.

2 Q. Meaning the message to the defendant with your analysis
3 does not exist?

4 A. Correct.

5 Q. Why not?

6 A. It was deleted.

7 Q. And this was deleted in keeping with the company policy?

8 A. Right. It was deleted by the automatic message deletion
9 timer.

10 Q. You testified that after the bug was fixed you learned that
11 Alameda still owed FTX customers about \$8 billion. How did you
12 know that number?

13 A. I saw it.

14 Q. Where did you see it?

15 A. In the FTX database.

16 Q. Were you aware whether that information was visible to
17 other executives at the company, like the defendant?

18 A. Yes.

19 Q. Was it?

20 A. Yes.

21 Q. So in the course of fixing the bug, you learned that
22 Alameda owed FTX customers about \$8 billion. What was your
23 reaction to that?

24 A. The number seemed large to me.

25 Q. And what was your reaction to the \$8 billion debt seeming

1 large to you?

2 A. I had a conversation with Sam.

3 Q. Before you had a conversation with Sam, what was your
4 reaction to this \$8 billion liability being very large that led
5 to your conversation with Sam?

6 A. It concerned me.

7 Q. Why did it concern you?

8 A. It seemed like a lot of money for Alameda to be owing FTX,
9 and I wanted to be certain that Alameda could repay that debt.

10 Q. Why did you want to be certain that Alameda could repay its
11 \$8 billion debt to FTX customers?

12 A. Because it was possible that FTX customers would need that
13 \$8 billion to be repaid themselves if they withdrew.

14 Q. But did you share those concerns with the defendant?

15 A. Yes.

16 Q. Can you describe that conversation.

17 A. Yes. So the conversation began with me bringing up
18 the—the large debt owed by Alameda to FTX and asking something
19 like, *Are things okay?* In response, Sam said something like,
20 *We were bulletproof last year but we're not bulletproof this*
21 *year.* And in response to that, I asked, *How long until we're*
22 *bulletproof again?* And he said, *I'm not sure. I'm not sure is*
23 *his words. Maybe something like six months to three years.*
24 And I said, *Are things going to be okay?* Basically. And he
25 said, *Yeah, yeah,* or, you know, he—from that point on I—I

1 recall him saying some things that were meant to reassure.

2 Q. So let's break that down.

3 Around when was this conversation with the defendant
4 about Alameda's debt to FTX?

5 A. Soon after I fixed the bug.

6 Q. And around when was that?

7 A. Around—it would have been probably in late June or early
8 July 2022, maybe.

9 Q. Where did this conversation with the defendant take place?

10 A. It took place in the paddle tennis court.

11 MS. SASSOON: Mr. Bianco, can you please show the
12 witness Government Exhibit 1457.

13 Q. Do you recognize this?

14 A. Yes.

15 Q. What is it?

16 A. It's a paddle tennis court.

17 Q. Does this resemble the paddle tennis court where you had
18 this conversation with the defendant?

19 A. Yes.

20 MS. SASSOON: Government offers Government
21 Exhibit 1457.

22 THE COURT: Received.

23 (Government's Exhibit 1457 received in evidence)

24 MS. SASSOON: Mr. Bianco, please publish Government
25 Exhibit 1457.

1 BY MS. SASSOON:

2 Q. What is this, Mr. Yedidia?

3 A. It's a paddle tennis court.

4 Q. And where is this paddle tennis court?

5 A. It's in The Albany.

6 Q. And can you remind us, what's The Albany?

7 A. The Albany is a luxury resort on the western side of New
8 Providence, Bahamas.

9 Q. So is that where your apartment was?

10 A. Yes.

11 Q. And is this where you had this conversation with the
12 defendant that you've been describing?

13 A. I believe so, yes.

14 Q. And when you had this conversation with the defendant about
15 the money that Alameda owed to FTX customers, what had you been
16 doing beforehand with the defendant?

17 A. I believe I'd been playing paddle tennis.

18 Q. And where were you for this conversation with the defendant
19 that you've been describing, using this photo as a reference?

20 A. We were under or around that—that little hut in between
21 the two courts on the—the—on the near side of the photo.

22 Q. And when you were with the defendant near this hut between
23 the paddle courts, can you describe the substance of the first
24 question that you posed to the defendant.

25 A. I asked about the debt that Alameda owed to FTX and I

1 asked, *Are things okay?*

2 Q. Why were you asking if things were okay in connection with
3 the debt that Alameda owed to FTX customers of about
4 \$8 billion?

5 A. It was a very large debt, and I wanted to know that Alameda
6 could repay it.

7 Q. What did the defendant say in response to your question?

8 MR. EVERDELL: Asked and answered.

9 THE COURT: Sustained.

10 Q. Where was the defendant when he responded that *We're not*
11 *bulletproof anymore*, during this conversation?

12 A. He was in—I think somewhere underneath this—this little
13 hut in between the two courts.

14 Q. When you responded to the defendant, *How long until we're*
15 *bulletproof again?* when he said *We're no longer bulletproof*,
16 who was the "we" that you were referring to?

17 MR. EVERDELL: Objection.

18 THE COURT: Overruled.

19 A. I understood "we" to mean Alameda and FTX.

20 Q. And when you asked *How long until we're bulletproof again*,
21 what did you mean by that?

22 A. I was asking at what point Alameda and FTX's financial
23 health would be sound.

24 Q. When the defendant responded to you, *Maybe in about six*
25 *months to three years*, how would you describe his demeanor?

1 MR. EVERDELL: Objection.

2 THE COURT: Overruled.

3 A. Worried, or nervous.

4 Q. What makes you say that he appeared worried or nervous?

5 A. His facial expression at the time.

6 Q. Was that typical of your interactions with the defendant
7 over the course of your about decades-long relationship?

8 A. No.

9 Q. After this conversation did you feel reassured that Alameda
10 would be able to repay its approximately \$8 billion debt to
11 FTX?

12 MR. EVERDELL: Objection.

13 THE COURT: Sustained.

14 Q. When the defendant said *We're not bulletproof anymore*, did
15 you press for more details?

16 MR. EVERDELL: Objection.

17 THE COURT: Overruled.

18 A. No.

19 Q. Why not?

20 A. I was a developer at FTX rather than an accountant or a
21 trader at Alameda. I felt that my duties were to make sure
22 that FTX's code ran well and to build more features for FTX.

23 And I—I trusted Sam. I hoped that Sam and Caroline and others
24 at Alameda would handle the situation.

25 Q. After this conversation you had with the defendant on the

1 paddle court about not being bulletproof anymore, did you and
2 the defendant have any subsequent conversations about FTX's
3 financial situation?

4 A. Yes.

5 THE COURT: Let's break here for about 15 minutes.

6 THE DEPUTY CLERK: Would the jury please come this
7 way.

8 (Recess)

1 THE COURT: Let's get the jury.

2 MR. ROOS: Judge, there was something I wanted to
3 raise with you about transcript binders relevant to the next
4 witness. I don't think we are going to get there before lunch.

5 THE COURT: Transfer binders?

6 MR. ROOS: Transcript.

7 THE COURT: Transcript binders.

8 MR. ROOS: There are two recordings with the next
9 witness. We have little binders for the jury that have
10 transcripts so that they can read along with the recording. I
11 just wanted to run it by your Honor before we do that, but my
12 sense right now is maybe we will break for lunch before that.

13 THE COURT: Could be.

14 (Jury present)

15 THE COURT: The defendant and the jurors all are
16 present, as they have been throughout.

17 You may continue, Ms. Sassoon.

18 MS. SASSOON: Thank you, your Honor.

19 BY MS. SASSOON:

20 Q. Mr. Yedidia, after your conversation with the defendant on
21 the paddle court, did you have any subsequent conversations
22 with the defendant about FTX's financial situation?

23 A. Yes.

24 Q. What do you recall about that?

25 A. There was a conversation that Sam and I had that I had the

1 impression was related to the previous conversation in which he
2 talked about his plans for raising money from Saudi Arabia
3 and/or the United Arab Emirates.

4 Q. When you say he talked about raising money from Saudi
5 Arabia or United Arab Emirates, what, if anything, did he say
6 about what he was raising money for?

7 A. FTX.

8 Q. Did the defendant explain why he wanted to raise money for
9 FTX from Saudi Arabia or the United Arab Emirates?

10 A. He said he wanted FTX to have more cash as I recall.

11 Q. As far as you know, were any efforts to raise money from
12 Saudi Arabia or the United Arab Emirates successful?

13 A. No.

14 Q. About how soon after that conversation did FTX go bankrupt?

15 A. Somewhere between one and three months, I think, maybe one
16 and four months.

17 Q. And around what month of 2022 was that?

18 A. November 2022.

19 Q. Before FTX declared bankruptcy, what was happening at FTX
20 with respect to FTX customer withdrawals?

21 A. A lot of customers were all withdrawing at once.

22 Q. And what happened when large numbers of customers were all
23 trying to withdraw their money at once?

24 A. Not all of them received their money.

25 Q. Did you have any conversations with the defendant in

1 November of 2022 about what was happening at FTX?

2 A. We had a conversation over Signal.

3 Q. What do you recall about that conversation?

4 A. I said, I love you, Sam, I am not going anywhere. Don't
5 worry.

6 Q. Why did you say, I'm not going anywhere?

7 A. I had learned that a lot of the other employees had quit,
8 and I wanted to reassure him that I wouldn't do the same.

9 Q. Yesterday you testified that you resigned from FTX in
10 November of 2022. So what changed?

11 A. I learned that Alameda had used FTX customer deposits to
12 repay its loans to creditors.

13 Q. And why did that change your mind about staying at FTX?

14 A. What Alameda did seemed like a flagrantly wrong thing to
15 have done.

16 MS. SASSOON: No further questions.

17 THE COURT: Thank you.

18 Cross-examination.

19 CROSS-EXAMINATION

20 BY MR. EVERDELL:

21 Q. Good morning, Mr. Yedidia.

22 A. Good morning.

23 Q. Mr. Yedidia, you went to college at MIT, correct?

24 A. Correct.

25 Q. You majored in electrical engineering and computer science?

- 1 A. And math as well, yes.
- 2 Q. You graduated MIT in 2014, is that right?
- 3 A. That's right.
- 4 Q. And you went back to MIT to do your graduate work?
- 5 A. That's correct.
- 6 Q. You got a doctorate?
- 7 A. Yes.
- 8 Q. Did some postdoctorate work at Berkeley?
- 9 A. Yes.
- 10 Q. I think you met your now wife, Andrea Lincoln, at MIT?
- 11 A. Yes.
- 12 Q. You first met Mr. Bankman-Fried while you were at MIT?
- 13 A. Yes.
- 14 Q. You lived in the same house, you said?
- 15 A. Yes.
- 16 Q. Did you also meet Gary Wang at MIT?
- 17 A. Yes.
- 18 Q. And he lived in the same house as well, isn't that right?
- 19 A. That's correct.
- 20 Q. You became friends with Sam in college?
- 21 A. Yes.
- 22 Q. You got to know him?
- 23 A. Yes.
- 24 Q. Sam grew up in California, is that right?
- 25 A. I believe so, yes.

1 Q. After college he worked at Jane Street Capital, is that
2 right?

3 A. Yes.

4 Q. That was a well-regarded trading firm on Wall Street?

5 A. Yes.

6 Q. Jane Street does something called quantitative trading, is
7 that right?

8 A. Yes.

9 Q. Quantitative trading, just generally speaking, involves
10 using computer algorithms, right, and mathematical models to
11 identify trading opportunities?

12 A. I don't actually know the definition of quantitative
13 trading.

14 Q. They identify trading opportunities to trade with, right?

15 A. Yes.

16 Q. And they can involve the use of complicated schemes or
17 thought-out schemes or methods to trade on -- they can use
18 mathematical methods, for example, to determine how and when to
19 trade on something?

20 A. Yes.

21 Q. Jane Street is what's called a proprietary trading firm,
22 isn't that right?

23 A. Yes.

24 Q. Sometimes that's called a prop trading firm?

25 A. I've heard it called that.

1 Q. That means it is a firm that trades its own money or money
2 it receives from lenders, right?

3 A. I think that's where the name comes from, yes.

4 Q. So it doesn't have any customers itself, right?

5 A. I am not sure if prop shops always do or don't have
6 customers.

7 Q. It doesn't make trades on behalf of customers.

8 A. I guess I am not sure.

9 Q. He worked there at Jane Street for a few years before
10 starting Alameda Research, right?

11 A. Yes.

12 Q. Now, you said in, I think, 2017, Sam offered you an
13 internship position at Alameda, is that right?

14 A. That's correct.

15 Q. So this is when Sam was the CEO of Alameda?

16 A. I believe he was the co-CEO, yes.

17 Q. Who was he co-CEO with?

18 A. Tara MacAulay.

19 Q. But he coowned that company with Gary Wang, isn't that
20 right.

21 A. I believe so, yes.

22 Q. That was a private company, correct?

23 A. To my knowledge, yes.

24 Q. It was not a public company?

25 A. To my knowledge, that's correct.

1 Q. And you were working there as an intern before he started
2 FTX?

3 A. Correct.

4 Q. And you interned there for a couple of months, roughly I
5 think you said December 2017 to January '18, 2018?

6 A. That's right.

7 Q. And this was before you went back to MIT to do your
8 graduate work?

9 A. That's right.

10 Q. Alameda was a trading firm that traded in cryptocurrencies,
11 is that right?

12 A. Yes.

13 Q. And it typically engaged in what's called arbitrage
14 trading, is that right?

15 A. Yes.

16 Q. That just means that Alameda was trying to find
17 opportunities to buy a particular cryptocurrency where the
18 price was lower in another and sell it where it was higher in
19 another place. Is that right?

20 A. Yes.

21 Q. And it was very successful with its trading strategies,
22 right?

23 A. I don't know exactly how successful Alameda was.

24 Q. It was a profitable company.

25 A. I don't know if that's true.

1 Q. Well, you worked as a trader during your internship at
2 Alameda?

3 A. Yes.

4 Q. That was your first exposure to trading, right?

5 A. I had been an intern at Jane Street earlier in my life, but
6 I did no trading at Jane Street, so yes.

7 Q. You were at Jane Street but I think you were working in
8 data analysis there, right?

9 A. Right.

10 Q. You weren't trading because you were an intern?

11 A. Correct.

12 Q. Now, in October, I believe October of 2020, you reached out
13 to Sam about maybe getting a job working at FTX, is that right?

14 A. That's correct.

15 Q. And you said you began working for FTX in Hong Kong around
16 January of 2021?

17 A. Correct.

18 Q. And you worked for several months in Hong Kong?

19 A. Yes.

20 Q. And then FTX moved to the Bahamas, you said?

21 A. Yes.

22 Q. So you moved to the Bahamas in, you said, roughly October
23 2021?

24 A. Yes.

25 Q. And you continued working for FTX in the Bahamas until

1 November of 2022?

2 A. Yes.

3 Q. And you said FTX was a cryptocurrency exchange, right?

4 A. Yes.

5 Q. Explain to us again what that is.

6 A. It's a website on which people can buy and sell
7 cryptocurrencies from each other.

8 Q. So it's a little like the New York Stock Exchange, right,
9 in the sense that it's an exchange?

10 A. It has the word exchange in it. I don't know to what
11 extent it resembles the New York Stock Exchange in terms of how
12 it works.

13 Q. Understood. But New York Stock Exchange is a place where
14 buyers and sellers of stock can trade stock with each other,
15 right?

16 A. To my knowledge, yes.

17 Q. FTX is a similar concept, except it allows buyers and
18 sellers of cryptocurrency to buy and sell with each other?

19 A. Yes.

20 Q. Now, you worked, when you got to FTX, you worked as a
21 developer, right?

22 A. Yes.

23 Q. That's someone who, as you said, deals with code, right?

24 A. That's correct.

25 Q. Computer code.

1 And you reported directly to Nishad Singh, is that
2 correct?

3 A. Yes.

4 Q. And he was the head of engineering, is that right?

5 A. That's correct.

6 Q. And Mr. Bankman-Fried was the CEO?

7 A. Yes.

8 Q. He ran the company, is that right?

9 A. Yes.

10 Q. And Gary Wang was the chief technical officer, is that
11 right?

12 A. I thought chief technology officer, but yes.

13 Q. CTO, is that what he was?

14 A. Yes.

15 Q. And he was the senior most developer himself, wasn't he?

16 A. Do you mean senior in the sense of having worth in the
17 company longer or senior in the sense of higher ranking?

18 Q. I mean higher ranging.

19 A. Yes.

20 Q. But you yourself became one of the senior developers at FTX
21 while you were there?

22 A. Yes.

23 Q. Your job was to generally to maintain and update the
24 computer code that allowed FTX to function, is that right?

25 A. Yes.

1 Q. Your role was to run queries in the FTX transactional
2 database to retrieve and analyze data occasionally?

3 A. Yes.

4 Q. And I think you said you wrote computer code itself for the
5 company, correct?

6 A. Yes.

7 Q. In particular, about the website design.

8 A. Yes.

9 Q. And as a senior developer you supervised and trained other
10 FTX developers, isn't that right?

11 A. I did a lot of training of other developers, but I didn't
12 do very much supervising.

13 Q. But you trained them?

14 A. Yes.

15 Q. Now, you said that one of your jobs was also to fix bugs in
16 the code base, right?

17 A. Yes.

18 Q. So, generally speaking, a computer bug is when the code
19 isn't functioning properly, is that right?

20 A. Yes.

21 Q. It may happen when a coder writes a piece of code
22 incorrectly, for example.

23 A. Yes.

24 Q. And that incorrect code might cause unexpected results in
25 the functioning of the code base.

1 A. Yes.

2 Q. And you would fix those bugs.

3 A. I would fix some bugs, yes.

4 Q. It was a pretty regular part of your job, to fix bugs,
5 correct?

6 A. Correct.

7 Q. So there were lots of times where you had to do this. This
8 was something that happened on a fair number of occasions?

9 A. Yes.

10 Q. You didn't yourself have any role with the finances of FTX,
11 did you?

12 A. No.

13 Q. You didn't interact with the investors.

14 A. No.

15 Q. You didn't deal with marketing or advertising, right?

16 A. No.

17 Q. You didn't deal with the media.

18 A. No.

19 Q. You didn't have any role in deciding how FTX spent its
20 money.

21 A. No.

22 Q. Those were all the responsibility of other people, right?

23 A. Yes.

24 Q. I think you said that Sam was the public face of FTX, is
25 that right?

1 A. Yes.

2 Q. And he was highly involved, I think you said, in marketing
3 and brand strategy, right?

4 A. Yes.

5 Q. That's what a CEO does, right?

6 A. Yes.

7 Q. They are the public face of the company, right?

8 A. In most cases I would say, yes.

9 Q. And they are typically in most cases the ones to talk to
10 the media, right?

11 MS. SASSOON: Objection.

12 THE COURT: Sustained.

13 Q. Well, Sam had a lot of roles to fill at the company, didn't
14 he?

15 A. Yes.

16 Q. He was, as you said, the one who typically talked to the
17 media, right?

18 A. Yes.

19 Q. Did he set the strategic goals for the company?

20 A. Yes.

21 Q. Did he deal with the finances of the company?

22 A. Yes.

23 Q. Deal with investors?

24 A. Yes.

25 Q. And he had to manage the employees as well who were beneath

1 him?

2 A. Yes.

3 Q. But Sam himself was not one of the developers, right?

4 A. That's correct.

5 Q. For example, he didn't review any code that you wrote for
6 the time he was there?

7 A. Correct.

8 Q. He himself wasn't doing the coding in the database.

9 A. He was not.

10 Q. In fact, he didn't have access to the code base, did he?

11 MS. SASSOON: Objection.

12 THE COURT: Sustained. Form at least.

13 Q. As you said, he was not reviewing lines of code, that at
14 least you created, right?

15 A. Not to my knowledge.

16 Q. Mr. Yedidia, outside of your summer interns and Alameda,
17 you didn't have any experience in the financial industry, is
18 that right?

19 A. That's right.

20 Q. You didn't have any experience yourself in financial
21 regulatory compliance.

22 A. No.

23 Q. And you didn't have any formal accounting experience?

24 A. No.

25 Q. You didn't have any experience in custody and customer

1 funds, things like that.

2 A. No.

3 Q. Mr. Yedidia, FTX, where you worked in Hong Kong and then in
4 the Bahamas, was set up as an international exchange, is that
5 correct?

6 A. Yes.

7 Q. So it's first based in Hong Kong, correct?

8 A. I think the company may have been incorporated elsewhere,
9 but the offices were based in Hong Kong.

10 Q. Then the offices became based in the Bahamas, right.

11 A. Yes.

12 Q. It was not a U.S. company?

13 MS. SASSOON: Objection.

14 THE COURT: Sustained at least as to form.

15 Q. It was not a company that was incorporated in the U.S., to
16 your knowledge?

17 A. Not to my knowledge, no.

18 Q. And it was not a company whose headquarters or offices were
19 based in the U.S.?

20 A. Not to my knowledge, no.

21 Q. And the exchange itself was not open to U.S. residents, was
22 it?

23 A. No.

24 Q. So if you're a U.S. resident, you did not have the ability
25 to open an account on the FTX international exchange, right?

1 MS. SASSOON: Objection. Form.

2 THE COURT: Sustained as to form.

3 Q. So if you were a U.S. resident, you could not --

4 MR. EVERDELL: One moment, your Honor.

5 I'll rephrase.

6 Q. To your knowledge, Mr. Yedidia, if you were a U.S.
7 resident, you couldn't open an account on the exchange?

8 THE COURT: Sustained as to form. The
9 to-your-knowledge formulation is susceptible to two equal and
10 opposite meanings. Why don't you try to rephrase that.

11 MR. EVERDELL: I will move on to one question that I
12 think should help.

13 Q. Mr. Yedidia, you previously testified that companies that
14 were based in the U.S. but had subsidiaries in foreign
15 countries, the subsidiaries could trade on the exchange, is
16 that correct?

17 MS. SASSOON: Objection. Misstates the testimony.

18 THE COURT: Do you have a page for me?

19 MR. EVERDELL: Your Honor, I'm sorry. I don't have a
20 page for you.

21 THE COURT: I'll take advice from wherever I can get
22 it.

23 Do you want to rephrase?

24 MR. EVERDELL: Yes. I'll ask a separate question.

25 Q. Mr. Yedidia, is it your understanding that companies that

1 were based in the U.S. but had subsidiaries in foreign
2 countries, the subsidiaries could trade on the exchange?

3 A. Yes.

4 Q. These were multinational companies, right?

5 A. Yes.

6 Q. And so in your dealings with these companies, it was only
7 the foreign subsidiary who could open the account, is that
8 correct?

9 MS. SASSOON: Objection. Foundation.

10 THE COURT: Sustained.

11 MR. EVERDELL: Your Honor, I can give you a page cite
12 for the other point.

13 THE COURT: I don't need it now because you have moved
14 on.

15 MR. EVERDELL: I'm moving back to the question, your
16 Honor.

17 Q. Mr. Yedidia, you testified that institutions that were
18 based in the U.S. but had entities outside the U.S. were
19 allowed to trade on FTX.com, but assuming they were trading
20 with their other entities, isn't that right?

21 A. That was my understanding.

22 Q. So the other entities being the ones located outside the
23 U.S., right?

24 A. Yes.

25 Q. And isn't it true that a foreign -- a company that was

1 going to do that had to attest that all trading decisions could
2 be made by non-U.S. personnel?

3 MS. SASSOON: Objection. Foundation.

4 THE COURT: Well, the witness can answer if he knows.

5 But if you don't know, don't speculate.

6 A. I'm sorry. Could you repeat the question, please.

7 Q. Sure. Are you aware of any attestations that the companies
8 have to make if they were going to engage -- have their foreign
9 subsidiaries transact on the account?

10 A. I don't recall that.

11 Q. You do recall dealing with a company called, I think,
12 Tower. Do you remember a company called Tower?

13 A. I recall a company called Tower, yes.

14 Q. And they did business on the exchange, right?

15 A. Yes.

16 Q. And they were a multinational company, to your knowledge?

17 A. I don't know.

18 Q. You recall having discussions with developers from Tower,
19 right?

20 A. No, I don't recall having discussions with developers from
21 Tower.

22 Q. Do you recall having discussions with people located in
23 Singapore?

24 A. I had discussions with people located in Singapore, but not
25 in the context of Tower.

1 Q. Let me ask this question, Mr. Yedidia. Didn't FTX, the
2 international exchange where you worked, take steps to try to
3 prevent U.S.-based customers from accessing the international
4 exchange?

5 A. Yes.

6 Q. So, for example, FTX set up geofencing, didn't it, to block
7 U.S.-based IP addresses?

8 A. Yes.

9 Q. And that just means that you would look to see where the
10 customer was connecting to the exchange, right?

11 A. You would look at the IP address to infer from country they
12 were connecting from.

13 Q. You would look at IP address and look at what country that
14 suggested. And if it looked like they were connecting from a
15 U.S.-based IP address you would block their access, correct?

16 MS. SASSOON: Objection. Form.

17 THE COURT: Overruled.

18 A. Correct.

19 Q. And FTX had know-your-customer protocols, correct?

20 A. Yes.

21 Q. Know-your-customer protocols are sometimes called KYC
22 protocols, is that right?

23 A. Yes.

24 Q. And just means you try to find out information about who
25 your customers were, right?

1 A. Yes.

2 Q. And that's in part at least to make sure that they were
3 ones who were permitted to use the exchange, right?

4 A. Yes.

5 Q. So FTX had KYC protocols to do just that, didn't it?

6 A. Yes.

7 Q. And FTX implemented those KYC protocols to verify their
8 customers.

9 A. Yes.

10 Q. For example, you'd have customers provide personal
11 information about themselves, like name, date of birth, right?

12 A. Yes.

13 Q. And at one point you implemented a phone verification to
14 make sure the customer was who they said they were, right?

15 A. By you, do you mean me specifically?

16 Q. No. Who the customer says you were. The company had a
17 protocol whereby that was implemented, is that right?

18 A. Yes.

19 Q. And in fact in some cases customers were required to have
20 their faces scanned by a web cam, isn't that right?

21 A. That was one of the options available, yes.

22 Q. This is to make sure it was an actual human being and not
23 some bot somewhere, right?

24 A. Yes.

25 Q. These were all procedures that the company used to make

1 sure that the people using the exchange were actually
2 foreign-based customers, not U.S. customers, right?

3 A. That was one of the purposes, yes.

4 Q. And this is an effort that Mr. Bankman-Fried, Sam,
5 endorsed, right?

6 A. Yes.

7 Q. This is something he cared about, right?

8 MS. SASSOON: Objection.

9 THE COURT: Sustained.

10 Q. Well, it's true that he wanted to make sure that this
11 problem was being addressed if it was a problem?

12 MS. SASSOON: Objection.

13 THE COURT: Sustained.

14 Q. You had discussions with Sam about non-U.S. customers using
15 the international exchange, didn't you?

16 A. Yes.

17 MS. SASSOON: Objection. Hearsay, to the extent he is
18 going to elicit the conversations.

19 THE COURT: Let's see what the next question is.

20 Q. Did he want to make sure that the problem was being
21 addressed?

22 THE COURT: Sustained.

23 Q. Was it your understanding --

24 MR. EVERDELL: Withdrawn, your Honor.

25 Q. It's true that at the time Mr. Bankman-Fried was engaging

1 with regulators about his exchange, correct?

2 MS. SASSOON: Objection, form. What time are we
3 talking about?

4 THE COURT: Sustained.

5 Q. During your employment at FTX, which you said began in
6 January of 2021 going through November of 2022,
7 Mr. Bankman-Fried was trying to have discussions with
8 regulators at the time, right?

9 MS. SASSOON: Objection.

10 THE COURT: Sustained.

11 Q. Are you aware that Mr. Bankman-Fried had discussions with
12 regulators?

13 A. Yes.

14 Q. Are you aware that he was having discussions with law
15 makers too?

16 A. Yes.

17 Q. He did not want to ignore regulators and law makers,
18 correct?

19 MS. SASSOON: Objection, your Honor.

20 THE COURT: Sustained.

21 Q. This was part of a company effort to engage with law
22 makers, wasn't it?

23 MS. SASSOON: Objection to form.

24 THE COURT: Sustained.

25 Q. Are you aware that Sam testified in front of Congress?

1 A. Yes.

2 Q. And it wasn't typical, was it, for an executive of a crypto
3 company to want to engage with law makers at the time?

4 MS. SASSOON: Objection.

5 THE COURT: Sustained.

6 Q. Are you aware of -- you yourself didn't think this was
7 going to be a worthwhile effort, isn't that true?

8 MS. SASSOON: Objection. Form.

9 MR. EVERDELL: I'll rephrase.

10 THE COURT: Sustained.

11 Q. Did you have an opinion about engaging with regulators and
12 whether that was worthwhile for the company to do?

13 A. Which regulators are you talking about?

14 Q. U.S. regulators.

15 THE COURT: That's a yes-or-no question, unless there
16 is an objection.

17 Is there an objection, or not?

18 MS. SASSOON: Relevance, your Honor.

19 THE COURT: Sustained.

20 MR. EVERDELL: One moment.

21 I'll move to a different topic.

22 Q. Mr. Yedidia, at the time you joined FTX in January of 2021,
23 it was growing quickly, wasn't it?

24 A. Yes.

25 Q. I think you said that when you got there it had roughly 200

1 employees is what you said?

2 A. I think what I said was maybe a hundred, maybe a little bit
3 more.

4 Q. It eventually got up to about 350 employees, thereabouts.
5 Is that about right?

6 A. About right, yeah. Within 100 or so in either direction.

7 Q. So that's roughly doubling the time that you are there.

8 A. Right.

9 Q. Now, part of the reason why it was the growing quickly is
10 that it offered products and services that other exchanges
11 didn't have, isn't that right?

12 A. I am not sure that's true. I don't know.

13 Q. You did offer services that certain exchanges didn't have,
14 right? You had a lot of products?

15 A. Could you give a specific example of a product?

16 Q. Sure. Let's take a competitor at least in the U.S. You're
17 familiar with Coinbase, right?

18 A. Yes.

19 Q. Coinbase was one of the largest exchanges at the time,
20 right?

21 A. Yes.

22 Q. And Coinbase was a spot change, right?

23 A. To my knowledge, yes.

24 Q. That allows customers to trade cryptocurrencies one for
25 one, right?

1 A. Right.

2 Q. In other words, if I had \$100 worth of Bitcoin, I could
3 trade it for \$100 worth of Ethereum?

4 A. Right.

5 Q. FTX was different. FTX allowed customers to trade on
6 margin, is that right?

7 A. You're talking about the international exchange?

8 Q. International exchange, yes.

9 A. Yes.

10 Q. And that just means that customers are allowed to borrow
11 funds and trade, as long as they put up collateral to back the
12 borrowing, right?

13 A. That's my understanding, yes.

14 Q. So, for example, if I had \$100 worth of Bitcoin in my FTX
15 account and I wanted to borrow \$500 worth of Ether to trade
16 with, I could do that, right?

17 A. I am not sure about the details of that, but the broad
18 strokes are correct, to my knowledge.

19 Q. I would just have to post my \$100 as collateral, right?

20 MS. SASSOON: Objection. Form, and he said he doesn't
21 know the details.

22 THE COURT: Let him answer.

23 Please answer.

24 A. Could you repeat the question, please.

25 Q. I would just have to post some collateral for that

1 borrower.

2 A. That's my understanding.

3 Q. That would serve as security for the borrowed funds.

4 A. Sorry. I am unfamiliar with that term. What do you mean
5 by that?

6 Q. Meaning if you started losing your money, that funds that
7 you posted as collateral could be taken by the exchange to
8 protect against the loss?

9 A. Right. My understanding, at a broad level, is that the
10 customer could be liquidated, which means that their collateral
11 would be turned into whatever it needed to be turned into in
12 order to even out their position.

13 Q. Correct. So to avoid a loss?

14 A. Right.

15 Q. And margin trading was a feature that FTX allowed, right?

16 A. Yes.

17 Q. And it allowed other products as well too, the
18 international exchange?

19 A. Yes.

20 Q. And it processed in settled trades faster sometimes than
21 other exchanges too, is that right?

22 A. I'm not certain it was faster than other exchanges.

23 Q. But there were a lot of products that were sophisticated
24 that other exchanges didn't offer, is that right?

25 A. I guess if you're comparing specifically to Coinbase, then

1 FTX.com, as we discussed, did offer products that Coinbase did
2 not.

3 Q. We talked a little bit about the rapid growth. You
4 mentioned the number of employees just now that went up, is
5 that right?

6 A. Yes.

7 Q. Also, the average amounts of trades per day went up during
8 that time period, isn't that right?

9 MS. SASSOON: Objection, form. What time period?

10 MR. EVERDELL: I'm referring to the time period of
11 your employment from January 2021 to November of 2022.

12 A. I am not sure that trading volume went up the entire time,
13 but I think -- there were various points during my employment
14 during which trading volume did go up.

15 Q. At some point it averaged billions of trades per day. Does
16 that sound right?

17 A. I am not certain.

18 Q. And FTX's revenue also was increasing; isn't that correct?

19 A. I believe that there were points during my employment
20 during which FTX's revenue was increasing, but I don't have
21 specific knowledge of what it was.

22 Q. And its number of users was going up too, wasn't it?

23 A. Yes.

24 Q. I think by 2020 at some point it had about 6 million
25 registered users. Does that sound about right?

1 A. I don't know.

2 Q. Well, give or take. Is that in the ballpark of what your
3 understanding might be?

4 A. I have very little understanding of how many users the
5 exchange had in 2020.

6 Q. Understood.

7 I'm saying 2022, Mr. Yedidia.

8 A. Apologies.

9 Q. Let me rephrase the question so we make sure that we have
10 it correctly. I am referring to the time period in 2022 now.

11 In 2022, or by 2022, FTX had about 6 million users or
12 thereabouts. Does that sound correct?

13 A. I have substantial uncertainty about how many users it had
14 exactly, but it sounds about right, maybe within a factor of
15 ten.

16 THE COURT: I'm sorry. I lost the end of your answer.

17 THE WITNESS: I was saying -- I was trying to quantify
18 my uncertainty about how many users FTX had during 2022. I was
19 saying --

20 THE COURT: You're quantifying your uncertainty about
21 the quantities you're talking about.

22 THE WITNESS: Yes.

23 THE COURT: Good. I'm glad we now know what quants
24 are.

25 Do you have any knowledge, however many registered

1 users there were, how many of them were active?

2 THE WITNESS: I don't know, your Honor.

3 THE COURT: Let's move on.

4 MR. EVERDELL: Yes, your Honor.

5 Q. Safe to say that this was a pretty busy time for everybody
6 at FTX?

7 MS. SASSOON: Objection.

8 THE COURT: Sustained.

9 Q. During this time we just spoke about, where FTX is growing,
10 you were working fairly hard yourself, weren't you,
11 Mr. Yedidia?

12 A. Yes.

13 Q. You were working very long hours, correct?

14 A. Yes.

15 Q. So typically how many hours were you working during a day?

16 A. I was probably working about nine hours a day six days a
17 week.

18 Q. And others were working even harder, isn't that right?

19 MS. SASSOON: Objection.

20 THE COURT: Sustained.

21 Q. Did you observe others in the offices or in the apartments
22 doing work and seeing how often they were working?

23 A. Yes.

24 Q. And isn't it true, based on your observations, that people
25 were working very hard at that time?

1 MS. SASSOON: Objection.

2 THE COURT: Sustained.

3 Q. Well, isn't it true that you were concerned about, for
4 example, Gary Wang?

5 A. Yes.

6 Q. You were concerned because he was working so hard you
7 thought he might burn out, isn't that right?

8 A. Yes.

9 Q. In fact, you were so concerned that you had to institute a
10 rule not to wake him up at night to fix bugs in the code
11 because he wasn't getting enough sleep.

12 A. Yes.

13 Q. And others like him were working that hard as well, weren't
14 they?

15 MS. SASSOON: Objection.

16 THE COURT: Sustained. I think you have made your
17 point, counselor.

18 Q. By this point FTX had a billion dollar valuation, isn't
19 that right?

20 MS. SASSOON: Objection.

21 THE COURT: Sustained.

22 Q. Now, let me talk a bit about the types of employees that
23 FTX had while you were there. I think we said it was several
24 hundred employees by the time --

25 THE COURT: We have been up and down that mountain a

1 couple of times.

2 Q. Let me get to some categories. There were computer
3 developers, is that right?

4 A. Yes.

5 Q. There was a whole team of computer developers, is that
6 right?

7 A. Yes.

8 Q. There were marketing people?

9 A. Yes.

10 Q. There were investor relations people?

11 A. Yes.

12 Q. There were customer service people?

13 A. Yes.

14 Q. Compliance people?

15 A. Yes.

16 Q. And settlements people. We talked about that a little bit
17 already.

18 A. Yes.

19 Q. Now, one issue that I think you noticed, though, that
20 persisted was FTX needed more developers, didn't it?

21 A. Yes.

22 Q. So in the time that you were there, there weren't enough
23 developers to do the work, isn't that fair?

24 A. Certainly, a lot of projects were bottlenecked on
25 developers.

1 Q. So you had a lot of things that needed to get done that
2 needed to get done by developers, is that right?

3 A. Yes.

4 Q. And it was hard to find enough developer time to get all
5 those projects done, right?

6 A. Yes.

7 Q. That was a byproduct of the company's growth, right?

8 A. Yes.

9 Q. And I think you even mentioned you discussed this issue
10 with Nishad Singh, didn't you?

11 A. Yes.

12 Q. And he was your supervisor.

13 A. Yes.

14 Q. And you were also concerned about Nishad too, right, about
15 his burnout?

16 A. Nishad worked very, very hard, but I wasn't afraid that he
17 would burn out exactly. I didn't think it was likely that he
18 would burn out completely.

19 Q. You had to cover some of his responsibilities from time to
20 time because he was so busy, isn't that right?

21 A. On occasion, yes.

22 Q. I think at some point you had to ghostwrite some of his
23 employee's reviews because he didn't have time to do that.

24 A. Yes.

25 Q. Still, despite all these issues with man power, at least

1 with the developers, you thought that FTX was very well run,
2 didn't you?

3 MS. SASSOON: Objection, form.

4 THE COURT: Sustained.

5 Q. Didn't you speak to members of the FBI and the prosecutors?

6 MS. SASSOON: Objection, your Honor.

7 THE COURT: Sustained.

8 Q. Did you have a sense -- isn't it true, Mr. Yedidia, that
9 you thought FTX was a well-run company?

10 A. Yes.

11 Q. And despite the difficulties in manpower, you believed in
12 FTX, right?

13 A. Yes.

14 Q. In fact, you still thought that one day FTX could overtake
15 Binance and Coinbase as the biggest exchange on the market,
16 isn't that right?

17 A. Yes.

18 Q. Now, Mr. Yedidia, you received a salary for your work at
19 FTX?

20 A. Yes.

21 Q. And you also received bonus compensation as well, right?

22 A. Yes.

23 Q. And you paid fairly well for your work there, right?

24 A. Yes.

25 Q. Your annual compensation was between \$175,000 and 200,000

1 per year, is that right?

2 A. That was the base salary, yes.

3 Q. And then you also got bonuses on top of that, right?

4 A. Yes.

5 Q. And you got two bonuses in 2021?

6 A. Yes.

7 Q. So your July 2021 bonus was -- I think it was \$650,000 in
8 cash, is that right?

9 A. Yes.

10 Q. And you had stock options worth one to two million?

11 A. Yes.

12 Q. FTX stock.

13 A. I think it was FTX U.S. stock if you're talking about --
14 yeah, fine.

15 Q. In December of 2021, your second bonus was \$6 million in
16 cash, is that correct?

17 A. Yes.

18 Q. And another 5 million in stock options.

19 A. Yes.

20 Q. And then I think you used that cash to immediately buy \$5
21 million worth of FTX equity, is that right?

22 A. Yes.

23 Q. Because you thought it was a good investment, I guess.

24 A. Yes.

25 Q. You were putting your money back into the company?

1 A. That's correct.

2 Q. And you got another midyear bonus in July of 2022?

3 A. Yes.

4 Q. That was another 5 to 6 million?

5 A. About half in cash and half in options, yes.

6 Q. So all told, you received several million in cash and
7 several million in options, right?

8 A. Yes.

9 Q. That's for about a year and a half of work.

10 A. Yes.

11 Q. Now, Sam was making a lot of money too, wasn't he?

12 A. Yes.

13 Q. He was the majority owner of both FTX and Alameda.

14 A. Yes.

15 Q. And they were both billion dollar companies.

16 A. Yes.

17 Q. So Sam himself was a billionaire many times over himself?

18 MS. SASSOON: Objection.

19 THE COURT: Sustained.

20 Q. Well, he owned both companies, right?

21 A. He owned a large stake in both companies.

22 Q. As the owner, he could have paid himself out a sizeable
23 portion of the profits, couldn't he?

24 MS. SASSOON: Objection.

25 THE COURT: Sustained.

1 Q. Well, he could have spent quite a bit of money on himself,
2 couldn't he?

3 MS. SASSOON: Objection.

4 THE COURT: Sustained.

5 Q. Let's talk about, did you observe Mr. Bankman-Fried and how
6 he spent his money in your day-to-day interactions with him?

7 A. To some extent, yes.

8 Q. Well, you saw what he wore, for example?

9 A. Yes.

10 Q. You saw what things he bought for himself?

11 MS. SASSOON: Objection.

12 THE COURT: Overruled.

13 A. I apologize. Can you repeat the question.

14 Q. You saw what things he bought for himself?

15 A. I saw some of the things he bought for himself, yes.

16 Q. So he didn't buy, for example, fancy watches, did he?

17 A. Not to my knowledge, no.

18 Q. To your knowledge, he didn't buy an expensive sports car?

19 A. No.

20 Q. He didn't buy a yacht, correct?

21 A. Correct.

22 MS. SASSOON: Objection.

23 THE COURT: Overruled.

24 Q. You can answer.

25 A. To my knowledge, he did not buy himself a yacht.

1 Q. Do you know what car he did drive?

2 A. No.

3 Q. Do you recall seeing a Toyota Corolla?

4 MS. SASSOON: Objection. He just said he --

5 THE COURT: I think there is anybody in the room who
6 has never seen one, so let's get on with it.

7 Q. In terms of clothes, he didn't buy fancy clothes, right?

8 A. I didn't see him wear fancy clothes.

9 Q. He wore the same T-shirt and shorts he always wore, didn't
10 he?

11 A. He was typically wearing a T-shirt and shorts.

12 Q. I want to just show what's already in evidence as
13 Government's Exhibit 1469, if I could.

14 Mr. Yedidia, we took a look at this photo already on
15 the direct exam. You see that?

16 A. Yes.

17 Q. I think you said you recognize the people in the photo,
18 right?

19 MS. SASSOON: Objection. He didn't testify --

20 THE COURT: Look. I have given you a lot of latitude.
21 The purpose of cross-examination is not to repeat the direct.
22 Let's get on with it.

23 MR. EVERDELL: Yes, your Honor.

24 Q. One last question on this. Are you aware whether or not
25 Mr. Bankman-Fried had any personal safety concerns?

1 MS. SASSOON: Objection.

2 THE COURT: Sustained.

3 Q. Let's go to a different topic, Mr. Yedidia.

4 You said that when you moved to the Bahamas you
5 eventually lived in the Orchid penthouse, is that right?

6 A. Yes.

7 Q. We saw some pictures of the Orchid, correct?

8 A. Yes.

9 Q. I think before you lived in the Orchid you lived in an
10 apartment called the Cube, is that right?

11 A. That's right.

12 Q. And that was also in the Albany housing development?

13 A. Yes.

14 Q. And that was -- that meant you didn't have to live in a
15 hotel, for example, right?

16 A. Yes.

17 Q. And that was housing that was FTX housing, right?

18 A. I lived there.

19 Q. I think in October of 2021, your fiance at that point,
20 Andrea Lincoln, came to work at FTX?

21 A. I'm sorry. When did you say that was?

22 Q. October 2021.

23 A. In October 2021, she came to the Bahamas, but she only
24 began working at FTX later.

25 Q. Understood. But she joined you in the Bahamas, right?

1 A. While she was in the Bahamas she joined FTX.

2 Q. And you both lived in the Cube?

3 A. Yes.

4 Q. Sam lived in the Cube too, right?

5 A. Yes.

6 Q. And there are other apartments that other employees lived
7 in too, right?

8 A. Yes.

9 Q. And I think a few months later you moved to the Orchid
10 penthouse, right?

11 A. Right.

12 Q. And we saw pictures of that apartment, correct?

13 A. Yes.

14 Q. Now, Sam lived there as well, right?

15 A. Yes.

16 Q. He didn't -- he lived there with lots of other people,
17 including yourself, right?

18 A. That's right.

19 Q. I think you said -- for example, Nishad Singh lived there,
20 didn't he?

21 A. Yes.

22 Q. So did his girlfriend?

23 A. Yes.

24 Q. And Gary Wang lived there as well?

25 A. Yes.

1 Q. So did his girlfriend?

2 A. Yes.

3 Q. Caroline Ellison live there?

4 A. Yes.

5 THE COURT: This is needlessly repetitive, counsel.

6 A. Yes.

7 MR. EVERDELL: Understood, your Honor.

8 Q. I'll keep going. This was essentially like dorm living,
9 right?

10 A. It was similar to dorm living in certain senses and
11 different in others.

12 Q. Everybody was sort of together, at least those people that
13 I mentioned were together living together in that apartment,
14 right?

15 A. There were ten of us living in that apartment.

16 Q. And that allowed you guys, for example, to discuss the
17 business together, right?

18 A. Yes.

19 Q. So that apartment was never actually used as Sam's personal
20 apartment, right?

21 MS. SASSOON: Objection, form.

22 THE COURT: Sustained.

23 Q. There were always other people living there, correct?

24 A. I believe at all points there were people besides Sam
25 living in that apartment.

1 Q. Thank you.

2 MR. EVERDELL: I'll move on, your Honor.

3 Q. Mr. Yedidia, you testified before that you are testifying
4 today under a grant of immunity, is that right?

5 A. Yes.

6 Q. Now, that means that you asserted your Fifth Amendment
7 right not to testify, is that correct?

8 A. Yes.

9 Q. But the prosecutors gave you immunity for your testimony.

10 A. Right.

11 Q. Immunity means that the prosecutors can't use any of this
12 testimony or information that you give today or that you gave
13 before against you in a criminal case, right?

14 A. Right.

15 Q. But testimony at trial here isn't the only time you were
16 given immunity, is that right?

17 A. That's right.

18 Q. You were also given immunity back in December of 2022, when
19 the grand jury was investigating this case?

20 A. Yes.

21 Q. And you testified that you don't recall getting a subpoena
22 from the prosecutors at that time, right?

23 A. I made a mistake during my testimony about the subpoena. I
24 was uncertain about what had happened there, but I apologize
25 for that mistake. I don't know if that's what you're referring

1 to here.

2 Q. Did you get a subpoena from the prosecutors?

3 A. Yes.

4 Q. It wasn't your idea to reach out to the prosecutors, right?

5 A. I wanted to reach out to the prosecutors.

6 Q. But you got a subpoena, right?

7 A. Right.

8 Q. You received a subpoena. And you spoke to them because
9 they wanted to talk to you, right?

10 A. Yes.

11 Q. And the prosecutors contacted your lawyers, I think, at the
12 end of 2022, right?

13 A. I am unsure of the exact date, but that's plausible.

14 Q. A few weeks after you resigned from FTX, right?

15 A. Around then.

16 Q. And it was just a few weeks after you left the Bahamas to
17 return to the United States?

18 A. Yes.

19 Q. And you knew the prosecutors were investigating what
20 happened at FTX?

21 A. Yes.

22 Q. And you knew they were investigating Sam.

23 A. Yes.

24 Q. And they told you that the lawyers -- they told your
25 lawyers the investigation was moving quickly, right?

1 MS. SASSOON: Objection.

2 THE COURT: Overruled.

3 Q. They told your lawyers that the investigation was moving
4 quickly, didn't they?

5 MS. SASSOON: It's beyond the scope.

6 THE COURT: Sustained.

7 Q. You knew that they wanted to talk to you, right?

8 A. Yes.

9 Q. And they said that all options were on the table for
10 you, right?

11 A. I don't recall that verbiage.

12 Q. You needed to come talk to them soon, isn't that right?

13 MS. SASSOON: Objection, form.

14 THE COURT: Sustained, form.

15 Q. Was it your understanding that they wanted you to come talk
16 to them right away?

17 MS. SASSOON: Objection.

18 THE COURT: Overruled.

19 A. It was my understanding that they wanted to talk to me
20 quickly.

21 Q. That was serious, wasn't it?

22 A. Yes.

23 Q. That made you worry, didn't it?

24 A. I was aware of the seriousness of the situation.

25 Q. Because you were a senior developer at FTX, right?

1 A. Yes.

2 Q. Worked there for two years.

3 A. A little bit less, but yes.

4 Q. And you were close to Sam.

5 A. Yes.

6 Q. You didn't know what the prosecutors thought about you at
7 the time, did you, when they give you a subpoena?

8 A. No.

9 Q. You didn't know how they thought about your conduct, did
10 you?

11 A. No.

12 Q. So you asked them to give you immunity for your testimony
13 before you spoke to them, right?

14 A. Yes.

15 Q. And they agreed to do it?

16 A. Yes.

17 Q. And so the prosecutors -- you asserted your right not to
18 talk to them, is that right, not to testify?

19 A. Right.

20 Q. And the prosecutors obtained an order from the judge
21 compelling you to testify, right?

22 A. Yes.

23 Q. Now, under this order the prosecutors couldn't use any
24 testimony or information provided against -- that you provided
25 against you in a criminal case, right?

1 MS. SASSOON: Objection. Misstates the order and this
2 was asked and answered.

3 THE COURT: Sustained as to both.

4 Q. Isn't it true that the order says that any information that
5 is directly or indirectly derived from your testimony or other
6 information -- excuse me. I take it back. No testimony or
7 other information compelled under this order or any information
8 directly or indirectly derived from such testimony or other
9 information may be used against you.

10 MS. SASSOON: Objection. Mischaracterizes the order.

11 THE COURT: Somebody have the order?

12 MS. SASSOON: Your Honor, there is a caveat, which is,
13 he can be prosecuted if he lies under oath.

14 THE COURT: Sustained.

15 Q. Let's just put it this way. It is your understanding that,
16 based on what testimony you give today, you can't be prosecuted
17 for your testimony that you give, correct?

18 THE COURT: Sustained.

19 MS. SASSOON: Objection.

20 THE COURT: Counselor, Ms. Sassoon just told you what
21 the problem with your question is, which has been in each
22 iteration of the question.

23 MR. EVERDELL: All right.

24 Q. You understood, Mr. Yedidia, that if the prosecutors
25 thought you were lying to them, then you could still be

1 prosecuted, is that right?

2 A. That was my understanding, yes.

3 Q. Now, if you were going to be prosecuted for lying, it's the
4 prosecutors who would decide to prosecute you, correct?

5 A. I don't know who would prosecute me if I lied.

6 Q. Well, you had to tell the truth, right?

7 A. Yes.

8 Q. And it's the prosecutors who are going to be listening to
9 what you have to say, correct?

10 A. Yes.

11 Q. They are the ones who are going to be evaluating whether or
12 not you are telling the truth, right?

13 A. I don't know who would evaluate whether or not I was
14 telling the truth, but, yeah.

15 Q. They are the ones you were providing information to,
16 correct?

17 A. Yes.

18 Q. If they thought you were lying, they could prosecute you
19 for perjury, correct?

20 A. Yes.

21 Q. So it was up to the government to decide whether or not you
22 were telling them the truth, correct?

23 A. Yeah.

24 (Continued on next page)

25

1 BY MR. EVERDELL:

2 Q. They're the ones who would be making that evaluation,
3 correct?

4 A. As I understand, yes.

5 Q. Okay. Now you never actually testified in front of the
6 grand jury, right?

7 A. No.

8 Q. You just met with the government instead.

9 A. Yes.

10 Q. All right. And they debriefed you about your recollection
11 of what happened at FTX.

12 A. Yes.

13 Q. All right. So you met with them a number of times, didn't
14 you?

15 A. Yes.

16 Q. You met with them on December 13th, for example, if you
17 recall.

18 A. That sounds right.

19 Q. You met with them again in February—February 6th, in fact,
20 right?

21 A. The date sounds plausible.

22 Q. You met with them again in August; August 10th this time.

23 A. Yes.

24 Q. All right. And then you met with them four more times this
25 past month to prepare for your testimony here, correct?

1 A. Yes.

2 Q. Three times in September, once in October, right?

3 A. That sounds about right.

4 Q. Okay. And in fact, the last time you met with them was
5 earlier this week, wasn't it?

6 A. Yes.

7 Q. Okay. And these meetings were all covered by this immunity
8 order that we just looked at, right, that we just spoke about?

9 A. As I understand, yes.

10 Q. Okay. And in those meetings the prosecutors went over the
11 questions they were going to ask you on the stand, right?

12 A. They asked me questions in the meetings, yes.

13 Q. All right. They went over your responses to the questions.

14 A. They would ask me questions and I would respond.

15 Q. Okay. Right. They would ask you questions about what they
16 might ask you on the stand, right?

17 A. They would ask me questions.

18 Q. Okay. And you would give your responses.

19 A. Yes.

20 Q. And you went through this process multiple times, right?

21 A. There were several occasions on which they asked me
22 questions and I gave answers.

23 Q. Okay. And for your trial testimony today you also received
24 a separate immunity order as well.

25 A. Yes.

1 Q. Okay. And it's essentially the same agreement that we've
2 been talking about as before; is that right?

3 MS. SASSOON: Objection. It's not an agreement, your
4 Honor.

5 THE COURT: Sustained. Rephrase.

6 Q. Well, the order has the same provisions, roughly the same
7 provisions as the one for the grand jury immunity, correct?

8 A. As I understand, yes.

9 Q. Meaning you can still be prosecuted if you lie, right?

10 A. Yes.

11 Q. But you will not be prosecuted apart from that by what you
12 testify to here today, right?

13 A. Right.

14 Q. Your statements here today can't be used against you,
15 right?

16 MS. SASSOON: Objection.

17 THE COURT: Sustained.

18 MR. EVERDELL: One moment, your Honor.

19 Q. Okay. Let's move forward to a different topic,
20 Mr. Yedidia.

21 All right. Let's talk now about fiat deposits on FTX,
22 all right?

23 A. Yes.

24 Q. You talked about that in your direct.

25 A. Yes.

1 Q. Okay. Now when you began working at FTX, FTX customers
2 were able to deposit fiat currency on the exchange to trade
3 with, right?

4 A. Yes.

5 Q. Okay. Customers who wanted to deposit fiat, they'd click
6 on a button, right, on the FTX website?

7 A. Yes.

8 Q. We looked at some of that in your direct, correct?

9 A. Yes.

10 Q. Okay. And at least during your early time in the company,
11 they would be provided with bank account details for a company
12 called North Dimension; is that right?

13 A. Yes.

14 Q. And North Dimension had a bank account with Silvergate
15 Bank, right?

16 A. Yes.

17 Q. Okay. And that bank account was owned by Alameda, no?

18 A. That's what I was told, yes.

19 Q. Okay. So Alameda was receiving the deposits of customer
20 funds on behalf of FTX.

21 A. Yes.

22 Q. It was difficult, I think you mentioned, at the time for
23 FTX to have its own bank accounts; is that right?

24 A. That's what I was told.

25 Q. Okay. And so FTX used the Alameda accounts in order to

1 accept the fiat deposits, right?

2 A. That's what I was told, yes.

3 Q. Okay. And this arrangement was known within FTX and
4 Alameda, right?

5 MS. SASSOON: Objection.

6 THE COURT: Sustained.

7 Q. Well, you were aware of this, right?

8 THE COURT: That's what he just said.

9 Q. Okay. The people who worked in the settlements groups at
10 both companies knew about this arrangement.

11 MS. SASSOON: Objection.

12 THE COURT: Sustained.

13 Q. You're familiar with what the settlements group does?

14 A. Yes.

15 Q. Okay. They are the ones who, when a deposit comes in,
16 right—they're the ones who credit the customer's FTX account
17 when the deposit comes in; is that right?

18 A. That was how the manual system worked, yes.

19 Q. The manual system. Right. So if there was a fiat deposit
20 that had to be reconciled, as they did early on before the
21 automated system came around, that would need to be reconciled
22 by someone in the settlements group, right?

23 A. Right.

24 Q. Okay. All right. And so the settlements group was the one
25 dealing with the bank accounts, right?

1 MS. SASSOON: Objection, form.

2 THE COURT: Sustained.

3 Q. Settlement group would see the deposits coming in?

4 A. Yes.

5 Q. And they would see the bank accounts that they were coming
6 into, right?

7 A. Yes.

8 Q. Okay. And that would include the North Dimension bank
9 account.

10 A. Yes.

11 Q. Okay.

12 THE COURT: Were there others?

13 THE WITNESS: Were there other? Other what?

14 THE COURT: Other bank accounts into which customer
15 fiat deposits were going.

16 THE WITNESS: Yes.

17 THE COURT: Okay. Go ahead.

18 BY MR. EVERDELL:

19 Q. All right. So this was not a secret to those people at the
20 company, right?

21 MS. SASSOON: Objection.

22 THE COURT: Sustained.

23 Q. Well, the customers also were aware that their money was
24 going to the North Dimension bank account, right?

25 A. Yes.

1 Q. Okay. Because that was on the wire instructions that they
2 were given, right?

3 A. Yes.

4 Q. And when they did make their deposits, they got a credit on
5 their FTX account, right?

6 A. Yes.

7 Q. Now you mentioned that the deposits were not fully
8 automated when you started, right?

9 A. That's right.

10 Q. Okay. And there was a project that you were assigned to
11 work on to automate that process; you testified about that.

12 A. Yes.

13 Q. Okay. And that was a project that Sam had assigned you,
14 right?

15 A. Yes.

16 Q. Okay. And Sam wanted the process automated to, among other
17 things, cut down on the delays in processing customer funds,
18 right?

19 MS. SASSOON: Objection.

20 THE COURT: Ground.

21 MS. SASSOON: What Sam wanted and—

22 THE COURT: Yes, sustained.

23 Q. Mr. Yedidia, your understanding that one of the reasons why
24 the project was necessary was because there were delays,
25 bottlenecks in processing all of the deposits.

1 A. It was my understanding that part of the point of the
2 project was to expedite deposit processing.

3 Q. Okay. And the project that you worked on involved an
4 application programming interface, right?

5 A. Yes.

6 Q. That's called an API?

7 A. Yes.

8 Q. That's just a way for different computer systems to talk to
9 each other, right?

10 A. Yes.

11 Q. So in this case the goal was to have the computer systems
12 for Silvergate Bank talk to FTX's computer systems, right?

13 A. Yes.

14 Q. And this would allow FTX to automate the deposit process
15 for customer funds that were wired to Silvergate Bank, right?

16 A. Yes.

17 Q. Okay. And you were the lead developer on this project,
18 right?

19 A. I worked closely with Nishad on it, but I would say that I
20 was primarily working on it.

21 Q. Okay. And you completed the project roughly around March
22 2021?

23 A. That could be right, but it also could be later.

24 Q. Okay. But early 2021?

25 A. Yes.

1 Q. Okay. So by early 2021 you yourself were aware of the fact
2 that Alameda was receiving FTX customer fiat deposits, right?

3 A. Right.

4 Q. And you were also aware, true, that Alameda's liability to
5 FTX that resulted from the transfers was being tracked by the
6 fiat account, right?

7 A. I only became aware of the importance of the fiat account
8 as a means of communicating between FTX and Alameda when the
9 bug was found.

10 Q. Okay. We'll talk about the bug in a minute. But at least
11 in early 2021 you were aware that Alameda was receiving FTX
12 customer funds, fiat deposits?

13 A. Yes.

14 Q. And that fact alone didn't concern you, right?

15 A. That's correct.

16 Q. Okay. There was nothing that raised any concerns about
17 that.

18 A. Right.

19 MR. EVERDELL: Okay. One moment, your Honor.

20 Your Honor, I may be starting a new topic now. Does
21 it make sense to break?

22 THE COURT: How much longer do you expect to be with
23 the witness?

24 MR. EVERDELL: I still have, I would say, maybe an
25 hour, maybe less.

1 THE COURT: Folks, I'll see you at 2:00.

2 Counsel remain, please.

3 THE DEPUTY CLERK: Will the jury please come this way.

4 Bring your notebooks with you.

5 (Jury not present)

6 THE COURT: Be seated, folks.

7 Mr. Everdell, I just want to express my growing
8 concern about the extent of the entirely unnecessary
9 repetition, and I've given you a lot of latitude, but you're
10 wearing out the welcome on the repetition. I understand there
11 are things that need to be repeated in this case because this
12 is unfamiliar ground in some respects, and I'm making allowance
13 for it, but it needs to be curbed.

14 Okay. Thank you. I'll see you at 2:00.

15 THE LAW CLERK: All rise.

16 (Luncheon recess)

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1 AFTERNOON SESSION

2 2:00 p.m.

3 (In open court; jury not present)

4 THE COURT: Before we bring in the jury, let me put on
5 the record that I have a note from Juror No. 5, who writes that
6 his family is concerned that he is the only juror called out by
7 name in the articles he's seen on the internet. "PS - I
8 understand that there's probably nothing that can be done. I
9 just wanted to make you aware."

10 I will tell him there is nothing that can be done.
11 Any objection? That will be marked Court Exhibit next in
12 order.

13 MS. SASSOON: No objection. And perhaps we can also
14 tell the juror that if he's getting unwanted contacts, he can
15 let the Court know?

16 THE COURT: Good point. Thank you.

17 Let's get the jury. And let's get the witness.

18 (Continued on next page)

1 (Jury present)

2 THE COURT: Mr. Zimmer, I have your note. Your
3 supposition that there's nothing I can do about it is
4 absolutely right. But if for any reason you get any
5 unwarranted communications, please let us know and we'll take
6 appropriate action.

7 Mr. Yedidia, you are still under oath.

8 Mr. Everdell, you may proceed.

9 MR. EVERDELL: Thank you, your Honor.

10 CROSS-EXAMINATION CONTINUED

11 BY MR. EVERDELL:

12 Q. Good afternoon, Mr. Yedidia.

13 A. Good afternoon.

14 Q. All right. You testified on direct examination about a bug
15 that existed that related to the fiat@ account. Do you recall
16 that?

17 A. Yes.

18 Q. That was the bug that caused it to overstate the size of
19 the fiat balance, right?

20 A. Yes.

21 Q. Okay. That bug, I think you discovered it—you became
22 aware of it around December of 2021; is that right?

23 A. Yes.

24 Q. But that bug was introduced I think first in July or
25 thereabouts, 2021; is that right?

1 A. Yeah, or thereabouts, yeah.

2 Q. Okay. And I think it was you who introduced the bug; is
3 that right?

4 A. That's correct.

5 Q. Okay. And that bug made it appear that Alameda owed more
6 to FTX than it actually did, right?

7 A. Yes.

8 Q. Meaning that normally when customers withdrew fiat deposits
9 from FTX, the balance of the fiat account became less negative,
10 right?

11 A. Right. That would be the normal way it worked.

12 Q. Right. By the same amount that was returned to the
13 customer, right?

14 A. Yes.

15 Q. But because of the bug that was introduced, when customers
16 asked to withdraw certain fiat deposits, the fiat account
17 didn't change; it stayed where it was.

18 A. That's right. If the withdrawals were processed
19 automatically, that's what happened.

20 Q. So the fiat@ account in those cases wouldn't increase or
21 become less negative, right?

22 A. That's right.

23 Q. So over time the fiat@ account looked more negative than it
24 should have, correct?

25 A. Yes.

1 Q. Meaning that it looked like Alameda owed FTX more money
2 than it actually did.

3 A. Yes.

4 Q. Okay. Now you said you discovered this, or you became
5 aware of it for the first time around December of 2021?

6 A. That's correct.

7 Q. And by that time, because of the operation of the bug, the
8 fiat account was already overstated; is that correct?

9 A. Correct.

10 Q. And at that point Alameda's debt to FTX was overstated by
11 around 500 million, I think you said, right?

12 A. Correct.

13 Q. Okay. And there was some discussion I think around that
14 time about fixing the bug.

15 A. Yes.

16 Q. Okay. I think maybe you had some discussions with Mr. Wang
17 and Nishad Singh about that?

18 A. Yes.

19 Q. Okay. And I think it was agreed that this is something
20 that one of the two of them would handle at the time.

21 A. That's correct.

22 Q. Okay. So you weren't going to do it at that point.

23 A. Correct.

24 Q. Okay. But in fact to your knowledge, neither Mr. Wang or
25 Mr. Singh fixed the bug.

1 A. That's correct.

2 Q. Okay. So they just—they never got around to it.

3 MS. SASSOON: Objection.

4 THE COURT: Sustained.

5 Q. Well, safe to say that the bug didn't get fixed until you
6 fixed it, right?

7 A. That's correct.

8 Q. Okay. But if anything, that bug made Alameda's financial
9 position look worse than it actually was, right?

10 THE COURT: That's the third time since lunch that
11 you've made that point, and I was serious about what I said to
12 you earlier.

13 Q. So the bug wasn't fixed until about June or so of 2020,
14 right? 2022. Excuse me.

15 A. Yes, yes.

16 Q. That was several months later, right?

17 THE COURT: June is several months after December.

18 Q. All right. So now let's jump to June, Mr. Yedidia. That
19 was a time when a decision was finally made to fix the bug.

20 A. Correct.

21 Q. Okay. And I think you testified that you saw a meeting
22 take place around that time?

23 A. Yes.

24 Q. And that was a meeting between—you said it was Sam,
25 Caroline Ellison, Gary Wang, and Nishad Singh, right?

1 A. Yes.

2 Q. Okay. And that you think you saw them enter a room in the
3 offices; is that right?

4 A. Yes.

5 Q. Okay. But you weren't inside the room yourself.

6 A. That's correct.

7 Q. Okay. So you don't know what was discussed between them in
8 the room.

9 A. I was told afterwards about the substance of the meeting,
10 but I don't know firsthand what the—what was discussed.

11 Q. Understood. But after the meeting you had a conversation
12 with Nishad; is that right?

13 A. Yes.

14 Q. And after that meeting there was—there was going to be a
15 need for a full accounting; isn't that right?

16 A. I thought the full accounting was done within the meeting.

17 Q. Well, I think you got direction, right, after the meeting
18 that there needed to be an accounting of the assets and
19 liabilities of FTX and Alameda, right?

20 A. I was directed to fix the bug.

21 Q. Okay. Well, so you were told to fix the bug. Okay. And
22 it was Sam who told you to fix the bug, right?

23 A. Yes.

24 Q. Okay. So Sam wasn't ignoring the problem with the bug,
25 right?

1 THE COURT: At what point in time?

2 Q. This was in—I believe you said it was in June, at that
3 time?

4 A. Yes.

5 Q. So Sam told you to fix the bug in June.

6 A. Correct.

7 Q. Okay. And you implemented the bug fix.

8 A. Yes.

9 Q. Okay. And as part of the bug fix, you wrote new code to
10 correctly process those fiat withdrawals that had been sent by
11 the API, right?

12 A. Yes.

13 Q. Okay. And you also, as part of that, were trying to figure
14 out how much Alameda's liabilities were overstated as a result
15 of that, right?

16 A. Yes.

17 Q. Okay. And you learned that as a result of the fiat@ bug,
18 that Alameda's liability was about \$8 billion bigger than it
19 should have been, right?

20 A. Yes.

21 Q. And you said you also learned that the remaining liability
22 after you corrected the bug was roughly 8 billion as well,
23 right?

24 A. Yes.

25 Q. Okay. And you kept notes, right, about how you fixed the

1 bug.

2 A. Yes.

3 Q. And you did that because you wanted to make sure you
4 recorded what you did to fix the bug.

5 A. Yes.

6 THE COURT: Sorry. Can I clarify something here.
7 Mr. Yedidia, you said that as of December, the amount in the
8 fiat account was overstated by 500 million; is that right?

9 THE WITNESS: Yes.

10 THE COURT: And when you fixed the bug, just before
11 you fixed the bug, the liability in that account was \$8 billion
12 larger than it should have been, yes?

13 THE WITNESS: Yes.

14 THE COURT: The \$7½ billion difference between the
15 500 million in December and the 8 billion when you fixed the
16 bug in June, where did that come from? How did that happen?

17 THE WITNESS: It came from, I presume, customers
18 withdrawing a total of \$7.5 billion in withdrawals that were
19 processed by the API during that time period.

20 THE COURT: During the interval between December and
21 June; is that right?

22 THE WITNESS: Yes.

23 THE COURT: Okay. Thank you.

24 Go ahead.

25 BY MR. EVERDELL:

1 Q. So you said you made a recording of the steps you took to
2 fix the bug, right?

3 A. Yes.

4 Q. And it was Gary Wang who told you to do that, right?

5 A. As I recall, it was Nishad Singh who told me to record the
6 steps I took to fix the bug.

7 Q. Well, did you prepare a document that summarized the steps
8 you took to fix the bug?

9 A. Yes.

10 Q. Okay. And I think you said that that was—you circulated
11 that via Signal; is that right?

12 A. Yes.

13 Q. Okay. And the Signal message that has that document, that
14 message doesn't exist anymore, right?

15 A. Right.

16 Q. But the document itself does exist, right?

17 A. That's right.

18 Q. Okay. You called it a postmortem, I think, for the actions
19 you took?

20 A. Yes.

21 Q. And you noted in that document that the error from the fiat
22 bug was approximately 8.2 billion; isn't that right?

23 A. Yes.

24 Q. Okay. But you didn't note in that document what the
25 remaining liability was, did you?

1 A. That's correct.

2 Q. Okay. So at this point, Mr. Yedidia, after the bug fix,
3 you had been aware for some time that Alameda was receiving
4 fiat deposits for FTX customers, right?

5 A. Yes.

6 Q. And you'd been aware of the existence of the fiat@ account
7 since you first learned about the bug in end of 2021, right?

8 MS. SASSOON: Asked and answered prior to the break.

9 THE COURT: Sustained.

10 Q. Okay. Well, so the change, the new information you had at
11 this point after fixing the bug was you were now aware of the
12 size of the liability; is that right?

13 A. Yes.

14 Q. Okay. And when you learned about the size of the remaining
15 \$8 billion liability, that's what gave you some concern, right?

16 A. Yes.

17 Q. Okay. Okay. So that made you concerned because you felt
18 like that was risky.

19 A. The number seemed enormously large to me.

20 Q. Okay. All right. So now you said that next or soon
21 afterwards, you had a discussion with Sam on the paddle tennis
22 court; is that right?

23 A. Yes.

24 Q. Okay. And you said that was sometime in the summer of
25 2022.

1 A. Yes.

2 Q. Okay. And you said that you spoke to him after you guys
3 played paddle tennis?

4 A. Yes.

5 Q. And you said that in the conversation you asked Sam if
6 everything was going to be okay, right?

7 A. Yes.

8 Q. All right. And I think you said that Sam responded that
9 FTX was bulletproof, right?

10 A. Had been bulletproof.

11 Q. Excuse me. Had been bulletproof. Okay. And that it
12 wasn't anymore. Okay. And you responded, *Well, how long*
13 *before we're bulletproof again*; is that right?

14 A. Yes.

15 Q. Okay. And he said he wasn't sure, it was going to be about
16 three to—three months or so, or maybe longer.

17 A. As I recall, he said something like six months to three
18 years.

19 Q. Okay. Now you didn't know what necessarily
20 Mr. Bankman-Fried meant when he said "bulletproof," right?

21 A. I had some idea of what he meant.

22 Q. He didn't tell you.

23 A. He didn't clarify beyond using the word "bulletproof."

24 Q. Right. He simply used the word "bulletproof," right?

25 A. Yes.

1 Q. Okay. All right. But at the time, at the time of that
2 conversation, Mr. Yedidia, this was right in the middle of the
3 crypto winter, wasn't it?

4 A. You could call it that.

5 Q. Okay. So there was a lot of distress in the crypto markets
6 at this point, right?

7 A. Yes.

8 Q. Okay. There was a company you're familiar with called
9 Three Arrows Capital?

10 A. Yes.

11 Q. That company had collapsed, right?

12 A. That's correct.

13 Q. Crypto lenders also were in distress?

14 A. I know less about that subject.

15 Q. You're familiar with a company called Voyager.

16 A. I've heard of them, yes.

17 Q. Didn't they declare bankruptcy sometime in July?

18 A. That sounds familiar, but I'm—I don't know the exact time
19 line.

20 Q. Well, the price of Bitcoin was way down at the time, wasn't
21 it?

22 A. Yes.

23 Q. Okay. So at that point really no crypto company looked
24 bulletproof, given the scenario, did it?

25 MS. SASSOON: Objection.

1 THE COURT: Sustained.

2 Q. Now your only concern was whether Alameda and FTX had
3 sufficient assets to cover the debts, right?

4 A. Yes.

5 Q. Okay. Now you didn't yourself have a sense of the
6 financial picture of Alameda, did you?

7 A. No.

8 Q. You didn't yourself have a good sense of the financial
9 picture of FTX, right?

10 A. No.

11 Q. That wasn't really what you focused on, right?

12 A. That's correct.

13 Q. And you didn't really have a picture of what assets were
14 available to cover a liability like the one Alameda owed, did
15 you?

16 A. No.

17 Q. Okay. That was—that part of the business, in terms of
18 thinking about assets and liabilities, was more Sam's
19 bailiwick, right?

20 A. Him and others, yes.

21 Q. Okay. And he acknowledged that there was an issue, right,
22 in the "bulletproof" conversation?

23 A. Yes.

24 Q. Okay. But he wasn't treating it as a full-scale crisis,
25 was he?

1 MS. SASSOON: Objection.

2 THE COURT: Sustained.

3 Q. His opinion was FTX would be able to weather the storm,
4 right?

5 MS. SASSOON: Objection.

6 THE COURT: Sustained.

7 MR. EVERDELL: One second, your Honor.

8 Q. All right. Mr. Yedidia, I just want to talk to you about
9 your decision to resign from FTX, okay? All right.

10 Now you testified that you resigned because you said
11 you learned that Alameda used FTX customer funds to repay loans
12 to creditors; is that right?

13 A. Yes.

14 Q. And you said that you recall learning this from a phone
15 call; is that right?

16 A. That's correct.

17 Q. You had this phone call with another developer at FTX,
18 right?

19 A. That's correct.

20 Q. Do you remember who that was?

21 A. Yes. Her name was Leila. Do you want her last name as
22 well?

23 Q. Please.

24 A. Clark.

25 Q. So you learned this on a phone call with Leila Clark?

1 A. Correct.

2 Q. And did Leila say where she had gotten that information?

3 A. I believe she said that she heard it from Alameda employees
4 who had attended the all hands meeting with Caroline.

5 Q. Okay. So she said that she got it from an Alameda
6 employee.

7 A. I don't recall if she said she got it from a single Alameda
8 employee or several.

9 Q. But she didn't identify which ones.

10 A. I don't recall her identifying which ones.

11 Q. Okay. And you said that she said that the Alameda
12 employees had attended a meeting; is that right?

13 A. Yes.

14 Q. Okay. And you weren't at that meeting, right?

15 A. That's correct.

16 Q. And Leila Clark I guess wasn't at that meeting.

17 A. I presume not.

18 Q. Okay. And the employees who were at that meeting were
19 reporting on something that was said at the meeting?

20 A. Leila told me that Alameda employees had told her that they
21 had heard at this meeting that they were at with Caroline—

22 Q. Okay.

23 A. Sorry.

24 Q. Finish, please.

25 A. —that Caroline had said the thing about Alameda repaying

1 its debts to creditors with FTX customer funds.

2 Q. Okay. So your information was you heard from Leila, who
3 heard from unnamed Alameda employees who had been at a meeting,
4 who had heard from Caroline what was discussed.

5 A. Correct.

6 Q. Okay. All right. So—and that, you say, is when you
7 decided that you thought something bad had happened here,
8 right?

9 A. Yes.

10 Q. So based on that chain of conversations, that information,
11 that's when you decided that you had to resign.

12 A. Yes.

13 Q. So it was not—you were not resigning because Alameda
14 had—you were aware that Alameda had borrowed \$8 billion from
15 FTX, right?

16 A. Right.

17 Q. That wasn't the problem, right? Because you had known
18 about that a few months earlier.

19 A. Right.

20 Q. Okay. It's because of what you learned in this phone
21 conversation, that's what you did.

22 A. Yes.

23 MR. EVERDELL: One moment, your Honor.

24 Nothing further, your Honor.

25 THE COURT: Thank you.

1 Ms. Sassoon, anything further?

2 MS. SASSOON: Yes, your Honor.

3 REDIRECT EXAMINATION

4 BY MS. SASSOON:

5 Q. Mr. Yedidia, you testified about correcting the bug and
6 learning that the amount of money Alameda actually owed to FTX
7 customers was \$8 billion in June of 2022; do you remember that?

8 A. Yes.

9 Q. Why when you learned that Alameda owed customers \$8 billion
10 did you not resign at that point?

11 A. I figured things were still probably fine and that
12 customers could be repaid.

13 Q. Did you have any idea at that point that Alameda was
14 spending \$8 billion of customer money out of its bank account?

15 MR. EVERDELL: Objection.

16 THE COURT: What's the objection?

17 MR. EVERDELL: Presumes facts not in evidence, and
18 it's leading.

19 THE COURT: Sustained.

20 Q. At that point did the defendant or anyone else tell you
21 anything about whether Alameda was spending the \$8 billion of
22 customer money out of the bank account?

23 A. No.

24 Q. If you had been told that, would that have concerned you?

25 A. Yes.

1 Q. Why?

2 A. Because if they spend the money that belongs to the FTX
3 customers, then it's not there to give the FTX customers should
4 they withdraw.

5 Q. And why is what you heard in November of 2022, that Alameda
6 had used customer money to repay loans, why did that lead you
7 to resign?

8 A. Because if Alameda was repaying its loans with FTX customer
9 money, that implied that it didn't have money of its own to
10 repay the loans with, which means the money was simply gone.

11 MR. EVERDELL: Objection.

12 THE COURT: Overruled.

13 MR. EVERDELL: Okay.

14 Q. And had you heard anything like that prior to November of
15 2022?

16 A. No.

17 Q. I want to talk to you about your conversation with the
18 defendant on the paddle court.

19 Mr. Everdell asked you about what the defendant meant
20 when he said, *We're not bulletproof*. When the defendant said
21 that to you, what had you just asked him?

22 A. I had just asked him about the debt that Alameda owed FTX
23 and I'd asked, *Are things okay?*

24 Q. And so when he said, *We're not bulletproof*, what did you
25 understand that to be referring to?

1 A. The debt owed by Alameda to FTX.

2 Q. And what did you understand that to mean with respect to
3 the debt Alameda owed to FTX?

4 A. I understood it—

5 MR. EVERDELL: Objection.

6 THE COURT: Overruled.

7 MS. SASSOON: He opened the door, your Honor.

8 MR. EVERDELL: Asked and answered.

9 A. Sorry. Could you repeat the question, please.

10 Q. Yes. And so in that context of talking about Alameda's
11 liability to FTX customers, what did you understand *We're not*
12 *bulletproof* to mean?

13 A. I understood it to be expressing doubt about the ability of
14 Alameda to repay FTX customers.

15 Q. Did the defendant provide you more details during that
16 discussion?

17 A. No.

18 Q. Did he say anything to you that indicated to you that he
19 might have more information than you had available to you?

20 A. Yes.

21 Q. What was that?

22 A. Well, he was saying things to me like the fact that, you
23 know, we, whoever "we" was, wasn't—weren't bulletproof, and
24 that was news to me, so that implied he had information I
25 didn't, because he was saying stuff to me that I didn't

1 previously know.

2 Q. You were asked on cross-examination about your meetings
3 with prosecutors. Why did you first meet with the government
4 after FTX went bankrupt?

5 A. I wanted to help them figure out what happened.

6 Q. In those meetings what, if anything, did the government
7 tell you to do in court today?

8 A. Tell the truth.

9 Q. You were asked some questions on cross-examination about
10 the defendant's spending. What was the FTX Arena?

11 A. The FTX Arena was—

12 MR. EVERDELL: Objection, your Honor.

13 THE COURT: Yes. What's the objection?

14 MR. EVERDELL: Beyond the scope of the cross.

15 MS. SASSOON: There were questions about the
16 defendant's spending, and this was a form of spending.

17 THE COURT: Proceed. Overruled.

18 BY MS. SASSOON:

19 Q. What was the FTX Arena?

20 A. The FTX Arena was the renamed version of the Miami Heat
21 Arena in Miami.

22 Q. Is that a basketball stadium?

23 A. I believe so, yes.

24 Q. And did you learn about how much money the defendant spent
25 on branding the Miami Heat basketball arena with the name FTX?

1 A. As I recall, it was about a hundred million dollars.

2 Q. Did the defendant otherwise share with you how much money
3 he was spending on marketing of FTX?

4 A. I don't recall him sharing other numbers for marketing.
5 It's possible that he did and I don't recall the numbers
6 anymore, but—

7 MS. SASSOON: Mr. Bianco, if you could pull up
8 Government Exhibit 1469, please.

9 Q. You were shown this photograph on cross-examination of the
10 defendant with Bill Clinton and Tony Blair. Did the defendant
11 share with you how much money he gave to be introduced to Bill
12 Clinton and Tony Blair?

13 A. No.

14 Q. Did the defendant share with you how much money he spent in
15 political donations?

16 A. No.

17 Q. Did the defendant share with you how much money he gave
18 himself in personal loans from Alameda?

19 A. No.

20 Q. You were asked some questions about your \$35 million
21 penthouse apartment. I think Mr. Everdell called it a housing
22 development. How would you describe it?

23 A. It was a luxury apartment.

24 Q. You were asked some questions about spending some time
25 living in The Cube in the Bahamas as well. Was there other

1 housing options on the island besides The Albany and The Cube?

2 A. Yes.

3 MS. SASSOON: Let's pull up Government Exhibit 1452.

4 I apologize. Let's pull up Government Exhibit—if you
5 give me just one moment—1542.

6 Q. Mr. Everdell asked you some questions about dorm living.

7 How did this apartment compare to your living arrangement with
8 the defendant at MIT college?

9 A. The living arrangement in the Bahamas was more luxurious.

10 Q. Did this feel like a dorm to you?

11 A. It felt like a dorm in the sense that I was living with
12 others but not like a dorm in the sense that it was very
13 luxurious.

14 Q. What, if any, other apartments did the defendant purchase
15 for himself in the Bahamas?

16 A. Sam had another apartment, I think in the Gemini building,
17 on the first floor. I'm not sure if he owned it. I presume he
18 did. But there was another apartment in which he would
19 sometimes spend time.

20 Q. And you said the Gemini. Is that part of The Albany?

21 A. Yes.

22 Q. And as far as you know, did this other apartment in The
23 Albany resort, did the defendant share it with other roommates?

24 A. Not as far as I know.

25 Q. You were asked some questions on cross-examination about

1 your belief in FTX as a business. Do you recall those
2 questions?

3 A. Yes.

4 Q. And I think you testified that at some point in 2022 you
5 really believed in FTX. Do you recall that?

6 A. Yes.

7 Q. Did your belief in FTX change?

8 A. Yes.

9 Q. Why did it change?

10 A. Well, FTX defaulted on all of its customers.

11 MR. EVERDELL: Objection.

12 MS. SASSOON: Your Honor, I didn't know exactly how
13 the witness would phrase his answer, but I can move on. And we
14 can strike that testimony.

15 THE COURT: Stricken.

16 BY MS. SASSOON:

17 Q. You were asked some questions about your compensation. Was
18 all the compensation that you described on cross-examination in
19 dollars?

20 A. No.

21 Q. How were you compensated?

22 A. I was compensated partly in dollars and partly in options
23 on the company.

24 Q. And so what happened to the compensation you received?

25 A. Well, most of it was lost because most of it was either put

1 into buying equity or put into taxes paid.

2 Q. When you say money was lost put into buying equity, what
3 equity are you talking about?

4 A. The equity that I bought in December 2021, FTX equity.

5 Q. Just to be clear, you used your compensation to buy a stake
6 in FTX; is that what you're saying?

7 A. Yes.

8 Q. And what happened to that?

9 A. It became worthless.

10 Q. What was your most recent employment subsequent to
11 resigning from FTX?

12 A. I became a teacher.

13 Q. What have you been teaching?

14 A. I taught math at a high school; two—two sections of
15 Geometry, one of Algebra II, one of AP Statistics.

16 Q. You were asked some questions about things you were aware
17 of around the time that you fixed the bug, including that you
18 knew Alameda was receiving customer deposits. Do you remember
19 that?

20 A. Sorry. Could you repeat the question, please.

21 Q. Yes. You were asked some questions about information you
22 were aware of as an employee at FTX, including that Alameda was
23 receiving customer deposits. Do you recall that?

24 A. Yes.

25 Q. Did anyone ever tell you, prior to November 2022, that

1 Alameda was spending customer money from the North Dimension
2 account on its own expenses and investments?

3 A. No.

4 MS. SASSOON: No further questions.

5 THE COURT: Thank you.

6 Any recross?

7 MR. EVERDELL: No, your Honor.

8 THE COURT: Thank you. You are excused, Mr. Yedidia.
9 Thank you.

10 THE WITNESS: Thank you.

11 (Witness excused)

12 THE COURT: Next witness?

13 MR. REHN: Your Honor, the government calls Matt
14 Huang.

15 (Witness sworn)

16 THE DEPUTY CLERK: Thank you. Please be seated.

17 And if you could please state your name and spell your
18 last name for the record.

19 THE WITNESS: Kungyu Matthew Huang. K-U-N-G-Y-U,
20 M-A-T-T-H-E-W, H-U-A-N-G.

21 THE COURT: All right. You may proceed, Mr. Rehn.

22 KUNGYU MATTHEW HUANG,

23 called as a witness by the Government,

24 having been duly sworn, testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. REHN:

3 Q. Good afternoon, Mr. Huang.

4 A. Hi.

5 Q. Where do you work?

6 A. Paradigm.

7 Q. And what is Paradigm?

8 A. Investment firm focused on cryptocurrency.

9 Q. And what sort of an investment firm is it?

10 A. Venture capital investment firm.

11 Q. And what's a venture capital investment firm?

12 A. It's an investment firm that makes investments in
13 early-stage companies that have the potential to grow over
14 time.

15 Q. If I could just ask you to move the microphone a little
16 closer.

17 A. Sure.

18 Q. So you said that it invests in early-stage companies with
19 the potential to grow?

20 A. Generally, yes.

21 Q. And when you're investing in those companies, where does
22 the money in your fund come from?

23 A. We ourselves have investors called limited partners.

24 Q. And can you give us a sense of what type of entities are
25 your limited partners.

1 A. University endowments, nonprofit foundations and the like.

2 Q. So organizations like that give money to Paradigm and then
3 Paradigm invests in startups on their behalf?

4 A. That's right.

5 Q. And what is your job at Paradigm?

6 A. I'm one of the co-founders and managing partners.

7 Q. When did you co-found Paradigm?

8 A. 2018.

9 Q. Did you say 2018?

10 A. 2018, yeah.

11 Q. Sorry. If you could just try to speak up into the
12 microphone.

13 And does Paradigm have any particular investment
14 focus?

15 A. We focus on digital assets and cryptocurrencies as well as
16 the companies in the ecosystem.

17 Q. So in your capacities as a managing partner and co-founder
18 of Paradigm, have you gained some knowledge and experience of
19 digital assets in the companies in the cryptocurrency
20 ecosystem?

21 A. I believe so, yes.

22 Q. Does that include some knowledge of how cryptocurrency
23 exchanges work?

24 A. It does.

25 Q. And have you invested in any cryptocurrency exchanges other

1 than FTX?

2 A. We have.

3 Q. Did there come a time when you became aware of a company
4 called FTX?

5 A. Yes.

6 Q. When was that?

7 A. Around 2019.

8 Q. And did there come a time when you began seriously
9 considering an investment in FTX?

10 A. Yes, in early 2021.

11 Q. And did you speak to anyone in particular at FTX regarding
12 the possibility of investing in the company?

13 A. We did.

14 Q. Who did you speak with?

15 A. Two people. One was the founder and CEO, Sam
16 Bankman-Fried; and another was an employee at the company named
17 Ramnik Arora.

18 Q. And you mentioned Sam Bankman-Fried as the founder and CEO?

19 A. Right.

20 Q. And what was Ramnik Arora's role at the company?

21 A. My understanding at the time was that he worked on product
22 and then was also involved in fundraising.

23 Q. How did you speak with Sam Bankman-Fried when you were
24 considering investing in the company?

25 A. Via Zoom.

1 Q. How many Zoom calls would you say you had with him prior to
2 your investment?

3 A. Don't recall specifically, but about a handful.

4 Q. Did you ever meet Sam Bankman-Fried in person?

5 A. Yes.

6 Q. When was that?

7 A. Subsequent to the investment we have met in person a
8 handful of times.

9 Q. And where was that?

10 A. Initially he was taking a trip out to this—the SF Bay area
11 where we're based, and we had a couple of dinners, and then
12 subsequent to that, a couple other times as well.

13 Q. Do you see him here in the courtroom today?

14 A. I do.

15 Q. Can you identify him by the location and an article of
16 clothing.

17 A. He's sitting back there—he's sitting back there. I can't
18 really see an article of clothing.

19 THE COURT: All right, Mr. Huang. It's stipulated
20 that the witness has identified the defendant.

21 Q. So in early 2021, is that the time period when the
22 defendant spoke with you about the possibility of investing in
23 FTX?

24 A. Yes, that's right.

25 Q. And what sort of an investment were you considering?

1 A. We were considering participating in what they called the
2 Series B, which was a equity financing. They were raising
3 funds to help operate the business.

4 Q. Could you explain what an equity financing is.

5 A. It's an investment where investors are buying shares in a
6 company that they hope will become more valuable as the company
7 succeeds.

8 Q. So as an investor, what is the value to you of purchasing
9 shares in a company?

10 A. We hope that the business will succeed and therefore the
11 shares that we own will become more valuable.

12 Q. What are some of the factors you look at when evaluating
13 whether to invest in a particular business?

14 A. It can depend on the company. There are a lot of factors.
15 We start often with a sense of the team and, you know, what we
16 think of them and how impressive they are; we'll think about
17 the market and maybe competitors; we'll look at financial
18 information, like revenue and costs; and we'll think about
19 risks as well.

20 Q. How do you get information about a company you're
21 considering investing in?

22 A. Usually through talking to the team directly.

23 Q. And by the team, are you referring to the team at the
24 company?

25 A. That's right.

1 Q. Do you rely on the information that the team at the company
2 provides you with?

3 A. We do.

4 Q. So going back to the Zoom calls you mentioned earlier that
5 you had with the defendant before you invested, do you recall
6 what topics were discussed on those calls?

7 A. Some of them, yes.

8 Q. And what were some of the topics that you discussed with
9 the defendant?

10 A. One of the things that drew us to the company was how fast
11 they appeared to be growing and, you know, not just in revenues
12 or trading volumes but in particular market share, so it
13 would—it was sort of unusual to see a new crypto exchange grow
14 market shares so quickly. We were also focused on some of the
15 risks we were thinking about around governance and the lack of
16 a formal board, as well as risks from the entanglement between
17 FTX and Alameda.

18 Q. Did the defendant provide you with a presentation on FTX's
19 business?

20 A. They did.

21 MR. REHN: Mr. Bianco, could you please show the
22 witness what's been marked for identification as Government
23 Exhibit 532.

24 Q. Mr. Huang, do you recognize this document?

25 A. I do.

1 Q. What is it?

2 A. It appears to be a PowerPoint presentation from the
3 company, FTX.

4 MR. REHN: We'd move to admit this, your Honor.

5 MR. LISNER: No objection.

6 THE COURT: Received.

7 (Government's Exhibit 532 received in evidence)

8 MR. REHN: And if we could bring that up for the jury.

9 BY MR. REHN:

10 Q. Mr. Huang, did you review this presentation in connection
11 with deciding whether to invest in FTX?

12 A. We did.

13 Q. And did you discuss the contents of this slide deck with
14 the defendant?

15 A. That's what we recall, yes.

16 MR. REHN: If we could go to page 10 of this exhibit.

17 Q. Mr. Huang, do you see this? This page lists the people who
18 are identified as "Our Team" from FTX?

19 A. I do.

20 Q. And who were the members of the FTX team that you in
21 particular spoke with prior to investing?

22 A. We spoke with Sam on the top left and Ramnik, as well as
23 one Zoom call with Dan Friedberg, the general counsel.

24 (Continued on next page)

25

1 MR. REHN: If we could go back to page 2 of this
2 exhibit.

3 Mr. Bianco, if you could highlight the line: FTX is
4 the leading digital assets exchange. Then at the bottom on
5 that same side can you highlight: The fastest growing crypto
6 exchange.

7 Q. Mr. Huang, what was the type of business that you
8 understood you were going to be investing in when you were
9 looking at FTX?

10 A. We understood FTX to be an exchange that facilitated the
11 trading of cryptocurrencies and crypto assets and that it was
12 growing really fast.

13 Q. Could you explain what a crypto exchange is.

14 A. It's a platform that generally centralized exchanges like
15 FTX would take customer deposits that people would deposit
16 while they are trading on the platform, and the business would
17 take a fee on those trades.

18 Q. So in connection with the business, would customers deposit
19 funds into FTX?

20 A. Yes.

21 MR. REHN: Mr. Bianco, can we go to the next page of
22 this exhibit.

23 Q. Mr. Huang, do you see where it says that FTX is the
24 infrastructure layer of crypto?

25 A. Yes, I do.

1 Q. Underneath that there is a number of numbered points?

2 A. Yup.

3 MR. REHN: Mr. Bianco, if I could ask you to expand
4 the fourth numbered points and all of the subpoints underneath
5 that.

6 Q. Mr. Huang, do you see that this fourth point refers to the
7 exchange wallets of FTX?

8 A. I do.

9 Q. And under that, one of the things it says is that FTX
10 serves as a custodian.

11 Do you see that?

12 A. Yes.

13 Q. When you were considering your investment in FTX, were you
14 told that the FTX exchange wallets served as the custodian for
15 customer deposits?

16 A. That was our understanding, yes.

17 Q. And based on your experience as an investor in financial
18 technology companies, what does it mean for a crypto exchange
19 to maintain exchange wallets that serve as a custodian?

20 A. Our general understanding was that the platform would take
21 in deposits and hold onto them while their customers could
22 trade on the platform. If those customers wanted those funds
23 back, that they could withdraw them.

24 Q. Is handling customer deposits, holding them in custody, and
25 then processing withdrawals part of the ordinary business of a

1 crypto exchange?

2 A. Generally, yes, for centralized exchanges.

3 Q. When you were considering your investment in FTX, were you
4 ever told that the exchange could take those customer deposits
5 and use them for its own business purposes?

6 A. We were not.

7 Q. If you had been told that, would that be inconsistent with
8 the description of its role here as a custodian?

9 A. Yes. In the context of the exchange wallets, yes.

10 Q. Would that have been something you would have taken into
11 account in deciding whether to invest in the company?

12 A. Yes, we would have.

13 Q. If you had been told that FTX could take customer funds out
14 of the exchange wallets for its own business purposes, would
15 you have still invested in the exchange?

16 A. We would have wanted to learn more, but likely not.

17 Q. And why not?

18 A. I think it would have been the general expectation by
19 customers in the crypto industry that an exchange like FTX
20 would be holding onto customer deposits and not spending them
21 or doing other things with them. If it became known that they
22 were doing that, I think the exchange would lose credibility in
23 brand and people wouldn't want to use it, so it would be
24 existential to the business.

25 MR. LISNER: Objection, your Honor. Move to strike

1 for general expectation in the industry versus Mr. Huang's
2 personal knowledge.

3 MR. REHN: Your Honor, he testified based on his
4 experience investing in other crypto companies and his
5 knowledge in the markets.

6 THE COURT: The question was why not. It's perfectly
7 responsive to the question and it was an appropriate question
8 to which no objection was made.

9 MR. LISNER: Thank you, your Honor.

10 MR. REHN: Mr. Bianco, we can take that exhibit down.

11 If I could ask you to show the witness what's been
12 marked for identification purposes as Government Exhibit 320.

13 Q. Mr. Huang, do you recognize this document?

14 A. I do.

15 Q. What is this?

16 A. It's an email from SBF to a few team members at paradigm,
17 including myself.

18 Q. When was this email sent?

19 A. April 25, 2021.

20 MR. REHN: Your Honor, we move to admit Government
21 Exhibit 320.

22 MR. LISNER: No objection.

23 THE COURT: Received.

24 (Government Exhibit 320 received in evidence)

25 MR. REHN: Mr. Bianco, if I could ask you to expand

1 the top part of this, just showing who the top email is from
2 and who it's to.

3 Q. Mr. Huang, was this email sent from the defendant to you
4 and a couple of other people at Paradigm?

5 A. It was.

6 Q. Who is Arjun Balaji?

7 A. He's a member of the Paradigm investment team.

8 Q. Was he also involved in deciding whether to invest in FTX?

9 A. He was.

10 MR. REHN: If we could take down the expanded portion
11 of this email.

12 If we could look at the email that begins at the
13 bottom of page 1, Mr. Bianco.

14 Q. Mr. Huang, on April 23 of 2021, and Arjun Balaji write an
15 email to the defendant?

16 A. It appears he did, yes.

17 MR. REHN: Could we go to the next page of this
18 exhibit, Mr. Bianco. If you could expand the portion of this
19 email under the bullet point governance.

20 Q. Mr. Huang, in connection with your evaluation of your FTX
21 investment, did Paradigm communicate certain concerns to the
22 defendant?

23 A. Yes, we did.

24 Q. If we look at the first concern being communicated, could
25 you read the first two sentences after the word governance.

1 A. The first two sentences read: As we understand, FTX is
2 effectively owned and controlled by Sam, lacking more
3 traditional corporate governance model, rights, etc. One
4 example of where this can negatively manifest with crypto
5 companies is through (unintended) value leakage; for example,
6 via FTT, Alameda, or some other mechanism.

7 Q. Now, at this point in time did you know what Alameda was?

8 A. We had an understanding that it was a trading firm also
9 founded by SBF.

10 Q. How did you know about Alameda?

11 A. At the time it was generally known in the crypto industry,
12 so we had heard about it before and had learned a little bit
13 about it from talking to SBF directly as well.

14 Q. Could you explain what your concern was about value leakage
15 to Alameda.

16 A. What I recall is, we were focused on a couple issues.

17 One, we were thinking about making investment in FTX
18 the company, not in any of these other assets, like Alameda, so
19 we were worried about how much time would Sam spend on the
20 business, and we didn't want to make the investment and then
21 have him spend more of his time on Alameda at our expense and
22 the business' expense.

23 And the second concern we were worried about was to
24 what extent did Alameda have any preferential treatment on the
25 exchange, because we knew that if that were the case, that

1 would be damaging to the reputation and customers wouldn't want
2 to use the exchange. Given we were investing in the exchange,
3 we wanted to make sure that that wasn't happening so that the
4 investment would hopefully go well.

5 Q. Why would it be damaging to the business' reputation if
6 Alameda had preferential treatment on the exchange?

7 A. I think there are a lot of ways that that could manifest.
8 We were worried about things like front running or maybe access
9 to the order book or various other ways that Alameda could have
10 favorable treatment, and, therefore, be at an advantage to the
11 other customers that were trading there. If customers found
12 that out, they would want to trade elsewhere.

13 Q. After Paradigm sent this email to the defendant, did you
14 discuss these concerns with the defendant?

15 THE COURT: Before we get to discussions, could we
16 elicit what he was talking about. Front running, for example,
17 access to an order book.

18 MR. REHN: Certainly, your Honor.

19 Q. Could you explain what front running is.

20 A. We were worried that if Alameda had the ability to trade
21 faster than customers that they would be able to insert their
22 trades ahead of other customers and wield an advantage.

23 On the topic of visibility into the order book, that
24 would show them what their customers -- where their customers
25 were positioned. And especially if there was margin on the

1 exchange and there were thresholds that would liquidate
2 customers, that would give Alameda an advantage to kind of
3 going after those customers.

4 But those are just two examples. We were generally
5 concerned about any type of preferential treatment.

6 Q. After you sent this email, did you have a call with the
7 defendant where you discussed the concern about preferential
8 treatment?

9 A. We did.

10 Q. Do you recall what the defendant said in response to your
11 concern about preferential treatment for Alameda?

12 A. I recall that we were told that there was no preferential
13 treatment for Alameda, that Alameda was one of the larger
14 traders on the platform, but that was decreasing over time. We
15 were shown some data about that.

16 MR. REHN: Mr. Bianco, we can take this down.

17 Q. In considering your investment in FTX, did you learn
18 anything about the exchange's risk management?

19 A. We did.

20 Q. Did you learn anything about something called a liquidation
21 engine?

22 A. We did.

23 Q. From your perspective as an investor, was the liquidation
24 engine a factor that informed your decision to invest?

25 A. It was.

1 Q. Can you explain what the liquidation engine was.

2 A. So customers on FTX could take leverage positions, which
3 means they put up \$100 but maybe they actually buy \$500 worth
4 of cryptocurrency. And what the liquidation engine does is, it
5 makes sure that if prices of that cryptocurrency moves against
6 the customer that they close the position in time so that the
7 customer has enough money to cover whatever their losses are.

8 So it's very important that the liquidation engine
9 functions properly to make sure that the exchange isn't losing
10 money to customers. So part of the pitch for FTX was actually
11 that not only was the liquidation engine well functioning, but
12 it was sort of industry best in class, and that actually
13 enabled them to offer better forms of leverage to their
14 customers. So it was part of why we were attracted to the
15 business. We felt that the liquidation engine was impressive
16 and, as we learned more about it, it seemed like a great
17 selling point.

18 Q. Were you ever told that Alameda was exempt from FTX's
19 liquidation engine?

20 A. We were not.

21 Q. Would that be inconsistent with the statement that it does
22 not get preferential treatment?

23 A. Yes, it would be inconsistent.

24 Q. If you had been told that Alameda was exempt from the
25 liquidation engine, would that have been a concern for you in

1 determining whether to invest in FTX?

2 A. It would have been a concern.

3 Q. Why is that?

4 A. It would have meant that Alameda could trade with leverage
5 on the platform and, if those trades didn't work out, could
6 ultimately incur a negative balance that would have to be paid
7 for somehow. In a typical case that might come from the money
8 we were investing into the company. That would go to fund
9 operations. But in any case, it would leave the business at
10 risk of becoming insolvent.

11 Q. Were you ever told that Alameda was permitted to have a
12 negative balance on FTX?

13 A. No, we were not.

14 Q. Would that be inconsistent with this statement that it does
15 not get preferential treatment?

16 MR. LISNER: Objection, your Honor. The statements
17 speak for themselves.

18 THE COURT: Sustained.

19 Q. If you had been told that Alameda could have a negative
20 balance, would that have been something you would have taken
21 into account in deciding whether to invest?

22 A. Yes, we would have.

23 Q. Why is that?

24 A. If we had known Alameda could have a negative balance on
25 the exchange, it would be both a risk to the business that we

1 were investing in, but there would be a strong possibility, if
2 crypto prices were volatile, that the business could be
3 insolvent and our investment would do poorly. It would also be
4 damaging to the brand and customer trust if that ever got out,
5 because, as a customer, I don't think I would want to trade on
6 an exchange where that was possible either.

7 Q. Were you ever told that Alameda had the ability to access
8 and use the customer deposits from other FTX customers?

9 A. We were not.

10 MR. LISNER: Objection. Foundation.

11 THE COURT: Overruled.

12 Q. If you had been told that Alameda had the ability to access
13 and use the deposits of other customers, would you have taken
14 that into consideration in deciding whether to invest?

15 A. We would have wanted to know more, yes.

16 Q. Why would that be a concern that you would have taken into
17 account?

18 A. Based on a lot of our general market understanding, but
19 also other investments in centralized crypto exchanges, it was
20 generally understood that customer deposits are sort of sacred,
21 that when customers deposit into the exchange, they expect the
22 ability to get them back out. So to the extent that wasn't
23 true, we would want to know more. And without knowing more, it
24 would be a problem for an investment.

25 MR. REHN: Mr. Bianco, could you pull back up this

1 exhibit. If we could go to the top email again.

2 Q. Is this the email from the defendant to you, Mr. Huang?

3 A. It is.

4 Q. Was this sent on April 25, 2021?

5 A. It appears to be.

6 MR. LISNER: Objection, your Honor.

7 THE COURT: First of all, this is Government Exhibit
8 320. What's the objection?

9 MR. LISNER: Document speaks for itself. He has no
10 personal knowledge of when it was sent.

11 THE COURT: Overruled.

12 Q. Is there an attachment to this email, Mr. Huang?

13 A. There appears to be, yes.

14 Q. What is the title of that attachment?

15 A. FTX stats, 2021, April 23.

16 Q. Is this an Excel spreadsheet?

17 A. It appears to be, yes.

18 Q. Was this sent to you by the defendant?

19 A. It appears to be, yes.

20 MR. REHN: Mr. Bianco, could you please bring up
21 Government Exhibit 320A for the witness.

22 Q. Mr. Huang, do you recognize this exhibit?

23 A. I do.

24 Q. What is this?

25 A. It appears to be some business and financial metrics about

1 FTX.

2 Q. Is this the attachment to that email we were just looking
3 at?

4 A. It appears to be, yes.

5 MR. REHN: The government offers Government Exhibit
6 320A.

7 THE COURT: Received.

8 (Government Exhibit 320A received in evidence)

9 MR. LISNER: No objection.

10 MR. REHN: We could bring that up.

11 Q. Mr. Huang, looking at the spreadsheet that the defendant
12 sent you, does this have information about FTX's revenue and
13 expenses?

14 A. It appears to, yes.

15 Q. If we look in the rows 7 through 12, does that show some
16 annualized approximations?

17 A. It appears to, yes.

18 Q. I'd like to direct your attention to column F, which says
19 2021 Q1.

20 A. Yup.

21 Q. On row 7.

22 Before we look at these numbers, can you explain what
23 annualized approx revenue means here?

24 MR. LISNER: Objection, your Honor.

25 THE COURT: Ground.

1 MR. LISNER: He could testify to his understanding.

2 THE COURT: Rephrase.

3 Q. Mr. Huang, based on your perspective as an investor, what
4 was your understanding of what annualized approx revenue
5 represents?

6 A. My understanding of what that means would be to take the
7 revenue that the company generated in the first quarter of 2021
8 and multiply it by four to estimate, if the revenues stayed the
9 same, how much would they make for the rest of the year.

10 MR. REHN: Mr. Bianco, if there is a way to highlight
11 row 8 in column F.

12 Q. What's the annualized revenue for quarter 1 2021 that's
13 being recorded?

14 A. 596 million.

15 Q. So if that's an annualized number, what do you understand
16 that to mean, the actual revenue for quarter 1 2021 was that
17 you were being told?

18 A. I would understand that to mean about 149 million in Q1.

19 Q. Beneath that, do you see that there are some columns
20 listing various expenses or some rows listing some various
21 expenses?

22 A. Yup.

23 Q. If we look, for example, at EST trading expenses in row 10.

24 MR. REHN: Mr. Bianco, if you can highlight on column
25 F.

1 Q. How much is being reported as the annualized trading
2 expenses for this quarter?

3 A. 63 million.

4 Q. What does that mean, the actual number for the quarter was?

5 A. About 15 million.

6 Q. So you multiply the four quarters to get the annualized
7 number based on the first quarter?

8 A. That's right.

9 Q. Now, on row 12 there is an entry for estimated net profit.

10 MR. REHN: If we could highlight column F, row 12.

11 Q. What was the estimated net profit on an annualized basis
12 for quarter 1 that the defendant was reporting to you?

13 A. 322 million.

14 Q. Again, what would that be, the actual number was for the
15 first quarter of 2021?

16 A. About 80 million.

17 Q. Do you understand how the number in row 12 is derived?

18 A. It appears to be revenue minus the three costs rows.

19 Q. If the estimated net profit for the quarter was 85 million,
20 that's taking basically the revenue for that quarter and
21 subtracting the expenses for that quarter, is that right?

22 A. That's right.

23 Q. Now, if we look at these expenses, if the company had
24 hundreds of millions of dollars in expenses in the first
25 quarter of 2021 that were not included here, what would be the

1 effect that that would have on the profits for the quarter?

2 MR. LISNER: Objection. Calls for speculation.

3 THE COURT: Overruled.

4 A. If there were expenses excluded, then the profits would
5 look artificially high.

6 Q. If the amount of expenses that was excluded was in the
7 hundreds of millions, what effect would that have on the
8 estimated net profit?

9 A. It would mean that the profit was actually negative rather
10 than positive.

11 Q. If the numbers that were reported to you had showed
12 negative profits for the first quarter instead of positive
13 profits, would that have been something you would have taken
14 into account?

15 A. It would have been.

16 Q. Would it have been something that would have affected your
17 willingness to invest in the company?

18 A. We would have at least wanted to know more and the nature
19 of the costs. And certainly if there were costs being excluded
20 from numbers we were being shown, we would want to understand
21 why.

22 Q. More generally, if you had been told that the company was
23 moving certain expenses off the financial statements it was
24 sharing with you, would that have been something you would have
25 wanted to know something more about?

1 A. Yes.

2 Q. Why is that?

3 A. We expect the numbers being shown to us to be generally
4 accurate. If they are missing certain expenses, we would at
5 least want to ask if that is accidental or on purpose; and if
6 it was on purpose, that would be a problem.

7 MR. REHN: We can bring that down.

8 Q. Mr. Huang, did Paradigm ultimately decided to invest in
9 FTX?

10 A. We did.

11 Q. When did you make your initial investment in FTX?

12 A. In mid 2021.

13 Q. And how much did you invest?

14 A. About 125 million.

15 Q. Did you have an understanding of why FTX was raising funds
16 at that time?

17 A. We understood them to be raising funds to fund operations
18 of the business.

19 Q. When you were speaking with the defendant before making the
20 investment, were you ever told that FTX was taking the money it
21 was raising from this fund raising and transferring the money
22 to Alameda?

23 MR. LISNER: Objection.

24 THE COURT: Why?

25 MR. LISNER: Foundation.

1 THE COURT: Overruled.

2 A. No, we were not.

3 Q. If you had been told that, would that have been something
4 you would have taken into account in determining whether to
5 invest?

6 A. Yes.

7 Q. Why would that be?

8 A. When we invest in a company, we expect them to do what they
9 told us they were going to do with it, so we understood them to
10 be raising money to fund operations of the business.

11 Even more than that, because we were concerned about
12 the potential interlink between Alameda and FTX, we had focused
13 a lot on their relationship, and we were assured that they
14 would become linked over time. So it would be very concerning
15 for them to being sending money from FTX To Alameda.

16 Q. After that initial investment in July 2021, did Paradigm
17 make any further investments in FTX?

18 A. We did.

19 Q. When were those investments?

20 A. We made a subsequent investment in the series C round the
21 company raised as it closed the beginning of 2022.

22 Q. Did you also make some investments in FTX.US?

23 A. We did.

24 Q. What was the total amount you invested in FTX and FTX.US?

25 A. So the next round that we did was about 150 million, so in

1 total about 278 million or so.

2 Q. Does Paradigm have a current estimate of the value of its
3 \$278,000 investment in FTX?

4 A. We have marked it to zero.

5 MR. REHN: No further questions.

6 THE COURT: Thank you.

7 We will take our afternoon break. Fifteen minutes.

8 (Recess)

9 THE COURT: The witness is reminded he is still under
10 oath.

11 Cross examination, Mr. Lisner.

12 CROSS-EXAMINATION

13 BY MR. LISNER:

14 Q. Good afternoon, Mr. Huang. I'm David Lisner, and we have
15 not before right now, correct?

16 A. Correct.

17 Q. You testified that you're one of Paradigm's cofounders?

18 A. Yes.

19 Q. You cofounded Paradigm with Mr. -- forgive the
20 pronunciation -- Ehram?

21 A. That's right.

22 Q. Before you founded Paradigm with Mr. Ehram, you worked at
23 Sequoia Capital?

24 A. That's right.

25 Q. Is Sequoia Capital a leading investment firm in the Silicon

1 Valley?

2 MR. REHN: Objection.

3 THE COURT: Sustained.

4 Depends who you ask, I imagine.

5 Q. You testified that Paradigm focuses on investing in the
6 cryptocurrency sector?

7 A. That's right.

8 Q. That covers investing in both crypto assets themselves and
9 also crypto companies?

10 A. That's right.

11 Q. And in this instance you were an investor in FTX, correct?

12 A. That's right.

13 Q. Paradigm was never a customer buying or selling crypto
14 assets on the exchange?

15 A. That's correct.

16 Q. Is it your understanding that Paradigm never opened an
17 account because FTX would not allow U.S. customers on the site?

18 THE COURT: Sustained.

19 MR. REHN: Objection.

20 Q. Why did Paradigm not have an account on FTX?

21 A. I can't speak directly to that because the people that make
22 that decision are on our trading team, but my understanding is,
23 we had plenty of venues or exchanges that we were already
24 trading on.

25 Q. And you understand that the crypto market is risky?

1 A. I would say it's like any other market.

2 Q. You don't consider the crypto sector to be different from
3 other technology sectors?

4 MR. REHN: Objection, your Honor.

5 THE COURT: Sustained.

6 Q. Now, it's important when Paradigm picks the companies that
7 it invests in that it picks good, promising companies so it can
8 earn a return on its investments?

9 A. That's right.

10 Q. And to pick the right companies, does Paradigm perform
11 research or something in the industry referred to as due
12 diligence of potential investments?

13 A. We do.

14 Q. And, as part of that, you consider a lot of factors, some
15 of which are important to your investment decision?

16 A. Yes, that's right.

17 Q. And there are also less important factors that have little
18 or no importance to your investment decision?

19 A. That's right.

20 Q. As part of Paradigm's typical diligence or research
21 process, do you consider internal documents from the company
22 that you are looking to invest in?

23 A. Sorry. Could you repeat that.

24 Q. I'll rephrase it.

25 As part of your investment research, Paradigm

1 considers internal documents from the potential company you're
2 looking to make an investment in?

3 A. We consider documents that are presented to us by the
4 company.

5 Q. And those typically include financial statements?

6 A. Sometimes, yes.

7 Q. Company balance sheets?

8 THE COURT: Those would be financial statements, I
9 imagine, don't you think?

10 MR. LISNER: It's a subset of, but I take your
11 point --

12 THE COURT: I am quite familiar with that.

13 MR. LISNER: Thank you, your Honor.

14 Q. Company contracts?

15 A. Actually, typically, we focus more on the business case and
16 business metrics that we receive. But, yes, occasionally we
17 will do deeper legal due diligence in some cases, but not
18 always.

19 Q. Turning to FTX in particular, do you recall that Paradigm
20 received access to what's called an electronic data room?

21 A. I do.

22 Q. An electronic data room is essentially a computer folder
23 where one person, in this case FTX, could upload documents for
24 someone else to review?

25 A. That's right.

1 Q. This is standard in the investment community?

2 A. Yes, relatively standard.

3 Q. In reviewing information provided FTX, you testified that
4 you asked questions of FTX's management?

5 A. That's right.

6 Q. And they gave you answers and you had follow-up questions
7 I'm sure?

8 A. That's right.

9 Q. And you were satisfied with the responses you received?

10 A. On the whole, yes. That's why we subsequently ultimately
11 invested.

12 Q. Who initiated contact between FTX and Paradigm for a
13 potential investment?

14 A. I don't recall exactly. Initiated with my team member
15 Arjun Balaji. I don't know exactly whether he contacted the
16 company or vice-versa.

17 Q. You testified on direct that you considered a number of
18 factors in a potential investment, including concerns that
19 Paradigm and yourself had about FTX's corporate governance,
20 true?

21 A. That's right.

22 Q. Is corporate governance that refers generally to the rules
23 and practices that a company follows and applies to themselves?

24 A. What I understand it to mean and what I believe it to have
25 meant when we discussed it was around the general practices of

1 the company, as well as a way of adjudicating certain conflicts
2 that might arise between the company and ourselves as investors
3 or other parties, like employees or customers.

4 Q. And with respect to a potential investment in FTX, Paradigm
5 was concerned that FTX had no board of directors, true?

6 A. That's right.

7 Q. And can you describe what a board of directors does at a
8 general high level?

9 A. Generally, they serve a governing role to the CEO and
10 executive team of the company, and they approve certain
11 transactions or decisions they have governance over.

12 Q. Fair to say that a board of directors oversees and
13 supervises company management?

14 A. That's fair to say.

15 Q. And fair to say that a corporate board is typically made up
16 of experienced business professionals?

17 A. That's fair to say.

18 Q. And you knew before you made an investment or before
19 Paradigm made an investment that FTX did not have a board of
20 directors at all, true?

21 A. That's true.

22 Q. Fair to say you think every \$20 billion company should have
23 a board of directors?

24 MR. REHN: Objection, your Honor.

25 THE COURT: Sustained.

1 Q. Did FTX's lack of a board of directors weigh against making
2 a potential investment in the company?

3 A. I would say that it was a negative factor that we
4 considered, and we actually pressed SBF on the idea of creating
5 a board. It's not uncommon for investors, especially in a
6 round as large as this, to request board seats, and we know
7 that we weren't the only investor that had requested that. Our
8 understanding was that SBF was very resistant to having
9 investors on the board. I don't think he thought -- he told us
10 that he didn't think investors had that much to add, but he did
11 represent that he would be creating a board at some point and
12 to be filling it with experienced business executives that
13 could help with the business.

14 Q. By the time you invested, there was no board of directors?

15 A. That's right.

16 Q. And that caused Paradigm to walk away from the deal?

17 THE COURT: Obviously.

18 MR. LISNER: Thank you, your Honor.

19 Q. Fair to say that the lack of a board of directors was not a
20 material factor to your investment decision?

21 MR. REHN: Objection.

22 THE COURT: Look. Come to the sidebar.

23 (Continued on next page)

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1 (At sidebar)

2 THE COURT: First of all, your either just across an
3 *in limine* ruling that I made or you are right at the very edge
4 in suggesting that the investment loss was the product of
5 gullibility and negligence by the investor.

6 Number two, you've been over this already six ways to
7 Sunday and you got your answer. Move on. The goal here is not
8 to set a record for the longest trial. It's to have the
9 fairest trial. Let's get moving.

10 (Continued on next page)

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1 (In open court)

2 MR. LISNER: Thank you, your Honor.

3 Q. At the time that Paradigm chose to invest in FTX, was it
4 your understanding that Mr. Bankman-Fried owned the
5 overwhelming majority of FTX?

6 A. Yes.

7 Q. Do you recall if that percent was approximately 80 percent
8 of the company?

9 A. I don't recall exactly.

10 Q. Did that factor weigh in favor or against a potential
11 investment in FTX?

12 A. I would say it's neutral. It's what we expected to be the
13 case generally.

14 Q. You testified that Paradigm also had concerns about FTX's
15 relationship with Alameda, true?

16 A. That's right.

17 Q. And you testified on direct that --

18 MR. LISNER: Your Honor, could I request a sidebar?

19 THE COURT: All right.

20 (Continued on next page)

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1 (At sidebar)

2 MR. LISNER: I think we could skip the sidebar.

3 MR. COHEN: We are going to skip the sidebar.

4 Your Honor, if I might come back to your Honor's
5 comment before. As I understand the direct, they are
6 presenting him as a sophisticated witness and got essentially
7 lay expert testimony from him. I don't understand how this
8 comes up against the idea of gullibility, which might be
9 appropriate for a customer who they questioned as the first
10 witness. The government was presenting him, in effect, as an
11 expert on exchanges.

12 THE COURT: There is no such thing as, in effect, an
13 expert. They had an obligation to make disclosure if he was
14 called as an expert. They didn't. If there was an objection
15 to his giving testimony as an expert, you should have made it.

16 MR. COHEN: Your Honor, they drew out from him
17 testimony about how exchanges work, how the market works, and
18 we believe we can cross on that since it was brought up on
19 direct.

20 THE COURT: That's not what your colleague is doing.
21 What your colleague is doing is repeating the direct and
22 repeating the repetition of the direct, and then asking
23 inappropriate questions on top of that.

24 MR. COHEN: I have your Honor's point on that. We
25 will work on that tonight.

1 I am worried about going forward, your Honor, because
2 I understand there is going to be other investor witnesses,
3 sophisticated lenders who they are not presenting --

4 THE COURT: I have made rulings on a lot of that
5 already.

6 MR. COHEN: The last thing we want to do is run afoul
7 of your rulings.

8 THE COURT: I accept that, Mr. Cohen.

9 MR. COHEN: We don't agree with that, but we are going
10 to follow it.

11 THE COURT: I understand that. I have absolutely no
12 concerns about bad faith or anything like that. To the
13 contrary.

14 MR. COHEN: We are trying to follow, but this was a
15 little different, at least from what I expected, in terms of
16 how they present it, and they are entitled to, it's their case,
17 but we need to be able to cross-examine on that.

18 THE COURT: Of course you do, and you have every
19 opportunity to do it.

20 MR. COHEN: Understood.

21 (Continued on next page)

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1 (In open court)

2 MR. LISNER: Thank you, your Honor.

3 THE COURT: Let's proceed.

4 BY MR. LISNER:

5 Q. Mr. Huang, you testified—you were asked on direct: Do you
6 recall what effect it would have been if you were told that
7 Alameda was using customer assets or was involved in customer
8 assets, correct?

9 A. Could you repeat that.

10 Q. On direct were you asked about whether you were told about
11 Alameda's relationship or use of customer assets on FTX?

12 A. Yeah.

13 MR. LISNER: Can we publish to the witness and the
14 Court DX 787.

15 THE COURT: Did you say D or G?

16 MR. LISNER: D, Defense Exhibit 787.

17 Q. Do you recognize this to be an audited set of financials
18 from FTX that were provided to Paradigm?

19 A. Yes.

20 MR. LISNER: Your Honor, I'd like to introduce this
21 for a nonhearsay purpose of the information that was disclosed
22 by the company to a potential investor.

23 MR. REHN: Objection, your Honor. There doesn't seem
24 to be any foundation for any such purpose.

25 THE COURT: I'm sorry?

1 MR. REHN: I haven't heard a foundation for any such
2 nonhearsay purpose.

3 THE COURT: Well, neither have I.

4 BY MR. LISNER:

5 Q. Mr. Huang, do you recall reviewing this document in
6 connection with researching a potential investment in FTX?

7 A. I don't recall reviewing it prior to the investment, and
8 my—I'm not sure if I recall whether it was available or not.

9 MR. LISNER: No further questions, your Honor.

10 THE COURT: Okay. Thank you.

11 Any redirect?

12 MR. REHN: Nothing further, your Honor.

13 THE COURT: All right. Thank you. You're excused,
14 Mr. Huang.

15 (Witness excused)

16 THE COURT: Next witness.

17 MR. ROOS: Thank you, your Honor. The government
18 calls Gary Wang.

19 THE DEPUTY CLERK: Remain standing and raise your
20 right hand for a moment.

21 (Witness sworn)

22 THE DEPUTY CLERK: Thank you. Please be seated.

23 Pull your chair up to the microphone and please state
24 your name and spell your last name for the record.

25 THE WITNESS: Gary Wang, W-A-N-G.

1 THE DEPUTY CLERK: Thank you.

2 THE COURT: You may proceed, Mr. Roos.

3 MR. ROOS: Thank you, your Honor.

4 GARY WANG,

5 called as a witness by the Government,

6 having been duly sworn, testified as follows:

7 DIRECT EXAMINATION

8 BY MR. ROOS:

9 Q. Mr. Wang, where were you working a year ago?

10 A. At FTX.

11 Q. What, generally, is FTX?

12 A. It's a cryptocurrency trading platform.

13 Q. What was your job at FTX?

14 A. I was chief technical officer.

15 Q. Did you have any role founding the company?

16 A. Yes. I was the co-founder.

17 Q. Did you commit financial crimes while working at FTX?

18 A. Yes.

19 Q. What types of crimes did you commit?

20 A. Wire fraud, securities fraud, and commodities fraud.

21 Q. Did you commit these crimes by yourself or with other
22 people?

23 A. With other people.

24 Q. Who were the main people you committed these crimes with?

25 A. Sam Bankman-Fried, Nishad Singh, and Caroline Ellison.

1 Q. Mr. Wang, do you see any of the people you committed those
2 crimes with in the courtroom today? You can stand up if you
3 need to.

4 MR. COHEN: Stipulated, your Honor.

5 A. Yes.

6 Q. Who do you see?

7 A. Sam Bankman-Fried.

8 MR. ROOS: Let the record reflect the witness has
9 identified the defendant.

10 THE COURT: It will so reflect.

11 MR. ROOS: Thank you, your Honor.

12 Q. Mr. Wang, in general terms for now, what did you do with
13 the defendant that was the wire fraud you were referring to?

14 A. We gave special privileges to Alameda Research on FTX,
15 which allowed it to withdraw unlimited amounts of funds from
16 the platform, and we lied about this to the public.

17 Q. When you say withdrew unlimited funds from the platform,
18 what are you referring to?

19 A. It had the ability to, regardless of what was in the
20 account, to withdraw unlimited amounts of money.

21 Q. You're talking about Alameda Research?

22 A. Yes.

23 Q. Okay. We'll come back to it in a minute.

24 When you say withdrew unlimited amounts of funds,
25 whose funds are you talking about?

1 A. Those of customers.

2 Q. Let's talk about—sorry. And customers of what?

3 A. Customers of FTX.

4 Q. All right. You mentioned Alameda Research. What was
5 Alameda Research?

6 A. This was a cryptocurrency trading firm.

7 Q. What is a cryptocurrency trading firm? Let me rephrase
8 that.

9 What did Alameda Research as a cryptocurrency trading
10 firm do?

11 A. It had accounts on various cryptocurrency exchanges and on
12 them it bought and sold cryptocurrency.

13 Q. Who owned Alameda Research?

14 A. Sam and I.

15 Q. Now you said Alameda Research was given special privileges
16 on FTX. What were you referring to?

17 A. It had the ability to withdraw funds or transfer funds
18 regardless of what it had in its account, even if that would
19 cause the account balance to become negative, and it had a very
20 large line of credit, more than other customers, which allowed
21 it to have—

22 (The reporter interrupted for clarification)

23 THE COURT: Mr. Wang, could you kindly slow down and
24 speak at a different rate of speed.

25 THE WITNESS: Yes.

1 A. So one, it had the ability to have negative balances by
2 either transferring funds or withdrawing funds from the
3 platform regardless of what was in its account; it had a very
4 large line of credit which allowed it to have open orders and
5 open positions, essentially without any limit; it had the
6 ability to place orders on the platform slightly faster than
7 other market makers on the platform; and it had—and when
8 customers deposited USD to FTX, some of those went into
9 Alameda's bank account instead.

10 Q. Let me ask you a few follow-up questions about your answer.

11 So first of all, where did those special advantages
12 exist?

13 A. In the code for FTX.

14 Q. And what do you mean by the code for FTX?

15 A. In the computer code which—for the FTX platform, the
16 computer code that instructs what the platform should do.

17 Q. You then listed a few advantages, and I just want to take
18 them each in turn.

19 You said Alameda could have negative balances and make
20 unlimited withdrawals. Did I understand you correctly?

21 MR. EVERDELL: Objection.

22 MR. ROOS: I'm just trying to, since it was quick—

23 THE COURT: What is the objection?

24 MR. EVERDELL: He's restating the witness's answer.

25 THE COURT: I'm sorry?

1 MR. EVERDELL: He's restating the witness's answer in
2 the question.

3 THE COURT: Overruled.

4 BY MR. ROOS:

5 Q. Mr. Wang, I think the first thing you said was Alameda had
6 the ability to have negative balances and make unlimited
7 withdrawals. Did I understand you correctly?

8 A. Yes.

9 Q. What did you mean by that?

10 A. There—normally, when customers withdraw funds from the
11 platform, they need to have those funds in their account before
12 they can do so, but for Alameda, this was not the case. For
13 Alameda, they can withdraw funds even if that would cause their
14 account balance to become negative as a result of it, as a
15 result of the withdrawal.

16 Q. What do you mean by a negative balance?

17 A. So less than zero. So if they have \$10 in their account,
18 they can still—for normal customers, if a customer had \$10 in
19 their account, they can only withdraw \$10, but for Alameda,
20 this was not the case. They could withdraw a thousand dollars
21 and then afterwards their account would have negative \$990 in
22 it.

23 Q. And how much over the course—just generally speaking, how
24 much money over the course of your time at FTX did Alameda
25 withdraw into the negative?

1 A. By the—by the time FTX declared bankruptcy, Alameda had
2 withdrawn \$8 billion.

3 Q. Now the second thing I heard you say related to a line of
4 credit. What were you saying there as a special advantage?

5 A. Alameda had a large line of credit to act as collateral for
6 their positions and orders on their account. So normally when
7 a customer places an order or opens a position on FTX, they
8 need—that position needs to be collateralized by some funds
9 that they've deposited onto their accounts, but for Alameda,
10 they have—this was not the case because they had a very—they
11 had a \$65 billion line of credit on their platform.

12 Q. So what's like a normal line of credit for a customer?

13 A. For—normally, for large market makers, it's usually in the
14 single- to double-digit millions.

15 Q. And how much was Alameda's?

16 A. 65 billion, with a B.

17 Q. You mentioned those two advantages and a few others. Were
18 those advantages?

19 THE COURT: Excuse me, Mr. Roos. I just want to make
20 sure what the witness said.

21 You said normally, for large makers, it's in the
22 single- to double-digit—did you say millions or billions?

23 THE WITNESS: Millions, with an M.

24 THE COURT: Okay. Thank you. So the reporter will
25 correct the record.

1 MR. ROOS: Thank you, your Honor.

2 BY MR. ROOS:

3 Q. So just to be clear, for larger customers, it was millions,
4 as the judge just asked you, and was it millions or billions
5 for Alameda?

6 A. Billions for Alameda.

7 Q. Thank you. Were these special advantages disclosed to the
8 general public?

9 A. No.

10 Q. What was your involvement in implementing these computer
11 code advantages at FTX?

12 A. I implemented some of these features—some of these
13 features I implemented, and some of these features I used
14 others' implementation of.

15 Q. And whose, if anyone's, direction did you act on when you
16 did that?

17 A. On Sam's.

18 Q. What happened as a result of Alameda's ability to have a
19 negative account balance?

20 A. It withdrew so much that FTX was not able to repay
21 customers who were trying to withdraw.

22 Q. And when you say it withdrew so much, what are you
23 referring to?

24 A. Assets from the platform. Combination of USD and
25 cryptocurrency.

1 Q. Okay. And an amount?

2 A. Yeah, of \$8 billion.

3 Q. What ended up happening to FTX?

4 A. FTX declared bankruptcy.

5 Q. You mentioned that you committed financial crimes at FTX.

6 Have you pled guilty to those crimes?

7 A. Yes.

8 Q. Are you testifying here under a cooperation agreement?

9 A. Yes.

10 Q. So we're going to come back to that further. But first, I
11 just want to take a step back and talk to you a little bit
12 about your background.

13 Where did you grow up?

14 A. I was born in China, then moved to the US when I was 7, and
15 then I grew up in Minnesota.

16 Q. Did you go to college?

17 A. Yes.

18 Q. Where did you go to college?

19 A. At MIT.

20 Q. What did you study at MIT?

21 A. Math and computer science.

22 Q. When did you first meet Samuel Bankman-Fried?

23 A. We met at summer camp when I was in high school.

24 Q. Did you reconnect with him again?

25 A. Yes.

1 Q. When?

2 A. At college. We lived in the same living group and we were
3 friends, and we were roommates for a while.

4 MR. ROOS: Mr. Bianco, can we please show just the
5 witness for identification Government Exhibit 1804.

6 Q. Mr. Wang, do you recognize this?

7 A. Yes.

8 Q. What is it?

9 A. It's a picture of me and Sam.

10 MR. ROOS: The government offers Exhibit 1804.

11 MR. EVERDELL: No objection.

12 THE COURT: Received.

13 (Government's Exhibit 1804 received in evidence)

14 MR. ROOS: May we publish it?

15 THE COURT: Yes.

16 BY MR. ROOS:

17 Q. Mr. Wang, now that the jury can see the image, what does
18 this show?

19 A. Shows me and Sam.

20 Q. From when?

21 A. From college.

22 Q. What did you do after college?

23 MR. ROOS: Mr. Bianco, we can take this down.

24 A. I worked at Google for a couple years.

25 Q. Okay. And did there come a time after college when you

1 reconnected with the defendant?

2 A. Yes.

3 Q. And roughly when was that?

4 A. In fall of 2017.

5 Q. How old are you now, by the way?

6 A. 30.

7 Q. So how old were you back then?

8 A. 24.

9 Q. So you reconnected with the defendant back in the fall of
10 2017. How did that happen?

11 A. He came up to Boston for a weekend, talked—and he talked
12 to me about starting a cryptocurrency trading firm with him.

13 Q. Okay. And what was the name of that cryptocurrency trading
14 firm?

15 A. Alameda Research.

16 Q. Where was Alameda Research located?

17 A. In Berkeley, California.

18 Q. You said Alameda—early in your testimony you said Alameda
19 Research was a cryptocurrency trading firm. How did that work?

20 A. So it had accounts on various cryptocurrency trading sites
21 and it deposited funds under those sites and it would buy and
22 sell cryptocurrency, so it would buy them at a low price, sell
23 them at a higher price, and make money that way.

24 Q. Who picked the name Alameda Research?

25 A. Sam did.

1 Q. Why the name Alameda Research?

2 A. Alameda because we were located in Alameda County,
3 California; and Research because it sounds prestigious and it
4 doesn't mention cryptocurrency.

5 Q. What, if anything, did the defendant say about why you
6 should use the name Research?

7 A. He said that it makes it easier to do business if—if the
8 name doesn't mention trading with cryptocurrency, that it would
9 be easier to get bank accounts or to get office leases and
10 things like that.

11 Q. I want to ask you about a part of an interview.

12 MR. ROOS: And the government at this time offers
13 Government Exhibit 917 pursuant to the stipulation which is
14 already in evidence as Government Exhibit 2000.

15 Mr. Bianco, before we do that, it has to be admitted.

16 THE COURT: Received.

17 (Government's Exhibit 917 received in evidence)

18 MR. ROOS: And the stipulation states in relevant part
19 that Government Exhibit 917 is an excerpt from a Blockworks
20 podcast interview with Samuel Bankman-Fried on April 1, 2021.
21 With the Court's permission, can we play Government Exhibit 917
22 for the witness and the jury.

23 THE COURT: Yes.

24 (Video played)

25 BY MR. ROOS:

1 Q. Mr. Wang, how did those comments you just heard compare to
2 the things that Mr. Bankman-Fried said to you at the time you
3 were starting Alameda Research?

4 A. They agree with each other.

5 MR. ROOS: We could take the recording down.

6 Q. Who ran Alameda Research?

7 A. Sam did.

8 Q. And when you started, what kind of work were you doing at
9 Alameda Research?

10 A. I was doing software, so I was doing coding.

11 Q. What do you mean by coding?

12 A. So writing computer code.

13 MR. ROOS: All right. Could we show the witness and
14 the jury what's already in evidence as Government Exhibit 1801.

15 Q. Who is this?

16 A. Me.

17 Q. When is this roughly from?

18 A. From 2018.

19 Q. And where were you working at the time this photo was
20 taken?

21 A. At Alameda.

22 Q. All right. While you were working at Alameda, did you meet
23 someone named Nishad Singh?

24 A. Yes.

25 Q. What was his job?

1 A. He was another developer. He was another coder at the
2 company.

3 MR. ROOS: May we please show the witness what's in
4 evidence as Government Exhibit 1803. The witness and the jury.

5 Q. Who are we looking at here?

6 A. Nishad.

7 Q. And when, roughly, is this picture from?

8 A. Also roughly 2018.

9 MR. ROOS: All right. We can take that down.

10 Q. Did you meet someone named Caroline Ellison at Alameda
11 Research?

12 A. Yes.

13 Q. What was Caroline Ellison's job there?

14 A. She was a trader.

15 Q. I'm sorry. I forgot to ask you: What was Nishad Singh's
16 job at Alameda Research?

17 A. He was a coder.

18 Q. Okay. So he was a coder. And you said Caroline Ellison
19 was a trader. What's a trader?

20 A. She came up with trading strategies for the company and
21 then watched and supervised the execution of those trades
22 either by the automated system or manually.

23 MR. ROOS: Mr. Bianco, can you show the witness and
24 the jury Government Exhibit 1802, which is in evidence.

25 Q. And who is this, Mr. Wang?

1 A. Caroline.

2 Q. Caroline Ellison?

3 A. Yes.

4 Q. And when, roughly, is this from?

5 A. Also from 2018.

6 MR. ROOS: We can take that down.

7 Q. So who owned Alameda Research?

8 A. Sam and I.

9 Q. And what was the ownership breakdown?

10 A. Sam owned 90 percent, I owned 10 percent.

11 MR. ROOS: Show just the witness what's been marked
12 for identification as Government Exhibit 67.

13 Q. Do you recognize this?

14 A. Yes.

15 Q. What is it?

16 A. It's a description of the ownership breakdown for Alameda
17 Research.

18 MR. ROOS: Government offers Exhibit 67.

19 MR. EVERDELL: No objection.

20 THE COURT: Received.

21 (Government's Exhibit 67 received in evidence)

22 MR. ROOS: May we publish it?

23 THE COURT: Yes.

24 BY MR. ROOS:

25 Q. Mr. Wang, now that the jury can see this document, what is

1 it?

2 A. It's a description of the ownership breakdown for Alameda.

3 Q. And what does it show the ownership breakdown was?

4 A. That I owned 10 percent of the company and Sam owned
5 90 percent of the company.

6 Q. Do you see in the lower left corner there is something that
7 is certified?

8 A. Yes.

9 Q. And who signed the certification on this document?

10 A. Sam did.

11 Q. Did the ownership percentages as indicated on this
12 document—withdrawn.

13 This document says at the top that it's dated
14 January 30, 2020. Did the ownership percentages of Alameda
15 ever change over the entirety of the time you were an owner of
16 it?

17 A. No.

18 Q. And from when to when were you an owner of Alameda?

19 A. From 2017 until—unclear, unclear what the current
20 ownership status is.

21 Q. Until at least until November of 2022; is that right?

22 A. Yes.

23 Q. And did Alameda Research ever have any other owners?

24 A. No.

25 Q. How about any other investors?

1 A. No.

2 Q. So from this time until November 2022, Samuel Bankman-Fried
3 continued to own 90 percent of the company.

4 A. Yes.

5 MR. ROOS: We can take this down.

6 Q. You said Alameda Research would buy and sell
7 cryptocurrency. Where did it get the money to do that?

8 A. So initially some of the funds came from Sam personally,
9 and then the—and then the remaining came from various lenders.

10 Q. What do you mean by various lenders?

11 A. So various investment firms or other people's money would
12 lend money to Alameda at an interest rate and then Alameda
13 would use that to do trading.

14 Q. Did there come a time when the defendant spoke to you about
15 starting a new business?

16 A. Yes.

17 Q. What was the new business?

18 A. FTX.

19 Q. And where did the name for FTX come from, or what does it
20 stand for?

21 A. Stands for Futures Exchange.

22 Q. I'm showing you now Government Exhibit 1567. Do you
23 recognize this?

24 A. Yes.

25 Q. What is it?

1 A. The screenshot of FTX's home page from 2019.

2 MR. ROOS: Government offers Exhibit 5715—I'm sorry.
3 The government offers Government Exhibit 1567.

4 MR. EVERDELL: No objection.

5 THE COURT: Received.

6 (Government's Exhibit 1567 received in evidence)

7 MR. ROOS: May we publish it?

8 THE COURT: Yes, sir.

9 BY MR. ROOS:

10 Q. Mr. Wang, what are we looking at here?

11 A. The screenshot of the ftx.com home page from 2019.

12 Q. So let me ask you some questions about the FTX exchange.
13 You said it was a place people could buy and sell
14 cryptocurrency; is that right?

15 A. Yes.

16 Q. What types of cryptocurrency?

17 A. There was a large set of cryptocurrency, but such as
18 Bitcoin, Ethereum, Ripple, and USDC.

19 Q. In addition to allowing users to buy and sell
20 cryptocurrency, what were some of the other things that users
21 could do on the website?

22 A. They could buy and sell, they could trade various futures.

23 Q. What's a future?

24 A. It's a—it's a contract where you can either be—you can
25 either buy it or if you buy—or you can short or sell it, short

1 it, and at some future—at some particular future date,
2 depending upon what future it is, based on what—so for
3 example, for a Bitcoin future, you would have a—it would be a
4 future on Bitcoin and it would settle at some particular date
5 in the future, and at that future time, whoever shorts the
6 future pays whoever is long on the future, whatever the price
7 of Bitcoin is on that date.

8 Q. I think some people maybe have heard of shorting a stock.
9 How does shorting a stock compare to one of these Bitcoin
10 futures?

11 A. It's the same concept, where you can either be long or be
12 short on the future, but if you think the price of Bitcoin is
13 going to go up, you can buy or become long on the future, and
14 if you think the price of Bitcoin is going to go down, you can
15 short or sell the future.

16 Q. Mr. Wang, if I can just ask you to go particularly slow
17 here because it can be a little more complicated, okay?

18 A. Yup.

19 Q. All right. So with the futures, what are the two—what are
20 the parties trading? The two users on the exchange, what are
21 they trading when they're trading a future?

22 A. They're trading the contract.

23 Q. What does that mean? What are they actually exchanging?

24 A. So they're essentially exchanging obligation on some future
25 date to transfer the price of one Bitcoin between each other.

1 So if one user buys a Bitcoin future from another user, they're
2 essentially agreeing that at some date in the future whoever
3 sells the future would pay whoever bought the future the price
4 of one Bitcoin.

5 Q. So whether it's trading Bitcoin or trading a future, how
6 did FTX make money?

7 A. From trading fees. So there would be a small fraction of
8 every trade that would go to the platform.

9 Q. What were some of the types of customers that traded on
10 FTX?

11 A. There were large—there were both large institutions, or
12 large trading firms, and then there were also smaller retail
13 users.

14 Q. What do you mean by—we'll start with: What do you mean by
15 larger trading firms?

16 A. So either trading—either trading firms or investment firms
17 that make money trade—make money either trading or holding
18 assets.

19 Q. And what do you mean by like a retail customer?

20 A. So just individuals who would just want to invest in
21 cryptocurrency or bet on the price of cryptocurrency.

22 Q. Who were the founders of FTX?

23 A. Sam and I.

24 Q. And did the defendant ever say to you why he wanted to
25 start a cryptocurrency exchange?

1 A. He was dissatisfied with the existing cryptocurrency
2 exchanges at the time.

3 Q. Who was in charge at FTX?

4 A. Sam was.

5 Q. And you were co-founders. Did you share responsibilities
6 equally?

7 A. No.

8 Q. What were your primary responsibilities?

9 A. I was responsible for the technology, for the code, for
10 writing the code, for reviewing the code that other people
11 within—or direct—for setting the technical direction of the
12 company.

13 Q. What role, if any, did Sam Bankman-Fried have with the
14 coding?

15 A. He directed that certain features be implemented, so he
16 told us what features that he wanted to add to the—add or
17 change to the website.

18 Q. So let me just be clear about this. Did he do the coding
19 himself?

20 A. No.

21 Q. So what then did he do?

22 A. He told us what things to implement.

23 Q. Can you give us an example.

24 A. So for example, the rules for how much collateral is needed
25 for certain positions or where things should be placed on the

1 website, or limits on how much—limits on how large positions
2 can be or limits on how much people can deposit, withdraw,
3 things like that.

4 MR. ROOS: Mr. Bianco, we can take down 1567.

5 Q. You said a moment ago that your responsibilities were not
6 equal. What responsibilities did the defendant have that were
7 not—that you were not involved with, generally?

8 A. The business aspects, so—and PR, talking to investors,
9 talking to the public—to the media, talking to the public,
10 giving interviews, doing advertisements, raising funds from
11 investors, lobbying and—

12 Q. And in terms of your work on a day-to-day basis, did you do
13 anything besides the coding work you described?

14 A. No.

15 Q. Now who, if anyone, did you report to when you worked at
16 FTX?

17 A. To Sam.

18 Q. And you were co-founders. What happened if there was a
19 disagreement between the two of you?

20 A. Sometimes we would talk about it, but in the end, it's Sam
21 decision to make.

22 Q. Okay. Now when you worked at FTX were you paid a salary?

23 A. Yes.

24 Q. What was your salary?

25 A. \$200,000 a year.

1 Q. Did you get any sort of performance bonus?

2 A. No.

3 Q. Did you get any sort of stock?

4 A. I was equity holder for FTX.

5 Q. And how much stock did you get, approximately?

6 A. I owned around 17 percent of FTX.

7 Q. Do you know how much the defendant owned?

8 A. Around 60, 65 percent.

9 Q. Did FTX have other owners or investors?

10 A. Yes.

11 Q. What types?

12 A. So there was Nishad owned I think around 5 percent of the

13 company, and then there were a number of outside investors.

14 Q. Now counting the value of the FTX stock that you owned, was
15 there a time you were a billionaire?

16 A. Yes.

17 Q. What about Sam Bankman-Fried?

18 A. Yes.

19 Q. Do you know who was worth more?

20 A. Sam was.

21 Q. Did you ever get any other money from FTX?

22 A. I also had some cryptocurrency called Serum when we created
23 that crypto coin—when we created that cryptocurrency, and then
24 I received a number of loans from the company.

25 Q. What kind of loans are you referring to?

1 A. There were loans to invest in—to making investments in
2 various companies that the company wanted to acquire or invest
3 in and that there were—and there was one personal loan.

4 Q. Let's start with the personal loan. How much was that for?

5 A. So that was for a million dollars, but then I only actually
6 withdrew \$200,000 of that from FTX.

7 Q. And what did you use it for?

8 A. To buy a house.

9 Q. You also mentioned company loans. How much were you
10 loaned—let me start by asking: What company loaned you money?

11 A. Alameda did.

12 Q. Alameda Research?

13 A. Yes.

14 Q. And do you know what those company loans were for?

15 A. For various companies that Alameda or FTX wanted to invest
16 in or acquire.

17 Q. And who presented those loans to you?

18 A. Either Sam or a round of lawyers at the company.

19 Q. What did you do when you were presented with the loans?

20 A. I signed the paperwork.

21 Q. Why did you sign them?

22 A. I was told to.

23 Q. What did you believe the expectation was when you were
24 presented with one of these loans?

25 A. That I would sign it.

1 Q. And with these loans, how much money are we talking about?

2 A. Around 2 or \$300 million.

3 Q. So you had 2 or \$300 million loaned by what entity?

4 A. By Alameda Research.

5 Q. And do you know what happened to that money after it was
6 loaned to you?

7 A. As far as I know, it was used to make these investments.

8 Q. Just to be clear, this money that was loaned, the 200 to
9 \$300 million that was loaned from Alameda to you, did it ever
10 go into your bank account?

11 A. No.

12 Q. Do you know where the money went?

13 A. As far as I know, it went to the things I was told it
14 was—the things—the places I was told it was going to, which
15 is the various companies we were investing in.

16 Q. And who told you that?

17 A. Sam did.

18 MR. ROOS: Your Honor, I'm about to switch to another
19 topic. We could stop here or I could start with another topic.

20 THE COURT: I think we'll stop here.

21 Ladies and gentlemen, see you tomorrow morning, 9:30.

22 THE DEPUTY CLERK: Would the jury please come this way
23 and bring your notebooks with you.

24 THE COURT: Mr. Wang, you can step out of the room.
25 We'll see you tomorrow too.

1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Andy is polling the jury with respect to lunch
4 tomorrow, as to whether we get some snacks in for them and have
5 a 20-minute lunch break or whether we go straight through till
6 2 without a lunch break and stop at 2, and I think he's got
7 another option on his menu. So I should have the result of
8 that in a minute. If anybody has a preference to voice, now
9 would be a good time.

10 MR. ROOS: So I think our view is, I'm sure as your
11 Honor can tell, we're a little behind where we were hoping to
12 be at the end of the week, and so we certainly favor something
13 that gives the jury more time with the witnesses, hopefully to
14 try to get this guy's testimony finished by the end of the
15 week. But we defer to the Court on snack break versus working
16 through and ending a little earlier.

17 THE COURT: Yes. Mr. Cohen?

18 MR. COHEN: We defer to the Court.

19 THE COURT: Okay. So we'll see what they have to say.

20 So Mr. Roos, do you want to give me what the program
21 is as we go forward.

22 MR. ROOS: What the plan is for?

23 THE COURT: Into next week.

24 MR. ROOS: Into next week? So, your Honor, we had—

25 THE COURT: Let me find out what Andy says.

1 THE DEPUTY CLERK: The jury votes to go straight to
2 2:00 without taking a lunch break.

3 THE COURT: Okay. Fine. Without any break at all. I
4 mean, a bathroom break.

5 THE DEPUTY CLERK: Yes.

6 THE COURT: A bathroom break. So no food before 2:00.
7 Okay. All right. Go ahead, Mr. Roos.

8 MR. ROOS: So, your Honor, the plan, I think Gary Wang
9 will pick up tomorrow. I think based on that schedule, I'm
10 hopeful that his direct will end about halfway through our time
11 tomorrow. And we had two other witnesses that were Zac Prince
12 and Elan Dekel, and if it's okay with your Honor, we just need
13 to reassess whether those people will be Tuesday witnesses or
14 whether, given the fact that we're now into the next week, we
15 need to make a change. So we could tell your Honor tomorrow
16 morning or something like that.

17 THE COURT: All right. Is there any revised estimate
18 on the duration of the trial?

19 MR. ROOS: I don't think so. I think we're a little
20 bit behind, but, you know, these things—we can catch up, and
21 arguably the witnesses are maybe largely on track, jury
22 selection just went a little bit longer, so—

23 THE COURT: Okay. Mr. Cohen, anything to enlighten me
24 with?

25 MR. COHEN: No, your Honor. I think we just have to

1 see how things go tomorrow and Tuesday, but I don't have
2 anything to add in terms of timing.

3 THE COURT: Okay. I think I've sufficiently made my
4 point about cutting out repetition, and I'm sure that the jury
5 will appreciate everything you can accomplish on that because I
6 think they were finding some of it pretty rugged.

7 MR. COHEN: We understand, your Honor. We may want to
8 be heard on the matter I raised at sidebar, but obviously not
9 today.

10 THE COURT: And that matter is?

11 MR. COHEN: The pretrial ruling about certain investor
12 witnesses and customer witnesses, but we don't have to cover
13 that today.

14 THE COURT: Okay. We will not cover it today.

15 MR. ROOS: Your Honor, a few just very minor and quick
16 housekeeping matters.

17 There were I think two or three exhibits yesterday,
18 420 and I think 427—425 through 427. Your Honor asked about a
19 little like white box at the bottom that said page 6 of 7 and
20 had a 3500 number?

21 THE COURT: Yes.

22 MR. ROOS: And that was basically our mistake.
23 Actually the version the Court had and defense had didn't have
24 that. We loaded the 3500 version of it. So anyways, we've
25 corrected it, and assuming nobody has an objection, the version

1 that will go to the jury won't have that confusing—

2 THE COURT: Will or will not?

3 MR. ROOS: Will not have the white margin on the
4 bottom.

5 The other—if the Court's okay with it, yesterday we
6 offered exhibits pursuant to stipulation 2001, which—and those
7 exhibits were admitted. Reviewing the transcript, we don't see
8 that 2001 itself, the stipulation, was admitted, so we could do
9 it in front of the jury if your Honor would like, but we also
10 would just move now to offer 2001.

11 THE COURT: Do you have a preference, Mr. Cohen?

12 MR. COHEN: No preference, your Honor.

13 THE COURT: Okay. 2001 is admitted.

14 (Government's Exhibit 2001 received in evidence)

15 THE COURT: Since Andy is out of the room, I charge
16 you, Mr. Roos, with making sure Andy, who is the keeper of the
17 keys—oh, there he is. My goodness. He's always out of the
18 room doing what he has to do. Okay. That's fine. Andy's got
19 it. So we will see you all tomorrow.

20 THE DEPUTY CLERK: All rise.

21 (Adjourned to October 6, 2023, at 9:30 a.m.)
22
23
24
25

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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 October 6, 2023
9:35 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

17 BY: DANIELLE R. SASSOON

NICOLAS ROOS

18 DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

22 SRI K. KUEHNLENZ

DAVID F. LISNER

23 Also Present:

24 Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (In open court; jury not present)

2 THE COURT: Good morning, all.

3 MR. ROOS: Good morning, Judge. We have one matter.

4 We're going to be playing one recording that we have a
5 transcript for. We have in individual binders for each of the
6 jurors, if that's okay with your Honor.

7 THE COURT: Yes. I think you brought that up last
8 night.

9 MR. ROOS: Yes, I just wasn't sure if we actually
10 resolved it because the jury was coming in.

11 MR. COHEN: Your Honor, just very quickly, one of the
12 jurors rode in the elevator with one of my colleagues today.
13 Can your Honor give the standing instruction. Obviously they
14 didn't talk up the way, but I think just to let the jury know.

15 THE COURT: I will. Thank you.

16 MR. ROOS: I think that's no objection from the
17 defense to the transcripts then.

18 MR. COHEN: No.

19 THE COURT: Boy, you're being careful.

20 MR. COHEN: No objection.

21 THE COURT: Life is so much easier when lawyers treat
22 each other with appropriate respect and, dare I say, affection.

23 MR. ROOS: Your Honor, should we get the witness?

24 THE COURT: That's a good idea. Thank you.

25

1 (Jury present)

2 THE DEPUTY CLERK: Please be seated, everyone.

3 THE COURT: Good morning, folks. Before we get
4 started, let me just say something that I normally say, perhaps
5 may have said already. It goes without saying that none of you
6 should have any contact with any of the lawyers or the
7 witnesses whatever, and if you should happen to find yourself
8 riding in an elevator or something like that with somebody else
9 involved in the case, obviously you shouldn't speak to one
10 another, and nobody should be offended if somebody who you
11 would normally say good morning to doesn't say good morning to
12 you, and they will understand if you don't say good morning to
13 them. Just avoid any possibility of somebody thinking that
14 something inappropriate got said by not saying anything.

15 Okay. Let's go. Mr. Wang, you're still under oath.
16 Mr. Roos, you may proceed when you're ready.

17 MR. ROOS: Thank you, your Honor.

18 GARY WANG, resumed.

19 DIRECT EXAMINATION

20 BY MR. ROOS:

21 Q. Mr. Wang, yesterday you said that there were certain
22 advantages or privileges that Alameda had. Where did those
23 advantages or privileges exist?

24 A. In the computer code that was powering FTX.

25 Q. So what exactly do you mean by the computer code?

1 A. The computer code is a set of instructions that are given
2 to computers to—so that the computers know what to do. So
3 computer code is—it's text, so it's human readable, and it
4 gets taken by a computer or by a server somewhere and it runs
5 those instructions to do whatever it is that you're telling
6 them to do.

7 Q. And when it comes to a website like FTX, are there
8 different parts of the computer code?

9 A. So there's the front-end code that runs on your computer
10 or—that runs on your computer or on your phone when you access
11 a website, and then there is the back-end code, which runs on
12 the server and keeps track of the data in the system and runs
13 all the—runs all the trading, all the auto-matching, all the
14 back-end processing.

15 Q. Can you give us an example of a website we might be
16 familiar with that has a front-end and back-end computer code.

17 A. So one example is Google.com. So when you go on Google,
18 either on your phone or on your computer, you see, you know,
19 you see this—you see this front page, you see the Google logo,
20 you see a search box, you see a search button, and so that's
21 all powered by the front-end code, so that code tells—that
22 code tells your computer, you know, where to draw the logo,
23 where to put the text box and all that stuff. And then when
24 you type something in and click the search button, that gets
25 sent over to the Google back end, which is Google's back-end

1 code, which is running on—in Google's data center somewhere,
2 and there the back-end code then takes—takes your search
3 inquiry and looks up the results, and from—from some giant
4 database it has of all the web pages it knows about, and then
5 sends that back over to your computer, and that's the back-end
6 portion of that.

7 Q. So let's talk about front end and back end for the FTX
8 website.

9 MR. ROOS: And why don't we put up Government
10 Exhibit 1567, which is in evidence.

11 Q. So, Mr. Wang, is this the front end or the back end of the
12 website?

13 A. The front end.

14 Q. And what does the code do with respect to the front end of
15 FTX's website?

16 A. So it determines—so it controls what images show up, what
17 text shows up, how they're formatted, and where they appear on
18 the page relative to each other.

19 Q. And let me show you another picture of a website.

20 MR. ROOS: Could we show the witness Government
21 Exhibit 1563.

22 Q. Do you recognize this?

23 A. Yes.

24 Q. What is it?

25 A. It's a screenshot of the wallet page on FTX.

1 MR. ROOS: The government offers 1563.

2 MR. EVERDELL: No objection.

3 THE COURT: Received.

4 (Government's Exhibit 1563 received in evidence)

5 MR. ROOS: May we publish it.

6 THE COURT: You may.

7 BY MR. ROOS:

8 Q. So Mr. Wang, now that the jury can see it, what are we
9 looking at here?

10 A. So this is a screenshot of the wallet page on FTX.

11 Q. Okay. And how is FTX's computer code involved here,
12 generally?

13 A. So the—the front-end code controls the various text
14 formatting of the page and its tables, and the back-end code
15 keeps—keeps track of what—the back-end code keeps—and the
16 database keeps track of what balances you have, what—what
17 coins, what coins you have, how much of each you have, and then
18 the back end sends it over to the front end, which then is
19 responsible for formatting it and displaying it on the page.

20 Q. Let me just break your answer down a little bit.

21 So starting at the top left corner of the page, do you
22 see where it says Wallet?

23 A. Yes.

24 Q. And below it, it says Total Net USD Value?

25 A. Yes.

1 Q. So what do those refer to?

2 A. So that refers to the approximate total value in US dollars
3 of—of the balances of your accounts.

4 Q. So this represents the amount of money the customer has in
5 the account.

6 A. Yes.

7 Q. And how is the computer code involved with displaying the
8 account balance?

9 A. So the—the back-end code keeps track of what your balances
10 are and what the value of each of those balances is, and then
11 it adds them up and it sends it over to the front end, which
12 then displays the number.

13 Q. Do you see lower on the screen, below the word Balances, it
14 lists some little coin icons? Do you see that there?

15 A. Yes.

16 Q. And do you see kind of looking across, the names of the
17 coins and then balance numbers?

18 A. Yes.

19 Q. Okay. How is the computer code involved in displaying
20 those balances?

21 A. So the back end has—in the database keeps track of which
22 coins you have and how much of each coin you have, and it also
23 knows how—and it also keeps track of approximately how much,
24 what the value of each coin that you have is. And then it
25 takes those numbers and sends them over to the front end, which

1 then displays these numbers.

2 Q. So when a customer looked at a balance in their account
3 here, what were the balances supposed to represent?

4 A. They—it represents what coins—what tokens and what—what
5 coins and how much of each they have in their accounts.

6 Q. Now to the right it looks like buttons for Deposit and
7 Withdrawal. Do you see those?

8 A. Yes.

9 Q. Are those buttons?

10 A. Yes.

11 Q. And how is the computer code involved with those Deposit
12 and Withdrawal buttons?

13 A. So in the front-end code, it controls what happens when you
14 click those two buttons, so either Deposit button or the
15 Withdrawal button. It will pop up a dialogue asking you how
16 much you want—say, for example, for the Withdrawal button, it
17 asks you how much, you know, how much you want to withdraw and
18 to where. Then when you type something in, it sends out over
19 to the back, you can—

20 Q. So let's talk about the back end. What is the back end of
21 the FTX database?

22 A. So the back end of FTX, so it—it's—there's the database,
23 which keeps track of all the accounts and how much is in each
24 account, and also keeps track of all the transactions that
25 happen on FTX, so all the deposits, all the withdrawals, all

1 the trades, all the trading that happens, and all the—all the
2 fees from those trades, and then the back end is also
3 responsible for taking orders that people place and matching
4 them against each other so that trades happen. It's also
5 responsible for managing deposits and withdrawals, and
6 it's—and it's also responsible for keeping track of risks
7 and—and positions and how much—and what happens when
8 you—your accounts gets liquidated and all that, and things
9 like that.

10 MR. ROOS: Okay. Mr. Bianco, we can take down this
11 exhibit.

12 And the government now offers Government Exhibit 2002,
13 which is a stipulation, and pursuant to that stipulation, the
14 government offers Exhibit 1731.

15 THE COURT: They are received.

16 (Government's Exhibits 2002 and 1731 received in
17 evidence)

18 MR. ROOS: May we publish Government Exhibit 1731?

19 THE COURT: Yes, sir.

20 BY MR. ROOS:

21 Q. Mr. Wang, can you describe what we're looking at.

22 A. This is a screenshot of a query to the FTX database and the
23 results from that query.

24 Q. When you say the FTX database, is that the database you
25 referred to a few minutes ago?

1 A. Yes.

2 Q. This is part of the back end of the website; is that right?

3 A. Yes.

4 Q. When a customer does a transaction on FTX, does that show
5 up in this back-end database?

6 A. Yes.

7 Q. So just in terms of this portion of the back-end database,
8 what kind of information does it provide?

9 A. So this is the accounts table in the database, so
10 it's—which keeps track of the—of all the accounts
11 on—accounts and system accounts on FTX, so it has—so going to
12 the columns, it has an ID, it has the user name of the
13 accounts, it has a user ID, and then it has things like what
14 fees that account pays, various settings—and various settings
15 related to the account.

16 MR. ROOS: So since this is small to read, I'm going
17 to ask Mr. Bianco to zoom in on each part. So Mr. Bianco, why
18 don't we just zoom in on the area of ID, User Name, and User ID
19 columns. And just so we can see the headings, also.

20 Thank you.

21 Q. So Mr. Wang, what do the ID, User Name, and User ID columns
22 refer to?

23 A. So ID is a numeric ID associated with these accounts; User
24 Name is typically the email of the account; and then User ID
25 is—so accounts might—so users might have accounts and they

1 might have subaccounts, and the User ID ties accounts and
2 subaccounts together.

3 Q. Okay. Then a few columns over do you see where it
4 indicates, it says—it has the words Fee in two columns?

5 A. Yes.

6 Q. What does that refer to?

7 A. So Maker Fee and Taker Fee are the fees that the account
8 pays for—for trades that it does.

9 Q. Are these the transaction fees you testified about
10 yesterday for how FTX makes money?

11 A. Yes.

12 Q. Okay. Do you see the next column, it says Liquidating?

13 A. Yes.

14 Q. What does that column refer to?

15 A. That refers to whether or not the account is currently
16 being liquidated.

17 Q. Another column over it says Borrow. Do you see that?

18 A. Yes.

19 Q. What does that column refer to?

20 A. It refers to the size of the account's line of credit.

21 Q. Okay. And we'll come back to that.

22 MR. ROOS: Can we scroll over a little bit now for the
23 witness.

24 Q. Do you see Can Withdraw below Borrow?

25 A. Yes.

1 Q. What does that column refer to?

2 A. It refers to whether or not the account is allowed to
3 withdraw part of its line of credit.

4 Q. And so on the Borrow line, the Line of Credit line, all
5 these numbers are 0 except for one of them. What does 0 mean?

6 A. That means that the account does not have a line of credit.

7 Q. And then the one has a 1. What does that refer to?

8 A. That means it has a line of credit of 1 dollar.

9 THE COURT: Of 1 dollar?

10 THE WITNESS: Yes.

11 THE COURT: Thank you.

12 Q. And then the Can below Borrow column, next to it has
13 nothing checked. What does that mean?

14 A. That means that these accounts are not allowed to withdraw
15 their line of credit.

16 Q. Okay. So the next column over says Allow Negative. What
17 does that refer to?

18 A. It refers to whether or not the account is allowed to have
19 a negative balance. So by—as—whether or not the account is
20 allowed to transfer or withdraw funds such that it would cause
21 it to have a negative balance.

22 Q. So let me just follow up on that. By negative balance,
23 what do you mean?

24 A. So a balance of less than 0.

25 Q. So the account—the account balance has a number that is a

1 negative number.

2 A. Yes.

3 Q. And so then what does going below 0 mean, exactly?

4 A. So that—that means that the account would be—is
5 transferring/withdrawing more than it has. So it would be
6 borrowing from the exchange at this point.

7 Q. So none of these have "Allow Negative" checked. What
8 happens if "Allow Negative" is checked?

9 A. So it's—normally you can't withdraw more than what you
10 have in your account, but if "Allow Negative" is checked, that
11 means that you are allowed to withdraw more than what you have
12 in the account.

13 Q. So this is all the back end, you said. What does this
14 back-end database do for the front end of the website?

15 A. So the data at the back end is used to populate what shows
16 up in the front end of the website.

17 Q. So when we were looking at that page with the account
18 balances, is that information all stored in this back-end
19 database?

20 A. Yes.

21 MR. ROOS: All right. We can take this down.

22 And pursuant to Government Exhibit 2002, which is a
23 stipulation, the government offers Exhibit 1732.

24 THE COURT: Received.

25 (Government's Exhibit 1732 received in evidence)

1 MR. ROOS: May we publish?

2 THE COURT: You may.

3 BY MR. ROOS:

4 Q. At a very general level, Mr. Wang, what are we looking at?

5 A. So this is a fills table in that database.

6 Q. You said fills, F-I-L-L-S?

7 A. Yes.

8 Q. And in sort of basic terms, what is the fills table?

9 A. So it contains records of all the trades that happened on
10 FTX.

11 Q. So it's like a transactions table.

12 A. Yes.

13 Q. And how does this correspond to what's on the front end of
14 the website?

15 A. So the—on the front end there's a page that displays all
16 your trading activity, and the data for that comes from this
17 table. And also the—and also the—your balances ultimately
18 come as a result of adding up the entries in this table,
19 amongst other things.

20 Q. So let's just look at a few of the columns.

21 MR. ROOS: Can we start, Mr. Bianco, by zooming in on
22 the ID and Account ID columns.

23 Q. And so, Mr. Wang, we see ID and Account ID. What do those
24 refer to?

25 A. So ID is a unique identifier for the trades that happen, so

1 each trade has a unique ID. And an account ID is which account
2 did the trade. So each account—each account has an ID, and in
3 this, in the fills table here, they're saying for each trade
4 that happened, which account did the trade.

5 Q. And then a little bit ways over, closer to the right side
6 of the screen, it says Side. Do you see that?

7 A. Yes.

8 Q. What does that refer to?

9 A. Refers to whether, this trade, whether the account is
10 buying or selling.

11 Q. And then there's a price. What is that?

12 A. That's the price that the trade happened at.

13 Q. And then the size, what does that refer to?

14 A. It's the size of the trade, so how much they bought or how
15 much they sold.

16 Q. And then in the FTX database that we're looking at, is
17 there a record of every purchase and sale of cryptocurrency on
18 the site?

19 A. Yes.

20 Q. Was Alameda a customer on FTX?

21 A. Yes.

22 Q. And—

23 THE COURT: I'm sorry. Before we get to that,
24 Mr. Wang, I would imagine that somewhere on each line here it
25 perhaps indicates what was bought and sold, yes?

1 THE WITNESS: Yes.

2 THE COURT: And where is that?

3 THE WITNESS: So that's in the Market ID column, which
4 identifies which market the trade happened in, and each
5 market—each market then, in the markets table, then has—has
6 what two things are traded on that market.

7 THE COURT: So for example, in the first line, the
8 entry under Market ID, 3104, that corresponds to a particular
9 type of asset that was bought or sold, yes?

10 THE WITNESS: Yes. Well, so it's—well, so it's—for
11 example—I don't remember which that exactly is. For example,
12 there's a Bitcoin with a USD market, that's one market, and
13 then there's, say, a Bitcoin with an Ethereum market, and
14 there's an Ethereum USD market, and those would be three
15 different markets.

16 THE COURT: Okay. And the Price column expresses the
17 price in what units?

18 THE WITNESS: So it depends on—it depends on which
19 market it is. So usually for a market—so each market has a
20 base currency and a quote currency, so for example, for a BTC
21 with USD, Bitcoin would be the base currency and USD would be
22 the quote currency, and that case, the size is expressed
23 in—would be expressed in Bitcoin, in the base currency.

24 THE COURT: Okay. Thank you.

25 Go ahead, Mr. Roos.

1 MR. ROOS: Thank you, your Honor.

2 BY MR. ROOS:

3 Q. Just to follow up to make sure we understand your question,
4 when you were saying BTC, what were you referring to?

5 A. Bitcoin.

6 Q. And what is USD?

7 A. US dollars.

8 Q. Okay. And so you were describing a scenario where it was a
9 Bitcoin-for-dollars trade.

10 A. Yes.

11 Q. All right. Now was Alameda a customer on FTX?

12 A. Yes.

13 Q. And what account ID did it have?

14 A. It had account ID 9.

15 Q. Do you see that on the screen here?

16 A. Yes.

17 Q. And what was the user name for Alameda's account?

18 A. Info@AlamedaResearch.com.

19 MR. ROOS: We can take this exhibit down.

20 Q. At the beginning of your testimony you said Alameda had
21 special advantages in the computer code. Can you describe what
22 those special privileges were, and then I want to go through
23 each of them.

24 A. Yes. So first, it had the—it had the "Allow Negative"
25 ability, which allowed it to transfer or withdraw funds beyond

1 what it actually had in its account and—and doing so would
2 have the account become—and doing so even when this account
3 had a negative balance, or even if that would cause the account
4 to have a negative balance. So that's one.

5 Two—two, it had a very large line of credit, which
6 allowed it to put on large positions and large orders even when
7 it didn't have—did not have the collateral in its account.

8 And three, it had the ability to place orders slightly
9 faster than other accounts.

10 And four, when the customers deposit US dollars
11 into—into FTX, those dollars were—they were directed
12 to—first deposited into Alameda bank account.

13 Q. I want to focus on the first two in particular, the ability
14 to go negative and make unlimited withdrawals and the large
15 line of credit, okay? I'm going to ask you a few general
16 questions about both of them, okay?

17 A. Yes.

18 Q. All right. So were those special advantages disclosed to
19 the general public?

20 A. No.

21 Q. What about to FTX's investors, were those special
22 advantages disclosed to them?

23 A. No.

24 Q. Were those special advantages disclosed to FTX's customers?

25 A. No.

1 Q. As a result of those special advantages, was Alameda
2 treated the same or differently as other FTX customers on the
3 exchange?

4 A. Differently.

5 Q. What did Alameda do as a result of having the ability to
6 have a negative account balance and make unlimited withdrawals?

7 A. It withdrew more funds than it had on the exchange.

8 Q. And approximately how much?

9 A. At the time that FTX declared bankruptcy, Alameda had—was
10 borrowing \$8 billion from the exchange.

11 Q. And when you say it was withdrawing \$8 billion from the
12 exchange, do you mean in cryptocurrency or fiat or both?

13 A. A combination.

14 Q. Okay. Where did the money come from for Alameda Research
15 to—or what money was Alameda withdrawing when it withdrew
16 money in excess or below its balance?

17 A. It was money from customers.

18 Q. All right. I'm not sure my question was clear, so I'll ask
19 it again.

20 When Alameda withdrew money below its 0 balance line,
21 so when it withdrew to a balance that was negative, whose money
22 did it withdraw?

23 A. Money belonging to other customers of FTX.

24 Q. All right. So let's dig in a little bit on that first
25 special advantage.

1 At a general level, and taking a technical sort of
2 perspective, how did Alameda Research have that special
3 privilege, the ability to go negative?

4 A. So there's the—there's—there's computer code that
5 specifies what—that creates a "Allow Negative" column in the
6 database and specifies what happens when the account has that
7 feature; and second, that feature was then turned on for
8 Alameda.

9 Q. So you said there was a column in the database for "Allow
10 Negative"?

11 A. Yes.

12 Q. Did we just look at that column?

13 A. Yes.

14 MR. ROOS: Let's just actually put up again Government
15 Exhibit 1731.

16 Q. And where is the column on Government Exhibit 1731?

17 A. Here it's the second column from the right.

18 Q. And so do any of these accounts listed on the screen here
19 have "Allow Negative"?

20 A. No.

21 MR. ROOS: Okay. We can take that down.

22 Q. How did this special "Allow Negative" privilege come about?

23 A. Sam had asked Nishad and I to add the ability to—to pay
24 for various FTX-related expenses from Alameda's accounts and
25 from a few other bookkeeping accounts on FTX.

1 Q. And when was that?

2 A. This was in July 2019.

3 Q. How long after starting the exchange was that?

4 A. This was a few months after starting the exchange.

5 Q. Was Alameda given this special advantage around when it was
6 introduced?

7 A. Yes.

8 Q. What, if anything, did the defendant say about why Alameda
9 needed the ability to have a negative account balance?

10 A. So we wanted to—so Sam said that he wanted to pay for
11 some—pay for certain FTT-related expenses from Alameda's
12 accounts.

13 Q. You just said FTT-related expenses. What's FTT?

14 A. It's cryptocurrency that was—that we created when FTX was
15 founded, sort of to act as a sort of equity in FTX.

16 Q. So it's cryptocurrency created by FTX.

17 A. Yes.

18 Q. Okay. We'll come back to that.

19 Over time, was the use of this ability to have an
20 account balance go negative used only by Alameda for that
21 purpose—that is, the FTT expenses?

22 A. No.

23 Q. So was it used for other purposes?

24 A. Yes.

25 Q. What else was it used for?

1 A. It was also used by Alameda for trading.

2 Q. What do you mean by that?

3 A. To withdraw from FTX and send it other exchanges to use for
4 their trading activities.

5 Q. And so did this special advantage—that is, the ability to
6 have a negative account balance—allow Alameda to make
7 unlimited withdrawals off of the FTX exchange?

8 A. Yes.

9 Q. As a result of that special advantage, could Alameda make
10 unlimited withdrawals from the exchange even when its account
11 balance was below zero?

12 A. Yes.

13 Q. And so if Alameda's account balance was zero or negative,
14 for example, in Bitcoin, and it used its special advantage to
15 withdraw Bitcoin, whose Bitcoin would it be withdrawing?

16 A. From cus—it would be withdrawing customers' Bitcoin.

17 Q. So when Alameda withdrew money from the exchange while it
18 had a negative balance overall, whose money was it withdrawing?

19 MR. EVERDELL: Objection. Asked and answered.

20 MR. ROOS: It's a different question. I asked first
21 Bitcoin-specific and then the general question.

22 THE COURT: Overruled.

23 Q. I'll ask you again: When Alameda withdrew money from the
24 exchange while it had a negative balance, whose money was it
25 withdrawing?

1 A. So I—either FTX's own money or money from customers—was
2 withdrawing money from customers.

3 Q. When you said FTX's own money, what are you referring to?

4 A. The money FTX earned from trading fees from customers.

5 Q. And you said Alameda withdrew or had a negative balance of
6 \$8 billion; is that right?

7 A. Yes.

8 Q. Was that more than the amount of money that FTX had in
9 revenue?

10 A. Yes.

11 Q. So then whose money did that \$8 billion come from?

12 A. From customers.

13 Q. Let's talk more specifically about the code portion of the
14 special advantage.

15 MR. ROOS: Pursuant to a stipulation, 2002, which is
16 in evidence, the government offers Exhibit 617.

17 THE COURT: Received.

18 (Government's Exhibit 617 received in evidence)

19 MR. ROOS: May we publish it?

20 THE COURT: Yes.

21 BY MR. ROOS:

22 Q. Mr. Wang, what are we looking at here?

23 A. So this is a screenshot of a record of a particular change
24 that was made to FTX's code.

25 Q. So this is the first piece of the computer code that we're

1 looking at. So I want to ask you a few questions just to sort
2 of help orient us in how we read this, okay?

3 A. Yes.

4 Q. So tell us a little bit about the language here. What does
5 it mean and how does it work?

6 A. So the Commit refers to a particular change that was made
7 to FTX's code base.

8 Q. And that's what you see up on the top here?

9 A. Yes.

10 Q. Okay.

11 A. And then there is a name for the—there's a title for the
12 change and then there's a description of the change.

13 Q. Where is the title for the change on here?

14 A. So right below Commit, where it says OTC Trades and
15 Transfers Through Special Accounts.

16 Q. Okay. And then lower, there's some writing in a green box.
17 What is that a reference to?

18 A. So the—the green refers to lines that were added to the
19 code base as a result of this change.

20 MR. ROOS: And then Mr. Bianco, could you just scroll
21 down a little bit to the red coloring.

22 Q. Do you see some red coloring, Mr. Wang? What are the red
23 portions?

24 A. The red portions with the minus sign in front are lines
25 that were removed from the code base as a result of the change.

1 Q. And what about the white parts?

2 A. Those were lines that were unchanged, that were not
3 changed.

4 MR. ROOS: And then let's scroll back up a little bit.

5 Q. So some of these things, you know, just looking at, for
6 instance, line 13, revision equals and a number, those don't
7 look like sentences to me. What is this?

8 A. So this—so this particular file is for a change, a change
9 to the—the columns in the database, and that particular
10 revision number is a previous version of the data schema for
11 the database.

12 Q. And what sort of language is the whole code written in?

13 A. It's written in Python.

14 Q. Okay. Now let's focus in on this particular portion of the
15 code that's in lines 1 through 31, so the green box here. And
16 what does this show? What is this addition?

17 A. So this is adding two columns to the accounts table in the
18 FTX database. It's adding the "Allow Negative" column and it's
19 adding the "Can Trade Futures" column.

20 Q. So just focusing on the "Allow Negative" addition, does
21 this mean that any particular account can have a negative
22 balance?

23 A. No. Just adding the ability for an account to be marked as
24 being—as having the "Allow Negative" flag, but it doesn't have
25 to be added to any particular account.

1 Q. So earlier you mentioned it as a column. What column are
2 you talking about?

3 A. The "Allow Negative" column from that earlier screenshot.

4 Q. So the one where it listed all the customer accounts and
5 then it had a column Allow_Negative?

6 A. Yes.

7 Q. So this just added that column.

8 A. Yes.

9 Q. All right. Who added this particular revision to the code?

10 A. Nishad did.

11 Q. You're referring to Nishad Singh?

12 A. Yes.

13 Q. What was his involvement in coding?

14 A. He was another developer at the—he was another developer
15 at the company, and eventually he—he was the engineering
16 manager.

17 Q. When was this particular coding addition added?

18 A. This was July 31, 2019.

19 Q. And this adds the column, but to give an account this
20 "Allow Negative" feature, what needs to happen?

21 A. Someone needs to go into the database and actually enable
22 it for a particular account.

23 Q. Did you talk to the defendant about adding the "Allow
24 Negative" code feature?

25 A. Yes.

1 Q. What do you recall about that conversation?

2 A. He—Sam asked for some page on the website where employees
3 of the company could use to pay for various expenses related to
4 FTX, and part of that page is specifying which accounts those
5 expenses should be paid out of, and he wanted those expenses,
6 the expense payments to happen even if those accounts did not
7 necessarily at the time have the—have the balances to pay for
8 those expenses since the accounts—since most of those were
9 used for bookkeeping purposes.

10 Q. Okay. Now did Alameda Research's account on ftx.com ever
11 have this particular "Allow Negative" feature turned on in that
12 column?

13 A. Yes.

14 Q. When was that?

15 A. It happened on the same day.

16 Q. The same day as this code was added.

17 A. Yes.

18 MR. ROOS: So why don't we take down this exhibit.

19 And the government offers—pursuant to stipulation
20 marked as Exhibit 2002, the government offers Exhibit 607.

21 THE COURT: Received.

22 (Government's Exhibit 607 received in evidence)

23 MR. ROOS: May we publish it?

24 THE COURT: You may.

25 MR. ROOS: Mr. Bianco, maybe we could just zoom in a

1 little bit, so we can focus in on the top of this.

2 Thank you.

3 BY MR. ROOS:

4 Q. So, Mr. Wang, what are we looking at here?

5 A. So this is a screenshot from GitHub, which is where the FTX
6 code base was stored, and it allowed for commenting on various
7 changes, and this is a comment on a particular change.

8 Q. So it's a comment on a code change?

9 A. Yes.

10 Q. Okay. And I want to focus on this particular comment by
11 Nishad Singh here.

12 MR. ROOS: So maybe, Mr. Bianco, we could just zoom in
13 on "Nishad Singh commented" and the white box below it.

14 Q. Okay. Do you see that?

15 A. Yes.

16 Q. So let's just start with sort of the information at the top
17 of it. NishadSingh1, is that a user name?

18 A. Yes.

19 Q. Whose user name?

20 A. Nishad's user name.

21 Q. And was Nishad the same person who made the code change?

22 A. Yes.

23 Q. Okay. Were you involved at all in that code change?

24 A. I looked at the code change when it happened.

25 Q. And what about the defendant?

1 A. He did not look at it, but he was—we told him—he asked us
2 to do it and then we told him we did it.

3 Q. Now this comment says, "And we set Allow Negative equals
4 true for," and it lists a bunch of accounts. Let me just stop
5 there. When it says "we set Allow Negative equals true," what
6 does that mean?

7 A. So it means that prior to or as part of making the change,
8 he went into the database and set the "Allow Negative" column
9 to true for a particular—a particular set of accounts.

10 Q. So for this set of accounts, I want to ask you about a few
11 of them. It lists I think—let's see, one, two, three, four,
12 five—six accounts; is that right?

13 A. Yes.

14 Q. So do you see the second account, info@Alameda(9)?

15 A. Yes.

16 Q. What is that a reference to?

17 A. That's the main AlamedaResearch.com trading account.

18 Q. That's Alameda's main account.

19 A. Yes.

20 Q. And what is the next account there?

21 A. The info@Alameda off-market FTT subaccounts is the account
22 that Alameda was using to host some of its FTTs.

23 Q. These numbers next to the main Alameda account and its
24 subaccount, what are those?

25 A. Those are the account IDs of those accounts and

1 subaccounts.

2 Q. The next one here is cottonwoodtrading@gmail off-market FTT
3 subaccount, and has a number. What's that account?

4 A. That's a—that's another Alameda account.

5 Q. Okay. So then there are two accounts that I didn't ask you
6 about. Are those customer accounts?

7 A. No.

8 Q. Okay. What kind of accounts are they?

9 A. They're bookkeeping accounts.

10 Q. Were there any other customer accounts besides Alameda's
11 accounts that were given this "Allow Negative" feature at the
12 time it was created?

13 A. No.

14 Q. From July 31, 2019, which is the date here, until the end
15 of FTX, did Alameda's main account and certain subaccounts have
16 that "Allow Negative" feature turned on?

17 A. Yes.

18 Q. Was it ever turned off?

19 A. Not for those accounts.

20 MR. ROOS: We can take this exhibit down.

21 Pursuant to the stipulation that's in evidence as
22 Government Exhibit 2002, the government offers Exhibit 643.

23 THE COURT: Received.

24 (Government's Exhibit 643 received in evidence)

25 MR. ROOS: Thank you, your Honor. May we publish it?

1 THE COURT: Yes.

2 BY MR. ROOS:

3 Q. Mr. Wang, do you recognize this?

4 A. Yes.

5 Q. What is it?

6 A. It's a database query for Alameda's accounts and the
7 results from that query.

8 Q. Is this database listing the same setup as the other
9 listing of accounts we looked at?

10 A. Yes.

11 Q. What's the difference here?

12 A. Here it's filtering for accounts data in the—data—the
13 accounts or subaccounts in Alameda's accounts.

14 Q. Now the screenshot of the database here shows 24 accounts
15 listed. Were there more than this, if you were to scroll down?

16 A. Yes.

17 Q. Is the main account at the top?

18 A. Yes.

19 MR. ROOS: Okay. And Mr. Bianco, could you highlight
20 the second to last or zoom in on the second to—I'm sorry, not
21 the second to last—the "Allow Negative" column.

22 Q. And so for Alameda, was the "Allow Negative" feature turned
23 on for any accounts?

24 A. Yes.

25 Q. And that's right here in the database?

1 A. Yes.

2 Q. So in practical terms what did setting "Allow Negative" to
3 checkmark or true mean for those accounts?

4 A. It means that those accounts did not have a limit on how
5 much they could withdraw or transfer.

6 Q. At any time were any other customers of FTX given the
7 ability to have a negative balance?

8 A. No.

9 Q. Were you aware that—withdrawn.

10 Did you have any conversations with the defendant
11 about adding this to these Alameda accounts?

12 A. Yes.

13 Q. And what did you discuss?

14 A. So we discussed—so, I mean, Sam told me to—a few—on a
15 few instances. Initially it was for Alameda Research main
16 account was one for paying FTT-related expenses and was—

17 (The reporter interrupted for clarification)

18 A. So one was for paying various expenses, and two was for
19 doing conversion between US dollars and USD to stablecoin,
20 which involved—which—which involved tokens from the exchange,
21 sending them to the bank and converting that to dollars into
22 the bank account, or reverse for the other direction.

23 So that was initially. And then later on, for other
24 subaccounts for part one, it was—it was to be backed up.

25 Q. And did you have some further conversations about the use

1 of this "Allow Negative"?

2 A. Yes.

3 Q. We'll come back to those. Before we do that, I want to ask
4 you about what sort of special abilities having this "Allow
5 Negative" box gave Alameda, okay?

6 A. Yup.

7 MR. ROOS: All right. Why don't we take this down.

8 And Mr. Bianco, can you please publish Government
9 Exhibit 617, which is in evidence.

10 Q. And Mr. Wang, this is the piece of the code we looked at
11 earlier that added the "Allow Negative" column, right?

12 A. Yes.

13 Q. Okay. So why don't we scroll down lower in this code about
14 halfway to the gray heading that says "\Wallet\Balances." Do
15 you see that?

16 A. Yes.

17 Q. So Mr. Wang, what part of the code does balances.py relate
18 to?

19 A. So this is part of the code for controlling whether or not
20 a transfer or withdrawal from the exchange is allowed. So when
21 the user requests to transfer funds to another account or when
22 the user requests to withdraw some funds from the exchange,
23 this code gets run to—as part of the process for committing
24 whether or not that request is allowed to get processed.

25 Q. Let's just break this down in simple terms.

1 Actually, let me use an example. So let's start with
2 a normal customer, regular customer, and if that account—and
3 the normal customer account without "Allow Negative." What
4 happens whenever a person wants to make a withdrawal?

5 A. So after—on the front end, after they—after they go
6 through, after they click the Withdraw button and send the
7 request to the back end, the back end, as part of the process,
8 seeing the request, runs this code, which checks whether or not
9 the account has enough balances in it to allow the withdrawal
10 to go through.

11 Q. So normally you click the button and the code checks to see
12 if you have enough money.

13 A. Yes.

14 Q. Okay. Now do you see the part of the code that's in green
15 at line 35?

16 A. Yes.

17 Q. And what does the green mean?

18 A. It means that as part of—it was added as—to the code as
19 part of this change.

20 Q. Okay. So this addition right here at line 35, can you
21 explain what that addition does.

22 A. So it's saying that before checking whether or not the
23 accounts would become negative as a result of the withdrawal,
24 first check whether or not the account has the "Allow Negative"
25 flag checked, and if it—and only do the balance check if the

1 account does not have the "Allow Negative" flag check.

2 Q. So in practical terms, if Alameda had the "Allow Negative"
3 flag checked, would it check the balances?

4 A. No.

5 Q. And so if the account had a negative balance, could it
6 still withdraw?

7 A. Yes.

8 Q. Would there be any limit on the amount of withdrawal?

9 A. No.

10 MR. ROOS: You can take this down.

11 Pursuant to a stipulation already in evidence, 2002,
12 the government offers Exhibit 611.

13 THE COURT: Received.

14 (Government's Exhibit 611 received in evidence)

15 MR. ROOS: May we publish?

16 THE COURT: Yes.

17 MR. ROOS: And Mr. Bianco, if we could zoom in from
18 the word Commit down through the first section.

19 BY MR. ROOS:

20 Q. Mr. Wang, this is another piece of code?

21 A. Yes.

22 Q. What does it relate to?

23 A. This is part of the code for determining whether or not an
24 account should be liquidated or not.

25 Q. Okay. So before I ask you what this does, let me ask you:

1 At a high level, what is liquidating account?

2 A. So when a—when an account opens a position and as part of
3 that position they need to borrow funds, the—if the market
4 moves against that position, their account must lose value, and
5 at some point their account might lose so much value that it's
6 in danger of having—of going negative, of having—it's in
7 danger of having nothing, of losing so much value that it would
8 have nothing in it, would start having negative balances, and
9 before that happens, FTX liquidates the account so it—it
10 closes the position to prevent the account from becoming
11 negative.

12 Q. Give me the simplest example you can think of of this.

13 A. So let's say someone deposits a hundred dollars into their
14 FTX account and then uses it to open a \$1,000 Bitcoin position.
15 And let's say they bought—they're going long, so they bought
16 the Bitcoin position. And then let's say the price of Bitcoin
17 starts falling, and, you know, as the price of Bitcoin falls,
18 their account starts losing—the account starts becoming worth
19 less and less. So let's say if they have a \$1,000 Bitcoin
20 position and Bitcoin goes down 1 percent, then now their
21 account only has \$90 in it, and if Bitcoin goes down another
22 percent, then now their account only has \$80 in it, and if this
23 keeps happening, at some point their account—at some point the
24 \$100 they deposited into their account is all gone and now the
25 account might become negative as a result of the price of

1 Bitcoin falling.

2 Q. Okay. So just to break that down, first of all, you're
3 talking about someone buying a future?

4 A. Yes.

5 Q. So either shorting or going long on Bitcoin.

6 A. Yes.

7 Q. And you're describing a scenario where somebody has gone
8 long on Bitcoins, they've made a bet on Bitcoin; is that right?

9 A. Yes.

10 Q. And what happens then as the price of Bitcoin starts
11 dropping on that bet, so it goes the opposite way?

12 A. It means that their account starts losing value.

13 Q. How does their account start losing value in that
14 situation?

15 A. Well, because when—because they only—they only deposited
16 a hundred dollars but they're buying a \$1,000 Bitcoin position,
17 so—and because the Bitcoin future means that it's only worth
18 how much—however much Bitcoin is worth, and so as the price of
19 Bitcoin falls, their position also loses value.

20 Q. And so you described a situation where the price of Bitcoin
21 keeps falling so the account keeps losing value. What then
22 does the liquidation process do?

23 A. So the liquidation process kicks in before the account
24 loses all of its value, and at that—ideally, before it loses
25 all its value. And the liquidation process sells off their

1 position and the collateral to a market maker; either to a
2 market maker or just sells it on the market.

3 Q. So basically this is the process of closing the account
4 before it goes negative.

5 A. Yes.

6 Q. What was the purpose of liquidation at FTX?

7 A. So it prevents the account from becoming negative, because
8 if the account went negative, then that would mean that FTX
9 would be on the hook for the money, so it was to protect FTX
10 and the other customers from losing money.

11 Q. How did FTX know when to liquidate an account?

12 A. So this—there's code for detecting how large the—how
13 large account's positions are and how much collateral they had,
14 and when that—when the amount that it—of value it has in the
15 account is too small relative to how much the account's
16 positions are, at that point it—it—it decides that the
17 account is too risky and that it needs to liquidate the
18 account.

19 Q. Let me ask you just a few follow-up questions on that
20 liquidation detection.

21 So are there people who are out there just looking for
22 accounts to liquidate?

23 A. No.

24 Q. How did this work?

25 A. So it's an automated process, so there's computer codes

1 running all the time that looks through every account at FTX
2 and checks whether or not it's—the account is too risky or
3 not.

4 Q. So how long does it take to liquidate an account?

5 A. So it takes about 30 seconds to detect that an account
6 needs to be liquidated, and then how long it takes to liquidate
7 the actual account depends on how large the actual account is.
8 So for a very small account, it just happens, it could happen
9 instantly, and for larger accounts, it might take a few seconds
10 or a few minutes.

11 (Continued on next page)

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1 Q. Is it possible that an account could just have a large
2 negative balance sitting out there without being liquidated?

3 A. Not generally, not for normal customers.

4 Q. Could it ever happen for a normal customer, setting aside
5 Alameda?

6 A. No. Unless -- not for any long period of time.

7 Q. You were just alluding to it. When or what does the
8 computer code say about when to liquidate a normal customer?

9 A. It compares how much value the account has against how
10 large its positions are. So it takes the ratio of the size of
11 its positions to the size of its collateral, and if that ratio
12 it falls below a certain threshold, the account is put into
13 liquidation mode.

14 Q. We have been talking about liquidation of a normal
15 customer.

16 MR. EVERDELL: Objection, your Honor. Use of the word
17 norm.

18 THE COURT: I didn't hear what Mr. Everdell said.

19 MR. EVERDELL: My objection is to use of the word
20 normal customer.

21 THE COURT: Overruled.

22 Q. I want to talk now about accounts that had allow negative.
23 OK?

24 A. OK.

25 Q. What does this code addition do for accounts that have that

1 allow-negative term on it?

2 A. For accounts that have allow negative turned on, it's
3 saying that regardless of what this computation would normally
4 result in, ignore that result and this market has not been
5 liquidated.

6 Q. For which customer accounts had the allow negative turned
7 on and therefore would not be liquidated?

8 A. For customers, it's Alameda's accounts.

9 Q. Did you speak to the defendant about not having Alameda
10 Research's account be liquidated?

11 A. Yes.

12 Q. What did he say?

13 A. He told me a few items to make sure that Alameda's account
14 is never liquidated on FTX.

15 Q. Based on your conversation, was the defendant aware that
16 Alameda had this privilege?

17 A. Yes.

18 MR. EVERDELL: Objection.

19 THE COURT: Overruled.

20 A. Yes.

21 THE COURT: It's quite clear from the previous answer.

22 Q. In terms of that conversation or conversations you had with
23 them, did this code addition have anything to do with this?

24 A. Yes.

25 Q. How so?

1 A. This code addition was the result of one of those
2 conversations.

3 Q. Just to be clear, did the topic of Alameda not being
4 liquidated come up once or more than once with the defendant?

5 A. More than once.

6 Q. How, if at all, would liquidation have hurt Alameda
7 Research?

8 A. It would cause them to lose money because liquidation might
9 not happen at a good price.

10 Q. Put it all together for us. When Alameda Research was
11 given the allow-negative feature in the code, what did it mean
12 for this account?

13 A. It means that regardless of what the accounts balance is or
14 positions are, it can never be liquidated.

15 Q. Is that true, regardless of how much money Alameda
16 withdrew?

17 A. Yes.

18 Q. And is that true, regardless of how negative Alameda went?

19 A. Yes.

20 Q. Under any circumstances then, would Alameda's account be
21 closed?

22 A. No.

23 MR. EVERDELL: Objection.

24 THE COURT: Sustained as to form.

25 Q. In what, if any, circumstances would Alameda's account be

1 closed?

2 A. Someone would need to manually do something to close it.

3 MR. ROOS: We can take this down.

4 Q. Did there come a time in late 2019 when you heard the
5 defendant talk about Alameda Research having a negative
6 balance?

7 A. Yes.

8 Q. What do you recall about what you heard?

9 A. So at the time FTX and Alameda were in the same office, and
10 someone -- a trader from Alameda came up to Sam's desk and
11 asked him whether it's fine for Alameda to continue withdrawing
12 from FTX, and Sam said that as long how much Alameda has
13 withdrawn from FTX is less than what FTX total trading revenue
14 was at the time, then it's fine for Alameda to keep withdrawing
15 from FTX.

16 Q. Let me ask you a few follow-up questions on that.

17 First, what was the defendant's role with Alameda, if
18 any, at the time?

19 A. He was the CEO of Alameda.

20 Q. You said he said that Alameda could keep withdrawing as
21 long as they didn't go more negative than FTX's revenue?

22 MR. EVERDELL: Objection.

23 Q. How much was the revenue?

24 A. Around 50 to a hundred million dollars at the time.

25 Q. Putting that together, how much did the defendant say, in

1 other words, that Alameda could withdraw?

2 A. That it could withdraw until its account became negative by
3 more than 50 to a hundred million dollars.

4 THE COURT: Did you say million or billion?

5 THE WITNESS: Million with an M.

6 THE COURT: Thank you.

7 Q. What would it have meant if Alameda Research's account had
8 a negative balance that was more negative than 50 or a hundred
9 million?

10 A. That would mean that it's taking customers' deposits.

11 Q. Let's go back to this conversation. How do you know this
12 conversation happened?

13 A. I was sitting near Sam's desk when it happened.

14 Q. Did it remain the case that Alameda's negative balance did
15 not exceed FTX's revenue?

16 A. No.

17 Q. How do you know that?

18 A. So at the very end of 2019 or early 2020, I did a database
19 query to check what Alameda's balances were at the time. When
20 I checked, it was negative by more than what FTX's trading
21 revenue was at the time.

22 Q. You said you did a database query. Was that the database
23 we were just looking at?

24 A. Yes.

25 Q. Were you able to see Alameda's balances in there?

1 A. Yes.

2 Q. What was the implication of Alameda having a negative
3 balance in excess of FTX's revenue?

4 A. It means that Alameda was taking customers' money.

5 Q. What was your reaction to this?

6 A. I was surprised because it didn't line up with what I heard
7 Sam say earlier, so I went to Sam to talk to him about this.

8 Q. What did the defendant say?

9 A. He asked me, when I was doing this calculation, if I was
10 including the value of Alameda's FTT, which was held in a
11 separate account. He asked me if I was also including that
12 FTT.

13 Q. To break this down a little bit, you said Alameda's account
14 was negative in excess of revenue. What was FTX's revenue at
15 the time?

16 A. It was around \$150 million.

17 Q. What was Alameda's negative balance at the time?

18 A. It was more than that. It was more than that. I think it
19 was around 200 million.

20 Q. When you told the defendant that Alameda had a negative
21 balance, what did he tell you to include in the balance
22 calculation?

23 A. He asked me to include the value of all of Alameda's
24 accounts on FTX and include the value of the FTT that was in
25 those accounts.

1 Q. You said FTT was a cryptocurrency?

2 A. Yes.

3 Q. Where did FTT come from?

4 A. It was created by FTX when FTX was founded.

5 Q. Who specifically created it?

6 A. Sam and I.

7 Q. Who owned most of the FTT?

8 A. Alameda did.

9 Q. Around this time, 2019 or 2020, how much was FTT worth?

10 A. It was worth a few dollars.

11 Q. You said Alameda owned most of this cryptocurrency that you
12 created. What would have happened if you sold it?

13 A. If we sold it all at once, it would cause the price of FTT
14 to drop by large amounts.

15 Q. Why is that?

16 A. Because there is not enough people who would want to buy
17 all of the FTT that is being sold all at once at the price it
18 was currently trading at, so it would cause the price to go
19 down until there was enough people who want to buy it.

20 Q. You said earlier this was sort of like FTX's stock. Using
21 the analogy the stock, can you explain how the price would
22 drop?

23 A. So if there is not enough people who want to buy a stock at
24 a particular price, then if a company issues a bunch of stock
25 all at once and tries to sell it and it is not the people who

1 want to buy the stock at the price it's trading at, it would
2 cause the price of the stock to go down.

3 Q. Back to the conversation you had with the defendant, he
4 said include the FTT?

5 A. Yes.

6 Q. What, if any, problems were there with including all the
7 FTT in that balance calculation?

8 A. There were two problems. One is that if the FTT was all
9 sold to cover the amount of -- that Alameda was withdrawing, it
10 would cause the price of FTT to fall by a large amount and it
11 might be enough to cover how much Alameda was withdrawing.

12 And, two, the other problem with that, Alameda was
13 withdrawing U.S. dollars and other cryptocurrency and not FTT.

14 Q. Where were you when you had this conversation about
15 Alameda's negative balance with the defendant?

16 A. In Hong Kong, in the FTX and Alameda office.

17 MR. ROOS: I will show the witness what's been marked
18 as Government Exhibit 1475.

19 Q. Mr. Wang, what is this.

20 A. It's a picture of Sam at his desk.

21 Q. Where?

22 A. In Hong Kong.

23 MR. ROOS: Government offers 1475.

24 MR. EVERDELL: No objection.

25 THE COURT: Received.

1 (Government Exhibit 1475 received in evidence)

2 MR. ROOS: May we publish it?

3 THE COURT: Yes.

4 Q. Mr. Wang, was this where the defendant was when you talked
5 to him about Alameda's negative balance?

6 A. Yes.

7 Q. At the time did you pursue the issue any further with the
8 defendant?

9 A. No.

10 Q. If his explanation didn't make total sense to you, why
11 didn't you pursue it further?

12 A. Well, I wasn't sure if it was -- which interpretation was
13 correct, and I trusted his judgment.

14 MR. ROOS: We can take the picture down.

15 Q. Besides the two conversations you have described to us, did
16 the fact that Alameda had allow negative turned on come up
17 other times with the defendant?

18 A. Yes.

19 Q. Only in 2019 and 2020 or at other times?

20 A. Also later.

21 Q. Besides the two conversations you just mentioned to us, did
22 the fact that Alameda had a negative balance come up on other
23 occasions with the defendant?

24 A. Yes.

25 Q. How many times?

1 A. A few times.

2 Q. Now, did there come a time when Alameda's account balance
3 on FTX was so negative that it remained negative even with the
4 FTT included?

5 A. Yes.

6 Q. Did you talk to the defendant about that?

7 A. Yes.

8 Q. Was there ever a time when Alameda's account balance in FTX
9 was so negative that even counting FTT in FTX's revenue, it was
10 still negative?

11 A. Yes.

12 Q. Did you talk to the defendant about that?

13 A. Yes.

14 Q. In that situation, when Alameda's balances were so
15 negative, they were more negative than revenue and FTT, where
16 did that money come from?

17 A. From customers.

18 Q. Did you believe that FTX or Alameda was allowed to use or
19 spend customer money?

20 A. No.

21 Q. Why not?

22 A. Because the money belonged to customers and the customers
23 did not give us permission to use them for other things.

24 Q. We will come back to this.

25 But I want to focus on the second special privilege

1 you mentioned, the line of credit. OK?

2 A. Yes.

3 Q. Let's talk about a customer that's not Alameda, general
4 customers. OK?

5 A. Yup.

6 Q. For a customer like that, if the customer wants to borrow
7 money on an FTX, what does he or she need to do?

8 A. They need to first deposit collateral onto FTX.

9 Q. How do they borrow money?

10 A. Usually, from the spot-margin system.

11 Q. Can you explain what the spot-margin system is.

12 A. It's a system where people can either lend out their funds
13 and specify some interest rate and then they can earn some
14 interest rate while living off the funds, and other customers
15 can then borrow those funds to use for trading either by short
16 selling or by withdrawing.

17 Q. Did all the customers do spot-margin lending and borrowing?

18 A. No.

19 Q. How did a customer do spot-margin lending or borrowing?

20 A. They need to first enable it, a setting in their accounts.

21 Q. What do you mean by enable a setting?

22 A. There is a settings page where there is a button that they
23 can click to enable spot-margin trading, and then to access
24 another fund there is another page where you specify how much
25 funds you want to lend out and at what interest rates.

1 Q. You have to opt in?

2 A. Yes.

3 MR. ROOS: Can we show the witness what's been marked
4 as Government Exhibit 596.

5 Q. Do you recognize this?

6 A. Yes.

7 Q. What is it?

8 A. It's a screenshot of the margin settings page on FTX.

9 MR. ROOS: The government offers 596.

10 MR. EVERDELL: No objection.

11 THE COURT: Received.

12 (Government Exhibit 596 received in evidence)

13 MR. ROOS: May we publish it?

14 THE COURT: Yes.

15 Q. Mr. Wang, now that the jury can see this I am going to ask
16 you a few overview questions about it. Where did this page
17 exist on the website?

18 A. It's in the settings page.

19 Q. Settings for what?

20 A. The margin settings page for the accounts on FTX.

21 Q. Do you see here on the screen where it says the word spot
22 margin?

23 A. Yes.

24 Q. Then below it it says spot-margin trading is currently
25 disabled for your account?

1 A. Yes.

2 Q. What does that mean?

3 A. It means that sport margin is currently not enabled for the
4 account.

5 Q. What does the customer need to do in order to do spot
6 margin?

7 A. They need to click the enable spot margin and trading
8 button.

9 Q. If they don't put enable spot margin trading, can their
10 funds be borrowed or lent?

11 A. No.

12 Q. Why not?

13 A. Because they are not giving permission to do so.

14 Q. Now, do you see below it where it says margin and leverage?

15 A. Yes.

16 Q. What do each of those little parts refer to?

17 A. Leverage is specifying what maximum margin they should
18 allow themselves to use on the platform. So, for example, 10X
19 leverage would mean that if they deposit one dollar, they can
20 open a 10-dollar position either via -- either via buying or
21 selling a feature or by short selling a spot token. And then
22 collateral is specifying the set of tokens on FTX that can be
23 used as collateral.

24 Q. If someone wants to take a margin loan or give a margin
25 loan, what do they need to do on this page?

1 A. They need to click the enable spot-margin trading button.

2 Q. Do customers who want to take a margin loan, can they do
3 that without clicking spot margin enabled?

4 A. No.

5 Q. In order to take a margin loan, does a customer need to
6 have collateral?

7 A. Yes.

8 Q. What is collateral?

9 A. So it's funds that you deposit into your account which have
10 some value that you can then use to open positions or borrow
11 funds. If your account starts losings value, that gets taken
12 out from your collateral.

13 Q. How much collateral does a customer need to deposit to take
14 a margin loan? Maybe we can just use the example of Bitcoin.

15 A. If they are not withdrawing the Bitcoin, if they are only
16 selling the Bitcoin short, the platform then to say sell \$10 of
17 Bitcoin, then you first have to deposit one dollar of
18 collateral.

19 Q. To take a margin loan, does that collateral need to be on
20 FTX?

21 A. Yes.

22 Q. If I have like a billion dollars in a bank account
23 somewhere, can I count that as collateral?

24 A. No.

25 Q. Why not?

1 A. One, because FTX system doesn't know about what money you
2 have that's not on FTX and, two, because in the event that your
3 account starts losing value or your account needs to be
4 liquidated, there is no way for the FTX system to get at the
5 money that's not sitting on FTX.

6 Q. Why was the code designed that way?

7 A. Because we wanted liquidations to happen automatically.
8 So, as a result, we -- there is no way for it to take into
9 account -- there is no way for it to take into account assets
10 that aren't actually on the platform itself.

11 Q. When a customer borrows through the spot-margin program,
12 who does he or she borrow from?

13 A. From other customers who have agreed to lend out their
14 funds.

15 Q. By doing that, does a customer agree that under certain
16 circumstances his or her collateral could be used to cover his
17 or her own losses?

18 A. Yes.

19 Q. How about, does a customer agree that under certain
20 circumstances his or her collateral could be used to cover the
21 losses of other customers?

22 A. No.

23 Q. So whose losses does collateral cover?

24 A. The users' own losses.

25 Q. Did FTX treat, say, one dollar of Bitcoin collateral the

1 same way it treated one dollar of, say, FTT collateral?

2 A. No.

3 Q. How did it treat them differently?

4 A. The BTC collateral would be treated as worth more because
5 the price of Bitcoin is less volatile than the price of FTT.

6 Q. Now, what's your recollection of approximately the most
7 amount of money that ever --

8 THE COURT: Just excuse me a minute, Mr. Roos.

9 Mr. Wang, could you just answer again the question
10 Mr. Roos just asked: How did it treat differently a dollar of
11 Bitcoin collateral versus a dollar of FTT collateral?

12 THE WITNESS: So a dollar of Bitcoin collateral it
13 would treat as being worth roughly 90 or 95 cents, whereas the
14 dollar of FTT collateral would only be treated as, say, 85
15 cents or so. That is because Bitcoin is less volatile than
16 FTT. If Bitcoin is to be sold, that would usually cause the
17 price of Bitcoin to change by less than how much the price of
18 FTT would be sold if FTT was to be sold.

19 THE COURT: Is it correct that another way to say what
20 you just said is that a unit of Bitcoin was worth more than a
21 comparable unit than FTT for the purpose of collateralizing a
22 margin loan?

23 THE WITNESS: Yes. Even if they were both nominally
24 worth one dollar, the BTC would be worth more when it is being
25 used as collateral.

1 THE COURT: That's attributable to the larger and more
2 stable market for Bitcoin than for FTT at the time you're
3 speaking of?

4 THE WITNESS: Yes.

5 Q. Just to follow up on one of Judge Kaplan's questions, you
6 said more volatile. What do you mean by that?

7 A. It means that there is less trading activity or less people
8 willing to buy or sell it. As a result, the price of it tends
9 to fluctuate more both day to day and fluctuated more as a
10 result of buying or selling a particular quantity of it.

11 Q. I believe you said FTT was more illiquid. What do you mean
12 by illiquid?

13 A. More illiquid, meaning that there is less of it traded on
14 any particular day and fewer people who are willing to
15 market-make, which then causes its price to tend to vary more.

16 THE COURT: And the word you were using was illiquid,
17 i-l-l-i-q-u-i-d, not liquid, l-i-q-u-i-d. Is that right?

18 THE WITNESS: Yes.

19 Q. One other piggyback on another question Judge Kaplan asked.

20 You talked about the value of one Bitcoin as
21 collateral versus one FTT as collateral.

22 A. One dollar of Bitcoin versus one dollar of FTT.

23 Q. My apologies. That's correct. What if it was \$1 million
24 of Bitcoin versus \$1 million of FTT. Is how they are treated
25 change?

1 A. Yes.

2 Q. How so?

3 A. So for larger amounts of collateral in a particular coin,
4 that collateral becomes worth less as you have more of it.

5 And this discount is larger for FTT than for Bitcoin
6 because if you have a very large size of a particular
7 collateral, if it all needs to be sold at once, that's going to
8 cause a large impact to the markets. But this change in how
9 large that impact is, it's larger for less liquid coins
10 compared to more liquid coins.

11 MR. ROOS: We can take 596 down.

12 Q. Let me just take us back to the discussion we were having
13 about margin loans and margin lending. What's your
14 recollection of approximately the most amount of money that was
15 ever available to be borrowed in the margin lending system?

16 A. It's around \$2 billion.

17 Q. And for the majority of customers on FTX, were they
18 permitted to borrow money without going through that margin
19 lending system?

20 A. No.

21 Q. Was there an exception for some customers?

22 A. Yes.

23 Q. What was that?

24 A. There was the line of credit system.

25 Q. What's a line of credit?

1 A. It's an agreement between a customer of FTX and FTX that
2 allows the customer to borrow funds to use as collateral on an
3 FTX without having to deposit those funds onto FTX.

4 Q. Was Alameda one of the customers that had a line of credit?

5 A. Yes.

6 Q. Was the defendant involved in giving that line of credit to
7 Alameda?

8 A. Yes.

9 Q. Ultimately, what size line of credit did the defendant
10 authorize for Alameda?

11 A. \$65 billion.

12 Q. What did it mean for Alameda to have a \$65 million line of
13 credit?

14 A. It means that there is virtually no limit to how large a
15 position it can open or how many orders they can place, and
16 there is very little risk that it would be liquidated.

17 Q. Did any other customer of the exchange have a line of
18 credit remotely close to that size?

19 A. No.

20 Q. Were you aware of other customers on the exchange besides
21 Alameda that had a line of credit in the billions?

22 A. No.

23 Q. Approximately how many customers had a line of credit, say,
24 of a million or more?

25 A. A few dozen.

1 Q. For the few dozen customers besides Alameda who had a line
2 of credit, what was the rough size?

3 A. Usually, single to double-digit millions.

4 Q. Did a line of credit of that size, single to double-digit
5 millions, create a risk to the FTX exchange?

6 A. No.

7 Q. Why not?

8 A. Because FTX had enough funds from its trading profits and
9 from investments to be able to cover that loss if they needed
10 to.

11 Q. What about Alameda's line of credit of \$65 billion, did
12 that create a risk to the exchange?

13 A. Yes.

14 Q. How so?

15 A. Because FTX would not have enough money to cover that if
16 Alameda incurred a loss of that size.

17 Q. I should have asked you this earlier. When someone is
18 taking a line of credit and they are borrowing money on a line
19 of credit, who are they borrowing that money from?

20 A. From FTX.

21 Q. Did FTX have any rules or conditions for extending lines of
22 credit?

23 A. Yes.

24 Q. Did those apply to Alameda's line of credit?

25 A. No.

1 Q. Were there any other customers that were not subject to
2 those rules and conditions?

3 A. No.

4 Q. At a high level, what were the rules and conditions to
5 receive a line of credit for customers besides Alameda?

6 A. So the customer needs to pay us an interest rate on the
7 line of credit. They are not allowed to withdraw funds from
8 the line of credit after the platform. They can only use the
9 funds on FTX itself. They are not allowed to use the line of
10 credit for spot trading. So if they have a million dollar line
11 of credit, they can't use that million dollars to buy Bitcoin
12 with it. They have to use that as collateral for margin
13 trading or for futures trades. And they have to keep their
14 account popped up if their account suffers losses.

15 Q. I am going to ask you some questions about each of those.

16 MR. ROOS: But, actually, why don't we first show the
17 witness Government Exhibit 96.

18 Q. Do you recognize this?

19 A. Yes.

20 Q. What is it?

21 A. It's a line-of-credit agreement.

22 MR. ROOS: The government offers Exhibit 96.

23 MR. EVERDELL: No objection.

24 THE COURT: Received.

25 (Government Exhibit 96 received in evidence)

1 MR. ROOS: Can we publish it?

2 THE COURT: Yes.

3 Q. Mr. Wang, now that the jury can see this, what are we
4 looking at?

5 A. It's a line-of-credit agreement.

6 Q. These are the types of agreements you said FTX customers
7 signed who got a line of credit?

8 A. Yes.

9 Q. Let's talk about the requirements that you just testified
10 about.

11 MR. ROOS: Let's look at section 4 here. Can we zoom
12 in on that.

13 Q. It says: Funds advanced through the line of credit: A.
14 Will bear interest at a rate of 4 percent annum; B, may not be
15 withdrawn from the FTX exchange.

16 I think that's something you mentioned. What did you
17 mean by that?

18 A. Say if you get a one million dollar line of credit, you
19 can't just keep that \$1 million and withdraw it and use it
20 elsewhere. You have to use it on FTX itself.

21 Q. What's the reason for that?

22 A. Because -- there is two reasons. One is that if you
23 withdraw the funds, then you might not pay it back. And, two,
24 because the purpose of the line of credit is to incentivize
25 trading on FTX itself and not elsewhere.

1 Q. 4C says: Funds in advance of a line of credit may not be
2 used for spot trading. What does that mean?

3 A. It means that you can't use -- you can't just directly use
4 the line of credit to -- you can't convert the line of credit
5 into other cryptocurrencies. You have to use it as it is.

6 MR. ROOS: Now, we can zoom out from 4.

7 THE COURT: I'm sorry. Could you explain what you
8 meant by that.

9 THE WITNESS: It means that you can only use the line
10 of credit as collateral. So the line of credit is in U.S.
11 dollars, and you can only use that as collateral for your
12 account. You can't take those U.S. dollars and directly buy
13 Bitcoin with it.

14 THE COURT: Thank you.

15 Q. You can't invest the line of credit?

16 A. Right.

17 MR. ROOS: Now, let's zoom out of 4 and zoom in on 5.

18 Q. What's the requirement in part 5 here?

19 A. It says that if the account loses value by more than some
20 threshold, it needs to deposit additional funds onto the
21 platform to make up for the loss.

22 MR. ROOS: We can zoom out of this. Let's go to the
23 next page of this agreement.

24 Q. Who signed this line of credit agreement on behalf of FTX?

25 A. Sam did.

1 Q. Are you aware of Alameda signing an agreement to receive a
2 \$65 billion line of credit?

3 A. I am not.

4 Q. Unlike other customers, was Alameda permitted to withdraw
5 money from FTX using its line of credit?

6 A. Yes.

7 Q. Unlike other customers, was Alameda permitted to withdraw
8 money from FTX using its line of credit without posting
9 collateral?

10 A. Yes.

11 Q. How did Alameda use its line of credit?

12 A. It used that to withdraw funds. It also used it to place
13 orders for its open positions.

14 Q. What do you mean to withdraw funds?

15 A. To withdraw funds off the exchange.

16 Q. Off of FTX?

17 A. Yes.

18 MR. ROOS: We can take this exhibit down.

19 Pursuant to the stipulation in evidence as Government
20 Exhibit 2002, the government offers Exhibit 644.

21 THE COURT: It's received.

22 (Government Exhibit 644 received in evidence)

23 MR. ROOS: May we publish it?

24 THE COURT: Yes.

25 Q. Mr. Wang, what are we looking at here?

1 A. This is showing the entry in FTX's accounts table for
2 Alameda's main accounts.

3 Q. That's this info@alameda account?

4 A. Yes.

5 MR. ROOS: Now, why don't we zoom in on the column
6 called borrow.

7 Q. Will you reremind us what that column refers to.

8 A. It's -- it refers to the size of the higher credit for the
9 accounts.

10 MR. ROOS: Mr. Bianco, can you just do it again so it
11 doesn't cut off the numbers here.

12 Q. What does the database state was Alameda's line of credit
13 on FTX?

14 A. \$65,300,000.

15 MR. ROOS: We can take that part down, and I want to
16 look at a different column.

17 Q. I had asked you a bunch of questions about margin loans a
18 few minutes ago.

19 Do you remember that?

20 A. Yes.

21 Q. Now, let's look at this column called spot margin enable.

22 Do you see that?

23 A. Yes.

24 Q. What does that column refer to?

25 A. That refers to whether or not the account is in the

1 spot-margin program, whether it's allowed to borrow from the
2 spot-margin program.

3 Q. Was Alameda's account even in the spot-margin program?

4 A. Not this account.

5 Q. So was this account doing margin borrowing?

6 A. No.

7 Q. Just a general approximation. How much money did Alameda
8 take through its main account?

9 A. A few billion dollars. I think around \$3 billion.

10 Q. It was negative, that number?

11 A. Yes.

12 Q. Were those margin loans?

13 A. No.

14 Q. Why not?

15 A. Because it's not in the spot-margin program.

16 THE COURT: So this was a few billion dollars in
17 borrowing against the line of credit of 65 billion?

18 THE WITNESS: Yes.

19 THE COURT: Thank you.

20 MR. ROOS: We can take this page down. We can take
21 the whole exhibit down.

22 Q. Was Alameda Research's line of credit always 65 billion?

23 A. No.

24 Q. How was it that Alameda Research got a line of credit?

25 A. This happened a few times that Alameda had issues placing

1 orders on the exchange. Because Alameda was one of the main
2 market makers on FTX that placed a large amount of orders in a
3 large number of markets and each of those orders needs
4 collateral to be placed. And a few times over the years
5 Alameda would start running into issues placing orders because
6 it did not have enough collateral. And when that happened,
7 someone from Alameda would tell Sam and Sam would tell me that
8 Alameda is having issues placing orders because it doesn't have
9 enough collateral, and then Sam asks me to take up Alameda's
10 line of credit.

11 Q. How many times did that happen?

12 A. A few times.

13 Q. Did you initially move Alameda's line of credit to 65
14 billion?

15 A. No.

16 Q. Give us the progression.

17 A. So initially it was just a few million dollars, a few
18 hundred million dollars, and then this kept happening, so then
19 to prevent this from continuing to be an issue, Sam asked us to
20 take it a large number. I took it up to a billion dollars, and
21 then the issue happened again. And then he asked me to take it
22 up even farther, and I told him I am taking it up to \$65
23 billion. He said he is fine with that, and then I did that.

24 Q. Did you discuss the number 65 billion with the defendant?

25 A. Yes.

1 Q. What did it mean in practice for -- withdraw the question.

2 Judge Kaplan asked you about the used line of credit
3 versus the total line of credit a few moments ago.

4 Do you remember that?

5 A. Yes.

6 Q. What did it mean in practice for Alameda to have a \$65
7 billion line of credit?

8 A. It means that it could potentially put on conditions that
9 would require \$65 billion of collateral and, in addition, it
10 could withdraw up to that amount.

11 Q. It can withdraw up to what amount?

12 A. \$65 billion, even if it did not have the allow-negative
13 feature turned on.

14 Q. So I just want to be clear about that last part you said.
15 Did allow negative let Alameda make unlimited withdrawals?

16 MR. EVERDELL: Objection. Asked and answered.

17 THE COURT: Overruled.

18 Q. Did allow negative let Alameda to make unlimited
19 withdrawals?

20 A. Yes.

21 Q. Did a \$65 billion line of credit separately also allow
22 that?

23 A. Yes.

24 Q. What risks, if any, did this introduce to the exchange?

25 A. If Alameda withdrew all of that money and it was unable to

1 pay it back, then customers might not be able to withdraw the
2 funds from the platform.

3 Q. In late 2021, did you become aware of how much money
4 Alameda had withdrawn from FTX using its line of credit?

5 A. Yes.

6 Q. Where did you see that amount?

7 A. In the database.

8 Q. How much was it?

9 A. It was around \$3 billion.

10 Q. Did you discuss that information with the defendant?

11 A. Yes.

12 Q. Now, on the topic of treatment of Alameda, was Alameda
13 Research treated the same or differently as other customers of
14 FTX?

15 A. Differently.

16 Q. Do you recall the defendant ever making public statements
17 about how Alameda Research was treated on FTX?

18 A. Yes.

19 Q. What sort of statements do you recall him making?

20 A. He would say that Alameda is treated like any other market
21 maker on FTX, that Alameda trades on FTX and is a market maker
22 on FTX, but it's no different than any other market maker on
23 FTX. It is trading using its own money. It doesn't use
24 customer funds.

25 Q. When do you recall the defendant making those statements?

1 A. He said this on Twitter, he said this in blog posts, he did
2 this in interviews, and I heard him say this on phone calls
3 with journalists and investors.

4 Q. How were you able to hear him say this on phone calls with
5 journalists and investors?

6 A. The office was an open-plan office, and he would take phone
7 calls sometimes at his desk or just walking around the office,
8 and I could hear his end of the conversation.

9 Q. Was there ever a time that you saw the defendant tweet
10 about Alameda Research not having special treatment?

11 A. Yes.

12 MR. ROOS: The government offers Exhibit 817 pursuant
13 to the stipulation marked as Government Exhibit 2001.

14 THE COURT: Received.

15 (Government Exhibit 817 received in evidence)

16 MR. ROOS: May we publish?

17 THE COURT: You may.

18 Q. Mr. Wang, do you see the top tweet with someone with the
19 user name bitshine?

20 A. Yes.

21 Q. He asks: How are you going to resolve the conflict of
22 interest of running your own derivatives exchange and actively
23 trading against the market at the same time.

24 You see that tweet?

25 A. Yes.

1 Q. What's the date on that?

2 A. July 31, 2019.

3 Q. How does the defendant respond?

4 A. That its account is like everyone else's and doesn't
5 have --

6 Q. You're referring to, Alameda is a liquidity provider on
7 FTX, but their account is just like everyone else's?

8 A. Yes.

9 Q. Let me ask you about that. The date on that tweet response
10 is what?

11 A. July 31, 2019.

12 Q. Now, earlier in your testimony did you testify about
13 anything else on July 31, 2019?

14 A. Yes.

15 Q. What happened that same day?

16 A. We created the allow-negative feature on FTX and enabled it
17 for Alameda's account and a few other accounts.

18 Q. Was it true that Alameda was a liquidity provider in FTX,
19 but their account was just like everyone else's?

20 A. No.

21 MR. ROOS: We can take this down.

22 Q. In addition to the defendant's statement about Alameda not
23 being treated differently, do you remember him making any
24 statements about how customer funds were treated?

25 A. Yes.

1 Q. What do you recall him saying?

2 A. That customer funds are kept safe, that they are held in
3 hot and cold wallets of FTX.

4 Q. Who do you recall him saying that to?

5 A. On phone calls and on Twitter and in interviews.

6 Q. Was that true?

7 A. No.

8 Q. Why wasn't it true that customer funds were kept in cold
9 and hot storage wallets?

10 A. Because some of it was withdrawn from FTX from the
11 platform.

12 Q. By FTX?

13 A. It was withdrawn by Alameda from FTX.

14 Q. You said hot and cold storage wallets. What are you
15 talking about?

16 A. The cryptocurrency wallets that FTX had -- that FTX used
17 to -- the cryptocurrency wallets that FTX had that it used to
18 store customer assets.

19 Q. I just want to take a step back on this for a second. What
20 is a cryptocurrency wallet?

21 A. It's an account on the Blockchain that holds
22 cryptocurrencies, so it has -- there are a public address --
23 the wallet has a public address, and then there is a private
24 key that the owner of the account has which allows them to
25 withdraw from the accounts.

1 Q. To what extent is this like a bank account but for
2 cryptocurrency?

3 A. That's basically what it is. Except instead of a bank
4 holding onto the account, you hold onto the account yourself.

5 Q. Now, you said FTX had these wallets and they were hot and
6 cold. What does that mean?

7 A. So hot wallets are the wallets that are being used to
8 automatically handle deposits and withdrawals, and it is
9 connected to the Internet. And the cold wallet is a separate
10 wallet that's not connected to the Internet which is a more
11 secure storage for assets, and periodically there is transfers
12 between the two to facilitate customer withdrawals.

13 Q. What did the defendant say about customer funds being held
14 in hot and cold wallets?

15 A. That it was held in these wallets and a certain amount was
16 held in the hot wallets and the remaining was held in the cold
17 wallets.

18 Q. Was that true?

19 A. Well, some of it was also held by Alameda.

20 Q. Let's change topics.

21 Did FTX advertise how it managed risk associated with
22 customer trading on margin?

23 A. Yes.

24 Q. By margin, I mean on margin loans or borrowed funds.

25 A. Yes.

1 Q. What did FTX advertise publicly about that?

2 A. That it was -- that FTX had an advanced margin system and
3 advanced liquidation -- good liquidation system that ensured
4 that customers' losses won't be borne by other customers, that
5 one customer going bankrupt won't affect other customers on the
6 exchange.

7 Q. You described for us what liquidation is earlier in your
8 testimony today, but can you walk us through the various
9 processes for liquidating an account or a position.

10 A. Yes. First, there is an automated process that detects
11 whether or not an account should be liquidated or not based on
12 its position size and its collateral. When it falls below that
13 threshold, the first step, the FTX starts selling the account's
14 positions just on the open market, just on the order book.

15 After a while, if that's not enough, if the account
16 keeps losing money and its positions can't be closed this way,
17 then it goes to the backstop liquidity providers, which are a
18 set of market makers that have agreed to backstop liquidations.

19 Q. Let me take those two parts. The first part, when you're
20 liquidating positions, is that automatic or does someone need
21 to trade?

22 A. Both of these are automatic.

23 Q. And the second part, these backstop liquidity providers,
24 what does that refer to?

25 A. There are particular market makers, other users on the

1 platform who have agreed to be part of the process for
2 liquidating the other accounts.

3 Q. When you say these other users who help be part of the
4 process to liquidate, what are you referring to?

5 A. Once an account falls into the -- falls into the range that
6 it would require sending the account's positions to the
7 backstop liquidity providers, at that point the positions in
8 the account are sold off to the market makers along with the
9 collateral in the accounts.

10 Q. So the backstop liquidity provider user helps to liquidate
11 the account?

12 A. Yes.

13 Q. What happens if the backstop liquidity provider makes some
14 money as part of that liquidation?

15 A. So part of the profits from the liquidations goes into an
16 insurance fund, and the insurance fund is used so that if the
17 backstop liquidity provider would lose money liquidating the
18 account, they get compensated from this insurance fund.

19 Q. That brings me to my next question. What happens when the
20 backstop liquidity provider is liquidating an account and they
21 take a loss?

22 A. They are compensated for the loss from the insurance fund.

23 Q. When you say backstop liquidity provider, what are we
24 talking -- who are we talking about in practical terms? Who
25 are these backstop liquidity providers?

1 A. These are typically hedge funds on trade on FTX.

2 Q. So you mentioned an insurance fund. At a high level, what
3 was that?

4 A. So it's an entry in FTX's database that keeps track of how
5 much funds were taken from profitable liquidations to help --
6 to hold in reserve for unprofitable liquidations.

7 Q. Was this also called a backstop fund?

8 A. Yes.

9 Q. What was the purpose of the insurance fund or the backstop
10 fund?

11 A. To ensure that if an account does not get liquidated in
12 time, that other customers of FTX and FTX itself won't be
13 affected by the loss of the customer.

14 Q. What was the purpose of having all these steps:
15 Liquidation, backstop liquidity provider, insurance fund?

16 A. So they are there to protect FTX and protect its other
17 customers.

18 Q. What do you mean by protect other customers? What were you
19 trying to prevent?

20 A. Prevent that if one customer loses a bunch of money trading
21 that other customers of FTX won't be affected by this one user.

22 Q. Have you ever heard of the concept of a clawback?

23 A. Yes.

24 Q. What's a clawback?

25 A. When FTX was founded, on certain other cryptocurrency

1 exchanges that had futures, when liquidations failed to happen
2 quickly enough and users become negative as a result of that,
3 those customer losses are made up by taking some of the profits
4 from profitable traders in the bucket, so other customers'
5 trading profits are taken away to use to fill in the hole left
6 by customers who went negative.

7 Q. What did the defendant say about clawbacks on FTX?

8 A. That they would not happen.

9 Q. Did FTX advertise its risk management system as a selling
10 point of the exchange?

11 A. Yes.

12 Q. How so?

13 A. That it advertised that it had a good risk system, a good
14 liquidation system which, as a result, would prevent these
15 clawbacks from happening.

16 Q. Did FTX advertise the insurance fund amount that it had
17 publicly?

18 A. Yes.

19 MR. ROOS: The government offers Exhibit 751 pursuant
20 to stipulation marked as Government Exhibit 2001.

21 THE COURT: It's received.

22 (Government Exhibit 751 received in evidence)

23 MR. ROOS: May we publish?

24 THE COURT: Yes.

25 Q. Mr. Wang, looking at Government Exhibit 751, which is a

1 February 14, 2021 tweet, what does this tweet show?

2 A. It shows the screenshot of the size of the backstop fund.

3 Q. When you say backstop fund, this is the same insurance fund
4 that's supposed to cover losses?

5 A. Yes.

6 Q. And the number here, what is the size of the backstop fund
7 listed?

8 A. Five and a half million USD and five million FTT.

9 Q. Now, was this number listed on the tweet accurate?

10 A. No.

11 Q. Why not?

12 A. For one, there is no FTT in the insurance fund. It's just
13 the USD number. And, two, the number listed here does not
14 match what was in the database.

15 Q. What do you mean, it doesn't match?

16 A. The number in the databases was a different number.

17 Q. Where did this number come from?

18 A. This comes from a page on the website that claims to show
19 what was in the insurance fund, but it was actually calculated
20 separately.

21 Q. What do you mean, claims to show?

22 A. So it's labeled as a backstop fund. It shows a number.
23 But that number also calculated in a different process from
24 what the insurance fund was actually using.

25 Q. Is it a real number?

1 A. No.

2 Q. So it's a fake number?

3 A. Yes.

4 Q. Was the real number higher or lower than the fake number?

5 A. Lower.

6 MR. ROOS: Can we show the witness what's been marked
7 as Government Exhibit 600. Actually, the government offers
8 Exhibit 600 pursuant to stipulation 2002.

9 THE COURT: Received.

10 (Government Exhibit 600 received in evidence)

11 MR. ROOS: May we publish?

12 THE COURT: Yes, sir.

13 Q. Mr. Wang, what are we looking at here?

14 A. This is a screenshot of a change to the FTX code base.

15 Q. Earlier in your testimony we looked at some that were white
16 with green and red changes. This is black. Is there any
17 significance to that?

18 A. No.

19 Q. Someone just has a black background instead of a white one?

20 A. Yes.

21 Q. Now, what does this particular part of the code relate to?

22 A. This is adding a process that generates that number that
23 shows up and also adds that page to the website.

24 Q. Does this part of the code say how that insurance fund
25 number on the website would be calculated?

1 A. Yes.

2 MR. ROOS: Why don't we scroll about halfway down
3 through this code, Mr. Bianco, to the part that says insurance
4 fund updater.PY.

5 Q. Do you see that, Mr. Wang?

6 A. Yes.

7 Q. What is the part of the code called public insurance fund
8 updater.PY refer to?

9 A. It's part of the code that updates that number that shows
10 up on the website.

11 Q. Does this part of the code give the calculation for how
12 that number is calculated?

13 A. Yes.

14 Q. Where does that appear?

15 We can have Mr. Bianco scroll down for you, if needed.

16 A. It shows up in lines 16 through 19.

17 Q. Can you help us decipher what that means right there, 16 to
18 19.

19 A. Yes. First, line 16 is saying what the name of this
20 function is. Line 17, it's getting the daily -- it's getting
21 the total volume of trades from the past 24 hours on FTX. Then
22 in line 19 it's taking that number, multiplying it -- then
23 multiplies that by a random number that's around 7500 and then
24 dividing the result by a billion. That's a number that gets
25 added to the number that shows up on the website.

1 Q. So it takes the daily volume, multiplies it by a random
2 number and divides it by a billion?

3 A. Yes.

4 Q. Does that number have anything to do with the actual number
5 in the insurance fund?

6 A. No.

7 Q. How do the two compare?

8 A. This number was larger.

9 Q. Were there times -- let me ask first, was the public
10 outside the company, so customers, were they told that the
11 insurance fund number on the site didn't accurately reflect the
12 real number?

13 A. No.

14 Q. Were there times when there was not enough money in the
15 real insurance fund to cover losses?

16 A. Yes.

17 Q. What happened in those circumstances?

18 A. In those cases, money would be moved over from Alameda into
19 the insurance fund, or the insurance fund would just be
20 increased without funds being subtracted.

21 Q. In those circumstances, did you have any conversations with
22 the defendant?

23 A. Yes.

24 Q. And what did he say needs to happen?

25 A. That we need to add more funds to the insurance fund from

1 Alameda's account.

2 Q. What was the purpose of that?

3 A. So that liquidations can continue to happen.

4 Q. Now, in addition to taking money and adding it to the
5 insurance fund, were there ever times where Alameda just took
6 on losses?

7 A. Yes.

8 Q. Can you describe what happened.

9 A. There are cases where there is a large market movement. So
10 when the prices of tokens that trade on FTX change by a large
11 amount, and this triggers a large amount of liquidations,
12 sometimes in those cases this will cause a very large loss to
13 come from the insurance fund, and in those cases Sam would ask
14 me to go into the database and change the prices that Alameda
15 paid for those liquidation, which would cause Alameda to take
16 the loss instead of the insurance fund.

17 In other cases, there would be one big account that
18 needs to be liquidated at a loss, and then Sam would just help
19 me to take that account that needs to be liquidated at a loss
20 and just have Alameda take it on.

21 Q. Let me ask you a few follow-up questions with that last
22 part. There were some big accounts that took -- that had a
23 loss, you said?

24 A. Yes.

25 Q. And can you give us any more specifics on when that

1 happened or an example of that.

2 A. The one example of this, there was an account that
3 exploited a loophole in FTX's margin system which allowed them
4 to deposit a small amount of collateral but then use that to
5 put -- over the course of a couple of months put on a very
6 large position, and then at some point the value of the
7 position began to drop and caused them to need to be
8 liquidated. And while putting on this position they moved the
9 price that they were trading by a large amount. So when they
10 needed to be liquidated, they -- what was liquidating incurred
11 a large loss.

12 Q. Which cryptocurrencies did this happen in?

13 A. In this particular case it involved MobileCoin, MOB.

14 Q. MOB or MobileCoin is a cryptocurrency?

15 A. Yes.

16 Q. Do you remember when this happened?

17 A. This was in 2021.

18 Q. I think you used the word exploited a loophole?

19 A. Yes.

20 Q. Or phrase.

21 Is it OK if I refer to this as the MobileCoin
22 exploitation?

23 A. Yes.

24 Q. I am going to ask you a few questions about the MobileCoin
25 exploitation.

1 How big of a loss did the MobileCoin exploitation
2 cause?

3 A. Several hundred million dollars.

4 Q. And what company would have had to take that expense or
5 loss?

6 A. FTX.

7 Q. Now, did you talk to the defendant about what to do with
8 that loss?

9 A. Yes.

10 Q. What did he say?

11 A. He told me to have Alameda take it on.

12 Q. How did it work to have Alameda take on that expense?

13 A. So that account -- the accountants of that account and its
14 positions, both its positions and its collateral, were
15 transferred to Alameda.

16 Q. When that happened, what, if anything, did the defendant
17 say about why it should be Alameda?

18 A. He said that FTX's balance sheets are more public than
19 Alameda's balance sheets, that investors have access to FTX's
20 finances but not Alameda's finances.

21 Q. Do you recall the defendant ever saying that if there was a
22 big loss FTX would have to claw back money from FTX's customers
23 to cover it?

24 A. No.

25 Q. Do you recall the defendant ever saying that if there was a

1 big loss FTX would have to make other customers cover it?

2 A. No.

3 MR. ROOS: Your Honor, at this point we are going to
4 play a recording and use the transcripts, if your Honor is OK.

5 THE COURT: Why don't we take our morning break here,
6 15 minutes.

7 (Jury not present)

8 (Recess)

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1 (In open court; jury not present)

2 THE COURT: How much more on the direct, Mr. Roos?

3 MR. ROOS: I think, by my outline, we're a little over
4 2/3 of the way through, but those code parts were the longest
5 and so my guess is an hour. Could be less. I'm not sure.

6 THE COURT: Okay.

7 (Continued on next page)

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1 (Jury present)

2 THE COURT: Okay. The defendant and the jurors all
3 are present, as they have been throughout.

4 Mr. Roos, you may continue.

5 MR. ROOS: Thank you, your Honor.

6 BY MR. ROOS:

7 Q. Mr. Wang, you were testifying about some expenses or
8 losses, and I want to play a recording for you.

9 MR. ROOS: Government offers Exhibit 919-A, pursuant
10 to stipulation 2000. And according to the stipulation, this is
11 an excerpt from a Bloomberg interview with Samuel
12 Bankman-Fried.

13 THE COURT: Okay.

14 (Government's Exhibit 919-A received in evidence)

15 MR. ROOS: May we play it, your Honor?

16 THE COURT: You may. It's received.

17 MR. ROOS: And your Honor, the jurors have under their
18 seats a binder containing transcripts, and so with your Honor's
19 permission, they could read along under the tab for 919.

20 THE COURT: Okay. Folks, please do that. I instruct
21 you that the evidence is the audio recording, not the
22 transcript, and in case there's anything that you hear that's
23 different in the recording from what's in the transcript, it's
24 the recording that counts.

25 Let's go.

1 MR. ROOS: Thank you, your Honor.

2 Mr. Bianco, can you play 919-A.

3 (Audio played)

4 THE COURT: Given the proclivity of the speaker to
5 speak in a language that I'm not fully understanding, do you
6 have a transcript for me?

7 MR. ROOS: We can get one. Mr. Ahuja I think can get
8 it.

9 THE COURT: I don't have this problem often, only with
10 anybody under 50.

11 If you don't have it, I'll struggle through.

12 Thank you very much. Okay. Let's resume.

13 MR. ROOS: And your Honor, it's 919-A, and it says
14 Matt Levine is the reporter who was speaking quickly there.

15 THE COURT: Thank you.

16 MR. ROOS: And Mr. Bianco, why don't we start it again
17 from the beginning.

18 (Audio played)

19 BY MR. ROOS:

20 Q. Mr. Wang, let's just start with the basics. The second
21 speaker you heard there, who was that?

22 A. That was Sam.

23 Q. Okay. And he used the word "blowout." What is a blowout?

24 A. It's when prices move in the market all at once by large
25 amounts and—and that results—that causes a large number of

1 accounts to be liquidated.

2 Q. Okay. And he said that FTX never had a day where there
3 were blowouts greater than revenue. Did you hear that?

4 A. Yes.

5 Q. Was that true?

6 A. No.

7 Q. Why not?

8 A. There were days where FTX lost more money from customers
9 going—being liquidated than FTX earned in trading fees.

10 Q. Okay. And on those days what did FTX do to deal with those
11 expenses or losses?

12 A. It transferred them to Alameda.

13 Q. And who, if anyone, said that FTX should do that?

14 A. Sam did.

15 Q. All right. Let's turn to the year 2022.

16 MR. ROOS: We can put our binders and the recording
17 away.

18 Q. Turning to 2022, were there any times when you spoke with
19 the defendant about Alameda having a negative balance?

20 A. Yes.

21 Q. Did you ever observe the defendant looking at Alameda's
22 negative balance?

23 A. Yes.

24 Q. What did you see him doing?

25 A. So—so Sam had six monitors connected to his computers and

1 usually half of one of those screens, he had Alameda's balances
2 pulled up.

3 MR. ROOS: Could we bring back up Government
4 Exhibit 1475.

5 Q. Now, Mr. Wang, the screens here—what's on the screens has
6 been blurred out, but are these the screens you were referring
7 to?

8 A. Yes.

9 Q. And what did he have up there that showed Alameda's
10 balances?

11 A. The page from—from Alameda's trading system, called
12 Pointer, would show how much Alameda had on various exchanges
13 and what coins it had on those exchanges.

14 Q. And how frequently would you see him looking at that?

15 A. I didn't see him looking directly at that screen, but it
16 was just there on his screen.

17 Q. Let me rephrase the question. How frequently was that on
18 one of the defendant's screens?

19 A. I think it was usually there.

20 Q. Like daily it was there?

21 A. Yeah.

22 Q. And in 2022?

23 A. Yes.

24 MR. ROOS: All right. We can take down the picture.

25 Q. I want to direct your attention to the month of June 2022.

1 Okay. Did there come a time when you worked on a project to
2 calculate Alameda's total balances?

3 A. Yes.

4 Q. What gave rise to that project?

5 A. There was a group chat that Sam started where he asked me
6 to figure out what Alameda's balances on FTX were.

7 Q. At that time what was taking place in the cryptocurrency
8 market?

9 A. Prices for a bunch of cryptocurrencies had fallen by a
10 large amount.

11 Q. And you testified yesterday that Alameda funded itself
12 through loans. Do you remember that?

13 A. Yes.

14 Q. Was that true in 2022 as well?

15 A. Yes.

16 Q. Okay. And what was happening at Alameda with respect to
17 its loans at this time in June 2022?

18 A. Some lenders were asking for their money back.

19 Q. As part of the defendant's project to review Alameda's
20 balances on FTX, did you work on a spreadsheet?

21 A. Yes.

22 Q. And when you say spreadsheet, just so we're all clear, what
23 type of computer file are you talking about?

24 A. So a Google Sheets.

25 Q. And—

1 A. In Google.

2 Q. A Google Sheets. So what does that look like?

3 A. So it's a spreadsheet with—I mean, it looks like—looks
4 pretty similar to Excel. It's just a spreadsheet with a bunch
5 of cells and columns and formulas in them.

6 Q. How common was it to use a Google sheet or an Excel
7 document at FTX or Alameda?

8 A. Pretty common.

9 Q. And when you were working on those spreadsheets, did you
10 share them?

11 A. Yes.

12 Q. How did you share them?

13 A. For Google Sheets, just using Google's built-in sharing
14 feature.

15 Q. And did you share them in any way besides Google Sheets?

16 A. By sending the link to it in Signal chats.

17 Q. And when you were sharing the spreadsheets over Google, was
18 it possible for more than one person to look at the spreadsheet
19 at a given time?

20 A. Yes.

21 Q. Was it possible for more than one person to edit a
22 spreadsheet at a given time?

23 A. Yes.

24 Q. What about leave comments?

25 A. Yes.

1 Q. Was it a common practice at FTX and Alameda to use
2 spreadsheets in this way?

3 A. Yes.

4 Q. Now circling back to the defendant's balance project, did
5 you meet in person or communicate over Google or some other
6 computer method?

7 A. Initially we communicated online, and then later on we met
8 in person.

9 Q. I'm going to show you what's been marked—just for the
10 witness—as Government Exhibit 50.

11 Do you recognize this?

12 A. Yes.

13 Q. What is it?

14 A. It's a spreadsheet we worked on to calculate Alameda's
15 balances.

16 Q. Is this the spreadsheet that you worked on back in June
17 2022 that you were talking about?

18 A. Yes, except this has been exported to Excel.

19 MR. ROOS: Okay. Government offers Exhibit 50.

20 MR. EVERDELL: No objection.

21 THE COURT: Received.

22 (Government's Exhibit 50 received in evidence)

23 MR. ROOS: May we publish it?

24 THE COURT: Yes.

25 BY MR. ROOS:

1 Q. Mr. Wang, there are several tabs to this spreadsheet.

2 A. Yes.

3 Q. I want to ask you several questions about it. Let's kind
4 of march through it.

5 So first, what prompted the creation of this
6 particular spreadsheet?

7 MR. ROOS: I'm sorry. Did I ask if this could be
8 published to the jury?

9 THE COURT: You didn't. Would you like to?

10 MR. ROOS: If I didn't, I'd like to, if that's okay.

11 THE COURT: Sure.

12 MR. ROOS: Okay.

13 THE COURT: And let's be clear, when you use the term
14 worksheet, whether you are referring to a particular tab on
15 this multi-tab document or to the whole thing.

16 MR. ROOS: Okay. Thank you, your Honor.

17 BY MR. ROOS:

18 Q. So, Mr. Wang, first, talking about the whole document, what
19 prompted the work on the balances spreadsheet?

20 A. Sam asked us to figure out what Alameda's balances on FTX
21 were.

22 Q. Was this particular whole spreadsheet shared among multiple
23 people?

24 A. Yes.

25 Q. Who worked on it?

1 A. I did, Caroline did, Nishad did, and Sam looked at it.

2 Q. So the defendant, Caroline Ellison, Nishad Singh, and you.

3 A. Yes.

4 Q. And when was this worked on?

5 A. In June 2022.

6 Q. Let's start with Sheet 1, so the first tab here. Do you
7 see that?

8 A. Yes.

9 Q. Okay. And what is on this sheet?

10 A. This is Alameda's records of what balances it has on each
11 exchange—I mean, what Alameda has on each account it has on
12 FTX.

13 Q. Okay. So I want to just orient us. Let's go column by
14 column.

15 What does column A show?

16 A. Column A shows Alameda's internal name for that account.

17 Q. And so FTX or FTX FTT, those are all names.

18 A. Yes.

19 Q. What does column B show?

20 A. It shows the balance in USD of that account.

21 Q. What do you mean balance in USD?

22 A. So the US dollar value of the—the balance in the account.

23 Q. So just to be clear on how we read this, let's look at the
24 very first one below there. It says five billion
25 seventy-seven. Do you see that?

1 A. Yes.

2 Q. And so that's the balance in that account; is that right?

3 A. Yes.

4 Q. And when there's a dash in front of it, those are negative
5 balances; is that right?

6 A. Yes.

7 Q. Okay. What's column C?

8 A. Column C is the email address associated with the account
9 on FTX.

10 Q. That's like the user name.

11 A. Yes.

12 Q. Okay. And so if you see the sixth row, row 6?

13 A. Yes.

14 Q. And do you see the user name there is
15 info@alamedaresearch.com?

16 A. Yes.

17 Q. The main Alameda account you testified about earlier in
18 your testimony?

19 A. Yes.

20 Q. Okay. And then what is column D?

21 A. Column D is the name of the subaccounts, if the account has
22 subaccounts.

23 Q. Okay. Column E says Notes?

24 A. Yes.

25 Q. All right. Now the column B for balances, why don't we—

1 MR. ROOS: Mr. Bianco, could you select the first
2 balance and highlight down to the last balance listed there.

3 Q. And Mr. Wang, do you see at the bottom of the screen it
4 says Sum?

5 A. Yes.

6 Q. What does it say is the sum?

7 A. Negative 20 billion.

8 Q. So the total on Sheet 1 of Alameda's balances is negative
9 20 billion; is that right?

10 A. Yes.

11 THE COURT: I don't think this is all on the screen.

12 MR. ROOS: Sorry. You don't think which part is on
13 the screen, your Honor?

14 THE COURT: 20 billion.

15 MR. ROOS: Let's put that back up, Mr. Bianco. Just
16 highlight all the balances in column B and leave it, and then I
17 will—I think I can highlight it right here.

18 BY MR. ROOS:

19 Q. Is that the number you're referring to, the sum?

20 A. Yes.

21 THE COURT: No. What you've circled is what appears
22 to be a search line, on my screen.

23 MR. ROOS: How about other folks?

24 How about, Mr. Bianco, is it possible to sort of move
25 up the bottom of the—it's not.

1 What about like unexpanding the doc? Yeah, okay. And
2 then not all the way down.

3 Mr. Bianco, thank you.

4 BY MR. ROOS:

5 Q. And is this the sum number—

6 THE COURT: I see.

7 Q. —that you were referring to?

8 THE COURT: From what you're referring to, yes, I see
9 it now, and it's not within the spreadsheet, it's elsewhere,
10 but I see it now.

11 Q. So is that the sum, Mr. Wang, of all the balances listed on
12 this sheet?

13 A. Yes.

14 Q. And that sum is what number?

15 A. Negative 20 billion.

16 Q. So the total listed on Sheet 1 for Alameda's accounts is
17 negative 20 billion.

18 A. Yes.

19 Q. That's the total balance.

20 A. Yes.

21 Q. Now who worked on this first sheet?

22 A. Caroline did.

23 MR. ROOS: And Mr. Bianco, if we can expand this again
24 to fill the whole page, and we'll scroll to the top.

25 Q. So Caroline Ellison worked on this. And did the defendant

1 have any reaction upon seeing or hearing negative 20 billion?

2 A. He thought that that number was too negative, that the
3 actual number for Alameda's balances were probably more
4 positive than 20 billion.

5 Q. So he thought the number was wrong.

6 A. Yes.

7 Q. Okay. Was it?

8 A. Yes.

9 Q. How so?

10 A. It was—it was off by around \$8 billion because of a bug in
11 FTX's accounting system.

12 Q. Can you describe what the bug in the accounting
13 system—actually, before I ask you that, let me ask you: What
14 accounting system are you referring to?

15 A. The accounting system for keeping track of USD deposits and
16 withdrawals into bank accounts for customers of FTX.

17 Q. So USD deposit and withdrawals, what does that mean?

18 A. So deposits and withdrawals, deposits and withdrawals from
19 bank accounts into FTX.

20 Q. So dollars.

21 A. Yes.

22 Q. People depositing and withdrawing collars.

23 A. Yes.

24 Q. This is different than the cryptocurrency.

25 A. Yes.

1 Q. And how did FTX account for that?

2 A. So initially when FTX was created, FTX did not have its own
3 bank accounts, and it used—and it used Alameda's bank
4 accounts, and whenever a customer would deposit funds
5 into—whenever a customer deposits dollars into FTX via the
6 bank, they would send the dollars into F—into Alameda's bank
7 accounts, and then on FTX, their accounts on FTX would—the
8 user's account on FTX would be incremented by however much they
9 deposited and a special fiat@ftx.com account would be
10 decremented by the same amount.

11 Q. What is incremented and decremented?

12 A. So increased and decreased.

13 Q. So the accounting system you described, is that that fiat@
14 account?

15 A. Yes.

16 Q. What is that fiat@ account supposed to reflect?

17 A. It reflects however much Alameda owes FTX due to these
18 customers' deposits.

19 Q. Is it supposed to reflect the amount of money in these
20 accounts, bank accounts?

21 A. Well, sort of, because if a customer deposits dollars and
22 withdraws it as a stablecoin, then Alameda takes the money in
23 the bank account, withdraws it, turns it into a stablecoin,
24 deposits it back into FTX. So it won't actually reflect what's
25 in the bank account itself. It just reflects how much Alameda

1 owes FTX for these deposits.

2 Q. For the fiat deposits.

3 A. Yes.

4 Q. And what was then the bug?

5 A. So the bug was that when customers withdraw dollars from
6 FTX—so what should happen is that when a customer withdraws
7 dollars from FTX, Alameda sends out the money from its bank
8 accounts and then the customer's account is decremented by that
9 amount and the fiat account is incremented by that amount, to
10 show that Alameda no longer owes FTX this money. But there was
11 a bug where, for certain withdrawals, for certain type of
12 withdrawals, the account was not incremented, the account
13 balance was not incremented, and so the value in the
14 fiat@ftx.com account would be too negative.

15 Q. Let me say it to you very basically and you tell me if this
16 is right. Basically it was just not recording withdrawals.

17 A. After—certain types of withdrawals, yes.

18 Q. Certain types of withdrawals. Okay. So you said the total
19 balance for Alameda was wrong on that first sheet. How was it
20 wrong?

21 A. It was too negative. The actual value should have been
22 less negative.

23 Q. And that's because of that fiat account.

24 A. Yes.

25 Q. So did you work on a revised estimate of Alameda's

1 balances?

2 A. Yes.

3 Q. Let's look at Tab 2 of Exhibit 50. What does Tab 2, or
4 Sheet 2, as it's labeled, refer to?

5 A. It's a—it's a—it's how much Alameda has on FTX as
6 reflected in FTX's database, as opposed to Sheet 1, which was
7 as reflected in Alameda's database.

8 Q. Okay. And again, let's just talk about what the columns
9 refer to. What is column A?

10 A. Column A is the account ID of the account or subaccount at
11 FTX.

12 Q. And so earlier we looked at a table that listed account IDs
13 within FTX's database. Are those the same account IDs that are
14 here?

15 A. Yes.

16 Q. And column B, what does that refer to?

17 A. The name of the account, the subaccount.

18 Q. And column C, what does that refer to?

19 A. The value in dollars of the balances of the accounts.

20 Q. Okay. Now do you see row 17?

21 A. Yes.

22 Q. Which account is that?

23 A. That's the info@alamedaresearch.com account, the main
24 trading account.

25 Q. What is the balance in that account as of June 2022?

1 A. Negative \$2.7 billion.

2 Q. I want to be clear about something, since we've been
3 talking about fiat and crypto balances. This 2.784 billion
4 negative number, is that part of the fiat deposit stuff you
5 were just talking about?

6 A. No.

7 Q. So this is separate.

8 A. Yes.

9 Q. Is this withdrawals, a negative balance from withdrawals of
10 cryptocurrency or of fiat?

11 A. A combination.

12 Q. Okay. And I'll remove that.

13 And now I want to look at copy of Sheet 2.

14 MR. ROOS: And if we could just expand column C, and
15 also column J.

16 Q. And is the copy of Sheet 2 the same as Sheet 2 except it's
17 got this Gary number up there?

18 A. Yes.

19 Q. Okay. All right. But your descriptions of the
20 columns—ID, Name, Value—are otherwise the same?

21 A. Yes.

22 MR. ROOS: Okay. Now, Mr. Bianco, can we sort the
23 name, sort this column by name, A to Z? Thank you.

24 Q. Now you said there was a bug with the fiat; is that right?

25 A. Yes.

1 Q. Does this version of the spreadsheet—by the way, who
2 worked on this version of the spreadsheet?

3 A. This sheet was me, primarily, and then Nishad had—and then
4 Nishad—there's a column where Nishad left some notes.

5 Q. Did this version of the spreadsheet correct for that bug?

6 A. Yes.

7 Q. Where is the correction?

8 A. Line 14.

9 Q. And where is the fiat balance?

10 A. Line 13.

11 Q. And what happens when you add 13 and 14 together?

12 A. You end up with the correct balances for fiat@s.

13 Q. So what was the correct fiat balance in June 2022?

14 A. Around negative \$11 billion.

15 Q. So Alameda at this time owed \$11 billion in fiat.

16 A. Yes.

17 Q. Okay.

18 THE COURT: And that was owed to FTX; is that correct?

19 THE WITNESS: Yes.

20 THE COURT: Thank you.

21 Q. Now in column J it says "Gary's number." Do you see that?

22 A. Yes.

23 Q. What number was "Gary's number"?

24 A. It's—it's a sum of the—of column C, of all these
25 accounts, except with one of the numbers excluded, 'cause it

1 should not have been included in this sheet.

2 Q. I'll come back to that in a second.

3 And so is "Gary's number" the total of Alameda's
4 balances in June 2022?

5 A. On FTX, yes.

6 Q. On FTX. And what was Alameda's total balances on FTX in
7 June 2022?

8 A. Approximately negative \$11 billion.

9 Q. And was that Alameda's balances even after fixing that bug?

10 A. Yes.

11 Q. Okay. Now you said that there was a number that was
12 included in your total that—there was a number in the balances
13 that shouldn't be included in your total; is that what you
14 said?

15 A. Yes.

16 Q. And which number was that?

17 A. This was for—I think it's—scroll down a bit. It's—there
18 was a—there was—a investment into FTX that went through an
19 Alameda account and didn't have to do with Alameda so then it
20 needed to be excluded from this fee.

21 Q. Okay. So let's scroll down a little bit. And do you see
22 column 37?

23 MR. ROOS: And could we expand—I'm sorry—row 37 and
24 could we expand column B.

25 Q. And what is that—what was the balance for that account?

1 A. \$1.2 billion.

2 Q. And what did that account have in it?

3 A. The investments that FTX received involving this investment
4 rounds.

5 Q. So it had money from investors.

6 A. Yes.

7 Q. And it was being held in an Alameda account.

8 A. Yes.

9 Q. Now earlier in your testimony you spoke about Alameda's
10 balances compared to FTX's total revenue. Do you remember
11 that?

12 A. Yes.

13 Q. And at this point in June 2022, which was larger, the
14 amount Alameda owed or FTX's revenue?

15 A. The amount Alameda owed.

16 Q. What was FTX's revenue around this time?

17 A. About \$1½ billion.

18 Q. And so Alameda owed about, what, 9½, \$10 billion more than
19 that?

20 A. Yes.

21 MR. EVERDELL: Objection.

22 THE COURT: Overruled.

23 Q. How, if at all, did the balance then involve the use of
24 customer funds?

25 A. So the remaining funds that weren't FTX revenue or the

1 investment, the remaining all came from customers.

2 Q. Let's scroll back up to where we see "Gary's number."

3 So the point where customer funds were being used, did
4 you think that was wrong?

5 A. Yes.

6 Q. Why?

7 A. Because customers did not agree for us to use these funds.

8 Q. Did you believe FTX or Alameda was allowed to use or spend
9 these customer funds?

10 A. No.

11 Q. Why not?

12 A. Because we said publicly that we would not use customer
13 funds like this.

14 Q. When you say "we," who are you talking about?

15 A. Sam.

16 Q. And did you think Alameda could just take the fiat deposits
17 and loan them to the—loan them to itself?

18 MR. EVERDELL: Objection, your Honor.

19 THE COURT: Sustained.

20 Q. How, if at all, was Alameda allowed to take the deposits?

21 A. It either kept it in the bank account or converted it into
22 stablecoin and deposited it back onto FTX.

23 Q. To what extent was it allowed to loan it to itself?

24 A. Only during this conversion.

25 THE COURT: I'm sorry. Repeat your answer, please.

1 THE WITNESS: Only to do this US dollar-to-stablecoin
2 conversion and to immediately deposit it back onto FTX.

3 THE COURT: Thank you.

4 Q. So just to be clear, what was your understanding about
5 whether those customer funds could be used to spend on new
6 investments for Alameda?

7 A. It was not—it should not happen.

8 Q. What about on real estate purchases?

9 A. No.

10 Q. What about on political donations?

11 A. No.

12 Q. What about on other types of donations?

13 A. No.

14 Q. What about on marketing or advertising?

15 A. No.

16 Q. Now after the work on the spreadsheet was done, did you
17 meet with the defendant on the topic of Alameda's balances?

18 A. Yes.

19 Q. How did that meeting happen?

20 A. After I—after I mentioned that the number was—that
21 Alameda's balances as calculated was off by \$8 billion because
22 of this bug, and then after the four of us—so him, me,
23 Caroline, and Nishad, to meet with him in one of the offices in
24 the Bahamas office, in one of the meeting rooms in the Bahamas
25 office.

1 Q. And what did you discuss in the meeting?

2 A. So Sam asked me some questions about the bug, and he wanted
3 to make sure that his—my understanding and his understanding
4 of the bug was correct, that it—that it affected the balance
5 in the correction direction, that fixing the balances made it
6 more positive as opposed to more negative. So we talked about
7 that a bit, and then as he—and then afterwards, he turned to
8 Caroline and said that Alameda can go ahead and return the
9 borrows.

10 (The reporter interrupted for clarification)

11 Q. Return the borrows?

12 A. Yes.

13 THE COURT: I'm sorry. I just want to make sure I
14 heard. Said that Alameda can go ahead and return the borrows?
15 Is that what you said?

16 THE WITNESS: Yes.

17 THE COURT: Thank you. Let's go ahead.

18 MR. ROOS: Thank you, your Honor.

19 BY MR. ROOS:

20 Q. In your conversation about the fixing that bug, did you
21 talk about Alameda's negative balances?

22 A. Yes.

23 Q. Including its existing negative balance?

24 A. Yes.

25 Q. And was that before or after the defendant said to Caroline

1 Ellison that they could return the borrows?

2 A. Before.

3 Q. What did you understand "return the borrows" to be a
4 reference to?

5 A. To lenders who loaned Alameda money and were asking for it
6 back.

7 Q. Are these those third-party lenders that you described 30,
8 40 minutes ago—

9 A. Yes.

10 Q. —that Alameda had taken loans from?

11 A. Yes.

12 Q. And so what does "return the borrows" to them mean?

13 A. Means give them back the money that they were asking for
14 back.

15 Q. Do you know how much money Alameda was borrowing from
16 lenders at that point?

17 A. No.

18 Q. Did you have any role in dealing with the lenders?

19 A. No.

20 Q. What was the defendant's involvement in dealing with those
21 lenders?

22 A. He—he gave opinions on how much Alameda could borrow from
23 lenders, how much should be returned to lenders, what interest
24 rates it should accept when taking out loans.

25 Q. Did he mention any specific lenders to be repaid in that

1 meeting?

2 A. I think he mentioned Genesis.

3 Q. What's Genesis?

4 A. It's a crypto lending firm that lends out cryptocurrencies
5 to trading firms.

6 Q. Your number here for Alameda's balance at this point was
7 negative 11 billion. Where was the money going to come from to
8 repay those lenders?

9 A. I mean, either from Alameda's FTX account or from Alameda's
10 accounts elsewhere, but either way, the money—all the money
11 came from FTX customers.

12 MR. ROOS: We can take this spreadsheet down.

13 Q. Let's jump ahead a few months to September 2022. Do you
14 recall another conversation with the defendant, this time about
15 shutting down Alameda?

16 A. Yes.

17 Q. Could you describe what led to that conversation.

18 A. So there was an article that was soon to be published in
19 Bloomberg about the relationship between Alameda and FTX, and
20 he was not—Sam sent a Signal chat to Nishad and I with a link
21 to a Google Doc describing shutting down Alameda.

22 Q. Let me first ask you about that article. You said it
23 related to the relationship between FTX and Alameda. What are
24 you referring to?

25 A. That they shared an office, that they were owned by the

1 same—by roughly the same set of people, and that they
2 were—and so they weren't entirely separate.

3 Q. What did you believe the article was suggesting?

4 A. That—

5 MR. EVERDELL: Objection.

6 THE COURT: Sustained.

7 Q. Did you and the defendant have any discussions about the
8 implication of the article?

9 A. He said that it would be bad for FTX.

10 Q. Okay. Why is that?

11 A. Because it would cause people to trust FTX less.

12 Q. Now you mentioned that the defendant shared a Google
13 document with you. What was that Google document?

14 A. It was describing some arguments for shutting down Alameda.

15 Q. All right. Why don't we take a look. I'm going to show
16 you what's been marked for identification as Government
17 Exhibit 18.

18 What's this, Mr. Wang?

19 A. This is the Google Doc that Sam shared with us.

20 Q. When you say "us," who are you referring to?

21 A. Nishad and I.

22 MR. ROOS: Government offers Exhibit 18.

23 MR. EVERDELL: No objection.

24 THE COURT: Received.

25 (Government's Exhibit 18 received in evidence)

1 MR. ROOS: May we publish?

2 THE COURT: Yes.

3 BY MR. ROOS:

4 Q. Mr. Wang, who was the author of this document?

5 A. Sam was.

6 Q. And how was it shared with you?

7 A. Via Google Docs.

8 Q. Who else was it shared with?

9 A. Nishad.

10 Q. Just to be clear, was it shared with Caroline Ellison?

11 A. No.

12 Q. I'll ask you a few points in this document.

13 MR. ROOS: Mr. Bianco, could we just flip through the
14 document to see how many pages it is.

15 Q. So it's a few pages; is that right?

16 A. Yes.

17 Q. Okay. We can go back to the top page.

18 So the first reason here listed—it says The Reasons.
19 No. 1. "A PR hit from Alameda and FTX both existing as really
20 large." Do you see that?

21 A. Yes.

22 Q. Do you have any conversations with the defendant about
23 that?

24 A. Yes.

25 Q. What? What did you discuss?

1 A. The Bloomberg piece that was soon to come out.

2 Q. The Bloomberg piece that was going to come out, you said.

3 A. Yes.

4 Q. And a little later on here, No. 6, he said, "To the extent
5 there is a niche for a trading firm, that firm should be
6 Modulo."

7 A. Yes.

8 Q. What's Modulo?

9 A. It's another trading firm.

10 Q. And he notes that it has much stronger culture and
11 leadership than Alameda. Now on Alameda, who was the leader of
12 Alameda at the time?

13 A. Caroline was.

14 Q. And did the defendant and Caroline Ellison have any
15 personal relationship?

16 A. Yes.

17 Q. What was it?

18 A. They dated on and off for a couple years.

19 Q. Okay. Do you know if they were dating at this point?

20 A. I don't think so.

21 Q. Now he writes, "Modulo has a much stronger culture and
22 leadership than Alameda." Who was leading Modulo?

23 A. Two former Jane Street traders.

24 Q. Who were they?

25 A. It was Lily and Duncan.

1 Q. Okay. And what was the defendant's connection to Lily?

2 A. They were co-workers, and then at one point they dated.

3 Q. What happened after the defendant shared this Google Doc?

4 A. We talked about it on Signal some—some more, and then
5 Nishad and I went and talked to Caroline.

6 MR. ROOS: Okay. Now why don't we take this document
7 down.

8 Q. And I want to break down your answer. You said you spoke
9 over Signal. What's Signal?

10 A. It's a—it's a chat app, chat application that's—that we
11 used.

12 Q. What was the name of the Signal document?

13 A. #organization.

14 Q. Okay. And before I ask you further about the Signal chat,
15 by the way, Modulo, did the defendant have any relationship to
16 Modulo?

17 A. He invested in it.

18 Q. Okay. He had a financial stake of some form?

19 A. Yes.

20 Q. Do you know how much?

21 A. Around 60 percent.

22 Q. Now you said you communicated over a Signal chat, after you
23 got this Google document. Who was in that Signal chat?

24 A. Sam, me, and Nishad.

25 Q. And what did you discuss?

1 A. We discussed the point in the documents about what it would
2 take to shut down Alameda, and then Sam brought up the question
3 of how much—like what Alameda is currently doing on FTX and
4 how hard it would be to find a replacement for all the things
5 that Alameda is currently doing on FTX, and he asked us what
6 those things were, and then Nishad and I went and—went to talk
7 to Caroline to ask her about what market-making things Alameda
8 is currently doing at FTX.

9 Q. Okay. And after that did there come a time where the four
10 of you—you, the defendant, Nishad Singh, Caroline
11 Ellison—communicated?

12 A. Yes.

13 Q. And how did you communicate?

14 A. On Signal.

15 Q. And was there a particular chat you used?

16 A. Okay. This—this one was I think #organization and the
17 previous chats was a different chat, I think. I got the names
18 mixed up.

19 Q. All right. I'm going to show you now what's been marked
20 for identification as Government Exhibit 542. What's this?

21 A. A screenshot of the #organization chats.

22 (Continued on next page)

1 MR. ROOS: Government offers 542.

2 MR. EVERDELL: No objection.

3 THE COURT: Received.

4 (Government Exhibit 542 received in evidence)

5 MR. ROOS: May we publish it?

6 THE COURT: Yup.

7 Q. Mr. Wang, what are we looking at here?

8 A. This is a screenshot of the hashtag organization Signal
9 chats.

10 Q. Who were the people in this chat? It says there are four
11 members.

12 A. Sam, me, Nishad, and Caroline.

13 Q. You were describing a period in September 2022. Do the
14 messages still exist for that time period?

15 A. No.

16 Q. Why not?

17 A. Because they were set to automatically be deleted after a
18 week.

19 Q. Who made that setting?

20 A. Sam.

21 Q. Do you remember what was discussed in this chat?

22 A. We discussed a lot of things over the couple of years that
23 we had these chats about FTX and Alameda.

24 Q. What was discussed in September 2022 around this concept of
25 Alameda being shut down?

1 A. We discussed what Alameda was doing, the things that
2 Alameda was doing with FTX, and what it would take to find a
3 replacement for those things.

4 Q. In that conversation, did you discuss how much money
5 Alameda had borrowed?

6 A. Yes.

7 Q. What did you discuss?

8 A. So I asked Caroline how much Alameda was currently
9 borrowing from FTX, and she said 14 billion.

10 Q. Sorry. 14 billion or 14 million?

11 A. 14 billion with a B, \$14 billion.

12 Q. At the time that Ellison said Alameda was borrowing 14
13 billion, do you recall the defendant responding with any
14 message with surprise?

15 A. No.

16 Q. Do you recall the defendant responding with any follow-up
17 questions about the amount?

18 A. No.

19 Q. Now, when Alameda Research was borrowing \$14 billion, what
20 does that mean its balance was?

21 A. Negative \$14 billion on FTX.

22 Q. Is there any way that wouldn't involve the use of customer
23 money?

24 A. No.

25 Q. Why not?

1 A. Because FTX did not have that much money itself.

2 Q. Did you have any additional conversations with the
3 defendant and Nishad Singh about this?

4 A. Yes.

5 Q. What was discussed?

6 A. So in the three-person chat I brought up that Alameda was
7 borrowing \$14 billion from FTX and argued that Alameda could
8 not shut down as a result.

9 Q. Why did Alameda, having borrowed \$14 billion, mean that it
10 could not shut down?

11 A. Because it had no way of repaying this.

12 Q. Why couldn't it repay it?

13 A. Because it did not have \$14 billion in the assets that it
14 could sell off to repay it.

15 Q. And the defendant was on that chat?

16 A. Yes.

17 Q. Was Alameda shut down?

18 A. No.

19 Q. Let's move ahead to November 2022. Can you describe
20 briefly what happened to FTX in November 2022.

21 A. It declared bankruptcy because customers wanted to withdraw
22 funds, and they could not because FTX ran out of funds.

23 Q. Let's break that down in some more detail.

24 Did there come a time in November 2022 when you
25 learned about an increase in customer withdrawals?

1 A. Yes.

2 Q. To orient us, let's take a look at a calendar.

3 Showing you now Government Exhibit 1087, do you
4 recognize this?

5 A. Yes.

6 Q. What is it?

7 A. It's a calendar of November 2022.

8 MR. ROOS: The government offers 1087.

9 MR. EVERDELL: No objection.

10 THE COURT: Received.

11 (Government Exhibit 1087 received in evidence)

12 MR. ROOS: May we publish it?

13 THE COURT: Yes.

14 Q. Looking at the calendar, Mr. Wang, when do you first learn
15 of an increase in customers withdrawing their money from FTX?

16 A. Sunday, the 6th.

17 Q. How did you learn this?

18 A. Nishad came and knocked on my door and told me there were a
19 large amount of customer withdrawals, and they were getting
20 backed up in the system and asked me to try to speed up with
21 processing of those withdrawals.

22 Q. Why did you work to speed up the withdrawals?

23 A. To make people less worried about their withdrawals not
24 being able get processed.

25 Q. Staying on November 6, did you speak to the defendant that

1 day?

2 A. Yes.

3 Q. What happened?

4 A. So later that day, in the evening, Sam asked Nishad and I
5 to go to his apartment where he told us about the events --
6 which he told us there was some article that was published with
7 a leaked version of Alameda's balance sheets, and this caused a
8 lot of customers to be worried about their deposits on FTX and
9 caused them to all start withdrawing their funds.

10 Q. What do you mean by a leaked balance sheet?

11 A. There was some balance sheet of Alameda that got leaked to
12 some websites, and it was published on some crypto news site.

13 Q. What about the balance sheet do you understand caused
14 concern?

15 A. It showed that a large portion -- that almost all of their
16 assets came from FTT and Serum.

17 Q. What's Serum?

18 A. It's a cryptocurrency that Sam and I and others created.

19 Q. So the balance sheet showed that almost all of Alameda's
20 assets were cryptocurrencies that had been created by you and
21 Sam?

22 A. Yes.

23 Q. What did the defendant say should be done in light of the
24 withdrawals?

25 A. That I should try to speed up the processing of the

1 withdrawals so that people are less worried about their
2 withdrawals not going through, and I should calculate how much
3 additional funds to be deposited onto FTX so that customers can
4 withdraw all of the funds.

5 Q. Did you work on the project to calculate total balances?

6 A. Yes.

7 Q. What did you find when you totaled customer balances for
8 FTX?

9 A. I totaled -- I added up customer -- customer balances
10 excluding Alameda balances, so non-Alameda customers. So I
11 compared that total with what was in FTX hot wallets and found
12 that they were approximately equal.

13 Q. When you say FTX hot wallets, you're talking about those
14 cryptocurrency wallets that you talked about earlier?

15 A. Yes.

16 Q. What was your reaction to seeing that the balances needed
17 were equal to what FTX had in the wallets?

18 A. I was surprised because I knew that Alameda was borrowing
19 funds from FTX.

20 Q. Did you talk to the defendant about it?

21 A. Yes.

22 Q. What, if anything, did he say?

23 A. He asked me if I was including the special Korean accounts,
24 and I asked him what he meant, and he said, are you including
25 our Korean friend.

1 Q. What are you talking about, special Korean account or
2 Korean friend?

3 A. I didn't know what he was talking about, so I asked him
4 what he was talking about. Then Nishad sent me the account ID
5 and said this was the account that the balances in the fiat
6 account -- the fiat FTX account got moved to.

7 Q. After you got that account ID, did you look it up?

8 A. Yes.

9 MR. ROOS: The government offers Exhibit 645 pursuant
10 to stipulation 2002.

11 THE COURT: Received.

12 (Government Exhibit 645 received in evidence)

13 MR. ROOS: May we publish?

14 THE COURT: Yes.

15 Can we zoom in on the user ID and user names.

16 Q. Mr. Wang, do you recognize these?

17 A. Yes.

18 Q. What are these accounts?

19 A. So the last one was the account -- account ID Nishad sent
20 to me. It used to be an Alameda subaccount, but then it was
21 reassociated in the database to fall under Seyoun Charles'
22 account, this seyouncharles88@gmail.com account.

23 Q. Let me break this down. The user ID on all of these
24 accounts says: User, seyouncharles88@gmail.com.

25 What does that refer to?

1 A. That refers to which users these accounts and subaccounts
2 were associated with.

3 Q. Then the column user name has Seyoun Charles for three of
4 them and info@alamedaresearch for one of them.

5 Do those refer to?

6 A. Those are the user names of the account or subaccount when
7 it was created.

8 Q. Can you explain what you meant by this info@alamedaresearch
9 account being reassigned?

10 A. So this account used to be a subaccount of Alameda
11 Research's main account, but then in the database there was --
12 the user ID column of this account was changed so that it was
13 now a subaccount of this other user, Seyoun Charles.

14 Q. There is subaccount FTX_fiat_old.

15 A. Yes.

16 Q. That was reassigned from Alameda over to SeyounCharles88?

17 A. Yes.

18 Q. What, if anything, does this have to do with the weird
19 Korean account you mentioned?

20 A. So this is the weird Korean account.

21 Q. Had you ever heard of this before November?

22 A. No.

23 Q. Prior to November, had the defendant ever mentioned this to
24 you before?

25 A. No.

1 Q. Do you know what FTX_fiat_old refers to on here?

2 A. It refers to -- initially, FTX didn't have its own bank
3 accounts, so it used Alameda bank accounts. But eventually FTX
4 did get its own bank accounts, so USD deposits and withdrawals
5 started going to and from FTX's own bank accounts, as opposed
6 to Alameda's bank accounts.

7 At some point in 2022, we decided to split up the fiat
8 account into separate accounts based on which bank accounts
9 funds are coming to it from. So the funds that were -- that
10 came and went from Alameda accounts, those funds were
11 transferred into a subaccount of Alameda called FTX fiat old.
12 And the funds that -- that came from and went to FTX bank
13 accounts, that remained associated with the fiat@FTX.com
14 account.

15 MR. ROOS: Let's zoom out of here. Let's look at the
16 allow-negative column.

17 Did one of those Seyoun Charles subaccounts have allow
18 negative turned on?

19 A. Yes.

20 Q. Which one?

21 A. The FTX fiat old one.

22 Q. Did you look up the balance for that account after the
23 defendant told you about the account?

24 A. Yes.

25 Q. What was the balance?

1 A. Around negative \$8 billion.

2 Q. Did you tell the defendant that?

3 A. Yes.

4 Q. What, if anything, did he say?

5 A. He said that that sounds correct.

6 Q. How would you describe his demeanor at the time?

7 A. He had a neutral demeanor.

8 Q. What was the balance total on the exchange once you
9 included that number?

10 A. Now the exchange was short \$8 billion.

11 MR. ROOS: Take this down.

12 Q. Did you speak to anyone about why --

13 THE COURT: Pause, please, for a minute.

14 Earlier -- I am going to go back in my notes -- you
15 talked about, this was as of September, I think, a negative
16 balance of 14 billion, yes?

17 THE WITNESS: Yes.

18 THE COURT: And then you had this conversation about
19 non-Alameda customer balances and FTX hot wallets.

20 What did that amount to?

21 THE WITNESS: That discrepancy was \$8 billion.

22 THE COURT: And then the defendant asked you --

23 THE WITNESS: After including -- after excluding this
24 other account.

25 THE COURT: Thank you.

1 Q. Mr. Wang, did you speak to anyone about why this account
2 with a negative \$8 billion balance wasn't originally included
3 in all those account calculations?

4 A. Yes.

5 Q. What did you learn?

6 THE COURT: Whom did you speak to?

7 MR. ROOS: Thank you, your Honor.

8 A. Sam and Nishad.

9 Q. What did you learn from them?

10 A. That this was changed from an Alameda subaccount to this
11 other user so that its balances would not be included in the
12 line-of-credit interest payments that Alameda was paying.

13 MR. ROOS: Let's put back up Government Exhibit 1087.

14 Q. What day was that conversation on?

15 A. The evening of the 6th.

16 Q. The negative 8 billion was on the evening of the 6th?

17 A. Yes.

18 MR. ROOS: Let's move the next day, November 7.

19 Q. Did you speak to the defendant that morning about customer
20 balance numbers?

21 A. Yes.

22 Q. And had anything changed in terms of the numbers?

23 A. No.

24 Q. So they were still at negative 8 billion?

25 A. Yes.

1 Q. Did the defendant tweet that day about customer assets on
2 withdrawals?

3 A. Yes.

4 MR. ROOS: The government offers Exhibit 878 pursuant
5 to a stipulation marked as Exhibit 2001.

6 THE COURT: Received.

7 (Government Exhibit 878 received in evidence)

8 MR. ROOS: May we publish it?

9 THE COURT: Yes.

10 Q. Mr. Wang, what are we looking at here?

11 A. It's a set of tweets from the FTX official to the new
12 accounts.

13 Q. Before we go to the substance, it comes from the FTX
14 official account.

15 Do you know whose tweet this is?

16 A. Yes.

17 Q. Whose was it?

18 A. Sam's.

19 Q. How do you know that?

20 A. So it was tweeted right after I talked to him, and the
21 wording from all the tweets matches what I had just told him.

22 Q. What's the date on this?

23 A. November 7.

24 Q. At what time?

25 A. 1:50 a.m.

1 Q. Was this before or after you told him there was a negative
2 8 billion number?

3 A. After.

4 Q. One of these tweets says: BTC withdrawals.

5 What's BTC withdrawals?

6 A. Bitcoin withdrawals.

7 Q. BTC withdrawals, churning through them. Node is frequent
8 limited. We are switching it, the process from both ends,
9 which should help speed it up.

10 What does that mean?

11 A. So it means there were a large number of Bitcoin
12 withdrawals being queued up and the way which we could process
13 them was limited by the Bitcoin software we were using, and we
14 switched it to processing both the most recent and all these
15 withdrawals at the same time, which had caused recent
16 withdrawals to be processed more quickly.

17 Q. Then number 3, the beginning says: 3. Stablecoin's
18 processing. Banks are closed for the weekend, though.

19 What's stable point?

20 A. It's a cryptocurrency whose value was tied to U.S. dollars.

21 Q. This is saying, this particular cryptocurrency processing
22 is slow because banks are closed?

23 MR. EVERDELL: Objection.

24 THE COURT: Sustained.

25 Q. What's the relationship -- according to the tweet, what's

1 the relationship between banks being closed and stablecoin
2 processing?

3 A. That stablecoin processing is slow because banks are
4 closed.

5 Q. Did the defendant's tweet accurately convey the reason for
6 the delay in customer withdrawals?

7 A. No.

8 Q. Why not?

9 A. Because stablecoin withdrawals were slow because FTX had
10 ran out of stablecoins. Even if banks were open, they would
11 still not be able to be processing these.

12 MR. ROOS: Let's take this down and put up Government
13 Exhibit 866. This is in evidence.

14 Can we zoom in on the tweets. Why don't we start with
15 the first tweet here. We can zoom out and zoom in on that
16 first one.

17 Q. Mr. Wang, have you seen these tweets before?

18 A. Yes.

19 Q. Did the defendant discuss with you why he posted these
20 tweets?

21 A. No.

22 Q. It's his Twitter account, right?

23 A. Yes.

24 Q. It says in this first tweet here: FTX is fine. Assets are
25 fine.

1 Do you see that?

2 A. Yes.

3 Q. Was that accurate?

4 A. No.

5 Q. Why not?

6 A. Because FTX was not fine and assets were not fine because
7 FTX did not have enough assets for customer withdrawals.

8 MR. ROOS: Zoom out of this tweet. Let's zoom in on
9 the second number two here.

10 Q. It says -- his tweet says: FTX has enough to cover all
11 client holdings.

12 Was that true?

13 A. No.

14 Q. Why not?

15 A. Because FTX did not in fact have enough assets to cover all
16 client holdings.

17 Q. What do you mean by that?

18 A. Because Alameda had withdrawn a lot of it.

19 Q. The next line of that tweet right after says: We don't
20 invest client assets, even in treasuries.

21 Was that true?

22 A. No.

23 Q. Why not?

24 A. Because FTX was lending client assets to Alameda.

25 MR. ROOS: Zoom out of this tweet.

1 Look at the next one. Number 3.

2 Q. Do you see there at the end it says: We have a long
3 history of safeguarding client assets and that remains true
4 today. Was that true?

5 A. No.

6 Q. Why not?

7 A. Because the client assets were with Alameda.

8 Q. At this point did Alameda have them?

9 A. No.

10 Q. Where were they?

11 A. Some of it was trading losses. Some of it was spent on
12 investments.

13 MR. ROOS: You can take this down.

14 Q. Did there come a time when the defendant agreed to sell
15 FTX?

16 A. Yes.

17 Q. Who did he say he was going to sell FTX to?

18 A. To CZ, the owner of Binance, another cryptocurrency
19 exchange.

20 Q. Why?

21 A. To get money to fill in the hole left by Alameda.

22 Q. Did that deal go through?

23 A. No.

24 Q. Why not?

25 A. Because CZ pulled out.

1 Q. Did there come a time when the defendant discussed
2 declaring bankruptcy with you?

3 A. Yes.

4 Q. What reason did you discuss with him for declaring
5 bankruptcy?

6 A. That FTX did not have enough money for customer withdrawals
7 and it seemed unlikely that FTX would be able to raise enough
8 money for those withdrawals.

9 MR. ROOS: Let's put up Government Exhibit 1087 again.

10 Q. What day did you have that conversation with him about FTX
11 not having enough money?

12 A. Thursday, the 10th.

13 Q. Did FTX ever declare bankruptcy?

14 A. Yes.

15 Q. When was that?

16 A. On the morning of the 11th.

17 Q. The next morning.

18 A. Yes.

19 Q. Did the defendant remain the CEO of FTX when the company
20 declared bankruptcy?

21 A. No.

22 Q. Let's talk about the day after the bankruptcy declaration.

23 Did there come a time when you transferred FTX
24 customer assets to government officials in the Bahamas?

25 A. Yes.

1 Q. Who told you to send the money to those Bahamas government
2 officials?

3 A. The government officials did, but Sam also did.

4 Q. Let's break that down in a little more detail.

5 First, I want to direct your attention to November 12,
6 the Saturday. Was there a time when the defendant asked you to
7 drive with him to the Bahamas Securities Commission?

8 A. Yes.

9 MR. EVERDELL: Objection.

10 THE COURT: What's the ground?

11 MR. EVERDELL: Leading.

12 THE COURT: Overruled.

13 Q. What is the Bahamas Securities Commission?

14 A. It's a regulator in the Bahamas that regulates FTX.

15 Q. Did you have a discussion with the defendant during the
16 drive?

17 A. Yes.

18 Q. During that drive, did the defendant say anything to you
19 about what you should do with customer assets?

20 A. That ideally we should transfer them to the Bahamas
21 liquidators or the Bahamas regulators.

22 Q. Did he say why you should transfer the customer assets that
23 remained in the Bahamas?

24 A. Because earlier that day we had met with liquidators in the
25 Bahamas, and they seemed friendly and seemed willing to let him

1 stay in control of the company.

2 Q. By the way, at this point were customers able to take their
3 money off the exchange at this point?

4 A. No.

5 Q. Why not?

6 A. So, for one, FTX had ran out of money for customers to
7 withdraw, and, two, on the evening of the 11th, all the servers
8 that ran FTX were shut down.

9 Q. What happened once you got to the Bahamas Securities
10 Commission?

11 A. Sam and his lawyers and his dad went and met with Bahamian
12 regulators.

13 Q. Where were you?

14 A. I was waiting outside, along with consultants for the
15 liquidators, and they asked me some questions about the
16 logistics of how to do the transfers from FTX's wallets.

17 Q. After the defendant's meeting with the Bahamas government
18 officials, did he tell you about how it went?

19 A. Yes.

20 Q. What did he say?

21 A. He said that the meeting went well. He said that the
22 securities commissioner believed to think things he told her
23 and that they were going to order us to transfer the assets --
24 the remaining assets to the Bahamas.

25 Q. Where did you go after that?

1 A. After that, we drove back to the office.

2 Q. During that drive back, did the defendant say anything to
3 you?

4 A. He said that -- also at this point the U.S. side was asking
5 me to finish transferring the remaining assets to the U.S., and
6 Sam told me that we should try to stall them.

7 Q. When you said the U.S. side, who are you referring to?

8 A. The bankruptcy lawyers that had taken over FTX and FTX.US,
9 and they are from within the U.S.

10 Q. Who was the defendant saying should be stalled?

11 A. The lawyers from the U.S.

12 Q. Now, what happened when you got back to the office?

13 A. It took a while for the Bahamian regulators to figure out
14 how to do the transfer. Eventually, they figured it out and
15 ordered us to do the transfer.

16 Q. While you were transferring the money, did you get any
17 instructions from a U.S. bankruptcy team?

18 A. Yes.

19 Q. Who in particular?

20 A. I'm blanking on the name.

21 Q. Why don't we do this.

22 MR. ROOS: I am going to show the witness what's been
23 marked as Government Exhibit 543.

24 Q. Do you recognize this?

25 A. Yes.

1 Q. What is it?

2 A. It's screenshot of a Signal chats.

3 MR. ROOS: The government offers Government Exhibit
4 543.

5 THE COURT: Received.

6 (Government Exhibit 543 received in evidence)

7 MR. ROOS: May we publish it?

8 THE COURT: Yes.

9 MR. ROOS: Let's just zoom into the very top of the
10 signal chat.

11 Q. This is called small group chat.

12 Do you see that?

13 A. Yes.

14 Q. What was the small group chat, Signal chat?

15 A. Contained a number of people who were still at the company
16 at this point, so me, Sam, Nishad, and Caroline, some lawyers
17 from the U.S. bankruptcy team and a few other people.

18 MR. ROOS: Now, let's zoom out on this part and zoom
19 in on the defendant's message and the parts below it.

20 Q. Just starting on the defendant's message, is that the one
21 in gray?

22 A. Yes.

23 Q. Are you familiar with a lawyer named Ryne Miller?

24 A. Ryne Miller, yes.

25 Q. Who was he?

1 A. He was the lawyer for FTX US.

2 Q. Whose messages are in blue?

3 A. Ryne Miller.

4 Q. The defendant writes here: The SCB. What's that?

5 A. Securities commissioner of the Bahamas.

6 Q. The SCB, Christina Rolle, is directing us to transfer the
7 assets to a custodian in their name. They say we're doing so
8 to protect the interest of creditors and clients of FTX digital
9 markets and other entities that might be commingled. We are
10 being directed to do so.

11 Did you see that message around that time?

12 A. Yes.

13 Q. Then there is a blue response. This is a significant
14 question of who owns the assets. FDM does not.

15 What is FDM?

16 A. FTX digital markets. It's FTX's entity in the Bahamas.

17 Q. Because we will need to have a discussion with her and
18 Sulcrom. What's Sulcrom?

19 A. It's --

20 MR. EVERDELL: Objection, your Honor. Hearsay.

21 THE COURT: What is Sulcrom does not call for hearsay,
22 as far as I know.

23 Do you know what Sulcrom means, sir?

24 THE WITNESS: Yes.

25 THE COURT: What?

1 THE WITNESS: Sulcrom is one of the law firms that FTX
2 hired.

3 Q. You see the next part says: Cannot transfer any funds that
4 are the subject of the bankruptcy estate, i.e., assets owned by
5 FTX Trading LTD, WRSS, WRS Alameda, etc.

6 What's WRSS and WRS?

7 A. West Realm Shires Services and WRS is West Realm Services.
8 They are entities for FTX US.

9 Q. Now, it says in the next sentence: These are all not
10 assets of the Bahamian entity, including, i.e., the Robin Hood
11 shares which essentially roll up under Alameda. Before folks
12 transfer to the Bahamas, absolutely consult with me, and I'll
13 bring in the appropriate counsel.

14 Did you see those two messages at the time?

15 A. Yes.

16 Q. Did you talk to the defendant about them?

17 A. Yes.

18 Q. What did he say you should do in response to the direction
19 not to transfer any funds?

20 A. That I should ignore the instructions and continue
21 transferring funds.

22 Q. Did you do that?

23 A. Yes.

24 Q. What did the defendant tell you about why he wanted the
25 money to go to the Bahamas regulators?

1 A. He said they are more likely -- they seemed more friendly
2 to him, and they seemed more likely to let him stay in control
3 of the company, compared to the U.S.

4 MR. ROOS: We can take that down.

5 Put up the calendar again, 1087.

6 Q. Mr. Wang, what day did that happen?

7 A. Saturday, the 12th, leading into the early morning of the
8 13th.

9 Q. Did there come a time -- so it's here. Did there come a
10 time when you returned to the United States and met special
11 agents with the FBI and federal prosecutors?

12 A. Yes. I returned to the U.S. on the 16th -- on Wednesday,
13 the 16th and met with the government on the 17th.

14 Q. So here?

15 A. Yes.

16 Q. How many days passed between FTX's bankruptcy and when you
17 came in and met with the government?

18 A. Six days.

19 Q. What was the date of the bankruptcy?

20 A. Friday, the 11th.

21 Q. Here, so these days, is that right?

22 A. Yes.

23 Q. Now, when you came in and met with the government, had you
24 been arrested or charged with any crimes?

25 A. No.

1 Q. Did you tell the FBI and federal prosecutors you want to
2 cooperate?

3 A. Yes.

4 Q. Why?

5 A. Because, one, because it seemed like the right thing to do
6 and, two, to try to get a shorter -- because I thought it was
7 likely I was going to be charged, so I wanted to get a
8 shorter -- trying to avoid a prison sentence.

9 Q. Had you been charged at that point?

10 A. No.

11 Q. Did you say you wanted to cooperate on that first meeting?

12 A. Yes.

13 Q. Did there come a time when you in fact pled guilty to
14 crimes?

15 A. Yes.

16 Q. In general, what crimes did you plead guilty to?

17 A. Wire fraud, commodities fraud, and securities fraud.

18 Q. In total, how many felonies did you plead guilty to?

19 A. Four.

20 Q. Was that plea based on the criminal activity you have
21 described over the last two days?

22 A. Yes.

23 Q. When you were committing the activities you testified
24 about, did you know what you were doing was wrong and illegal?

25 A. Yes.

1 Q. Did you plead guilty to any conspiracies?

2 A. Yes.

3 Q. Who were the people that you conspired with?

4 A. Sam, Caroline, and Nishad.

5 Q. And with respect to those securities charges, you pled
6 guilty to those?

7 A. Yes.

8 Q. When was your guilty plea?

9 A. In December 2022.

10 Q. How long after the bankruptcy -- how long between then and
11 when you had pled guilty?

12 A. A month.

13 Q. Are you testifying here because of an agreement you have
14 with the United States?

15 A. Yes.

16 MR. ROOS: Can you pull up for identification 3585-30.

17 Q. Mr. Wang, do you recognize this document?

18 A. Yes.

19 Q. What is it?

20 A. It's cooperation agreement I signed with the government.

21 MR. ROOS: Let's go to the last page.

22 Q. Is that your signature?

23 A. Yes.

24 MR. ROOS: The government offers 3585-30.

25 THE COURT: Received.

1 MR. EVERDELL: No objection.

2 (Government Exhibit 3585-30 received in evidence)

3 MR. ROOS: May we publish it?

4 THE COURT: Yes.

5 MR. ROOS: Let's go back to the first page,

6 Mr. Bianco.

7 Q. Mr. Wang, that is your cooperation agreement?

8 A. Yes.

9 Q. How many pages is it?

10 A. Six.

11 MR. ROOS: Let's go to the second page. Let's go back
12 to the first page.

13 Q. Are those the crimes that you pled guilty to listed on the
14 first page?

15 A. Yes.

16 MR. ROOS: Let's go to the second page.

17 Q. I want to focus here on what your obligations are, what
18 your understanding is of your obligations under the cooperation
19 agreement. What do you understand that you have to do?

20 A. That I would need to meet with the government and answer
21 their questions truthfully, tell them anything I know, give
22 them access to any devices or records that I have, that I would
23 not commit any other crimes, that I would testify if asked to
24 on behalf of the government, and tell the truth.

25 Q. Let me ask you, did you meet with the government?

1 A. Yes.

2 Q. How many times?

3 A. About a dozen.

4 Q. Could be more?

5 A. Yes.

6 Q. During those meetings, what happened?

7 A. The government asked me questions, and then I truthfully
8 answered them.

9 Q. Did you ever talk about the defendant in any of those
10 meetings?

11 A. Yes.

12 Q. What about other people?

13 A. Yes.

14 Q. Did you ever have any meetings just focused on computer
15 code?

16 A. Yes.

17 Q. You're testifying here pursuant to your cooperation
18 agreement you said, is that right?

19 A. Yes.

20 Q. What obligation does your agreement impose about your
21 testimony here today?

22 A. That I must be truthful.

23 Q. If you satisfy your obligations under this agreement, what
24 is your understanding of what the government will do?

25 A. The government will write a letter to the judge, a 5K

1 letter, telling them the way in which I have been helpful.

2 Q. What's a 5K letter?

3 A. It's a letter that the government writes to the judge
4 before I get sentenced that describes my conduct.

5 Q. When you say your conduct, does it describe the bad things
6 you've done?

7 A. Yes.

8 Q. What about the cooperation, does it describe those things?

9 A. Yes.

10 Q. What is your understanding about whether the government
11 makes any recommendation about your sentencing in that letter?

12 A. It does not.

13 Q. Who gets that letter?

14 A. The judge.

15 Q. If you were to violate your agreement by not telling the
16 truth, what do you understand would happen to your agreement?

17 A. The agreement would have no effect, that it would
18 effectively be torn up.

19 Q. Have you been sentenced yet for the crimes you pled guilty
20 to?

21 A. No.

22 Q. What's the maximum sentence you could face?

23 A. Fifty years.

24 Q. Have you received any promises about the sentence you are
25 going to get?

1 A. No.

2 Q. Is it fair to say you hope to get a lesser sentence?

3 A. Yes.

4 Q. Sitting here today, what sort of sentence are you hoping
5 for?

6 A. Ideally, no prison time.

7 Q. Just to be clear, before you're sentenced, you expect the
8 government to submit a 5K letter, is that right?

9 A. Yes.

10 Q. And you said it could have good things and bad things,
11 right?

12 A. Yes.

13 Q. You want the 5K letter, right, though?

14 MR. EVERDELL: Objection.

15 THE COURT: Overruled.

16 Q. You want the 5K letter, right?

17 A. Yes.

18 Q. Why is that?

19 A. Because it would be helpful during sentencing.

20 Q. Do you understand that the government will make a specific
21 sentencing recommendation?

22 A. No.

23 Q. Sorry. Just to be clear about my question, which was not
24 clear, will the government, based on what you know, make a
25 specific sentencing recommendation?

1 A. No.

2 Q. It will not?

3 A. It will not.

4 Q. Does your getting a 5K depend on the outcome of this trial?

5 A. No.

6 Q. What matters most?

7 A. Telling the truth.

8 MR. ROOS: No further questions.

9 THE COURT: Thank you.

10 Cross-examination.

11 You may proceed.

12 CROSS-EXAMINATION

13 BY MR. EVERDELL:

14 Q. Good afternoon, Mr. Wang.

15 I would like to discuss with you some of the different
16 business relationships that Alameda had with FTX.

17 A. OK.

18 Q. You said that Alameda served as a market maker on the FTX
19 exchange, correct?

20 A. Yes.

21 Q. Market makers make offers to buy and sell a particular
22 asset at a certain price, is that right?

23 A. Yes.

24 Q. They ensure that there is always an available buyer or
25 seller of a certain asset?

1 A. Yes.

2 Q. They provide liquidity and make the trades on the exchange
3 flow smoothly?

4 A. Yes.

5 Q. Exchanges like FTX rely on market makers to provide that
6 liquidity, right?

7 A. Yes.

8 Q. Alameda was I think the very first market maker on FTX, is
9 that right?

10 A. Yes.

11 Q. And for a period of time when FTX began operating, in 2009,
12 it was the only market maker, wasn't it?

13 A. Yes.

14 Q. That meant that at the beginning Alameda was on one side or
15 the other of almost all trades on FTX, is that right?

16 A. For a short while, yes.

17 Q. And Alameda's role as a market maker on FTX was described
18 in documents that FTX put out to the public, right?

19 A. Yes.

20 Q. Alameda did not remain the only market maker on FTX,
21 correct?

22 A. Correct.

23 Q. In fact, it was always the goal to attract other market
24 makers to FTX so that Alameda wasn't the only one?

25 A. Yes.

1 Q. And by 2022, there were many market makers besides Alameda,
2 right?

3 A. Yes.

4 Q. Now, one thing that Alameda did as a market maker was it
5 facilitated access to stablecoins, is that right?

6 A. Yes.

7 Q. You mentioned stablecoin is just a cryptocurrency that's
8 pegged to an asset, right?

9 A. Yes.

10 Q. If FTX didn't have enough of a particular stablecoin on
11 hand to satisfy a customer's withdrawal request, Alameda would
12 go out and purchase that stablecoin and satisfy the customer's
13 withdrawal, right?

14 A. Yes. Either purchase it or go through the stablecoin
15 issuer by depositing dollars to a stablecoin issuer and getting
16 back the stablecoin.

17 Q. Another service that Alameda performed is a market maker
18 was providing FTX customers with access to new
19 cryptocurrencies, right?

20 A. Yes.

21 Q. New cryptocurrencies are created all the time?

22 A. Yes.

23 Q. So FTX customers might want to be able to buy those new
24 coins on the exchange?

25 A. Yes.

1 Q. So Alameda would submit offers for those new tokens before
2 they were officially listed?

3 A. At the same time it's being listed, yes.

4 Q. Simultaneous with their listing?

5 A. Yes.

6 Q. And FTX customers could start trading on those tokens
7 immediately when they were available for sale on FTX?

8 A. Yes.

9 Q. I think you mentioned backstop liquidity providers in your
10 testimony, right?

11 A. Yes.

12 Q. Alameda also served as a backstop liquidity provider on
13 FTX, is that right?

14 A. Yes.

15 Q. Backstop liquidity providers agreed to buy assets that are
16 held by users whose accounts are losing too much money, right?

17 A. Yes.

18 Q. And that protects the rest of the FTX customers from
19 incurring losses, right?

20 A. Yes. As well as FTX itself.

21 Q. And FTX itself?

22 A. Yes.

23 Q. The liquidity provider will step in to purchase those
24 assets of the failing customer?

25 A. Yes.

1 Q. And Alameda was not the only backstop liquidity provider on
2 the FTX exchange?

3 A. Yes, correct, it was not the only one.

4 Q. But Alameda did agree to buy the assets even if other
5 backstop liquidity providers could not?

6 A. Correct.

7 Q. So the backstop liquidity provider of last resort, correct?

8 A. Yes. Not only a last resort, but also last resort, yes.

9 Q. But they would agree to step in if nobody else could buy
10 the assets?

11 A. Yes.

12 Q. Now, let me ask you about some of the things you testified
13 about.

14 You testified about certain, I think you called them
15 special privileges that Alameda had on FTX, is that right?

16 A. Yes.

17 Q. And they were coded into the code base?

18 A. Yes.

19 Q. And you were one of the people who did that coding, you
20 said?

21 A. Yes.

22 Q. And Nishad was another?

23 A. Yes.

24 Q. One of them you talked about was the allow-negative
25 function, is that right?

1 A. Yes.

2 Q. I think you said that allowed customers to withdraw even
3 beyond their balance, right?

4 A. Yes.

5 Q. It even allowed the balance to go negative if need be,
6 right?

7 A. Yeah, if it's enabled to the new accounts.

8 Q. And I think you said that that flag was coded into the
9 database sometime in 2019?

10 A. Yes.

11 Q. And it was applied to Alameda's accounts also in 2019?

12 A. Yes.

13 Q. Now, you, I think, testified that the feature allowed
14 Alameda to withdraw funds, regardless of the amount of funds in
15 its account, right?

16 A. Yes.

17 Q. And it allowed Alameda to carry a negative balance?

18 A. Yes.

19 Q. Now, isn't it true that the reason this feature was
20 implemented was to facilitate Alameda's market-making
21 functions?

22 A. It was for paying for its expenses and for doing stablecoin
23 conversions.

24 Q. As we discussed, those stablecoin conversions were part of
25 Alameda's market-making functions.

1 A. The stablecoin conversions wasn't really market making per
2 se. It was for facilitating customers' money to do a deposit
3 and withdrawal, different forms of stablecoins for USD.

4 Q. Mr. Wang, do you recall discussing this topic with the
5 prosecutors, the allow-negative function?

6 A. Yes.

7 Q. In particular, do you recall speaking to the prosecutors on
8 November 17?

9 A. Yes.

10 Q. That was one of the first times you spoke to the
11 prosecutors?

12 A. Yes.

13 Q. And do you recall at that time being asked about the
14 allow-negative function?

15 A. Yes.

16 Q. Isn't it true that at that meeting there were the -- the
17 prosecutors were there, right?

18 A. Yes.

19 Q. And the FBI agents were there, correct?

20 A. Yes.

21 Q. And you there as well of course?

22 A. Yes.

23 Q. And you were proffering to the government at that meeting,
24 right?

25 A. Yes.

1 Q. This was your attempt --

2 THE COURT: Could we get to the point.

3 MR. EVERDELL: Yes, your Honor.

4 Q. Isn't it true, Mr. Wang, that at that meeting you told the
5 prosecutors that the allow-negative flag was added to Alameda
6 as part of their role as a market maker?

7 A. I don't remember exactly what words I said.

8 Q. Let's see if we can refresh your recollection.

9 MR. EVERDELL: Let's put up on the screen, if we
10 could, what's been marked for identification as 3585-009. This
11 is just for the witness. Go to page 3 and blow up the last
12 paragraph.

13 Q. If we could read the first sentence, Mr. Wang.

14 THE COURT: To yourself.

15 MR. EVERDELL: To yourself.

16 A. OK.

17 Q. You've read it?

18 A. Yes.

19 Q. Does that refresh your recollection about whether you told
20 the prosecutors at your meeting on November 17 that the
21 allow-negative flag was added to Alameda as part of their role
22 as a market maker?

23 A. I mean -- I don't remember if I said exactly this or not.

24 Q. You don't remember whether you said it or not?

25 A. No.

1 Q. Is it true that that's what's said there?

2 MR. ROOS: Objection.

3 THE COURT: Sustained.

4 And don't do that again, Mr. Everdell.

5 MR. EVERDELL: Yes, your Honor.

6 We will take that down.

7 THE COURT: The jury will disregard that question.

8 Q. You also, I think, spoke to the prosecutors again on August
9 31, isn't that right?

10 A. Yes.

11 Q. And were you -- I believe you were again asked about the
12 allow-negative flag at that meeting as well?

13 A. Yes.

14 Q. And isn't it true that at that meeting you also told the
15 prosecutors that the allow-negative flag was there because it
16 was necessary from when you converted between stablecoins and
17 that this was a part of Alameda's market-making functions?

18 A. I don't remember if I used the words market-making
19 functions or not, but I definitely did say the first parts.

20 Q. You said the first part, but you don't recall saying that
21 it was part of their market-making functions?

22 A. I may well have, but I don't remember.

23 Q. Let me see if I can refresh your recollection.

24 MR. EVERDELL: If we can pull up please what's been
25 marked for identification as 3585-025.

1 If we could go to page 7 of that document, the bottom,
2 the second paragraph.

3 Q. If you could read that to yourself, Mr. Wang.

4 A. Yes.

5 Q. Does that refresh your recollection about whether or not
6 you told the prosecutors, on August 31 of 2023, that in order
7 to do a stablecoin conversion that it was -- that the
8 allow-negative flag was necessary for that and that this was
9 part of Alameda's market-making function?

10 MR. ROOS: Objection. Compound.

11 THE COURT: Sustained. Form.

12 MR. EVERDELL: I'll break it up.

13 Q. Do you recall saying to the government -- does it refresh
14 your recollection that you told the government that the
15 allow-negative flag was necessary for converting between
16 stablecoins?

17 A. Yes.

18 Q. And does it refresh your recollection that you also told
19 the government that this was part of Alameda's market-making
20 function?

21 A. I don't know if I used those exact words or not. I may
22 have said market making. I may have also said for the
23 functionality of the exchange.

24 MR. EVERDELL: Take that down.

25 Q. Being able to go negative was necessary so that Alameda

1 could satisfy stablecoin requests, isn't that right?

2 A. Yes.

3 Q. To provide stablecoins to customers, Alameda sometimes had
4 to withdraw one stablecoin from the exchange and convert it to
5 another and then put the new stablecoin back onto the exchange,
6 right?

7 A. Yes.

8 Q. And to do that Alameda sometimes had to go negative in its
9 balance, is that right?

10 A. Yes.

11 Q. And Alameda wasn't the only customer that could go negative
12 in a particular coin, isn't that right?

13 A. I'm sorry. Can you repeat that question.

14 Q. FTX is a margin exchange, isn't that right?

15 A. Yes.

16 Q. So customers that are engaging in margin trading have to go
17 negative in particular coins when they borrow things that they
18 don't have, correct?

19 A. If they have spot margin enabled, yes.

20 Q. If they have spot margin enabled, and they borrow an asset
21 that they don't have, they will go negative with the coins, is
22 that right?

23 A. Yes.

24 Q. Now, I'll return to that in a minute, but I want to get to
25 another function that you discussed.

1 One of the other special privileges you discussed was
2 the line of credit, correct?

3 A. Yes.

4 Q. You said that at one point Alameda had a \$65 billion line
5 of credit?

6 A. Yes.

7 Q. And you said that that allowed Alameda to effectively
8 borrow unlimited amounts of -- from the FTX exchange because it
9 had unlimited collateral, right?

10 A. Yes.

11 Q. Isn't it also true that the line of credit?

12 THE COURT: I'm sorry. Excuse me.

13 Because it had unlimited collateral?

14 THE WITNESS: It has the \$65 billion of collateral so
15 it could -- because it had that and it also had the
16 can-withdraw-below-borrow column set on their accounts. In
17 addition to being able to withdraw because of allow negative,
18 they could also withdraw a large amount of funds because they
19 had the line for the -- in addition to having the
20 allow-negative flag sets, which would allows them to drop
21 funds, they also had the large line of credit, and they had the
22 can-withdraw-below-borrow flags set under accounts.

23 THE COURT: When you referred to collateral a minute
24 ago, it was to the line of credit, is that right?

25 THE WITNESS: Yes.

1 THE COURT: Go ahead.

2 Q. The line of credit could function as collateral, right?

3 A. Yes.

4 Q. Now, that large line of credit that you discussed was also
5 originally provided for a market-making purpose, is that
6 correct?

7 A. Yes.

8 Q. As a primary market maker, Alameda had to act as the buyer
9 in a lot of trades, as we discussed, right?

10 A. Yes.

11 Q. That meant it often had to borrow funds on margin to make
12 purchases as its function as a market maker?

13 A. Well, it wasn't borrowing on margin because it did not have
14 spot margin enabled, so it could not be borrowing spot tokens.

15 Q. But it did have to make a number of trades on a day-to-day
16 basis as a market maker?

17 A. Yes.

18 Q. And if it was making so many trades as the primary market
19 maker, it might exceed the collateral it had posted if it were
20 making so many trades?

21 A. If they were all going in one direction, yes.

22 Q. I think you testified about some conversations that you had
23 with Sam about this issue, right, about the size of the line of
24 credit?

25 A. Yes.

1 Q. I think you said that originally you -- it needed to be
2 increased, right, as things -- as time went on?

3 A. Yes.

4 Q. And at first it started with smaller amounts, right?

5 A. Yes.

6 Q. Maybe in the size of a million or so, right?

7 A. Yes.

8 Q. And then you'd hit that limit, correct?

9 A. Yes.

10 Q. So you have to increase it again?

11 A. Yes.

12 Q. And there were a couple of these iterations where it hit
13 the limit, isn't that right?

14 A. Yes.

15 Q. And so, ultimately, Sam asked you to increase the limit so
16 that this wouldn't happen again, right?

17 A. Yes.

18 (Continued on next page)

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25

1 BY MR. EVERDELL:

2 Q. Okay. And so you said that the number eventually picked
3 was 65 billion; is that right?

4 A. Well, the first—the first time, we picked a number so high
5 that it would never be hit, that kind of number was picked was
6 1 billion, and then it was hit again, and then the number
7 picked was 65 billion.

8 Q. Okay. But the goal of doing this was simply to get to a
9 point where it wouldn't—it wouldn't impact the trading
10 activity, right?

11 A. It would not impact Alameda placing orders on the exchange
12 for market making.

13 Q. In its role as a market maker, right?

14 A. Yes.

15 Q. And you don't recall who picked the 65 billion number, do
16 you?

17 A. It was—I mean, it was one of the two of us.

18 Q. Okay. But in fact, the amount of Alameda's actual
19 borrowing on the exchange for itself never reached 65 billion,
20 right?

21 A. Correct.

22 Q. Okay. So that was just sort of a notional number to make
23 sure that this problem of butting up against the ceiling didn't
24 happen again, right?

25 A. Yes.

1 Q. And what was more typical for Alameda in terms of the
2 amount of borrowing against the line of credit?

3 A. Well, do you mean the amount that it was actually borrowing
4 or owning the—also including open orders and being used for
5 those?

6 Q. Including open orders.

7 A. Including open orders, I'm not sure. I wasn't keeping
8 track of the total size of Alameda open orders.

9 Q. Okay. All right. Now you also—I'll come back to that one
10 as well.

11 I just want to talk briefly to you about the exemption
12 from auto-liquidation, okay?

13 A. Yes.

14 Q. Okay. I think you testified that Alameda would not be
15 liquidated; is that right?

16 A. Yes.

17 Q. Okay. And I think you said that, you know, if certain
18 situations arise and there's enough of a negative balance, that
19 there would normally be a customer liquidation, right?

20 A. Yes.

21 Q. But that would not happen with Alameda, right?

22 A. Correct.

23 Q. Because of the way the coding worked, right?

24 A. Correct.

25 Q. Okay. So the exemption from auto-deletion, again, was

1 originally for a market-making purpose, wasn't it?

2 A. The—for what?

3 Q. For a market-making purpose.

4 A. What purpose was for market making?

5 MR. EVERDELL: I'm sorry. One moment.

6 Q. I meant to say auto-liquidation. I misspoke. Originally
7 the auto-liquidation feature was for market-making purposes,
8 right?

9 A. The automatic liquidation system on FTX?

10 Q. Yes.

11 A. Well, it was for—it was to protect customers from
12 clawbacks.

13 Q. Let me rephrase the question.

14 The exemption from the auto-liquidation that Alameda
15 had was originally to serve its market-making purpose, right?

16 A. So the exemption had a few purposes. One was to prevent
17 Alameda from losing money if its position was all liquidated at
18 once; and two, it was also to protect the market from giant
19 price movements caused by Alameda's giant position being
20 liquidated.

21 Q. Let's talk about the first one now. It was to protect the
22 exchange. And it's true that, as we discussed, Alameda was a
23 backstop liquidity provider, right, of last resort, right?

24 MR. ROOS: Objection, compound.

25 Q. Right?

1 THE COURT: Sustained, form.

2 Q. Sure. Alameda functioned as a backstop liquidity provider,
3 right?

4 A. Yes.

5 Q. And it had to act as a buyer in a lot of trades for that
6 reason, right?

7 A. Buyer? I mean, liquidated—sometimes people would get
8 liquidated and sometimes Alameda would provide the liquidation.

9 Q. And sometimes it was the only market maker that was willing
10 to make those purchases to effect the liquidation, right?

11 A. Yes.

12 Q. And if Alameda were liquidated, it's possible that FTX
13 would run out of buyers in a liquidation scenario, right?

14 A. Yes.

15 Q. Okay. And if that happened, there would be risk then that
16 other customers would have to buy assets that they had not
17 signed up to buy, right?

18 Let me see if I can rephrase. If Alameda wasn't
19 willing to buy up the liquidation assets and nobody else was
20 willing to, then the assets might have to be spread to the
21 other customers on the exchange and they would suffer a loss,
22 right?

23 A. I think it's not true for spots, for spot assets. I think
24 that is true for futures, yes.

25 Q. Okay. But if Alameda were liquidated, they couldn't serve

1 that function, right?

2 A. Yes.

3 Q. Okay. And in fact, they—I don't think they were the only
4 customer that was exempted from auto-liquidation, right?

5 THE COURT: The question is you don't think that?
6 Rephrase the question.

7 MR. EVERDELL: Sure.

8 Q. Alameda wasn't the only customer on FTX to be exempted from
9 auto-liquidation, right?

10 A. Well, other accounts were manually liquidated.

11 Q. Okay. I'll move on.

12 MR. EVERDELL: One moment, your Honor.

13 Q. Sorry. One further question about the line of credit we
14 talked about before.

15 A. Okay.

16 Q. That was for Alameda's info@ account, correct?

17 A. Yes.

18 Q. That was I think account No. 9 that you talked about
19 before?

20 A. Yes.

21 Q. Okay. And you said that was Alameda's main trading
22 account, right?

23 A. Yes.

24 Q. Okay. All right. Now you testified also that one of the
25 other features was that Alameda had a bit faster trading; is

1 that right?

2 A. Yes.

3 Q. Okay. And that was I think the result of not having to go
4 through a program called Cloudflare, right?

5 A. Yes.

6 Q. Okay. Cloudflare is designed to prevent fraudulent logins,
7 right, of people getting onto the exchange?

8 A. Primarily it was used for—it was used for a few things.
9 It was used to prevent DDoS attacks, so to protect against
10 distributed denial-of-service attacks, where malicious users
11 would try to—would try to disrupt FTX by sending large number
12 of requests from different computers to try to take down FTX.

13 Q. Okay. Well, so Cloudflare served a security function,
14 right?

15 A. Yes.

16 Q. Okay. And if you had to go through Cloudflare, that might
17 slow it down a tiny fraction, right?

18 A. A few milliseconds, yes.

19 Q. Okay. But because Alameda was a trusted party, they didn't
20 have to use Cloudflare, right?

21 A. Yes.

22 Q. Okay. And FTX trusted Alameda not to, you know, violate
23 the terms of the exchange, right?

24 MR. ROOS: Objection.

25 THE COURT: Sustained.

1 Q. Well, it didn't—it didn't feel like it needed to have
2 Alameda use Cloudflare.

3 MR. ROOS: Same objection.

4 THE COURT: Sustained.

5 Q. All right. Well, as of October 2022, there were other
6 customers who could bypass Cloudflare too, right?

7 A. Yes.

8 Q. Okay. So Alameda wasn't the only customer who could do
9 this.

10 A. "This" being bypass Cloudflare or having slightly faster
11 auto-executions?

12 Q. Bypass Cloudflare.

13 A. Yes.

14 Q. Okay. I'm going to return to those in a bit, but I'm going
15 to move on to something different, okay?

16 A. Okay.

17 Q. All right. I want to talk briefly about Alameda's role as
18 a customer on FTX, okay?

19 A. Okay.

20 Q. All right. You just said that Alameda had a trading
21 account on FTX?

22 A. Yes.

23 Q. And its primary trading account was called the info@
24 account, right?

25 A. Yes.

1 Q. Okay. And Alameda engaged in margin trading on FTX?

2 A. Did not—well, the main account did not engage in spot
3 margin trading. They traded futures.

4 Q. But there were—Alameda had dozens or hundreds of
5 subaccounts, didn't it?

6 A. Yes.

7 Q. Okay. And some of those subaccounts had margin trading
8 enabled.

9 A. Yes.

10 Q. So those subaccounts engaged in margin trading on FTX.

11 A. Well, those subaccounts—so there were a few subaccounts
12 involved in this. One of them had "Allow Negative" sets and
13 another subaccount had small-margin lending enabled, and assets
14 were transferred from the "Allow Negative" subaccount to the
15 spot margin trading subaccount to the users.

16 Q. I believe my question was simply: Did Alameda, in one of
17 its subaccounts, engage in margin trading?

18 A. Well, it didn't—I don't think either of those two accounts
19 borrowed on the spot margin or—one of them was "Allow
20 Negative," the other one engaged in spot margin lending.

21 Q. All right. Well, you said that Alameda borrowed money from
22 the exchange, yes?

23 A. Yes.

24 Q. And you spoke to Sam early on about Alameda's borrowing
25 from FTX; is that right?

1 A. Yes.

2 Q. Okay. I think you recalled a conversation in about 2019 or
3 2020; is that right?

4 A. Yes.

5 Q. And you recall noticing that Alameda had a large negative
6 account balance on FTX.

7 A. Yes.

8 Q. Okay. And I think you understood the balance was at that
9 point roughly 100 million?

10 A. Are you referring to the first conversation I had with Sam
11 or the second conversation?

12 Q. Maybe the first conversation.

13 A. The one—well, the one where the Alameda trader came up to
14 him or the one where I brought up the issue with him?

15 Q. The one where the trader came up to him.

16 A. I think they were borrowing a hundred—yeah, about a
17 hundred million, yes.

18 Q. And you said that that balance you saw was bigger because
19 you had had the conversation around FTX's revenue at the time.

20 A. No. This was when a trader from Alameda came up to Sam to
21 ask him if it's fine for Alameda to continue borrowing and—to
22 continue borrowing, and Sam said yes because at this point
23 Alameda's borrowing was less than FTX's trading revenue to
24 date.

25 Q. Right. And so that Alameda's borrowing at that point was

1 less than FTX's trading revenue to date, right?

2 A. Yes.

3 Q. And you talked to Sam about that, right?

4 A. No, that I did not talk to Sam about. It was later on,
5 referencing this conversation that I heard, that I talked to
6 Sam about, because at that point Alameda's negative balance had
7 exceeded FTX's trading revenue, which was inconsistent with
8 what I remember him saying to the Alameda trader.

9 Q. Right. Okay. So you approached Sam and you discussed that
10 with him on that date, right?

11 A. Yes.

12 Q. Okay. And when was that?

13 A. This was late 2019, early 2020.

14 Q. Okay. And what was Sam's response to that?

15 A. Sam asked me if I was including all of Alameda's accounts
16 on FTX, including Cottonwood Grove, and asking about including
17 the FTT in those accounts.

18 Q. Okay. So he asked whether you were including other assets,
19 right?

20 A. Yes.

21 Q. Including FTT, right?

22 A. Yes.

23 Q. Okay. And you accepted that explanation?

24 A. I—well, I—I said I was not including those assets, and
25 then I redid the calculation including those assets and I told

1 him that after including those assets, then it's now positive
2 on FTX. And yes, I—and then—and then he said that since the
3 net total was positive, then this was fine, and then I accepted
4 that.

5 Q. Right. Okay. So let's break that down. He asked you if
6 you were including other assets, right?

7 A. Yes.

8 Q. And one of them was Cottonwood, you said?

9 A. The assets held in the Cottonwood account on FTX.

10 Q. What's Cottonwood?

11 A. It's Alameda's—it's one of Alameda's subsidiary entities.

12 Q. Okay. So it's an Alameda subsidiary, right?

13 A. Yes.

14 Q. And so he pointed out some other assets that Alameda had
15 that you hadn't been considering, right?

16 A. Yes.

17 Q. Okay. And he said that when you include all of those
18 assets and you tally them up, it covers the amount that Alameda
19 is borrowing at that point, right?

20 A. Yes.

21 Q. Okay. And you said that you accepted that from him, right?

22 A. Yes.

23 Q. Okay. You had no reason to doubt him at the time, right?

24 A. Well, I wouldn't—I wasn't sure either way if it was okay
25 or not, but I trusted his judgment. He said it was okay, so I

1 thought probably it was okay.

2 Q. Okay. And, well, you didn't, for example, check what the
3 FTX terms of service said about that topic, did you?

4 A. No.

5 Q. Okay. You accepted Sam's.

6 A. Yes.

7 Q. All right. Okay. I'm going to return to that later too,
8 but let's talk briefly about another role Alameda performed for
9 the exchange, okay?

10 A. Okay.

11 Q. Let's talk very briefly about Alameda's role in receiving
12 FTX customer fiat deposits, okay?

13 A. Yes.

14 Q. All right. You said that FTX used Alameda's bank accounts
15 to receive FTX customer cash deposits, right?

16 A. Yes.

17 Q. And FTX also processed withdrawals through those same
18 accounts.

19 A. Yes.

20 Q. And that lasted until about the end of 2021; is that right?

21 A. Yes.

22 Q. That's when FTX got its own bank accounts?

23 A. Around that time.

24 Q. Okay. Mr. Wang, are you aware of any instance prior to
25 November 2022, around the time of the bankruptcy, when Alameda

1 failed to process a customer withdrawal request?

2 A. I mean, sometimes there weren't enough—sometimes wallets
3 or bank accounts were running low and there was a delay caused
4 by needing to—by Alameda needing to transfer money in.

5 Q. Well, apart from those instances where Alameda needed to
6 transfer a little money in, did it happen in those instances?

7 MR. ROOS: Objection, form.

8 THE COURT: Sustained as to form.

9 Q. I'll rephrase. Did Alameda transfer money on those
10 occasions?

11 A. Yes, after—sometimes it took a few hours, but yes.

12 Q. But it would take about a few hours, you said, right?

13 A. Yes.

14 Q. So pretty quickly that would be resolved.

15 A. Yes.

16 Q. Okay. Apart from what you just described, prior to
17 November 2022, around the time of the bankruptcy that you
18 described, are you aware of any instance where Alameda failed
19 to process a customer withdrawal request?

20 A. Not for longer than a day.

21 Q. Okay. All right. Now just talk briefly about the fiat@
22 ledger, just the mechanics of it.

23 A. Yes.

24 Q. Okay. You testified about the fiat@ ledger, correct?

25 A. Yes.

1 Q. Did you create that ledger?

2 A. Either I created it or Nishad created it.

3 Q. Okay. Now once the fiat funds were deposited into the
4 Alameda accounts, a few things could happen to them, right?
5 They could stay in the bank account, right?

6 MR. ROOS: Objection. Just to the form.

7 MR. EVERDELL: I'll rephrase, your Honor, if you want.

8 THE COURT: All right. Go ahead.

9 Q. Once the fiat funds were deposited in the Alameda bank
10 accounts, they could stay in the bank accounts, right?

11 A. Yes.

12 Q. Okay. Then the fiat@ account would reflect the full amount
13 of cash that stayed in the Alameda account, right?

14 A. If Alameda never withdrew funds from the account, yes.

15 Q. Okay. Correct. And the second possibility was the cash
16 could be converted to stablecoin, right?

17 A. Yes.

18 Q. And Alameda could take the customer's cash deposit and buy
19 the stablecoin, right?

20 A. Yes.

21 Q. And then Alameda would send those stablecoin to FTX.

22 A. Yes.

23 Q. And if it did that, the fiat@ account would become less
24 negative at that point, right?

25 A. No. The—if it did that, the bank account would have less

1 money in it, but the fiat@ftx.com account would still have the
2 same balance as before.

3 Q. Understood. Okay. But the stablecoin would be transferred
4 to FTX, right?

5 A. The stablecoin would be deposited into—Alameda would take
6 those stablecoin and deposit them into Alameda's own account on
7 FTX, so the fiat@ account could still be negative but the
8 Alameda account would be—would now be more positive.

9 Q. Alameda's own bank account.

10 A. No. Alameda's account on FTX.

11 Q. Alameda's account on FTX, because it would have stablecoin
12 on that account.

13 A. There would now be fewer dollars in Alameda's bank account,
14 there would be more dollars—there would be more stablecoin in
15 FTX's wallets, the number in the database at fiat would stay
16 the same, and the number in FTX's database for Alameda would
17 increase.

18 Q. Understood. All right. And it was your understanding that
19 that's ideally how the situation should have happened, where it
20 was converted to stablecoin?

21 MR. ROOS: Objection to "ideally."

22 MR. EVERDELL: I'm sorry, your Honor?

23 THE COURT: I'm sorry.

24 MR. EVERDELL: I think there was an objection.

25 MR. ROOS: I objected on form to the description of

1 "ideally."

2 THE COURT: Sustained as to form.

3 MR. EVERDELL: Okay. I'll rephrase.

4 BY MR. EVERDELL:

5 Q. And was it your understanding that the customer fiat
6 deposits that went to the bank account would normally be
7 converted to stablecoin?

8 A. Yes.

9 Q. Okay. But there was no rule that that had to happen,
10 right?

11 A. I'm not sure if there was a—it was explicitly stated
12 anywhere on the website, but it was mentioned to auditors by
13 Nishad at one point.

14 Q. Okay. Before we return to those, I just have a few smaller
15 questions, because I think we're getting toward the end of our
16 time.

17 MR. EVERDELL: But I'll do a few small things, your
18 Honor, if I could.

19 Q. First, Mr. Wang, you testified earlier, I think it was the
20 day before, that you met Sam at camp; is that right?

21 A. Yes.

22 Q. That was a math camp for gifted students, right?

23 A. Yes.

24 Q. Let me talk just briefly about your role at FTX, if I
25 could.

1 A. Yes.

2 Q. All right. You were the chief technical officer; is that
3 right?

4 A. Yes.

5 Q. That's the CTO, right?

6 A. Yes.

7 MR. ROOS: Objection. This is all cumulative of the
8 direct.

9 THE COURT: Yes. Well, this part is anyway.

10 MR. EVERDELL: All right. I'll move on.

11 Q. So your role was focused on the code and the code base,
12 right?

13 A. Yes.

14 Q. Okay.

15 MR. ROOS: Objection.

16 THE COURT: It's been answered, but let's stop that,
17 please.

18 MR. EVERDELL: Okay. Understood, your Honor.

19 Q. You were not focused on the business side of the business?

20 THE COURT: What part of "let's stop that" was
21 obscure?

22 MR. EVERDELL: Okay. All right.

23 Q. Let's talk briefly about the growth of FTX, okay?

24 A. Okay.

25 Q. Once FTX launched in 2019, fair to say it grew very

1 quickly?

2 A. Yes.

3 Q. Do you know how many employees it had when you started in
4 2019?

5 A. When we started, it was just Sam and I working directly on
6 FTX, and like—and then a couple other people.

7 Q. And then by 2022, how many did you have, roughly?

8 THE COURT: Counsel, we really did cover all of this,
9 and it's uncontroversial, and if we're really going on because
10 you want to get right to the dot of 2, I think we can break
11 seven minutes early and let you start off afresh on Tuesday.

12 MR. EVERDELL: Sure. That sounds fine, your Honor.

13 THE COURT: All right, folks. Have a wonderful
14 weekend and we'll see you Tuesday at 9:30.

15 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Okay. Be seated, please.

3 What's up?

4 MR. ROOS: I'm going to let the witness walk out of
5 the room, if that's okay.

6 THE COURT: I'm sure that will come as a relief.

7 MR. ROOS: So he's on cross. We're not going to talk
8 to him. I wanted to mention the two exceptions to that. One
9 is, he's going to speak with some agents just about what time
10 to appear on Tuesday; and the second is, to the extent he needs
11 hotel or travel arrangements extended past this week, we're
12 going to deal with that. But it won't be me. It will be
13 someone who does those things. I just wanted to put those on
14 the record.

15 In terms of his cross-examination, there were several
16 times Mr. Everdell said "we'll come back to this," or, "I'm
17 going to come back to this further." I just want to put a
18 marker down that we intend to object to that if we're just
19 repeating things or revisiting topics on Tuesday when we pick
20 up. It sort of seemed like he wants a second shot at a bunch
21 of things he already crossed on.

22 THE COURT: Well, look, we take these things one thing
23 at a time. My position on repeating stuff is pretty clear at
24 this point, but I can imagine coming back to a subject and
25 simply directing the witness's attention to what the subject is

1 about to be and then asking new questions, and I'm not going to
2 have a problem with that.

3 MR. ROOS: Thank you, your Honor.

4 And then the last thing is, yesterday evening your
5 Honor asked about the schedule for next week.

6 THE COURT: Yes.

7 MR. ROOS: So we'll have the conclusion of the cross
8 of Mr. Wang on Tuesday, and then we intend to start
9 Ms. Ellison, Caroline Ellison.

10 THE COURT: One other thing I may wish to raise with
11 you.

12 There is something I want to bring to the attention of
13 counsel, and we have plenty of time, but it occurs to me to
14 utter the phrase "buried facts doctrine" and to put in your
15 mind the question of whether it has any relevance here or
16 anything analogous to it, and whether it's going to affect the
17 charge. So I leave that to you. But if you Google "buried
18 facts doctrine," you'll find out what I'm talking about, if you
19 don't know it already.

20 MR. ROOS: Thank you, your Honor.

21 THE COURT: Okay. Thank you.

22 MR. COHEN: Thank you, your Honor.

23 THE DEPUTY CLERK: All rise.

24 (Adjourned to October 10, 2023, at 9:30 a.m.)
25

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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 October 10, 2023
9:30 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

16 BY: DANIELLE R. SASSOON

17 NICOLAS ROOS

18 DANIELLE KUDLA

19 SAMUEL RAYMOND

20 THANE REHN

21 Assistant United States Attorneys

22 COHEN & GRESSER, LLP

23 Attorneys for Defendant

24 BY: MARK S. COHEN

25 CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

DAVID F. LISNER

Also Present:

Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present)

2 THE COURT: Good morning, everyone.

3 Before we get the jury, Mr. Everdell, I got the filing
4 a short time ago that you filed after 11:00 last night, so I am
5 not going to be ruling on it now.

6 I assume the government got it, yes?

7 MR. ROOS: Yes, your Honor.

8 THE COURT: What is your pleasure? Do you wish to
9 make a written response, or what do you want to do?

10 MR. ROOS: No. I think, broadly speaking, we don't
11 have an objection to them inquiring about.

12 THE COURT: You do or you don't?

13 MR. ROOS: We do not have an objection to the broad
14 topic of, were lawyers involved in the loan documentation in
15 some form. I think we will take the questions as they come in
16 terms of specific objections, but we don't have an objection to
17 him inquiring on cross this morning into this topic.

18 THE COURT: Then I don't have to do anything at the
19 moment.

20 Let's get the jury.

21 MR. ROOS: Your Honor, can we get the witness as well?

22 THE COURT: Yes. Sure.

23 (Jury present)

24 THE COURT: Good morning, everybody.

25 Mr. Wang, you are still under oath.

1 Mr. Everdell, you may continue.

2 MR. EVERDELL: Thank you, your Honor.

3 GARY WANG, resumed.

4 CROSS-EXAMINATION (cont'd)

5 BY MR. EVERDELL:

6 Q. Good morning, Mr. Wang.

7 A. Good morning.

8 Q. I want to talk to you about the time period in June of
9 2022. All right?

10 A. OK.

11 Q. I believe you testified before that in June 2022 the prices
12 of a number of cryptocurrencies fell by a large amount, is that
13 right?

14 A. Yes.

15 Q. Were you following the prices of cryptocurrencies at the
16 time, generally?

17 A. Loosely.

18 Q. Were you following the prices of Bitcoin at the time?

19 A. Yes.

20 Q. You can follow them on publicly available websites, right?

21 A. Yes.

22 Q. Like Yahoo Finance?

23 A. Yes.

24 MR. EVERDELL: If we could call up, please, just for
25 the witness Defense Exhibit 1614, please.

1 Q. Do you see that in front of you, Mr. Wang?

2 A. Yes.

3 Q. Do you know what that is?

4 A. It's a graph of the price of Bitcoin.

5 Q. From January 2022 to October 2022?

6 A. Yes.

7 MR. EVERDELL: Your Honor, the government offers
8 Defense Exhibit 1614.

9 THE COURT: I don't think so.

10 MR. ROOS: Your Honor, two things. One, the
11 government does not offer this.

12 THE COURT: That was the point.

13 MR. EVERDELL: The defense offers.

14 MR. ROOS: The other is, I am not sure if there is a
15 foundation about whether the witness thinks it fairly and
16 accurately actually reflects the price of Bitcoin.

17 THE COURT: Sustained as to form.

18 Q. Mr. Wang, based on what you are seeing in front of you,
19 does this, in your opinion, fairly and accurately represent the
20 fluctuations of the price of Bitcoin during that time period?

21 A. Yes.

22 MR. EVERDELL: Your Honor, the defense offers defense
23 Exhibit 1614, please.

24 THE COURT: Received.

25 (Defendant's Exhibit 1614 received in evidence)

1 MR. EVERDELL: If we could publish that to the jury,
2 please.

3 Q. Mr. Wang, looking at what's in front of you, you see the
4 graph, it begins over on the left side, that's January of 2022?

5 A. Yes.

6 Q. Over on the right side is October 2022, right?

7 A. Yes.

8 Q. Just looking at this peaks and valleys here, I am going to
9 see if I can circle one here. You see where I circled?

10 A. Yes.

11 Q. That's around June of 2022, right?

12 A. Yes.

13 Q. What do you observe happening here?

14 A. The price fell.

15 Q. And there was a previous fall here, right, in May?

16 A. Yes.

17 MR. EVERDELL: We can take that down.

18 Q. So that fall in the price of Bitcoin caused a downturn in
19 the crypto markets, isn't that right?

20 A. Yes.

21 Q. And some of the Alameda's lenders were asking for their
22 money back at that time?

23 A. Yes.

24 Q. I believe you testified that around that time Sam gave you
25 and Nishad Singh and Caroline Ellison a project to calculate

1 Alameda's total balances on FTX, is that right?

2 A. Yes.

3 Q. And what was the reason this project needed to be done at
4 that point?

5 A. I mean at the time he told us to do it I didn't know at the
6 time. Later on I realized it was to figure out whether or not
7 Alameda returned the balances to the lenders.

8 Q. But you did work on this spreadsheet with Nishad and
9 Caroline to calculate Alameda's balances on the FTX exchange?

10 A. Yes.

11 Q. And when you first calculated the balances, I think you
12 said that it showed a debt that appeared way too big, is that
13 right?

14 A. Yes.

15 Q. Meaning it looked like Alameda owed FTX billions more than
16 it actually did?

17 A. Yes.

18 Q. But then you determined that the amount was overstated by
19 about 8 billion because of the bug in the fiat account?

20 A. Yes.

21 Q. When you corrected for the bug, the actual number of fiat
22 liability was, you said, roughly negative 11 million at that
23 point.

24 A. Yes.

25 Q. You had known about the bug for several months, correct?

1 A. Yes.

2 Q. You think it had been discovered at the end of 2021,
3 roughly?

4 A. Yes.

5 Q. But you hadn't gotten the chance to fix it yet?

6 A. Yes.

7 Q. So you knew about the debt that Alameda owed to FTX for a
8 few months prior to the bug fix?

9 A. Yes.

10 Q. Did you think it was a problem when you first learned of
11 it?

12 A. I mean, I learned of how much Alameda was borrowing from
13 FTX even before that when Sam was asking me to calculate how
14 much of -- how much to charge interest on Alameda's line of
15 credits.

16 THE COURT: I'm sorry. Mr. Wang, can you try to speak
17 a little bit more slowly.

18 A. I don't know -- how much Alameda was borrowing from FTX a
19 couple of months before that, when Sam asked me to calculate
20 how much interest to charge on Alameda's line of credit on FTX.

21 Q. I'm asking about when you found out about the bug. You
22 learned about the bug discovered in the end of 2021?

23 A. Yes.

24 Q. At that point -- let's move on to June of 2022, when you
25 did the spreadsheet. All right?

1 A. OK.

2 THE COURT: Sorry. Just let me see if we can clarify.

3 When you learned about the bug at the end of 2021, did
4 you or did you not know the amount of the overstatement?

5 THE WITNESS: I think at that point overstatement was
6 around 500 million.

7 THE COURT: And did you or did you not know what was
8 owed by Alameda to FTX at that time?

9 THE WITNESS: At that time I don't think I did an
10 exact calculation of what that number was, but I had a rough
11 idea.

12 THE COURT: Go ahead.

13 Q. Let's move forward then to June of 2022, when you worked on
14 the spreadsheet.

15 You recall being shown that spreadsheet when you
16 testified on direct examination, right?

17 A. Yes.

18 MR. EVERDELL: If we can pull up Government's Exhibit
19 50, which is already in evidence, please, and we can go to
20 sheet 2.

21 Q. This is the spreadsheet that you worked on in June of 2022?

22 A. Yes.

23 Q. If you look at cells -- if you look at cells C13 and C14.
24 You see those?

25 A. Yes.

1 Q. The top one, negative 19 billion, that is the fiat
2 liability precorrection, right?

3 A. Yes.

4 Q. And below that is the correction itself?

5 A. Yes.

6 Q. And if you sum the two together, which is towards the
7 bottom here -- I'll just circle it, if you can see it. Is that
8 the sum there?

9 A. Yes.

10 Q. So the corrected sum is, you said, negative 11 billion,
11 roughly?

12 A. Yes.

13 Q. And if you go -- that's just the fiat@ liability?

14 A. Yes.

15 Q. Again, just to remind ourselves, that reflects the amount
16 of cash deposits that FTX customers had placed on Alameda's
17 bank accounts, right?

18 A. Yes.

19 Q. Now, if you go to copy of sheet 2 and you go to that cell
20 over at J2, which is now highlighted. You see that?

21 A. Yes.

22 Q. Where it says Gary's number, that's also roughly negative
23 11 billion, a little bit higher?

24 A. Yes.

25 Q. And that number represents the amount of all of Alameda's

1 balances on the FTX exchange, right?

2 A. Yes.

3 Q. According to your calculations.

4 MR. EVERDELL: We can take that down.

5 Q. Now, that number that we just looked at, the negative 11
6 billion, that represented just Alameda's balances on the FTX
7 exchange, correct?

8 A. Yes.

9 Q. So that did not include any assets that Alameda held off of
10 the FTX exchange?

11 A. Yes. That's correct.

12 Q. If, for example, Alameda had cryptocurrency held on a
13 different exchange, that spreadsheet would not reflect it?

14 MR. ROOS: Objection. Assumes a fact not in evidence.

15 THE COURT: Overruled.

16 A. Can you repeat the question.

17 Q. So, for example, if Alameda held cryptocurrency on a
18 different exchange than FTX, that spreadsheet would not reflect
19 it?

20 A. That's correct.

21 Q. Or if Alameda held any other assets that were not at FTX,
22 it wouldn't reflect it?

23 A. That's correct.

24 Q. Isn't it true that Alameda had several billions of dollars
25 worth of assets that were held off of the FTX exchange?

1 A. I wasn't sure exactly what assets Alameda had at the time.

2 Q. Well, are you familiar with the term net asset value?

3 A. Yes.

4 Q. That's sometimes called NAV?

5 A. Yes.

6 Q. It just means that your assets minus your liabilities,
7 right, roughly speaking?

8 A. Yes.

9 Q. If you have a positive NAV, you have more assets than you
10 have liabilities, right?

11 A. Yes.

12 Q. Now, isn't it true that when you figured out the
13 miscalculation caused by the fiat bug, you realized Alameda's
14 overall NAV became positive?

15 A. Yes.

16 Q. So the overall NAV included all of Alameda's assets, no
17 matter where they were held, right?

18 A. Yes.

19 Q. And in fact you felt relieved when you saw Alameda's NAV
20 was positive after all of that, right?

21 A. Yes.

22 Q. Among other things, that meant that the fiat liability was
23 secured by assets?

24 A. Not necessarily liquid assets and not assets that could be
25 deposited onto FTX or be used to pay customers who are

1 trying --

2 Q. I am not talking about liquid versus nonliquid. I'm just
3 talking about assets in general. There were assets more than
4 liabilities at that point, correct?

5 A. According to the current -- market values that we were
6 using to compute them, yes.

7 Q. That was enough to make you feel relieved, as you said?

8 A. Yes.

9 Q. And how did Caroline and Nishad appear to you when they
10 learned this?

11 A. I don't recall.

12 Q. Isn't it true that you believed that they also felt relief?

13 A. I am not sure.

14 Q. Well, once you determined that the NAV was positive for
15 Alameda, at that point Caroline paid back the lenders, isn't
16 that right?

17 A. Yes.

18 Q. And isn't it true that Alameda's net asset value remained
19 positive all the way up to November of 2022?

20 A. It depends a lot on how much value you assign to Alameda's
21 investments in other companies, whether you should mark them
22 down because of the crypto downturn or not, according to a
23 calculation that's made.

24 Q. According to some calculations, Alameda's NAV was positive
25 all the way through November of 2022?

1 A. There was some calculation that seemed to feel this, so I
2 am not, but I am not sure how accurate that was.

3 Q. Thinking back to the numbers that we just looked at in that
4 spreadsheet, you said that the fiat liability that we looked
5 at was roughly negative 11 billion, right?

6 A. Yes.

7 Q. And Alameda's total liability was roughly negative 11
8 billion on that spreadsheet, right?

9 A. On FTX.

10 Q. On FTX?

11 A. Yes.

12 Q. So the fiat liability represented almost all of Alameda's
13 debt to FTX in June of 2022, isn't that right?

14 A. I mean, there is a lot of positive and negative numbers --
15 the other accounts also had a bunch of positive and negative
16 numbers that summed up the deal at current market prices at the
17 time, but that some of that included Serum and --
18 cryptocurrency such as serum and FTT that were -- that were
19 illiquid and, if so, wouldn't be able to get the full value.

20 Q. I'm simply asking about the numbers on the spreadsheet.
21 The numbers on the spreadsheet reflect about 11 billion
22 liability for fiat and almost a total of 11 billion liability
23 on the exchange, right?

24 A. Yes.

25 Q. Those are roughly equivalent.

1 A. I think they were off by 200 million or so.

2 Q. Now, in the months following June 2022, there was a project
3 to get a clearer picture of what Alameda's net asset value was,
4 right?

5 A. Yes.

6 Q. And that included getting a clearer picture of the fiat@
7 liability that was owed by Alameda?

8 A. Yes.

9 Q. And I think by November of 2022, after that project had
10 been completed, I think you estimated the fiat@ liability was
11 roughly negative 8 billion.

12 A. In November, yes.

13 Q. In November, right. OK.

14 And that fiat@ liability was still almost all the debt
15 that Alameda owed to FTX in November.

16 A. Roughly, if you treat cryptocurrency and USD as equivalent
17 to each other. Like if you treat like Bitcoin that Alameda
18 withdrew as being the equivalent to FTT or Serum that Alameda
19 had on FTX, yes.

20 Q. You said that, in November of 2022, you estimated the debt
21 around 8 billion, right?

22 A. Yes.

23 Q. Alameda's debt to FTX?

24 A. Yes.

25 Q. And the fiat@ liability in particular was around 8 billion?

1 A. Yes.

2 Q. We have been focusing on the balance of the fiat@ account
3 just for now. But just to be clear, the fiat@ account is
4 totally separate from the info@ account, right?

5 A. I mean eventually the balance of one was transferred to the
6 other, into a subaccount of the other.

7 Q. Let's step back to then June.

8 MR. EVERDELL: We can pull up Government's Exhibit 50.

9 A. In June, it was totally separate.

10 Q. In June, they were separate.

11 MR. EVERDELL: Let's look at, if we can go, sheet 2,
12 please.

13 Q. So we have looked at this page before, right, and we see in
14 C13 and C14, that's the fiat@ liability, is that correct?

15 A. Yes.

16 Q. Now, if you look at C17.

17 MR. EVERDELL: Can you highlight that, please, that
18 number.

19 Q. That number refers to the account for
20 info@alamedaresearch.com, right?

21 A. Yes.

22 Q. So that's what we have been calling the info@ account,
23 right?

24 A. The main account.

25 Q. The main trading account?

1 A. The main account, as opposed to the subaccounts of the main
2 account.

3 Q. For Alameda?

4 A. Yes.

5 Q. This is Alameda's main trading account on the FTX exchange?

6 A. Yes.

7 Q. And what I want to say, just to be clear, in at least June,
8 as you are doing the spreadsheet, the fiat@ account is totally
9 separate from the info@ account, right?

10 A. Yes.

11 Q. Because the fiat@ account was a ledger that kept track of
12 FTX's customers' cash deposits that were sent to Alameda's bank
13 accounts, right?

14 A. Yes.

15 Q. The customers wired those funds directly to Alameda's bank
16 accounts, not to FTX, correct?

17 A. Yes.

18 Q. And if customers wanted to take cash withdrawals, the fiat@
19 account would keep track of the withdrawals too, right?

20 A. Yes.

21 Q. The info@ account, on the other hand, you said, was the
22 main trading account, right?

23 A. Yes.

24 Q. And it had a bunch of different subaccounts?

25 A. Yes.

1 Q. Some of those subaccounts had spot margin enable on them,
2 right?

3 A. One of them did, yes.

4 Q. So they could engage in spot-margin trading on that
5 account?

6 A. Yes.

7 Q. And the main account could engage in futures trading,
8 right?

9 A. As well as -- as far as I knew, they do all the trading on
10 their main account and not the subaccounts.

11 Q. They could do all that kind of margin trading on the main
12 account?

13 A. They did futures trading and they did spot trading on the
14 main account.

15 Q. Got it.

16 So if Alameda withdrew any funds from the FTX
17 exchange, it would be reflected in the info@ account, right?

18 A. Yes.

19 Q. Not the fiat@ account?

20 A. Yes.

21 Q. I think you testified on Friday that Alameda had withdrawn,
22 you used the word withdrawn, 8 billion from FTX, right?

23 A. Well -- yes. But it depends on whether you count the bank
24 account as part of FTX loan.

25 Q. These are Alameda's own bank accounts, yes?

1 A. That held customer funds.

2 Q. But if you're with withdrawing from the bank accounts,
3 you're withdrawing from Alameda's bank accounts, correct?

4 A. You're withdrawing customer funds from an account owned by
5 Alameda, yes.

6 Q. You are not withdrawing them off of the exchange, is my
7 point?

8 A. Through funds that were deposited by customers onto the
9 exchange which are being housed in Alameda bank accounts which
10 then Alameda withdrew. It depends whether that counts --
11 depends on what you want to call that.

12 Q. You recall being asked last week about Alameda's line of
13 credit from FTX?

14 A. Yes.

15 Q. You testified that Alameda had a \$65 billion line of
16 credit?

17 A. Yes.

18 Q. So if Alameda borrowed any funds from FTX under its line of
19 credit, that would be reflected in the info@ account, right?

20 A. Yes.

21 Q. Because the line of credit didn't apply to the fiat ledger
22 that tracked the cash deposits?

23 A. Yes.

24 Q. So if Alameda withdrew funds from FTX to pay back its
25 lenders in June and the months following, you would expect the

1 info@ account liability to increase?

2 A. Unless they withdrew it from a different subaccount that
3 had a negative but no line of credits.

4 Q. But not from the fiat account?

5 A. Not from the fiat account.

6 Q. It would come from one of the accounts on the exchange.

7 A. The money might still have come from the bank account. I
8 don't know if the payments were made in cryptocurrency or in
9 dollars from bank accounts.

10 Q. You don't know one way or the other?

11 A. If it's cryptocurrency, then it would come from info@ or
12 one of its subaccounts. If it is U.S. dollars, then it would
13 come from the bank account.

14 Q. If it was cryptocurrency it would come from the info
15 account?

16 A. Yes.

17 MR. ROOS: Asked and answered.

18 A. Or if it's coming from FTX, it also would come from
19 somewhere else.

20 Q. I'm simply saying that, if there were a withdrawal from the
21 exchange of cryptocurrency to pay back lenders who withdraw
22 from the FTX exchange, that would be reflected in the info@
23 balance?

24 A. Yes.

25 Q. Now, the info@ account, we just looked at it, had a balance

1 of negative roughly 2.7 billion in June of 2022, is that right?

2 A. Yes.

3 Q. That's what the spreadsheet reflects?

4 A. Yes. For the main account, not counting the subaccounts.

5 Q. I think you testified as well that the main account or the
6 info account had roughly the same balance of about negative 3
7 billion in late 2021.

8 A. That was counting all of the subaccounts together, I think.

9 Q. But roughly between 2.7, 3 billion, depending on which
10 subaccounts you're talking about, right?

11 A. I was looking at the total across all subaccounts, so I am
12 not sure one way or the other, if you only look at the main
13 accounts, whether that would be negative 3 billion or not.

14 Q. Based on what you had seen in the spreadsheet in June and
15 what you saw in the end of 2021, the info@ liability was
16 roughly between 2.7 and 3 billion?

17 A. Here you're highlighting the main account. And in late
18 2021, I was looking at all of the subaccounts added together.

19 Q. Fine. But either way, we are talking in the ballpark of
20 2.7 to 3 billion, right?

21 A. In June, the main account had that number in the ballpark
22 and in late 2021, all of the accounts together had in the
23 ballpark of that number.

24 Q. Well, focusing on June, where it's 2.7 in the main account,
25 right?

1 A. Yes.

2 Q. You said that the line of credit it had was 65 billion,
3 right?

4 A. Yes.

5 MR. ROOS: Objection. Asked and answered.

6 THE COURT: Sustained.

7 Q. Despite the line of credit that we talked about, it wasn't
8 drawing on nearly that amount of money?

9 MR. ROOS: Objection. Vague.

10 THE COURT: Sustained.

11 Q. You don't know sitting here today, Mr. Wang, whether the
12 info@ borrowing increased as a result of paying back the
13 lenders, Alameda's lenders in June and the months following?

14 A. Correct.

15 Q. And if it did, you don't know by how much.

16 A. Correct.

17 Q. And you don't know, sitting here today, how the number that
18 was paid back or -- compares to the amount of collateral that
19 Alameda had on the exchange?

20 MR. ROOS: Objection. He just said he doesn't know
21 any of this.

22 THE COURT: Sustained.

23 MR. EVERDELL: A moment, your Honor.

24 Q. Mr. Wang, Alameda held assets on the FTX exchange, correct?

25 A. Yes.

1 Q. What was the main asset that was held by Alameda on the FTX
2 exchange?

3 A. What do you mean by main asset?

4 Q. I'll put it this way. Did Alameda hold FTT on the FTX
5 exchange?

6 A. Yes.

7 Q. And FTT was FTX's own token, right?

8 A. Yes.

9 Q. It stood for FTX token?

10 A. Yes.

11 Q. You helped create FTT, correct?

12 A. Yes.

13 Q. FTT was first introduced in 2019?

14 A. Yes.

15 Q. FTX customers could trade FTT on the FTX exchange.

16 A. Yes.

17 Q. FTT was also traded on other cryptocurrency exchanges?

18 A. Yes.

19 Q. FTX did not set the price of FTT on other exchanges?

20 A. Alameda traded FTT on other exchanges. But, no, FTX itself
21 did not set the price of FTT and --

22 Q. It traded at a market price?

23 A. Yes.

24 Q. Do you recall what price FTT was trading at in 2022, before
25 the days leading up to the bankruptcy?

1 A. I don't remember the exact price.

2 Q. Let's see if this refreshes your recollection.

3 MR. EVERDELL: Could we display just for the witness
4 what's been marked as DX-1096.

5 Q. Do you see that, Mr. Wang?

6 A. Yes.

7 Q. Does that refresh your recollection about what the price of
8 FTT was trading at during 2022?

9 THE COURT: The question is whether it refreshes your
10 recollection. You are not to just read it.

11 A. Yes.

12 MR. EVERDELL: We can take that down then.

13 Q. Your recollection refreshed, do you know roughly how much
14 it was trading at during this time period in 2022?

15 MR. ROOS: Objection. What time period?

16 THE COURT: Sustained.

17 Q. Trading at between January of 2022 and up to the beginning
18 of just first day of November of 2022.

19 A. Like 20 or 30 or \$40, roughly, some double digit number of
20 dollars each.

21 Q. Per token.

22 A. Per token.

23 Q. And do you know what the approximate value of the FTT that
24 was held by Alameda on the FTX exchange prior to November was
25 worth mark to market?

1 A. I think -- I am not sure that that number was the exact
2 number, but I think it was around 1 or \$2 billion.

3 Q. But you are not certain?

4 A. No.

5 Q. Third parties -- separate question, Mr. Wang. Did third
6 parties accept FTT as compensation or collateral?

7 A. What third parties?

8 Q. For example, do you recall that when FTX was launched in
9 2019, Binance bought a partial stake in the company?

10 A. Yes.

11 Q. And in connection with that deal Binance also agreed to
12 acquire 35 million FTT tokens from FTX, right?

13 A. I don't remember the exact number, but some of them were
14 FTT tokens.

15 Q. Binance ended up selling their stake in FTT in around 2021?

16 A. Selling their stake in FTX?

17 Q. I'm sorry. FTX in 2021.

18 A. Yes.

19 Q. As part of their compensation for selling their stake in
20 FTX in 2021, Binance accepted FTT tokens?

21 A. I am not sure.

22 MR. EVERDELL: If we can pull up just for the witness
23 what's been marked for identification as DX-1200.

24 We will come back to that, your Honor.

25 I think I misread it. I'm sorry. Can we pull that up

1 one more time, DX-1200. It's the top part. We can blow that
2 up.

3 Q. If you could take a look at that and see if that refreshes
4 your recollection, Mr. Wang.

5 THE COURT: See if it refreshes his recollection as to
6 what?

7 MR. EVERDELL: As to whether or not Binance accepted
8 FTT tokens when it sold its stake in FTX.

9 A. I am not sure.

10 MR. EVERDELL: We will take that down.

11 Q. Mr. Wang, you said you created the fiat@ ledger, is that
12 correct?

13 A. Yes.

14 Q. Were there any documents that memorialized the creation of
15 the FTX ledger?

16 A. There were conversations on Slack about it, the internal
17 messaging that we used.

18 Q. Now, you created the fiat@ ledger when Alameda first
19 started taking FTX customer deposits into its bank accounts,
20 correct?

21 A. Yes.

22 Q. Approximately when was that?

23 A. It was in early 2019.

24 Q. When you set up the fiat@ account in 2019, as you said, did
25 you have a view at that time as to what Alameda could do with

1 the customer deposits that are reflected in the fiat@ ledger?

2 A. My understanding was that Alameda would either keep it
3 there or convert it into stablecoins and then deposit those
4 into its FTX accounts.

5 Q. Did you have a view at that point about whether or not
6 Alameda could use the funds?

7 A. Could use the funds for the purpose I just said.

8 Q. So it was your view, in 2019, that what Alameda could do
9 with those funds was either convert them to stablecoins and
10 transfer them to their account on the exchange or hold the
11 money in the bank accounts, is that right?

12 A. Or transfer them to a different bank account. If they had
13 multiple bank accounts for holding -- for taking FTX customer
14 deposits and withdrawals, if they have multiple bank accounts
15 in different countries, it would also be fine --

16 THE COURT: Mr. Wang, please slow down.

17 A. If they had multiple bank accounts in different countries
18 for taking customer deposits, it was also fine to transfer
19 funds between those bank accounts.

20 Q. So you could keep it in its own bank accounts, and it may
21 have had several bank accounts, right?

22 A. Yes.

23 Q. Or you're saying you could have transferred it as
24 stablecoins to its account on the exchange.

25 A. Yes.

1 Q. That's the sum total of what you thought it could do with
2 the money.

3 A. Yes.

4 Q. What was your view based on?

5 A. So a couple of things. One was just from talking to Sam.
6 Another was just understanding of how exchanges work, that
7 deposits were still owned by customers, based on my experience
8 working for Alameda, which was a customer of different
9 exchanges.

10 Q. So in your experience working for Alameda, did you form
11 this opinion?

12 A. Part of this opinion.

13 Q. And you had worked for Alameda for two years prior to this,
14 right?

15 A. Yes.

16 Q. And I think sort of general understanding of what may
17 happen in the industry is what you said.

18 MR. ROOS: That's not all he said. Objection.

19 THE COURT: Sustained.

20 Q. Well, your experience working at Alameda was part of this,
21 right?

22 A. Yes.

23 Q. Anything else?

24 A. And also just from talking to Sam about the process of
25 depositing -- customers depositing fiat into the bank account

1 and then Alameda depositing stablecoins into its -- from
2 talking to Sam about the process of customers depositing
3 dollars into a bank account and then Alameda converting that
4 into stablecoins.

5 Q. So that sounds like a conversation about the process of
6 depositing the accounts and converting them into stablecoins?

7 A. Yes.

8 Q. To your knowledge, were there any documents or policies in
9 2019 that defined what Alameda could or could not do with the
10 funds it received?

11 A. Not that I know of.

12 Q. You never read the terms of service, correct?

13 A. Not in its entirety, no.

14 Q. You don't know what the terms of service says or doesn't
15 say about what Alameda could do with the funds that were
16 deposited in its bank accounts?

17 A. No.

18 Q. Did your view change at any point?

19 A. My view of what Alameda was allowed to do?

20 Q. Correct.

21 A. I mean, when I talked to Sam in late 2019 about Alameda
22 having borrowed -- of having borrowed from FTX, and he said
23 that it was fine.

24 In late 2019, when I talked to Sam about Alameda's
25 negative balances and Sam said it was fine as long as -- if you

1 include the value of all -- if you include the value of all of
2 Alameda's holdings on FTX, including FTT, if that was positive,
3 if the total value was positive, then it was fine. That
4 influenced -- that made me think that it was maybe fine for
5 Alameda to be withdrawing funds.

6 Q. I am going to move on to a different topic, Mr. Wang.

7 Now, I want to ask you a few questions about some of
8 the tweets that you were shown on direct examination. OK?

9 A. OK.

10 Q. You were shown one of Sam's tweets, I think from July 31,
11 2019, with someone who called himself Bitshine, is that right?

12 A. Yes.

13 Q. That was a tweet where Sam told Bitshine that Alameda was
14 treated like every other FTX customer, right?

15 A. Yes.

16 MR. EVERDELL: If we can put up for the jury what's
17 already in evidence as Government's Exhibit 817.

18 Q. Now, before we take a look at that, Mr. Wang, are you
19 familiar with the term front running?

20 A. Yes.

21 Q. What is front running?

22 A. It's when some market maker on an exchange sees a different
23 customer's orders before it gets processed and places another
24 order ahead of the customer, before the customer's order gets
25 processed.

1 Q. What's the issue with doing that?

2 A. It means that the customer might get a worse price.

3 Q. For the front-running customer to do that, they need to
4 have awareness of what's happening in the markets to be able to
5 jump ahead, right?

6 A. Yes.

7 THE COURT: Sorry. You said a moment ago it means
8 that the customer might get a worse price. Which customer, the
9 front-running customer or the customer whose order was seen
10 before it was processed?

11 THE WITNESS: The customer whose order was seen before
12 it was processed.

13 THE COURT: Thank you.

14 Q. Was front running a concern at FTX?

15 A. What do you mean by concern?

16 Q. Was it something that FTX tried to prevent?

17 A. I mean, I don't think we did anything one way or the other
18 to prevent it. I mean, it was not a thing that happened at
19 FTX, because there was not a way for anybody to see people's
20 orders before they were processed.

21 Q. Now, Sam was, at least in 2019, when this tweet was sent,
22 he was still -- he owned Alameda, correct?

23 A. Yes.

24 Q. And that was a crypto trading firm, right?

25 A. Yes.

1 Q. And he was the CEO of FTX, right?

2 A. Yes.

3 Q. Which was a crypto exchange?

4 A. Yes.

5 Q. If Alameda got inside information about the movement of
6 crypto assets and the prices on FTX, theoretically, it could
7 trade against it, yes?

8 A. Yes.

9 Q. To your knowledge, Alameda wasn't given any kind of access
10 like that, correct?

11 A. No.

12 Q. So now let's look at what's in front here of the jury as
13 Government's Exhibit 817. I am going to look just at the top,
14 which is the question that's posed by Bitshine. I will read it
15 out. It says: @SBF_Alameda, how are you going to resolve the
16 conflict of interest of running your own derivative exchange
17 and actively trading against the market at the same time?
18 People complain that @cryptohayes trades against the market;
19 yet FTX is your shop and your shop is out there.

20 Did I read that correctly?

21 A. Yes.

22 Q. That is a question about front running, right?

23 MR. ROOS: Objection.

24 THE COURT: What is the objection?

25 MR. ROOS: Foundation.

1 THE COURT: Sustained.

2 Q. That is the question that Sam was responding to, right,
3 when he said below that Alameda is -- their account is just
4 like everyone else's, right?

5 THE COURT: I'm sorry. Your question, Mr. Everdell.
6 When you say that is the question, you are referring to the
7 first part of Government Exhibit 817 under the heading
8 Bitshine, is that correct?

9 MR. EVERDELL: That is correct, your Honor.

10 THE COURT: Go ahead.

11 A. That is the tweet that Sam is replying to, yes.

12 Q. You testified that you heard Sam make the same sort of
13 representation about Alameda's account on phone calls, right?

14 A. Yes.

15 Q. And you said that these calls were with journalists, right?

16 A. Amongst others.

17 Q. And investors?

18 A. Yes.

19 Q. Which journalists?

20 A. I don't know.

21 Q. Which investors?

22 A. I don't remember exactly which ones.

23 Q. When did the calls take place?

24 A. Many times. During 2019, during 2020, during 2021.

25 Q. You don't know exactly when these calls took place?

1 A. They happened each of those times.

2 Q. I think you testified that you were able to overhear these
3 phone calls because you sat near Sam, right?

4 A. Yes.

5 Q. But you could only hear his end of the conversation,
6 correct?

7 A. Yes.

8 Q. So you don't know what question he was answering when he
9 said Alameda's account was treated like any other, right?

10 A. It was part of the thing he said at the beginning. As part
11 of introducing what Alameda and FTX were, from the way he said
12 it, it doesn't sound like he was actually responding to a
13 question.

14 Q. Mr. Wang, I'm simply referring to the phone calls you just
15 discussed about calls to investors and journalists, right?

16 A. Yes.

17 Q. You couldn't hear what was being said on the other end of
18 that line, correct?

19 A. Yes.

20 Q. And you didn't speak to those investors yourself, did you?

21 A. No.

22 Q. In fact, you didn't have any direct contact with investors
23 at all, isn't that right?

24 A. I think there was one instance where I talked to someone
25 technical on one of the investors. We were talking about the

1 FTX API or something.

2 Q. So you recall one instance where you may have spoken to an
3 investor?

4 A. Might have been a customer. I don't remember the details.

5 Q. You don't remember the details. Regardless, it was about a
6 technical subject, right?

7 A. Yes.

8 Q. Mr. Wang, do you recall being asked questions on direct
9 examination about clawbacks?

10 A. Yes.

11 Q. Those are sometimes called socialized losses?

12 A. Yes.

13 Q. I think you testified that clawbacks happen when customers
14 are losing money and they are not liquidated fast enough, it
15 can result in losses to other customers on the exchange, right?

16 A. Yes. On other -- that was a practice on other non-FTX
17 exchanges. That's what was happening.

18 Q. Sorry. I'll rephrase.

19 Generally speaking, if we are talking about what might
20 happen on another exchange, right?

21 A. Yes.

22 Q. Clawbacks can happen if a customer is losing money, doesn't
23 get liquidated fast enough. Then the other customers have to
24 share the loss.

25 A. Yes.

1 Q. Now, FTX tried very hard to prevent clawbacks, isn't that
2 right?

3 A. What do you mean?

4 Q. Well, FTX designed a risk engine and liquidity engine that
5 would try to stop customers from losing money to the point
6 where other customers had to share in the loss?

7 A. Yes.

8 Q. And I think you testified that Sam said that clawbacks
9 would not happen, right?

10 A. Yes.

11 Q. Do you recall who Sam made those statements to?

12 A. I mean, there was a blog post that Sam wrote where he
13 talked about how there is no clawbacks on FTX.

14 Q. Well, isn't it true that FTX fully disclosed the risks of
15 clawbacks on its website?

16 A. I don't think FTX even said that clawbacks is a thing that
17 could possibly happen on FTX.

18 Q. Let me see if you can take a look at DX-964 for
19 identification.

20 MR. EVERDELL: We can go to the second page, second to
21 last -- actually, the last two full paragraphs.

22 MR. ROOS: Sorry. Is he trying to get him to identify
23 the last two paragraphs, or is something else happening here?

24 Q. I am going to ask if this refreshes your recollection.

25 MR. ROOS: Objection to the foundation for refreshing.

1 THE COURT: Sustained.

2 Q. Mr. Wang, you recall that you said a blog post that Sam put
3 out?

4 A. Yes.

5 Q. On the subject of clawbacks, right?

6 A. Yes.

7 Q. I want you to take a look at this document again. Do you
8 recognize this?

9 A. Yes.

10 Q. Is this the blog post that you were referring to?

11 A. Yes.

12 Q. Now, taking a look at this and the paragraphs -- now,
13 stepping back, Mr. Wang, isn't it true that Sam disclosed that
14 the clawbacks were a possibility?

15 MR. ROOS: Objection.

16 THE COURT: Sustained.

17 Q. Do you have any recollection about whether in the blog post
18 that you recall Sam disclosed the possibility that clawbacks
19 could happen?

20 MR. ROOS: Objection to this. I don't know why this
21 document is up here.

22 THE COURT: Either do I.

23 MR. EVERDELL: All right. I'll take it down.

24 Q. Let me ask a more general question, Mr. Wang. Isn't it
25 true that when Sam mentioned clawbacks in things like blog

1 posts, he acknowledged the possibility that clawbacks could
2 occur?

3 MR. ROOS: Objection. Hearsay.

4 THE COURT: Sustained. Form.

5 MR. EVERDELL: I'll move on.

6 Q. Mr. Wang, during your direct testimony you were asked
7 something -- about something called the pointer system. Do you
8 recall that?

9 A. Yes.

10 Q. That was Alameda's internal software for tracking Alameda's
11 trading positions and balances across all exchanges, right?

12 A. Yes.

13 Q. And not just FTX.

14 A. Yes.

15 Q. Do you recall testifying that Sam had pointer pages up on
16 his monitors?

17 A. Yes.

18 Q. Isn't it true that pointer has dozens of different pages?

19 A. Yes.

20 Q. For example, there were fills pages, right?

21 A. Yes.

22 Q. Those tracked Alameda's trades, correct?

23 A. Yes.

24 Q. That page did not show Alameda's account balances.

25 A. Correct.

1 Q. And then there was something called a transfers page,
2 correct?

3 A. Yes.

4 Q. And that tracked Alameda's deposits and withdrawals from
5 the exchanges?

6 A. Yes.

7 Q. And that would include all exchanges, not just FTX, right?

8 A. Yes.

9 Q. That page also did not show Alameda's account balances,
10 correct?

11 A. Correct.

12 Q. And sitting here today, you don't know which pointer pages
13 Mr. Bankman-Fried had open on his screen at any given time,
14 right?

15 A. I think I remember seeing the balances page on one -- on
16 half of one of the screens, in addition to the fill screen that
17 you mentioned.

18 Q. But you can't be sure, sitting here today?

19 A. Of which screen it was on?

20 Q. Correct.

21 A. Like which monitor, which thing it was on, no. The
22 balances page was one of them, but I don't remember exactly
23 which other ones.

24 Q. And you don't know exactly when you saw this happening?

25 A. No.

1 Q. Mr. Wang, are you familiar with a document called FTX
2 stats?

3 A. Yes.

4 Q. What was FTX stats?

5 A. It was an Excel spreadsheet that Sam made once in a while.

6 Q. And that was a document that generally kept track of key
7 metrics and statistics related to the FTX exchange?

8 A. Yes.

9 Q. I want to ask you just about a few stats about the FTX
10 exchange, if I could.

11 A. Sure, yes.

12 Q. Is it true that, by 2021, FTX had roughly over 15 billion
13 in trades per day?

14 A. Yes.

15 Q. Is it also true that during that time FTX generated over 3
16 million in revenues per day, roughly?

17 A. Roughly, yes.

18 Q. And isn't it also true that, by 2022, FTX had over 6
19 million registered users?

20 A. The number I recall is around 1 million users. 6 million
21 subaccounts, but those were only for 1 million users.

22 Q. So users might have more than one subaccount, right?

23 A. Yes.

24 Q. Is the term registered user different? Does that include
25 subaccounts?

1 A. That usually refers to how many actual humans, actual
2 people, actual users, not subaccounts.

3 Q. Isn't it true then, by 2022, FTX actually had over 6
4 million registered users?

5 A. I don't think so.

6 Q. Would the FTX stat sheet help refresh your recollection?

7 A. I mean, there is a different number on the stat sheet,
8 which is number of people who have visited the website. That
9 might be the number you're looking at.

10 Q. If you saw a page that showed total registered users, would
11 that help refresh your recollection?

12 A. I'm pretty confident in the 1 million -- the spreadsheet
13 might just be incorrect, I don't know. I recall seeing 6
14 million account -- entries in the accounts table, which makes
15 it subaccounts --

16 Q. 6 million accounts. We will call it that.

17 A. Accounts and subaccounts, yes.

18 Q. Let me now ask you a few questions about the months after
19 you discovered the fiat@ bug. OK?

20 A. Yes.

21 Q. I should say, the months after June 2022, after you fixed
22 the bug.

23 A. Yes.

24 Q. After you resolved the bug issue, you and Nishad Singh
25 oversaw a review of the accounting for Alameda's net asset

1 value, is that right?

2 A. For FTX's net asset value, not Alameda's.

3 (Continued on next page)

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1 BY MR. EVERDELL:

2 Q. All right. But that would include getting a better
3 accounting for the fiat deposits and withdrawals on the Alameda
4 bank accounts, right?

5 A. Well, by 2022—by 2022, we were no longer using—FTX was no
6 longer using Alameda bank accounts.

7 Q. Right. It had its own bank accounts by that point, right?

8 A. Yes.

9 Q. But you had the issue with the fiat@ liability still
10 existing, right?

11 A. Yes.

12 Q. And so there was a project to try to incorporate that
13 liability into Alameda's net asset value as it was reflected in
14 FTX.

15 A. Not sure about the assets reflected in FTX. There was a
16 project to figure out how much of that was Alameda, how much of
17 that was FTX, yes.

18 Q. All right. So that project took place after you fixed the
19 bug, right?

20 A. Yes.

21 Q. Okay. And it was Sam who directed you to do that project,
22 right?

23 A. Yes.

24 Q. Okay. And the goal of that project was to make sure that
25 the fiat@ liability would be tracked, right, appropriately?

1 A. Yes.

2 Q. And that it would be part of Alameda's balances going
3 forward.

4 A. Yes.

5 Q. Okay. Because before that time it was not tracked as part
6 of Alameda's balances.

7 A. Well, Alameda systems knew about that account because it
8 had—yes.

9 Q. Alameda's—sorry. I didn't mean to interrupt.

10 A. The pointer system that Alameda uses has access to the—had
11 access to information about the contents of the fiat@ accounts.

12 Q. Right. Alameda's systems had that.

13 A. Yes.

14 Q. Okay. But FTX's systems that tracked the balances were not
15 tracking the fiat@ liability.

16 A. It was also tracking the fiat@ liability, just not as part
17 of Alameda's balances.

18 Q. Okay. It was not part of Alameda's balances.

19 A. Right. FTX's system, it was not part of Alameda's
20 balances.

21 Q. Okay. Got it. All right. Now are you familiar with the
22 admin user's dashboard?

23 A. Yes.

24 Q. That was a screen that could display information about any
25 customer on the FTX exchange, right?

1 A. Yes.

2 Q. And that was built for Sam?

3 A. It was built for a lot of functionalities; like, there were
4 a lot of employees at FTX who needed access to various things.

5 Q. Built for employees who wanted to see account balances on
6 FTX?

7 A. Amongst a lot of other things.

8 Q. Okay. So if Sam wanted to see the account balances of any
9 customer on the FTX exchange, he could call up that information
10 on the admin user's dashboard, right?

11 A. Yes.

12 Q. And he could do that for Alameda, for example.

13 A. Yes.

14 Q. And if he could do that, he could see information about the
15 Alameda info@ accounts and the various subaccounts, right?

16 A. Yes.

17 Q. Okay. But as you said, the fiat@ liability was not part of
18 Alameda's balances on the admin user's page; is that right?

19 A. Not as of June 2022.

20 Q. Not as of June 2022. Okay. All right.

21 A. I mean, it was added later and then removed.

22 Q. Yeah. We'll talk about that later.

23 But as of at least up till June 2022, that was not
24 reflected on the admin user's page if you called up Alameda's
25 balances.

1 A. Correct.

2 Q. Okay. Now you mentioned that it was added later. So that
3 happened after this project that we just spoke about had been
4 completed, right?

5 A. Yes.

6 Q. Okay. So even after the project was completed, the fiat@
7 liability was still—was placed in a subaccount, one of the
8 Alameda subaccounts, right?

9 MR. ROOS: Objection, form.

10 THE COURT: Overruled.

11 A. Yes.

12 Q. Okay. But it was placed in an account that did not appear
13 in the calculation of Alameda's NAV; is that right?

14 A. From what Sam and Nishad told me, it was then removed from
15 Alameda's account.

16 Q. Okay. But this is the Korean friend account that you
17 testified about before?

18 A. Yes.

19 Q. Okay. So the Korean friend account, if the fiat@ liability
20 was located there, it wouldn't appear on the admin user's
21 dashboard, right?

22 A. For Alameda's account, yes.

23 Q. Yes. If you pulled up Alameda's accounts while the fiat@
24 liability was located in that subaccount, it would not appear
25 on the dashboard, if you pulled up Alameda's accounts.

1 A. Correct.

2 Q. Okay. Okay. Now you testified that in September of 2022,
3 you took part in a discussion about whether to shut down
4 Alameda. Do you remember that?

5 A. Yes.

6 Q. Okay. I think at that time you learned that Bloomberg was
7 going to publish an article about Alameda and FTX sharing
8 office space, right?

9 A. Yes.

10 Q. And that there was a concern about that, what the
11 implication of that article might be, right?

12 A. Yes.

13 Q. Okay. That you were concerned about what people might
14 react to when they saw that.

15 A. Yes.

16 Q. Okay. And so at that point Sam circulated a memo to you
17 and Nishad, right?

18 A. Yes.

19 Q. Okay. And I think we saw that in your prior testimony,
20 right?

21 A. Yes.

22 MR. EVERDELL: All right. If we can call up
23 Government Exhibit 18.

24 And I think we can just call up the top part of the
25 document, highlight the top part down to the sixth reason in

1 this.

2 Q. This is the document that Sam circulated about Alameda?

3 A. Yes.

4 Q. Okay. So in this document, Sam expressed a number of
5 concerns about Alameda; is that right?

6 A. Yes.

7 (Reporter interrupted for clarification)

8 Q. Okay. Now that it's in front of the jurors, let's take a
9 look at this, Mr. Wang. Sam expressed a number of concerns in
10 this document, right?

11 A. Yes.

12 Q. Okay. So let's look at the first reason, all right, which
13 is—I'll just circle it here, all right? The first reason was
14 he was concerned about negative press, right, about FTX and
15 Alameda being linked together, right?

16 A. Yes.

17 Q. Okay. And he was also concerned about—in No. 2, it says,
18 "The current Alameda leadership is good, but not good enough to
19 be able to trust with such a big operation." Do you see that?

20 A. Yes.

21 Q. Okay. And it was Caroline Ellison who was the current CEO
22 of Alameda, right?

23 A. Yes.

24 Q. All right. So he was concerned that Caroline wasn't up to
25 the job of—

1 MR. ROOS: Objection.

2 Q. —running Alameda.

3 THE COURT: Sustained.

4 Q. What is your understanding of what bullet No. 2 or reason
5 No. 2 meant?

6 A. That—

7 MR. ROOS: Objection. Speaks for itself.

8 THE COURT: Sustained.

9 Q. All right. Well, let's look at 2(A), right here, all
10 right? That says, "The fact that we didn't hedge as much as we
11 should have alone cost more in EZ than all the money Alameda
12 has ever made or will ever make, and that's the kind of
13 critical mistake we're likely to make if I'm not actually
14 around running the show there."

15 Okay. So do you see where it says "that we didn't
16 hedge"?

17 A. Yes.

18 Q. Okay. What does it mean to hedge?

19 A. It means to not have a large position in one direction. So
20 if you have a large Bitcoin, if you buy a bunch of—if you buy
21 a bunch of Bitcoin futures on margin on one exchange and then
22 don't have a—to hedge that would be to then sell a bunch of
23 Bitcoin futures on another exchange so that overall you
24 would—overall, if the Bitcoin rises or falls, you don't make
25 or lose too much money.

1 Q. Okay. So I'll use a simple example, right? If I have a
2 bunch of positions, betting that the market is going to go up,
3 I might make some hedge positions that the market's going to go
4 down to kind of offset the risk; is that fair to say?

5 A. Yes.

6 Q. Okay. All right. Do you recall any issue with hedging
7 that had happened prior to this memo being circulated?

8 A. Yes.

9 Q. Can you describe what that was.

10 A. Earlier that year, in some Signal chats containing Sam, me,
11 and some traders from Alameda, Sam mentioned the possibility
12 of—of selling short some S&P 500 futures, and then a few days
13 after that, the price of a bunch of cryptocurrencies fell, and
14 then after that, Sam sent a bunch more messages being angry at
15 Alameda for not doing—for not doing that.

16 Q. Okay. So just to sum up, Sam was angry that Alameda did
17 not hedge its positions, correct?

18 A. Yes.

19 Q. And that resulted in a loss of money for Alameda, right?

20 A. Yes.

21 Q. And it was Caroline Ellison's decision not to hedge,
22 correct?

23 A. I mean, Caroline was the CEO of Alameda at the time. I
24 don't—I don't know exactly what the decision-making process
25 was.

1 Q. Well, if Sam had the ability to make the hedge, he could
2 have put on the hedge that he wanted, right?

3 MR. ROOS: Objection.

4 THE COURT: Sustained.

5 MR. EVERDELL: Okay. All right. We can remove the
6 highlighting.

7 Q. Okay. Now you see that there are also a number of other
8 reasons that Sam lists as concerns about Alameda. I won't go
9 through them all. Do you see them there?

10 A. Yes.

11 Q. Okay. But Sam didn't raise any concerns in this memo about
12 Alameda being unable to pay off its debt, correct?

13 A. Correct.

14 Q. Okay. And so Sam recommended shutting Alameda down at this
15 point, right?

16 A. I mean, he—he said that there was—he thought there was a
17 30 percent chance that shutting down Alameda was the correct
18 thing to do at this point.

19 Q. Okay. He was raising the possibility that this is
20 something we should consider.

21 A. Yes.

22 Q. Okay. And at the time you didn't think that it should be
23 shut down, right, or wound down?

24 A. Well, I wasn't sure either way, at the time that I saw
25 this.

1 Q. Okay. Well, isn't it true that you thought that from a
2 technical perspective, it would take a lot of work to replace
3 Alameda on the exchange, right?

4 A. Yes.

5 Q. Among other reasons, it would take a lot of work to replace
6 it as a market maker.

7 A. Well, as a market—there were other market makers on the
8 exchange, so that part was mostly fine.

9 Q. Well—

10 A. But this was the other thing that Alameda was doing on FTX
11 that made things—made it difficult.

12 Q. Well, didn't you tell the FBI and the prosecutors that from
13 a technical perspective, it would take a lot of work to replace
14 Alameda as a market maker?

15 A. As a—I mean, I don't know if it would affect the market
16 maker—I mean, I might have said market makers.

17 Q. Okay. Well, let me see if this refreshes your
18 recollection.

19 MR. EVERDELL: If we could pull up 3585-009, just for
20 the witness, at page 5. And it's the third paragraph from the
21 bottom.

22 Sorry, if you could re-highlight it so it gets all of
23 it.

24 Q. All right. Now if you take a look at that. And just look
25 at the last sentence there, Mr. Wang, see if that refreshes

1 your recollection.

2 A. I mean, it's possible that—

3 Q. Just take a look at the document and see if that refreshes
4 your recollection.

5 A. I mean, not—

6 THE COURT: Does it refresh your recollection is the
7 question.

8 THE WITNESS: Not in particular.

9 MR. EVERDELL: All right. Take it down.

10 Q. So you do not recall telling the FBI that from a technical
11 perspective, it would take a lot of work to replace Alameda as
12 a market maker?

13 A. I mean, definitely said that would take a lot of work on a
14 technical level to replace Alameda on FTX, and I might have
15 said market maker, I might not have said market maker. Still
16 depends on what the definition of market maker is, like if
17 you—like, last time you said that market making was placing
18 the order—

19 Q. Mr. Wang, I'm simply asking you whether or not you said
20 that to the FBI. I think your answer was you don't
21 specifically recall, right?

22 A. Yes.

23 Q. Okay. All right. Let's move on.

24 All right. Mr. Wang, you were asked some questions on
25 your direct testimony about the time period in November 2022

1 right before the bankruptcy. Do you recall that?

2 A. Yes.

3 Q. And you testified that on November 6th, Nishad came to your
4 room because he needed you to try to increase the speed of
5 processing customer withdrawals; is that right?

6 A. Yes.

7 Q. Because there had been a rapid increase in the volume of
8 customer withdrawals at that point, right?

9 A. Yes.

10 Q. And that was because the head of Binance had tweeted that
11 he was going to sell all of his FTT tokens; isn't that right?

12 A. At the time I didn't know about that tweet. I mean,
13 that—that morning I did not know about that tweet. I found
14 out about it that evening.

15 Q. Okay. But he had done that, right?

16 A. Yes.

17 Q. And Binance was FTX's main competitor, wasn't it?

18 A. Yes.

19 Q. And his tweet triggered effectively a run on the bank at
20 FTX, right?

21 MR. ROOS: Objection to the characterization.

22 THE COURT: Sustained.

23 Q. Well, it triggered a much larger volume of customer
24 withdrawals than FTX typically experienced; is that right?

25 A. I'm not sure if it was the tweet or the leaked balance

1 sheet.

2 Q. Okay. Well, either way, that was a much larger volume of
3 withdrawals at that time.

4 A. Yes.

5 Q. And do you recall the volume of withdrawals that were
6 coming at around—on November 6th when you were asked to help
7 speed up the withdrawal process?

8 A. Yes.

9 Q. What was that?

10 A. That was the part—the part that was backing up. The part
11 that was slow was Bitcoin withdrawals.

12 Q. I'm sorry. The part that was slow? Can you repeat?

13 A. Yeah. The part—the thing that was backed up, the thing
14 that was slow, was Bitcoin withdrawals.

15 Q. Okay. But my question is: Do you remember roughly how
16 many withdrawals in dollars were happening over the course of,
17 say, November 6th?

18 THE COURT: I'm sorry. Were you asking the dollars,
19 the volume in dollars of all assets in respect of which
20 withdrawals were made, or are you asking about
21 dollar-denominated withdrawals?

22 MR. EVERDELL: Understood, your Honor. I'm asking
23 about the former. I'm trying to get a sense of the volume of
24 withdrawals off the exchange of all types of withdrawals; not
25 just dollar withdrawals, but denominated in dollars.

1 A. Yes. I think it was around a hundred million dollars an
2 hour.

3 Q. An hour. So do you know what sort of typical volume was
4 prior to that date of withdrawal volume per hour?

5 A. Around 10 million, I think. Yeah, around a hundred million
6 per day. Around 5 or 10 million, probably.

7 Q. So it was multiple above that that you were experiencing on
8 the 6th.

9 A. Yes.

10 Q. Okay. Now at that point Sam asked you to calculate how
11 many additional funds were needed to be deposited on the
12 exchange if all customers withdrew their funds, right?

13 A. Yes.

14 Q. Okay. And you did that calculation, right?

15 A. Yes.

16 Q. And I think at first you came up with 0, roughly 0.

17 A. Yes.

18 Q. But you knew that was not correct, right?

19 A. Yes.

20 Q. Because you knew that Alameda owed roughly \$8 billion to
21 FTX for the fiat liability.

22 A. I wasn't sure exactly how much they owed at the time, but
23 it seemed unlikely to me that the correct answer was 0.

24 Q. And then Sam asked if you were including that Korean friend
25 account; is that right?

1 A. Yes.

2 Q. Okay. That, at the time, wasn't an account that you were
3 familiar with, right?

4 A. Correct.

5 Q. When you did include it, you saw a different balance,
6 right?

7 A. Yes.

8 Q. That's when you saw roughly negative 8 billion, right?

9 A. Yes.

10 Q. Now to be clear, what surprised you was not that there was
11 a negative \$8 billion liability, right, or that the liability
12 existed?

13 A. Correct.

14 Q. You had known that there was a debt there for several
15 months, right?

16 A. Yes.

17 Q. What surprised you is simply that the fiat@ liability had
18 been placed in this other Alameda subaccount.

19 A. In this non-Alameda account; in this account that's not
20 part of Alameda's.

21 Q. In this other account, I should say.

22 A. Yes.

23 Q. Okay. Now this being in a different account, I think you
24 said it didn't appear on the admin user's dashboard, right?

25 A. Not unless you searched for that particular account.

1 Q. Right. So you don't know why it was relocated there,
2 right?

3 A. Well, I asked Sam and Nishad about it and they answered.

4 Q. Well, you don't know how long Sam—if Sam had been aware of
5 the transfer to this account.

6 MR. ROOS: Objection to form.

7 THE COURT: Sustained as to form.

8 Q. Okay. You don't know if and when Sam found out about the
9 fact that the liability had been transferred to this account,
10 do you?

11 A. No. I don't know exactly when that was. I mean, he knew
12 about it because he told me, but I don't know when exactly that
13 happened.

14 Q. You don't know when. Okay.

15 All right. Now the next day was November 7th; is that
16 right, Mr. Wang?

17 A. Yes.

18 Q. Okay. And I think that day Sam put out some tweets; is
19 that right?

20 A. Yes.

21 Q. Okay. And you were shown some of those in your direct
22 examination?

23 A. Yes.

24 MR. EVERDELL: All right. If we can now show—we can
25 show this to the jury as well—in evidence as Government

1 Exhibit 866.

2 And if we just put up the first—okay.

3 Q. Now I think you testified on direct that, well, first, you
4 didn't see these tweets when they came out, right?

5 A. No.

6 Q. You saw them after the fact.

7 A. Yes.

8 Q. Okay. Couple days after the fact?

9 A. I don't remember exactly when I—

10 Q. But you didn't see them when they were posted.

11 A. Correct.

12 Q. Now you said, I think on direct, that you thought this
13 tweet that assets are fine was incorrect, right?

14 A. Yes.

15 Q. And I think you said it's because your view, FTX didn't
16 have enough assets for the customer withdrawals, right?

17 A. Yes.

18 Q. Now, Mr. Wang, are you familiar with the difference between
19 "solvency" and "liquidity"?

20 A. I mean, now I am. Before the events of November 6th, I was
21 not, but during discussions there—

22 Q. Well, "solvency" roughly means that you have enough assets
23 to cover your liabilities, right?

24 A. Yes.

25 Q. "Liquidity" refers to how quickly you can convert an asset

1 to cash, right?

2 A. Yes.

3 Q. So for example, to use a simple example, if I have a
4 thousand dollars in the bank in cash and I owe \$10 to my
5 friend, I'm solvent, right?

6 A. Yes.

7 Q. Okay. Because my assets, the thousand dollars I have in
8 the bank, can cover my liabilities, which is the \$10 I owe my
9 friend.

10 A. Yes.

11 Q. And I'm also liquid, right?

12 A. Yes.

13 Q. Because my assets are in cash.

14 A. Yes.

15 Q. And I can pay my friend off right away if I need to.

16 A. Yes.

17 Q. Okay. But let's say the only asset I own is a \$100,000
18 house and I have debts of 50,000, okay? I'm still solvent,
19 right?

20 A. Yes.

21 Q. Because my assets are still well above my liabilities.

22 A. Yes.

23 Q. But I'm just not liquid, right?

24 A. Yes.

25 Q. Because to pay off my debts, I'd have to sell my house,

1 right?

2 A. Yes.

3 Q. And that could take awhile.

4 A. Yes.

5 Q. So Sam's tweet here refers to assets, correct?

6 A. I mean, also refers to other things, but that part refers
7 to assets.

8 Q. Assets. Now isn't it true that when you first talked to
9 the government about this tweet, you said you thought it was
10 true because Sam was careful to say that FTX was solvent, it
11 just wasn't liquid.

12 A. Yes.

13 Q. Okay. You—

14 A. I said it was true but misleading.

15 Q. Well—

16 THE COURT: You said it was true but what?

17 THE WITNESS: But misleading.

18 Q. All right. You said it was true but misleading. Isn't it
19 true that you simply said to the government on November 17th,
20 your first proffer, that it was true because it was—he was
21 careful to say that FTX was solvent but not liquid?

22 A. I said that amongst other things, yes.

23 Q. Okay. Well, isn't it true that you also met with the
24 government a few days later, on November 29th?

25 A. Yes.

1 Q. All right. And at that point you also said that it was
2 true because the announcement was FTX was solvent and
3 had—Alameda had collateral, including FTT and Serum?

4 THE COURT: I'm sorry. I can't hear you.

5 MR. EVERDELL: I'll rephrase, your Honor.

6 Q. Isn't it true that you spoke again to the FBI a few days
7 later?

8 A. Yes.

9 Q. The prosecutors were there too, right?

10 A. Yes.

11 Q. And isn't it true at that session with them you also said
12 that you thought the tweet was true because Sam was careful to
13 say that FTX was solvent, it just wasn't liquid, and it was
14 solvent because it had collateral?

15 MR. ROOS: Objection to compound. Also, this tweet
16 doesn't say solvent in it, so—

17 THE COURT: Sustained as to form.

18 Q. Okay. Isn't it true that you said the same thing, that you
19 thought the tweet was true, you said the same thing to the FBI
20 a few days later?

21 A. Probably, yes.

22 Q. And isn't it true that you said that Alameda had collateral
23 at that meeting?

24 A. Yes.

25 Q. Okay. All right. Mr. Wang, I'll move on to a different

1 topic.

2 You testified about some loans you received. Do you
3 recall that?

4 A. Yes.

5 Q. Okay. I think you testified that you received over
6 \$200 million in loans from Alameda, right?

7 A. Yes.

8 Q. And I think you testified that you received these loans for
9 two different purposes; is that right?

10 A. Yes.

11 Q. The first category you said were loans you received so that
12 FTX could make venture investments, right?

13 A. Yes.

14 Q. And you received several of those loans.

15 A. Yes.

16 Q. The second category was a personal loan that you received
17 to buy a house, right?

18 A. So I received a—after the first company loan, I then
19 needed to pay interest on that loan, which I didn't have money
20 for, so then I asked Sam to give me—what to do about this, and
21 then he gave my account at FTX a \$1 million loan for the
22 interest payments.

23 And then after—and then afterward—and then at some
24 point afterward, maybe a year afterwards, I had then used
25 \$200,000—well, he gave me the million dollars for this and

1 other—whatever else I needed to pay for, and then about a year
2 after that I used \$200,000 of that; I withdrew \$200,000 of that
3 for a house.

4 Q. I'm going to see if I can break that down a bit.

5 You said that you got loans to pay for venture
6 investments, right?

7 A. Yes.

8 Q. And you said I think just now at one point you also got a
9 loan because the interest you owed on your prior loans, you
10 needed money to pay that interest.

11 A. Yes.

12 Q. Okay. And you also got a loan at some point later, which
13 you used some of to pay for a house.

14 A. That was the same loan.

15 Q. Same loan as the one to pay for the interest.

16 A. Yes.

17 Q. Okay. Got it. That one I think was for a million dollars;
18 is that right?

19 A. Yes.

20 Q. And you withdrew, or you used \$200,000 of it to pay for a
21 house, right?

22 A. Yes.

23 Q. All right. The loans that you received were memorialized,
24 weren't they?

25 A. Yes.

1 Q. They were memorialized in what's called promissory notes,
2 right?

3 A. Yes.

4 Q. A promissory note is a written agreement between a borrower
5 and a lender?

6 A. Yes.

7 Q. And it says the borrower will pay back the amount borrowed
8 plus interest.

9 A. Yes.

10 Q. Who was involved in drafting those promissory notes?

11 A. Not sure exactly who was involved, but they were handed to
12 me by lawyers.

13 Q. Okay. Which lawyers handed you the loans?

14 A. Some of them came from Can Sun and some of them came from
15 Dan Friedberg.

16 Q. So starting with Can Sun, what was his position at the
17 company?

18 A. He was a lawyer working for FTX.

19 Q. Wasn't he the general counsel?

20 A. Don't remember exactly what his title was.

21 Q. Was he a senior lawyer or was he someone lower down the
22 chain?

23 A. I think Dan Friedberg—he reported to Dan Friedberg, but, I
24 mean, fairly senior, I guess.

25 Q. Dan Friedberg, what was his position?

1 A. He was another lawyer for FTX.

2 Q. Okay. He was a senior lawyer at the company, right?

3 A. Yes.

4 Q. And you said these two were some of the ones who handed you
5 the promissory notes, right?

6 A. Yes.

7 Q. What was your understanding about what involvement they had
8 in structuring the promissory notes?

9 A. I wasn't sure exactly. I mean, I wasn't sure exactly what
10 the process was.

11 Q. Okay. But you knew at least they were familiar with the
12 promissory notes, right, because they were giving them to you
13 to sign.

14 A. Yes, yes.

15 Q. Okay. Did you talk to the lawyers about the promissory
16 notes before you signed them?

17 A. No.

18 Q. Okay. Do you know why the lawyers structured the
19 transactions as loans with promissory notes as opposed to some
20 other structure?

21 A. No.

22 Q. You didn't ask about that.

23 A. No.

24 Q. Okay. But you didn't have any concerns at the time you
25 were signing about how the loans were structured, did you?

1 A. No.

2 Q. Okay. Now you signed several of those promissory notes,
3 correct?

4 A. Yes.

5 Q. All right. And they were signed I think between July of
6 2021 and September 2022, right?

7 A. Yes.

8 MR. EVERDELL: One moment, your Honor.

9 Your Honor, with the Court's permission, I just wanted
10 to hand up a binder that contains some documents for Mr. Wang
11 to review.

12 THE COURT: Okay.

13 MR. EVERDELL: Okay?

14 THE COURT: Do you have one for me, too?

15 MR. EVERDELL: Yes, your Honor. I will direct you to
16 the tabs.

17 Your Honor, I think this is the one you need.

18 THE COURT: Thanks.

19 BY MR. EVERDELL:

20 Q. All right. I just handed you a binder, Mr. Wang. If you
21 could take a look at that.

22 MR. EVERDELL: And your Honor, this, for your binder,
23 is tabs 28 to 36.

24 Q. Let me know when you're done reviewing those, Mr. Wang.

25 THE COURT: You're asking him to review—

1 MR. EVERDELL: I'm asking him to review the documents
2 in the binder and let me know when he's finished.

3 THE COURT: All of them?

4 MR. EVERDELL: Just flip through them, yes.

5 BY MR. EVERDELL:

6 Q. Have you had the chance to take a look at those, Mr. Wang?

7 THE COURT: There are 50—

8 MR. EVERDELL: No, your Honor. Sorry. Your binder
9 has more. He has just—I'll direct you. Your tabs are tabs—

10 THE COURT: Is that what you meant when you referred
11 to 28 to 36?

12 MR. EVERDELL: 28 to 36 in your binder, your Honor.

13 THE COURT: Okay. Got it.

14 A. Okay.

15 Q. Okay. Have you had a chance to look at those?

16 A. Yes.

17 Q. All right. And those are what's been marked for
18 identification as DX 20, DX 22, DX 211, DX 184, DX 15, DX 16,
19 DX 34, DX 23, and DX 24.

20 Do you recognize those documents, Mr. Wang?

21 A. Yes.

22 Q. What are they?

23 A. They're the promissory notes I signed.

24 Q. Okay. And did you sign those promissory notes on the dates
25 reflected in the documents?

1 A. Yes.

2 MR. EVERDELL: All right. The defense offers DX 20,
3 22, 211, 184, 15, 16, 34, 23, and 24.

4 THE COURT: They're received.

5 (Defendant's Exhibits 20, 22, 211, 184, 15, 16, 34,
6 23, and 24 received in evidence)

7 Q. All right. Let's take a look at just one of those
8 documents.

9 MR. EVERDELL: This is Tab 32 for your Honor and it's
10 DX 15, and we can publish for the jury, please.

11 All right. And if we could blow up the top, up
12 to—down one more paragraph. Yeah. Okay.

13 Q. Mr. Wang, this is one of the promissory notes that we just
14 looked at?

15 A. Yes.

16 Q. Okay. And this one is dated April 30th of 2022, right?

17 A. Yes.

18 Q. Okay. And this note is for roughly \$35 million; is that
19 right?

20 A. Yes.

21 Q. Okay. And you agree to pay Alameda back that sum of money,
22 correct?

23 A. Yes.

24 Q. All right. Now I want to flip to the back page quickly.
25 And do you see the signature line on the bottom?

1 A. Yes.

2 Q. Okay. And you see your signature there?

3 A. Yes.

4 Q. And the lender is who?

5 A. Alameda Research.

6 Q. And who signs on behalf of Alameda?

7 A. Caroline.

8 Q. Okay. And she was CEO at the time?

9 A. Yes.

10 Q. All right. Let's flip back to the first page.

11 MR. EVERDELL: And we'll just blow up those three
12 paragraphs again.

13 Q. Okay. You see that final paragraph, talks about interest?

14 A. Yes.

15 Q. Okay. What's the interest rate there?

16 A. 2.21 percent per year.

17 Q. So you had to pay interest on this loan, right?

18 A. Yes.

19 Q. And you had to pay interest on all the loans you received
20 through the promissory notes; is that right?

21 A. Yes.

22 Q. You treated them as real loans, correct?

23 A. What do you mean?

24 Q. Well, you had to pay interest, right?

25 A. Yes.

1 Q. And in fact, as you said, you got to the point where the
2 interest was so much, you had to get another loan to help pay
3 the interest on the previous loans, right?

4 A. Yes.

5 Q. All right. So you believed this was an obligation, that
6 you had to continue paying the interest on these loans.

7 A. Yes.

8 MR. EVERDELL: Okay. All right. We can take that
9 down.

10 Q. Now you said I think that—now I want to move forward to
11 the real estate, the one you used for the real estate, for the
12 house.

13 A. Okay.

14 Q. Okay. So for that one, that was a loan you received in
15 2021; is that right?

16 A. Yes.

17 Q. Okay. And that one, you said you used a portion of it to
18 pay for a house, right?

19 A. Yes.

20 Q. That was a house in the Bahamas, right?

21 A. No.

22 Q. No. Where was that?

23 A. That was in St. Kitts.

24 Q. In St. Kitts. Sorry. Say again?

25 A. In St. Kitts.

1 Q. Okay. Okay. I'll now move on.

2 Okay. Mr. Wang, I now want to talk to you about the
3 time leading up to when you left the Bahamas, all right?

4 A. Okay.

5 Q. Nishad Singh left the Bahamas before you did; is that
6 right?

7 A. Yes.

8 Q. I think he left around November 9th of 2022?

9 A. Yes.

10 Q. And before he left I think he spoke to you?

11 A. To Sam and I, yes.

12 Q. Okay. And how did he seem to you?

13 A. He seemed distraught.

14 Q. Okay. And after that conversation Nishad left the Bahamas,
15 no?

16 A. Yes.

17 Q. He went back to the United States?

18 A. As far as I know.

19 Q. And you decided to stay in the Bahamas.

20 A. For a few more days, yes.

21 Q. Now you testified that you and Sam met with the Securities
22 Commission of the Bahamas on November 12, 2022; is that right?

23 A. Yes.

24 Q. Okay. That Securities Commission of the Bahamas is
25 sometimes referred to as the SCB, right?

1 A. Yes.

2 Q. Do you recall why you met with the SCB?

3 A. Because they asked us to.

4 Q. Okay. Well, isn't it true that you received a letter from
5 the SCB requiring you to attend the meeting?

6 A. Yes.

7 Q. Okay. I want to show you what's been marked—just for the
8 witness—what's been marked for identification as DX 260. Do
9 you see that, Mr. Wang?

10 A. Yes.

11 Q. Do you recognize that?

12 A. Yes.

13 Q. What is it?

14 A. It's a letter that was sent to me.

15 Q. And how do you recognize it?

16 A. Hmm?

17 Q. How do you recognize it?

18 A. By seeing it.

19 Q. Okay. And is it a fair and accurate copy of the letter you
20 received from the SCB?

21 A. Yes.

22 MR. EVERDELL: Defense offers DX 260.

23 MR. ROOS: No objection.

24 THE COURT: Received.

25 (Defendant's Exhibit 260 received in evidence)

1 MR. EVERDELL: All right. Now we can publish to the
2 jury.

3 THE COURT: Yes.

4 MR. EVERDELL: Thank you, your Honor.

5 All right. If we can highlight the paragraphs
6 starting with the third paragraph going down; third, fourth,
7 fifth paragraphs.

8 BY MR. EVERDELL:

9 Q. Okay. Now you see that the first paragraph, it says that,
10 in the second line, "The commission hereby requires you to
11 attend the Commission's office at" that address, which I won't
12 read out. Do you see that?

13 A. Yes.

14 Q. Okay. And it says, "You are required to appear at 2:00 in
15 the afternoon to answer questions, including under oath"; is
16 that right?

17 A. Yes.

18 Q. Okay. And if you look at the next paragraph—

19 THE COURT: Mr. Everdell, the jury can read this as
20 well as the witness, I guess.

21 MR. EVERDELL: Sure. Understood. May I highlight one
22 thing on the bottom paragraph, your Honor?

23 THE COURT: Sure.

24 Q. All right. Last paragraph, do you see that in the second
25 line, starting with—

1 MR. EVERDELL: Well, let's highlight the first two
2 lines of the last paragraph.

3 Q. Okay. Doesn't that say, Mr. Wang, that your failure to
4 attend the Commission's office as requested may result in you
5 being liable to be committed to prison for contempt, right?

6 A. Yes.

7 MR. EVERDELL: Okay. We can take that down.

8 Q. So you obviously went to this meeting at the offices of the
9 SCB, right?

10 A. Well, Sam met with them first, and then by the time their
11 meeting was over, there wasn't enough time for me to meet.

12 Q. Well, my question was: You went to the offices, correct?

13 A. Yes, I went to their office.

14 Q. Sam met with the SCB people?

15 A. Yes.

16 Q. And I believe you waited in a conference room outside,
17 right?

18 A. Yes.

19 Q. Okay. Now after that meeting the SCB officials went with
20 you and Sam back to FTX's offices; is that right?

21 A. Yes.

22 Q. Okay. And while you were there, the head of the SCB,
23 Christina Rolle, directed you to transfer the remaining FTX
24 assets to SCB.

25 A. Yes.

1 Q. I'm sorry. To the SCB.

2 A. Yes.

3 Q. In fact, she read out a legal statement that required FTX
4 to move the funds to them; isn't that right?

5 A. Yes.

6 Q. Okay. And that's when you transferred the assets to the
7 SCB.

8 A. Yes.

9 Q. Okay. Now do you recall anything else happening that
10 night?

11 A. Yes.

12 Q. What happened later that night?

13 A. So while we were in the—well, a lot of things happened.
14 So continued doing the transfers. At one point some police
15 officers showed up and—

16 Q. Let me stop you there, Mr. Wang. It was around
17 9 p.m.—isn't that right?—when the police officers showed up?

18 A. Around that time.

19 Q. Okay. And these were Bahamian police; is that correct?

20 A. Yes.

21 Q. Sorry. I couldn't hear you.

22 A. Yes.

23 Q. They arrived at the offices; is that right?

24 A. They arrived at the offices.

25 Q. These are the FTX offices, right?

1 A. Yes.

2 Q. And this was while you were in the process of transferring
3 assets to the SCB, right?

4 A. Yes.

5 Q. And isn't it true that the police demanded that you and Sam
6 give them your passports?

7 A. They asked us to vol—they asked us to voluntarily give
8 them our passports.

9 Q. Okay. And you complied with that request, right?

10 A. Yes.

11 Q. So you handed over your passport.

12 A. Yes.

13 Q. Okay. All right. Now the next day was November 13th; is
14 that right?

15 A. Yes.

16 Q. Okay. Now by that point, Mr. Wang, you had hired lawyers.

17 A. Yes.

18 Q. These were lawyers here in New York, right?

19 A. Yes.

20 Q. Because you knew at this point that the US prosecutors were
21 investigating FTX; isn't that right?

22 A. I mean, at this point I didn't know what the government
23 was—the US government was doing.

24 Q. Okay. But you knew that you needed lawyers, right?

25 A. Yes.

1 Q. Okay. And you knew that you could be facing potential
2 charges.

3 A. I mean, I wasn't sure. That's why I hired lawyers.

4 Q. Okay. And you wanted to consider your options at that
5 point; is that right?

6 A. Yes.

7 Q. Okay. One of the options you wanted to consider was
8 cooperating with the government.

9 A. Yes.

10 Q. All right. And you knew that if you did want to get a
11 cooperation agreement, you needed to act quickly; isn't that
12 right?

13 A. I mean, I was told that there were advantages to acting
14 quickly but it was not necessary for cooperation.

15 Q. Okay. You were at least considering the option about
16 getting—trying to get a cooperation agreement with the
17 government at that point, right?

18 A. Yes.

19 Q. And acting quickly had its advantages, right?

20 A. I was told.

21 Q. All right. So you had your lawyers reach out to the
22 prosecutors on that same day, November 13th; isn't that right?

23 A. Yes.

24 Q. And they had a discussion with them? Don't tell me what
25 they discussed, but they had a discussion?

1 A. Yes.

2 Q. And that same day your lawyers flew down to the Bahamas; is
3 that right?

4 A. Earlier that day, yes.

5 Q. Okay. And they met with you in your apartment, right?

6 A. Yes.

7 Q. And you met with your lawyers for several hours that day;
8 isn't that right?

9 A. Yes.

10 Q. Behind closed doors.

11 A. Yes.

12 Q. Okay. Now the next day was November 14th, correct?

13 A. Yes.

14 Q. And you're still in the Bahamas; is that right?

15 A. Yes.

16 Q. And you still didn't have your passport, did you?

17 A. No, but I was told that they were going to give it back to
18 me.

19 THE COURT: This looks like a good time to take our
20 morning break.

21 MR. EVERDELL: Yes, your Honor.

22 THE COURT: Fifteen minutes.

23 (Recess)

24 (Continued on next page)

25

1 THE COURT: Let's get the witness.

2 MR. ROOS: Just for planning purposes, when do you
3 expect to take a lunch break?

4 THE COURT: Later. At some point before 1.

5 (Jury present)

6 THE COURT: You may proceed, Mr. Everdell.

7 MR. EVERDELL: Thank you, your Honor.

8 THE COURT: Let me reflect for the record that the
9 jurors and the defendant all are present. Go ahead.

10 MR. EVERDELL: Thank you.

11 BY MR. EVERDELL:

12 Q. Mr. Wang, I think where we left off was on November 14,
13 right?

14 A. Yes.

15 Q. This was after the evening before when the police had
16 arrived, right?

17 A. This was the day after that.

18 Q. I had asked you -- you still didn't have your passport on
19 the 14th, is that right?

20 A. The 14th, it's a Sunday or Monday? Monday, right?

21 Q. I believe so.

22 A. It's two days later. At that point I was told that they
23 were canceling the interview, and I was going to get my
24 passport back.

25 Q. Did you have your lawyers speak to the prosecutors again at

1 that point?

2 A. I am not sure how much --

3 Q. I'm just asking, did you have them speak to the
4 prosecutors?

5 A. They may have spoken.

6 Q. By the next day -- before I ask that, was it your
7 understanding that there was a pending investigation at that
8 point in the Bahamas?

9 A. Yes.

10 Q. And so your lawyer spoke to the prosecutors, right, that
11 day?

12 A. The U.S. prosecutors.

13 Q. The U.S. prosecutors.

14 A. Yes.

15 Q. And by the next day, November 15, is it your understanding
16 that the Bohemian investigation had been dropped?

17 A. Yes.

18 Q. But you were still having some difficulty getting your
19 passport back from the Bohemian police, is that right?

20 A. Yes.

21 Q. So you had your lawyers contact the U.S. prosecutors again?

22 A. Yes.

23 Q. And did you eventually get a passport that you could
24 travel?

25 A. Yes.

1 Q. And you left the Bahamas on November 16, correct?

2 A. Yes.

3 Q. And the very next day you met with the prosecutors, isn't
4 that right?

5 A. Yes.

6 Q. You were there with your lawyers?

7 A. Yes.

8 Q. The prosecutors were there?

9 A. Yes.

10 Q. The FBI agents were there?

11 A. Yes.

12 Q. And there were attorneys from the SEC there too, right?

13 A. Yes.

14 Q. And there were attorneys from the CFTC, right?

15 A. Yes.

16 Q. That is the Commodities Futures Trading Commission?

17 A. Yes.

18 Q. You did not have a cooperation agreement with the
19 prosecutors at that time, right?

20 A. Correct.

21 Q. The government hadn't decided at that point whether they
22 were going to give you one yet, correct?

23 A. Correct.

24 Q. That was a meeting for the government to evaluate you,
25 right?

1 A. Yes.

2 Q. To see if you could be a cooperator for them.

3 A. Yes.

4 Q. And you turned over your computer to the agents, is that
5 right?

6 A. Yes.

7 Q. And you also turned over your two cell phones, right?

8 A. Yes.

9 Q. And you had agreed to do that ahead of time, right?

10 A. Yes.

11 Q. Because you knew that your computer and phones may have
12 documents that the prosecutors wanted to see?

13 A. Yes.

14 Q. And you gave them access to your devices, right?

15 A. Yes.

16 Q. You didn't require the prosecutors to get a search warrant
17 for them?

18 A. Correct.

19 Q. You consented to the search?

20 A. Yes.

21 Q. You wanted to be cooperative, right?

22 A. Yes.

23 Q. Now, you had several other meetings with the prosecutors
24 over the next several months, isn't that right?

25 A. Yes.

1 Q. I believe you met with them five times over the course of
2 the next month. Does that sound right?

3 A. Yes.

4 THE COURT: I'm sorry. Was that the word month or
5 months?

6 MR. EVERDELL: Over the course of the next month, your
7 Honor.

8 THE COURT: Plural?

9 MR. EVERDELL: Singular.

10 THE COURT: Thank you.

11 Q. Just to be clear, let's focus on the dates. The first was
12 on November 17?

13 A. Yes.

14 Q. The second was on November 23.

15 A. Yes.

16 Q. The third was on November 29.

17 A. Yes.

18 Q. Fourth was on December 7.

19 A. Yes.

20 Q. And the fifth was on December 16.

21 A. Yes.

22 Q. So that is a month period, yes?

23 A. Yes.

24 Q. These sessions were called proffer sessions, is that right?

25 A. Yes.

1 Q. And a proffer is just where you give your information,
2 right?

3 A. Yes.

4 Q. And the prosecutors needed to hear what you had to say
5 before they decided whether or not to give you a cooperation
6 agreement, right?

7 A. Yes.

8 Q. And you knew that, among other things, the government would
9 be evaluating your credibility in those proffer sessions?

10 A. Yes.

11 Q. You knew it was entirely up to the prosecutors as to
12 whether or not you would get a cooperation agreement?

13 A. Yes.

14 Q. Now, when you first met with the prosecutors on November
15 17, you signed what's called a proffer agreement, is that
16 right?

17 A. Yes.

18 MR. EVERDELL: I'd like to show for the witness what's
19 been marked as 3585-014.

20 Q. Mr. Wang, do you recognize what that is?

21 A. Yes.

22 Q. What is that?

23 A. It's a proffer agreement.

24 Q. Did you sign that proffer agreement?

25 A. Yes.

1 Q. And did you sign it on the date that the proffer agreement
2 reflects?

3 A. Yes.

4 Q. Is it a fair and accurate copy of the proffer agreement
5 that you signed?

6 A. It's only -- I can only see the first page.

7 MR. EVERDELL: Let's go to the second page as well.

8 Q. Is that the signature page?

9 A. Yes.

10 Q. Did you sign that page?

11 A. Yes.

12 Q. Is it a fair and accurate copy of the proffer agreement?

13 A. Yes.

14 MR. EVERDELL: The defense offers 3585-014.

15 THE COURT: Received.

16 (Defendant's Exhibit 3585-014 received in evidence)

17 Q. The proffer agreement set forth the terms and conditions
18 for how the proffer would proceed, right?

19 A. Yes.

20 MR. EVERDELL: We can publish that to the jury.

21 Q. Now, the proffer agreement says that you are agreeing to
22 provide to the government with information so they can evaluate
23 your information to make their prosecutorial decisions, is that
24 right?

25 A. Yes.

1 MR. EVERDELL: You can highlight that first paragraph.

2 Q. You see where it says this is not a cooperation agreement?

3 A. Yes.

4 Q. In the first sentence it says: You have agreed to provide
5 information -- I'll skip forward -- so that the government may
6 evaluate client's information and responses in making
7 prosecutive decisions.

8 You see that?

9 A. Yes.

10 Q. One of those decisions was whether or not to give you a
11 cooperation agreement, right?

12 A. Yes.

13 MR. EVERDELL: You can take that down.

14 Q. Now, during the course of your five proffer sessions with
15 the government in that month time period we discussed, you
16 answered the government's questions, right?

17 A. Yes.

18 Q. Those meetings lasted several hours?

19 A. Yes.

20 Q. And you went over all the events that you discussed in your
21 testimony at trial here?

22 A. Yes.

23 Q. You talked about Alameda?

24 A. Yes.

25 Q. And you talked about FTX?

1 A. Yes.

2 Q. And you spoke about the computer code modifications you
3 made to the code base?

4 A. Yes.

5 Q. You talked about the bug fix and the fiat@ liability?

6 A. Yes.

7 Q. You gave them information about everything you knew?

8 A. All that is relevant yes.

9 Q. Everything that was relevant for their case?

10 A. Yes.

11 Q. At the end of that process you did receive a cooperation
12 agreement, isn't that right?

13 A. Yes.

14 Q. You signed that cooperation agreement on December 19, 2022,
15 correct?

16 A. Yes.

17 Q. That was almost exactly one month after you left the
18 Bahamas?

19 A. Yes.

20 Q. And you are testifying here today pursuant to that
21 cooperation agreement?

22 A. Yes.

23 MR. EVERDELL: If we can show to the jury what's
24 already in evidence as 3585-030.

25 Q. Mr. Wang, I believe we have seen this before. This is your

1 cooperation agreement, isn't it?

2 A. Yes.

3 Q. Now, as part of your cooperation agreement you agreed to
4 plead guilty to some crimes, is that right?

5 A. Yes.

6 Q. To be specific, you agreed to plead guilty to four
7 different crimes?

8 A. Yes.

9 MR. EVERDELL: If we can highlight just the last three
10 paragraphs there.

11 Q. Now, the first two counts were wire fraud and wire fraud
12 conspiracy against FTX customers, is that right?

13 A. Yes.

14 Q. Those are the first two counts?

15 A. Yes.

16 Q. The third count there is commodities fraud conspiracy
17 against FTX customers, right?

18 A. It just says commodities.

19 Q. Conspiracy to commit commodities fraud.

20 A. Yes.

21 MR. EVERDELL: If we can go to the next page and do
22 the top paragraph.

23 Q. That's the fourth count?

24 A. Yes.

25 Q. In that you agreed to plead guilty to conspiracy to commit

1 securities fraud?

2 A. Yes.

3 Q. Is that right?

4 A. Yes.

5 Q. So you agreed to plead guilty to all four of these counts
6 as part of your cooperation agreement, correct?

7 A. Yes.

8 Q. If we look at the paragraph below that, these four counts
9 carry a maximum prison sentence of 50 years, isn't that right?

10 A. Yes.

11 Q. Now, I am not going to cover all of the cooperation
12 agreement. I know we have covered that on direct. But I will
13 ask you a few questions.

14 Under the cooperation agreement, if the government
15 determines that you provided substantial assistance to them,
16 they will then send what's called a 5K letter to the Court, is
17 that right?

18 A. Yes.

19 Q. And you talked about that 5K letter before, right?

20 A. Yes.

21 Q. The Court can consider this 5K letter when it sentences
22 you, is that right?

23 A. Yes.

24 Q. And that 5K letter will include all of the cooperation that
25 you gave to the government for their case, right?

1 A. Yes.

2 Q. And the more cooperation you give, the better the 5K letter
3 can be, is that right?

4 A. Yes.

5 Q. But it's up to the government to make the determination
6 ultimately about whether you are going to get your 5K letter.
7 Isn't that right?

8 A. Yes.

9 Q. And if the government decides that you did not provide
10 substantial assistance, it can decide not to file the 5K
11 letter, is that right?

12 A. Yes.

13 Q. And then you would be bound by your guilty plea?

14 A. Yes.

15 Q. And regarding the securities fraud count that we spoke
16 about, Count Four, you remember that?

17 A. Yes.

18 Q. That was securities fraud with regard to FTX investors,
19 correct?

20 A. Yes. This just says -- this agreement just says securities
21 fraud.

22 Q. Your understanding is that the people who were defrauded in
23 that count were FTX investors, yes?

24 A. Yes.

25 MR. EVERDELL: We can take this down.

1 Q. After you pled guilty on December 19 of 2022, you continued
2 to meet with the prosecutors, correct?

3 A. Yes.

4 Q. And you continued to help them investigate their case
5 against Sam?

6 A. Yes.

7 Q. And as we got closer to trial, you met with them several
8 times to prepare for trial testimony, is that right?

9 A. Yes.

10 Q. All told, you've met with the government 18 times since you
11 left the Bahamas. Does that sound about right?

12 A. Sounds about right, yes.

13 Q. You mentioned the five dates before, is that right?

14 A. Yes.

15 Q. You met with them on January 10, is that right?

16 A. Yes.

17 Q. And on May 8.

18 A. Yes.

19 Q. On July 27.

20 A. Yes. One of those -- some of them for longer, some of them
21 for shorter, yes.

22 Q. But you still met with them?

23 A. Yes.

24 Q. August 10?

25 A. Yes.

1 Q. August 16?

2 A. Yes.

3 Q. August 30?

4 A. Yes.

5 Q. September 13?

6 A. Yes.

7 Q. September 18?

8 A. Yes.

9 Q. September 20?

10 A. Yes.

11 Q. September 22?

12 A. Yes.

13 Q. September 27.

14 A. Yes.

15 Q. October 2?

16 A. Yes.

17 Q. October 4?

18 A. Yes.

19 Q. And that last one was the same week that you testified,
20 right?

21 A. Yes.

22 Q. I want you to take a look at what has been marked for
23 identification as Defense Exhibit 1613, please.

24 You see that in front of you, Mr. Wang?

25 A. Yes.

1 Q. Does that accurately capture the dates that we just
2 discussed when you met with the government?

3 A. Yes.

4 MR. EVERDELL: Your Honor, we would like to publish
5 this as a demonstrative to the jury.

6 MR. ROOS: Objection. It's not needed under 1006, nor
7 under 611(a). It's not a summary of voluminous material under
8 1006, and he has already talked about these dates, so it's not
9 necessary under 611(a).

10 THE COURT: Sustained.

11 Q. Fair to say, Mr. Wang, that you met with the government 18
12 times, right?

13 THE COURT: That was fair a long time ago, sir.

14 MR. EVERDELL: Understood.

15 Q. Your attorneys, Mr. Wang, have spoken to the government
16 several more times on your behalf, is that right?

17 A. Yes.

18 Q. That's separate and apart from the dates that we just
19 mentioned, right?

20 A. Yes.

21 Q. Now, in the more recent meetings that we just discussed,
22 you were preparing for the testimony that you gave here today,
23 is that right?

24 MR. ROOS: Sorry, your Honor. This document is still
25 on the screen.

1 MR. EVERDELL: I'm sorry. Take it down.

2 Q. Mr. Wang, are the dates that you just mentioned, in the
3 latter dates in September and October, you were preparing for
4 your testimony that you gave, is that right?

5 A. Yes.

6 Q. And that included roughly seven or so meetings over the
7 course of the last month, right?

8 A. Yes.

9 Q. And the prosecutors went over the questions they were going
10 to ask you?

11 A. They went over some questions, not all questions.

12 Q. And they went over your responses?

13 A. I gave my responses, and sometimes they gave me feedback on
14 whether it was clear or whether it was too long or too short or
15 if I was speaking too quickly or things of that sort.

16 Q. Did they give you any other instructions?

17 A. To tell the truth.

18 Q. And this was all in preparation for your testimony at
19 trial, is that right?

20 A. Yes.

21 Q. And now you are hoping to get your 5K letter, isn't that
22 right?

23 A. Yes.

24 MR. EVERDELL: One moment, your Honor.

25 Nothing further, your Honor.

1 THE COURT: Thank you.

2 Redirect.

3 MR. ROOS: Thank you, your Honor.

4 REDIRECT EXAMINATION

5 BY MR. ROOS:

6 Q. Good morning, Mr. Wang.

7 A. Good morning.

8 Q. The defense attorney showed you a bunch of loan agreements
9 in a binder.

10 Do you remember that?

11 A. Yes.

12 Q. Let me start with the document he showed on the screen.

13 MR. ROOS: Can we please see Defense Exhibit 15.

14 Q. Mr. Wang, do you see that document there?

15 A. Yes.

16 Q. This is the document he asked you about, right?

17 A. Yes.

18 Q. And the promissory note amount on this is for \$35 million.

19 Do you see that?

20 A. Yes.

21 Q. Do you know what this was for?

22 A. For some -- I don't remember exactly which investment this
23 is for.

24 Q. You are not sure which investment this is for?

25 A. No.

1 MR. ROOS: Can we see Defense Exhibit 22, please.

2 Q. Mr. Wang, do you see this?

3 A. Yes.

4 Q. This is another one of those loan documents?

5 A. Yes.

6 Q. This is for \$54 million and change?

7 A. Yes.

8 Q. Do you know what this was for?

9 A. I don't recall.

10 THE COURT: I'm sorry. I couldn't understand the
11 answer.

12 MR. ROOS: He says he didn't recall.

13 THE COURT: You don't recall.

14 THE WITNESS: I don't recall.

15 MR. ROOS: How about Defense Exhibit 211. I'm sorry.
16 Defense Exhibit 184.

17 Q. Mr. Wang, this one is for \$2.6 million.

18 You see that?

19 A. Yes.

20 Q. Do you know what this was for?

21 A. No.

22 MR. ROOS: You can take this down.

23 Q. I think defense counsel showed you nine different loan
24 documents like this, right?

25 A. Yes.

1 Q. Do you remember what any of them were for?

2 A. I remember the lawyer telling me it was for some investment
3 in this or that, but I don't remember what any of those were.

4 I think one of them was for LedgerX, but I don't remember which
5 one in particular that was.

6 Q. Sitting here today, you don't know what each of these loans
7 were for?

8 A. No.

9 Q. Why did you sign a bunch of loan documents for tens or
10 hundreds of millions of dollars not knowing what they were for?

11 A. I was given them to sign, they said it was for an
12 investment, and I believed them and they wanted me to sign, so
13 I just signed it.

14 Q. Why did you sign it if Sam wanted you to sign it?

15 A. I trusted him.

16 Q. Now, do you know where the money came from for these loans?

17 A. From Alameda.

18 Q. And do you know where Alameda got that money?

19 MR. EVERDELL: Objection. Foundation.

20 THE COURT: Sustained.

21 Q. You said the money came from Alameda?

22 A. Yes.

23 Q. Do you know what money Alameda used?

24 MR. EVERDELL: Objection.

25 THE COURT: Foundation. Sustained.

1 Q. Where did the money come from?

2 MR. EVERDELL: Objection. Asked and answered.

3 THE COURT: Asked but not answered. Overruled.

4 A. I mean, at the time I just thought they were from Alameda.

5 Q. Did you know if the lawyers who presented this to you knew
6 where the money came from?

7 MR. EVERDELL: Objection. Calls for speculation.

8 THE COURT: He was asked whether he knew. Why don't
9 you ask what he was told, if anything.

10 Q. What, if anything, did the lawyers tell you about where the
11 money was coming from?

12 A. I don't remember them telling me where the money came from.

13 Q. Now, on Friday, you were asked on cross-examination about
14 Alameda's special features and the reasons they were added.

15 Do you remember that?

16 A. Yes.

17 Q. Defense counsel asked you if the purpose of these special
18 features were for what he was calling market making.

19 Do you recall that?

20 A. Yes.

21 Q. So let me ask you, was market making the only purpose that
22 these special features were used for?

23 A. No.

24 Q. What other purposes were they used for?

25 A. To withdraw money from FTX for Alameda to use for trading

1 away an investment.

2 Q. Over time does Alameda use its ability to make withdrawals?

3 A. Yes.

4 Q. And approximately how much in withdrawals did Alameda make
5 using these special features?

6 A. \$8 billion.

7 Q. Was it necessary for Alameda to withdraw \$8 billion from
8 the exchange for market making?

9 MR. EVERDELL: Objection.

10 THE COURT: Overruled.

11 A. No.

12 Q. You were asked whether Alameda's line of credit was helpful
13 to its roles in market maker.

14 Do you remember that?

15 A. Yes.

16 Q. In 2022, how much market making was Alameda doing?

17 A. I think it was doing around 10 percent of the market making
18 of the exchange.

19 Q. Does that require a \$65 billion line of credit?

20 A. No.

21 Q. Why not?

22 A. It could have been more efficient with placing its orders,
23 and it was not using the entire \$65 billion for its open
24 orders.

25 Q. Were there other market makers on FTX in 2022?

1 A. Yes.

2 Q. Did those market makers have a \$65 billion line of credit?

3 A. No.

4 Q. Were those market makers doing a similar size of market
5 making or something different?

6 MR. EVERDELL: Objection.

7 THE COURT: What's the objection?

8 MR. EVERDELL: Asked and answered.

9 THE COURT: Overruled.

10 A. A similar size.

11 Q. When Alameda incurred a negative balance on FTX in the
12 several billion dollar range you just mentioned, was that the
13 result of simple market making?

14 A. No.

15 Q. On Friday you were asked some questions about going
16 negative in a particular coin.

17 Do you remember that?

18 A. Yes.

19 Q. Mr. Everdell asked you about whether customers doing margin
20 trading have to go negative in a particular coin when they
21 borrow things.

22 Do you remember that?

23 A. Yes.

24 Q. So I want to clear something up. Is going negative in a
25 particular coin or cryptocurrency the same as having an account

1 go negative?

2 A. No.

3 Q. How are they different?

4 A. You can go negative in a particular coin but still have
5 overall positive balances in your account after you add
6 everything up. You can still have positive collateral if you
7 are just following a particular coin.

8 Q. For a particular customer, if their overall account balance
9 is negative or close to negative, what happens?

10 A. They get liquidated.

11 Q. For Alameda what happened?

12 A. Nothing would happen.

13 Q. Mr. Everdell also asked you on Friday whether Alameda had
14 an unlimited collateral because of its line of credit.

15 Do you remember that question?

16 A. Yes.

17 Q. I just want to clarify. Are line of credit and collateral
18 the same thing?

19 A. So the line of credit takes the form of collateral -- the
20 line of credit takes the form -- the line of credit for a
21 particular amount of money, that amount of money is treated by
22 the system as being collateral for your position, risk
23 calculations.

24 Q. Are a line of credit and collateral the same?

25 A. No.

1 Q. For most customers, do they have to have collateral on FTX?

2 A. Yes.

3 Q. What about for Alameda?

4 A. No.

5 Q. You were asked about Alameda -- whether Alameda's
6 liquidation would hurt other customers.

7 Do you remember that?

8 A. Yes.

9 Q. So if Alameda was liquidated, would it hurt the exchange?

10 A. Yes.

11 Q. To what extent was Alameda's multibillion dollar negative
12 balance a reason that it would hurt other customers?

13 MR. EVERDELL: Objection.

14 THE COURT: Sustained as to form.

15 Q. To what extent, if at all, was Alameda's negative balance a
16 reason that it would cause problems when being liquidated?

17 MR. EVERDELL: Objection. Form.

18 THE COURT: Sustained. Form.

19 Q. Mr. Wang, you just testified that if Alameda was liquidated
20 it would harm the exchange?

21 A. Yes.

22 Q. To what extent, if at all, was Alameda's negative balance a
23 part of that?

24 MR. EVERDELL: Objection.

25 THE COURT: Sustained.

1 Q. Why was it that Alameda being liquidated would hurt the
2 exchange?

3 A. Alameda had a large -- had a very large position -- had a
4 large position on FTX, and selling all of those positions
5 either on the order book or selling them to other market makers
6 would cause a large price movement on FTX and might overwhelm
7 the capacity of other market makers to handle the liquidation.

8 Q. When you say large position, does that include the negative
9 balance?

10 A. Yes.

11 Q. This morning you were asked about the spreadsheet that you
12 worked on in June.

13 Do you remember that?

14 A. Yes.

15 MR. ROOS: And why don't we pull that up. Can we see
16 Government Exhibit 50.

17 Q. Mr. Everdell asked you about Alameda's main account. Which
18 one was that?

19 A. That was row 17.

20 MR. ROOS: Can we highlight that.

21 Q. What was the balance in that main account when you worked
22 on this project?

23 A. Negative \$2.8 billion.

24 Q. And is this different than the money Alameda owed for fiat?

25 A. Yes.

1 Q. So in addition to the fiat, its main account had a negative
2 almost 2.8 billion balance?

3 A. Yes.

4 Q. You were asked some questions on cross-examination about
5 the overall balance.

6 Do you remember that?

7 A. Yes.

8 Q. And you said that the fiat number, negative number, could
9 have been a large part of that balance, right?

10 A. Yes.

11 Q. Now, to what extent was FTT a part of that balance?

12 A. It was included as part of the balance, so it makes the
13 number more positive.

14 Q. On cross-examination you were asked about the
15 mark-to-market value of FTT.

16 Do you remember that?

17 A. Yes.

18 Q. What's mark to market?

19 A. Just using whatever the current market price is for one FTT
20 multiplied by however much FTT there was.

21 Q. How much FTT did Alameda have?

22 A. Around 100 million.

23 Q. Could all of that FTT be sold at the market price?

24 A. No.

25 Q. Why not?

1 A. Because if all of that -- if Alameda tried to sell all of
2 that at once, that would cause the price of FTT to fall by a
3 large amount.

4 Q. In what amount would you need to discount the value of FTT
5 to sell it?

6 A. I am not sure exactly how much it would be. If Alameda
7 tried to sell all of it, it would probably cause it -- the
8 price to fall pretty close --

9 MR. EVERDELL: Objection. Seems to be speculating.

10 THE COURT: Mr. Roos.

11 MR. ROOS: I think he opened the door to this by
12 asking about the value of FTT over time.

13 MR. EVERDELL: They opened the door of speculation on
14 the part of the witness.

15 THE COURT: The witness testifies he is not sure
16 exactly how much it would be, but it would be probably cause
17 the price to fall pretty close, and then I am not sure he
18 finished the answer. I thought I heard an answer. Try to come
19 at it a different way, Mr. Roos.

20 MR. ROOS: Yes, your Honor.

21 Q. Mr. Wang, on cross-examination you were asked some
22 questions about liquid versus illiquid investments.

23 Do you remember that?

24 A. Yes.

25 Q. What do you mean by illiquid?

1 A. Difficult to sell. It would take a long time to sell or
2 the prices might change as you sell it.

3 Q. Can you explain what you mean by the prices might change as
4 you sell it?

5 A. It's something that if you try to sell all of it or a large
6 portion of it, that might be more than however many people are
7 around that actually want to buy it, which would then cause the
8 price to fall.

9 Q. Was FTT a liquid or illiquid token?

10 A. It was -- it was less liquid than Bitcoin, Ethereum, or any
11 of the bigger cryptocurrencies. It was not as illiquid as some
12 other things, but it was fairly illiquid.

13 Q. What about selling a large share of FTT, a large amount of
14 FTT, was that liquid or illiquid?

15 MR. EVERDELL: Objection.

16 THE COURT: Sustained as to form.

17 Q. I will ask it this way. Did any of these accounts on the
18 screen have a large amount of FTT?

19 A. Yes.

20 Q. Which one?

21 A. Cotton Grove trading account.

22 Q. Without that account, do you know what the balance would
23 be?

24 A. It would be \$4 billion lower.

25 MR. ROOS: So, Mr. Bianco, in cell C4, can you put the

1 number 0.

2 Q. Mr. Wang, without the FTT, what was Alameda's balance?

3 A. Negative 16 billion.

4 Q. You said negative 16 billion?

5 A. Yes.

6 Q. Is that more than just the fiat liability?

7 A. Yes.

8 Q. After you had a discussion about the information on this
9 spreadsheet -- withdrawn.

10 Did you see this spreadsheet?

11 A. Yes.

12 Q. And did the defendant?

13 A. Yes.

14 Q. And after you discussed this spreadsheet, what did the
15 defendant say to do?

16 A. For Alameda to return the balance.

17 Q. Did you have another conversation about Alameda's balance
18 in September of 2022?

19 A. Yes.

20 Q. And by September of 2022, how did Alameda's balance compare
21 to the balance on this screen?

22 A. It was more negative.

23 Q. And at that point, in September '22, what was the balance?

24 A. It was negative 14 billion.

25 Q. Negative 14 billion, how does that compare to the fiat

1 liability?

2 A. It was much more.

3 Q. What does that mean then?

4 A. It means that Alameda was borrowing more than just what
5 was -- what customers had deposited as U.S. dollars.

6 MR. ROOS: You can take this down.

7 Q. You were asked some questions about Alameda's -- the
8 discussion around Alameda's shutdown.

9 A. Yes.

10 Q. Was Alameda shut down?

11 A. No.

12 Q. What was the real reason that Alameda wasn't shut down?

13 A. I don't know --

14 MR. EVERDELL: Objection.

15 THE COURT: Sustained.

16 Q. Did you have a conversation with the defendant about
17 shutting down Alameda?

18 A. Yes.

19 Q. In that conversation did you state whether or not Alameda
20 could be shut down?

21 A. Yes.

22 MR. EVERDELL: Objection.

23 THE COURT: Overruled.

24 A. Yes.

25 Q. And what did you say?

1 A. That Alameda was borrowing too much for it to be shut down.

2 Q. At this point, when Alameda was borrowing \$14 billion?

3 THE COURT: I'm sorry.

4 Mr. Wang, what, if anything, did the defendant say in
5 response to your saying it was too big to shut down or it was
6 borrowing too much to shut down?

7 THE WITNESS: Acknowledged.

8 THE COURT: Proceed.

9 MR. ROOS: Thank you, your Honor.

10 Can we put up Government Exhibit 866. Can we zoom in
11 on the top tweet.

12 Q. Mr. Wang, you were asked about the lines in this tweet, FTX
13 is fine. Assets are fine.

14 Do you remember that?

15 A. Yes.

16 Q. Does this tweet say anything about FTX being illiquid?

17 A. No.

18 Q. That was a word that Mr. Everdell was using, right?

19 A. Yes.

20 Q. And does this tweet state that assets are fine?

21 MR. EVERDELL: Objection, your Honor. The tweet
22 speaks for itself.

23 THE COURT: Sustained.

24 Q. You were asked on cross-examination about the words in this
25 tweet.

1 Do you remember that?

2 A. Yes.

3 Q. And your answer was that you thought the tweet was
4 misleading, is that right?

5 A. Yes.

6 Q. Why did you think it was misleading?

7 A. Because it was unlike -- regardless of how you define
8 assets, FTX did not have enough money to satisfy customer
9 withdrawals.

10 Q. Why not?

11 A. Because the money wasn't sitting in its wallets and there
12 was no easy or fast way for somebody to get into its wallets.

13 MR. ROOS: Why don't we zoom out of this and zoom in
14 on the two tweets below it.

15 Q. Mr. Wang, were you asked on cross-examination about the
16 first line: FTX has enough to cover all client holdings?

17 A. Yes.

18 Q. Were you asked on cross-examination about that?

19 A. No.

20 Q. Were you asked on cross-examination about the line, we have
21 along the street?

22 MR. EVERDELL: Objection. The record speaks for
23 itself.

24 THE COURT: Sustained.

25 Q. Mr. Wang, I want to ask about your meetings with the

1 government.

2 MR. ROOS: We can take this down.

3 Q. Mr. Wang, how long after you left the Bahamas -- what was
4 the amount of time between when you left the Bahamas and when
5 you met with the government?

6 A. I met with the government the very next day.

7 Q. Who reached out to who?

8 A. My lawyers reached out to the government.

9 Q. At your first meeting with the government did you admit to
10 committing crimes?

11 A. Yes.

12 Q. At that first meeting did you admit to committing crimes
13 with the defendant?

14 A. Yes.

15 Q. At that point did you have any agreement with the
16 government?

17 A. No.

18 Q. And in some of the meetings you testified about, did you go
19 over topics that aren't part of this trial?

20 A. Yes.

21 Q. Did you talk about people that aren't part of this trial?

22 A. Yes.

23 Q. And in those meetings did anyone tell you what answers to
24 give in your testimony?

25 A. No.

1 Q. What were you told in those meetings?

2 A. To tell the truth.

3 MR. EVERDELL: Objection.

4 THE COURT: Overruled.

5 Q. What's your understanding of what would happen if you lied
6 in those meetings?

7 A. I would not be able to get the cooperation agreement, and I
8 might also be charged with a crime for lying to the government.

9 Q. Now, you were asked about your cooperation agreement.

10 MR. ROOS: Can we bring up 3585-30. Let's zoom in on
11 Counts One, Two, and Three, that portion that you were asked
12 about on cross-examination.

13 Q. Now, these are the crimes you pled guilty to?

14 A. Yes.

15 Q. And did you speak with the prosecutors?

16 MR. EVERDELL: Objection, your Honor.

17 THE COURT: What's the objection?

18 MR. EVERDELL: There is more than just what's on this
19 screen.

20 MR. ROOS: Fair. We can go to the next page.

21 Q. You pled guilty to four crimes, right, Mr. Wang?

22 A. Yes.

23 Q. I will ask you some questions, and you will understand from
24 my questions that I'm asking about the three on the first page
25 and the fourth on the next page.

1 A. Yes.

2 Q. And did you talk about the facts relating to these crimes
3 in your meetings with the government?

4 A. Yes.

5 Q. What about in the first meeting?

6 A. Yes.

7 Q. Now, the three of the four charges here are conspiracies.

8 A. Yes.

9 Q. Who generally did you conspire with when you committed
10 fraud on customers and investors?

11 A. With Sam Bankman-Fried, with Nishad, and with Caroline.

12 Q. One last topic for you.

13 MR. ROOS: We can take this down.

14 Q. Mr. Wang, you were asked on cross-examination a little bit
15 ago about your meeting with regulators in the Bahamas.

16 Do you remember that?

17 A. Yes.

18 Q. And you were asked about a letter that was sent to you?

19 A. Yes.

20 MR. ROOS: Why don't I bring that up. That's Defense
21 Exhibit 260.

22 Q. This is the document that Mr. Everdell showed you?

23 A. Yes.

24 Q. What was the date on this letter?

25 A. November 12.

1 Q. Is that the same day that you transferred money to
2 regulators?

3 A. Yes.

4 Q. This letter and the portion Mr. Everdell asked you about
5 says you had to report by 2:00 in the afternoon.

6 You see that?

7 A. Yes.

8 Q. Do you remember when this letter was sent to you?

9 A. Earlier that morning.

10 Q. Let me ask you about that.

11 MR. ROOS: Can we show the witness what's been -- we
12 will mark -- just for the witness, Government Exhibit 549.

13 545, I think, is what I have on this.

14 Q. Mr. Wang, do you recognize this?

15 A. Yes.

16 Q. What is it?

17 A. It's a screenshot of a conversation on Signal.

18 MR. ROOS: Government offers 545.

19 MR. EVERDELL: Your Honor, we object.

20 THE COURT: What's the basis?

21 MR. EVERDELL: Can we have a sidebar, your Honor?

22 THE COURT: Sure.

23 (Continued on next page)

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25

1 (At sidebar)

2 MR. EVERDELL: It's not clear to me what time zone we
3 are talking about, whether there is any hours that have been --
4 when the hours are the same. I am not --

5 THE COURT: That's a subject for cross.

6 Anything else?

7 MR. ROOS: While we were up here, I can hand your
8 Honor copies. I can going to offer these three.

9 THE COURT: 545, 46, and 49 have been handed to me.

10 Anything else?

11 MR. COHEN: Your Honor, just before we leave for
12 lunch, can I just ask the Court something, or I could ask you
13 now?

14 THE COURT: You can ask me now.

15 MR. COHEN: Just logistically, I know me and the
16 government often speak at midnight, but what is an appropriate
17 time to get you a letter if it has to do with the next day's
18 testimony?

19 THE COURT: 8:00.

20 MR. COHEN: We want to be respectful.

21 THE COURT: I understand that. Everybody is working
22 very hard. I know that. In other circumstances I would have
23 been considerably out of joint, but I understand.

24 MR. COHEN: I don't see you ever out of joint, your
25 Honor.

1 THE COURT: Thank you.

2 (Continued on next page)

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1 (In open court)

2 MR. ROOS: Bring back up 545, which is marked on the
3 screen as 549. Can we bring up 546.

4 Q. Mr. Wang, do you recognize this?

5 A. Yes.

6 Q. What's this?

7 A. It's another screenshot of the Signal chats.

8 Q. That's a chat that you participated in?

9 A. Yes.

10 MR. ROOS: Government offers 549, 546.

11 THE COURT: Clarify for me the confusion about whether
12 we are talking about 545 or not.

13 MR. ROOS: Your Honor, the paper copies that Mr.
14 Everdell and I have both say 545. The one on the screen says
15 549. For the record, since it's the one that the jury will
16 see, we will use 549, and we will fix the paper.

17 THE COURT: What's being offered now is 546 and 549,
18 is that right?

19 MR. ROOS: Yes, your Honor.

20 THE COURT: Received.

21 (Government Exhibits 546 and 549 received in evidence)

22 MR. EVERDELL: Your Honor, I am confused just because
23 I have another exhibit that's 549. I am not trying to be
24 difficult. What are we calling these two exhibits now?

25 MR. ROOS: These are going to be 549 and 546, and we

1 will put a different sticker on that paper that you have.

2 THE COURT: What I'm looking at at 546, the top line
3 has 1155 on it, and show me what I'm supposed to be looking at
4 as 549, please. That has the 1154 at the top.

5 MR. ROOS: Yes, your Honor.

6 THE COURT: Are we all on the same page, your Honor?

7 MR. EVERDELL: I believe so, your Honor yes.

8 THE COURT: OK. Let's go.

9 MR. ROOS: Please publish 549 to the jury.

10 Q. Mr. Wang, what is this a screenshot of?

11 A. It's a screenshot of the small group chats, Signal group.

12 Q. What's the date on this small group chat?

13 A. November 12.

14 Q. This is the same day you visited Bahamas regulators?

15 A. Yes.

16 Q. Is it the same day as that letter that defense counsel
17 showed you?

18 A. Yes.

19 Q. And do you see a message on this page from the defendant?

20 A. Yes.

21 Q. And what does it say?

22 A. It says: Gary and I are with Bohemian regulators.

23 Q. What time was that sent?

24 A. 1056.

25 MR. ROOS: Can we please look at Government Exhibit

1 546, which is in evidence.

2 Q. Is this from the same chat?

3 A. Yes.

4 Q. What day is it on?

5 A. November 12.

6 Q. And do you see a message by the defendant?

7 A. Yes.

8 Q. What does he say?

9 A. He says we are talking with regulators.

10 Q. What time did he say that?

11 A. 12 p.m.

12 Q. These messages are before the 2 p.m. time that was listed
13 in that letter, right?

14 A. Yes.

15 Q. So were you already meeting with regulators before that 2
16 p.m. time?

17 A. At this time we were meeting with Bohemian liquidators, not
18 the regulators.

19 Q. When did you meet with the regulators?

20 A. I think around 12 or 1.

21 MR. ROOS: Now, please bring up Government Exhibit
22 548.

23 THE COURT: Might it be helpful to find out what he
24 means by Bohemian liquidators.

25 MR. ROOS: Sure, your Honor.

1 Q. Who are the Bohemian liquidators?

2 A. They were consultants hired by the Bahamas government to
3 handle liquidating the Bahamas entity of FTX.

4 Q. And then after that, around 1, you said is when you met
5 with the regulators?

6 A. Yes.

7 MR. ROOS: Can we bring up Government Exhibit 548.

8 THE COURT: Let get this straightened out, please.

9 Nice tie, Andy.

10 MR. ROOS: Can we please publish for the witness 547.

11 Q. Mr. Wang, do you see an email on your screen?

12 A. Yes.

13 MR. ROOS: Can we go to the second page.

14 Q. Is this the letter that defense counsel showed you?

15 A. Uh-huh, yes.

16 Q. Do you see it attached to an email?

17 A. Yes.

18 MR. ROOS: The government offers 547.

19 MR. EVERDELL: Objection. Hearsay.

20 THE COURT: First of all, the second page, the page
21 that is on the screen, if memory serves, is in evidence and you
22 offered it, right?

23 MR. EVERDELL: I'm referring to the cover email, your
24 Honor.

25 THE COURT: Show me the email.

1 And you will say?

2 MR. ROOS: A few things. The rule of completeness.
3 It's a verbal act and nothing is being offered for the truth
4 and it's for the effect on the listener, for the effect on
5 Mr. Wang.

6 THE COURT: It's received, not for the truth.

7 Members of the jury, the email you are about to see is
8 not offered for the truth of anything that it states, but
9 rather for the fact that it was stated and the effect it may
10 have had on Mr. Wang's conduct, if any.

11 (Government Exhibit 547 received in evidence)

12 MR. ROOS: Now, may we publish to the jury and start
13 on the second page.

14 Q. Mr. Wang, do you recognize this?

15 A. Yes.

16 Q. Is this the letter that defense counsel showed you?

17 A. Yes.

18 Q. The exhibit defense counsel showed you, was it attached to
19 an email?

20 A. The exhibit or the original version of the document?

21 Q. Just the version that the defense counsel showed you.

22 A. No.

23 MR. ROOS: Why don't we go to the first page of this
24 document.

25 Q. Mr. Wang, you said that you met with the regulators around

1 1?

2 A. Yes.

3 Q. And the letter they sent you said to appear by 2?

4 A. Yes.

5 Q. What time was this email sent to you with that letter?

6 A. Around 3 p.m.

7 Q. So the email was sent to you after those things happened?

8 A. Yes.

9 Q. So this was after the defendant had met with the
10 regulators?

11 A. I think this was sent during their meeting. I think they
12 finished -- they finished meeting around 5 p.m. and they met
13 for several hours. So this was during the meeting.

14 Q. So you were already there?

15 A. Yes.

16 Q. And then you got this?

17 A. I also remember getting -- I am trying to remember -- that
18 morning -- Sam got the letter first and that was the one I
19 first saw and that was in the morning. Yeah. This one, I
20 didn't get it until after I got there.

21 Q. While you were there, were you present with the defendant
22 when he was meeting with the regulators?

23 A. No.

24 Q. Do you know what they talked about?

25 A. No.

1 Q. And after the meeting, was it then that you were told to
2 transfer the assets?

3 A. Yes.

4 Q. One last thing, Mr. Wang.

5 MR. ROOS: We can take this down.

6 Q. You were asked about at some point a question about, in
7 2021, the status of customer assets.

8 A. Yes.

9 Q. And on cross-examination Mr. Everdell asked you about a
10 conversation that happened when FTX's -- I'm sorry. Withdrawn.

11 Mr. Everdell asked you about a conversation that
12 happened with the defendant in 2021 when Alameda's balance was
13 negative.

14 Do you remember that?

15 A. Yes.

16 Q. Today you testified that that's when the defendant
17 suggested to you including the FTT, is that right?

18 A. That conversation was in 2019 or 2020 -- late 2019, early
19 2020, the one about Alameda having a negative balance on FTX
20 but not if you also include FTT.

21 Q. That was in 2019?

22 A. Yes.

23 Q. And so at that time you said you went along with it?

24 A. Yes.

25 Q. And that's because the math worked out, right?

1 A. Yes.

2 Q. Fast forward to 2022.

3 A. Yes.

4 Q. When Alameda had a \$14 billion negative balance.

5 A. Yes.

6 Q. Was that more than FTX's revenue?

7 A. Yes.

8 Q. Was that more than the FTT?

9 A. Yes.

10 MR. ROOS: No further questions.

11 THE COURT: Thank you.

12 Mr. Everdell.

13 MR. EVERDELL: Nothing from us, your Honor.

14 THE COURT: I'm sorry. You said nothing?

15 MR. EVERDELL: Nothing.

16 THE COURT: I have a couple of questions.

17 (Continued on next page)

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1 THE COURT: Please show Mr. Wang Defendant's
2 Exhibit 15, which both counsel questioned about, the promissory
3 note for \$35 million. Do we have it up there?

4 Can you see it on your screen, Mr. Wang?

5 THE WITNESS: No.

6 THE COURT: Members of the jury, do you have it?

7 THE WITNESS: Okay. Now I see it.

8 THE COURT: Does the jury have it now?

9 THE JURORS: No.

10 Yes.

11 THE COURT: Yes. Okay.

12 This promissory note, I believe you told us—and
13 correct me if I'm wrong, please--was for \$35 million that was
14 to be used to make an investment, yes?

15 THE WITNESS: Yes.

16 THE COURT: An investment by whom or by what entity?
17 Do you know?

18 THE WITNESS: No.

19 THE COURT: Was it an investment by you?

20 THE WITNESS: May have been, yes.

21 THE COURT: What may you have spent \$35 million on as
22 an investment?

23 THE WITNESS: Some company that Sam wanted to invest
24 in, but I don't recall.

25 THE COURT: Some company that Sam?

1 THE WITNESS: Wanted to invest in, but I don't recall
2 which one it was.

3 THE COURT: Were there occasions where there were
4 companies that he wanted to invest in and you made the
5 investment?

6 THE WITNESS: I mean, with the promissory—with these
7 promissory notes. My understanding was that Sam also signed a
8 promissory note for larger amounts.

9 THE COURT: Well, how did you come to have that
10 understanding?

11 THE WITNESS: Told—I was told this by the lawyers.

12 THE COURT: Did you ever receive any dollars in your
13 name for this \$35 million note?

14 THE WITNESS: Not in any bank account that I know of.

15 THE COURT: Did you ever receive any stock or other
16 assets in your name, or the name of some entity you controlled,
17 for this \$35 million investment?

18 THE WITNESS: Not that I'm aware of.

19 THE COURT: Now this note is payable to Alameda
20 Research, yes?

21 THE WITNESS: Yes.

22 THE COURT: And who owned Alameda Research?

23 THE WITNESS: Sam and I.

24 THE COURT: Do either counsel want to ask any further
25 questions in light of my questions?

1 MR. ROOS: No, your Honor.

2 THE COURT: Mr. Everdell?

3 MR. EVERDELL: One clarification question, your Honor.

4 THE COURT: Sure.

5 RECROSS EXAMINATION

6 BY MR. EVERDELL:

7 Q. You said it's your understanding that you didn't get any
8 equity stakes in any of the companies that were invested in
9 with this money?

10 A. Well, I don't know what form that would take, but I assume
11 that there would be in my name, but I don't know what form that
12 is, if—I didn't receive any pieces of paper saying I owned X
13 amount of Y company.

14 Q. But your understanding was that you did get equity stakes
15 in the companies that were invested in.

16 A. Probably. I wasn't entirely sure, but seemed—that was my
17 rough understanding.

18 THE COURT: You were a 10 percent owner of Alameda,
19 right?

20 THE WITNESS: Yes.

21 THE COURT: So in that sense, if Alameda made the
22 investment, you indirectly had an equity stake, yes?

23 THE WITNESS: Yes.

24 THE COURT: Did anybody ever explain to you why you
25 were to sign this note?

1 THE WITNESS: Something about—

2 THE COURT: Before you tell me what it is, I just
3 wanted a yes or no answer to that question.

4 THE WITNESS: They said something, yes.

5 THE COURT: Who's the "they" to whom you're referring?

6 THE WITNESS: Sam.

7 THE COURT: Okay. And what, if anything, did Sam tell
8 you about why you were signing this note?

9 THE WITNESS: Sam mentioned something about not
10 wanting this to come directly—or something about it being an
11 FTX investment but didn't want the money to come from Alameda.
12 I wasn't entirely clear on what the explanation was.

13 THE COURT: Okay. Counsel, anything you want to ask
14 in light of that?

15 MR. ROOS: No, your Honor.

16 MR. EVERDELL: No, your Honor.

17 THE COURT: Okay. The witness is excused. Thank you.

18 (Witness excused)

19 THE COURT: Would this be a good time for lunch?

20 MS. SASSOON: Your Honor, we can call the next witness
21 for half an hour or we can break now; whatever you prefer.

22 THE COURT: Whatever you'd like to do. That's for
23 both sides to be heard on.

24 MS. SASSOON: Okay. The government would like to call
25 Caroline Ellison to the stand.

1 MR. COHEN: We'd prefer to break, your Honor, if
2 that's all right. You have another burning issue to decide.

3 THE COURT: Oh, yes. And I'll do it in the
4 time-honored tradition. We'll go for 15 minutes with
5 Ms. Ellison.

6 (Witness sworn)

7 THE DEPUTY CLERK: Thank you. Please be seated.

8 And if you could please state your name and spell your
9 first and last names for the record.

10 THE WITNESS: My name is Caroline Ellison,
11 C-A-R-O-L-I-N-E, E-L-L-I-S-O-N.

12 THE COURT: You may proceed.

13 MS. SASSOON: Thank you, your Honor.

14 CAROLINE ELLISON,

15 called as a witness by the Government,

16 having been duly sworn, testified as follows:

17 DIRECT EXAMINATION

18 BY MS. SASSOON:

19 Q. Good afternoon, Ms. Ellison.

20 A. Hi.

21 Q. How do you know the defendant, Sam Bankman-Fried?

22 A. We met when I was an intern at Jane Street, and we worked
23 together; later, we worked together at Alameda and dated for a
24 couple of years.

25 Q. When you were working at Alameda, did you commit any

1 crimes?

2 A. Yes, we did.

3 Q. When you say "we," who do you mean by "we"?

4 A. I mean Sam and I and others.

5 Q. What kinds of crimes did you commit with Sam?

6 A. Fraud, conspiracy to commit fraud, and money laundering.

7 Q. Who did you defraud?

8 A. The customers of FTX, the investors in FTX, and lenders to
9 Alameda.

10 Q. And just to be clear, did you commit these crimes alone?

11 A. No. They were committed with Sam.

12 Q. Do you see the defendant Sam Bankman-Fried in the courtroom
13 today?

14 And if you need to stand up. I know there are a lot
15 of people here.

16 MR. COHEN: Stipulated, your Honor.

17 MS. SASSOON: Your Honor, we'd like the witness to
18 answer the question.

19 THE COURT: Please answer the question.

20 A. Yes, I do.

21 Q. Can you identify him by where he's sitting in the courtroom
22 and an article of clothing that he's wearing.

23 A. He's over there, wearing a suit.

24 MS. SASSOON: Let the record reflect that the witness
25 looked at and gestured towards the defendant.

1 THE COURT: Yes.

2 Q. You said that you defrauded FTX's customers and Alameda's
3 lenders with the defendant. What was his involvement in those
4 crimes?

5 A. He was originally the CEO of Alameda and then the owner of
6 Alameda, and he directed me to commit these crimes.

7 Q. Have you pled guilty to a number of federal felonies in
8 connection with these crimes?

9 A. Yes, I have.

10 Q. Are you testifying today under the terms of a cooperation
11 agreement with the government?

12 A. Yes, I am.

13 Q. You testified that you committed fraud against FTX
14 customers with the defendant. At a general level, what did you
15 do that makes you guilty of fraud against FTX customers?

16 A. Alameda took several billion dollars of money from FTX
17 customers and used it for our own investments and to repay
18 debts that we had.

19 Q. What are some of the ways that Alameda was able to steal
20 customer money?

21 A. We had access to an essentially unlimited line of credit on
22 FTX, and we received FTX customer funds directly into our bank
23 accounts as part of the FTX fiat deposit system.

24 Q. And what was the defendant's role in taking that money and
25 spending it on Alameda?

1 A. He was the one who set up the systems that allowed Alameda
2 to take the money, and he was the one who directed us to take
3 customer money to repay our loans.

4 Q. Around how much FTX customer money did Alameda use to repay
5 its lenders?

6 A. In the ballpark of \$10 billion.

7 Q. Once Alameda—and this \$10 billion, does that include other
8 spending of customer money besides repaying loans?

9 A. Yes.

10 Q. Once Alameda repaid its lenders and spent billions of
11 dollars of FTX customer money, about how much money had Alameda
12 taken from FTX customers in all by that point?

13 A. We ultimately took around \$14 billion, some of which we
14 were able to pay back.

15 Q. You said you defrauded Alameda's lenders with the
16 defendant. How did you defraud Alameda's lenders?

17 A. I sent balance sheets to our lenders at the direction of
18 Sam that incorrectly stated the amount of our assets and our
19 liabilities and made Alameda's balance sheet look less risky
20 than it really was.

21 Q. Turning to November of 2022, what happened when FTX
22 customers tried to withdraw their money in large numbers?

23 A. Initially FTX was able to process some withdrawals, but
24 pretty soon it started running out of money. Alameda tried to
25 send more money to FTX, but there wasn't enough to cover all

1 the customer claims.

2 Q. And why was there not enough money for customers in
3 November of 2022?

4 A. Because Alameda had taken it to make our own investments
5 and to repay our lenders.

6 MS. SASSOON: Your Honor, I can turn now to the
7 witness's background or we can break for lunch.

8 THE COURT: Okay. We'll break. 2:00, folks.

9 (Luncheon recess)

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AFTERNOON SESSION

2:04 p.m.

(In open court; jury present)

THE COURT: The defendant and the jurors are all present, as they have been throughout.

You may proceed, Ms. Sassoon.

MS. SASSOON: Thank you, your Honor.

BY MS. SASSOON:

Q. Ms. Ellison, I want to pick up with a little bit about your background.

How old are you?

A. I'm 28.

Q. Where did you grow up?

A. I grew up in the Boston area.

Q. Where did you go to college?

A. I went to school at Stanford.

Q. What did you study at Stanford?

A. I was a math major.

Q. What was your first job out of college?

A. I worked as a trader on the equities desk at Jane Street.

Q. What is Jane Street?

A. Jane Street is a trading firm based in New York.

Q. When you began working there, had you worked there before?

A. I had worked as an intern there before I started full time after college.

1 Q. How did you meet the defendant?

2 A. I met him when I was an intern there and he was a trader.

3 Q. Did there come a time when you learned that the defendant
4 had started his own company?

5 A. Yes. After I started working at Jane Street full time, he
6 left. A few months after he left, I got coffee with him and he
7 told me about a crypto trading firm that he had started called
8 Alameda Research.

9 Q. Did you start working there?

10 A. Yes, I did.

11 Q. Around when?

12 A. This was in March of 2018.

13 Q. And how did that happen that you started working at
14 Alameda?

15 A. After he told me about it, I asked if he wanted me to work
16 there and he said yes and gave me a job offer. I thought about
17 it for a bit and decided to quit Jane Street and move to
18 California to work for him.

19 Q. Was that job at Alameda your second full-time job?

20 A. Yes, that's right.

21 Q. Initially what was your role at Alameda?

22 A. I was a trader.

23 Q. When you started working at Alameda as a trader, what did
24 you learn shortly after starting this new job?

25 A. Shortly after I started, I learned that the company was in

1 much worse shape than I realized. Right before I had started
2 working there, they had suffered large losses and just
3 discovered them. Right after I started working there, the
4 lenders pulled out a lot of their money and more than half of
5 the company ended up quitting.

6 Q. When the defendant offered you a job at Alameda, had he
7 shared with you the rough circumstances at Alameda?

8 A. No.

9 Q. And when you learned about it, did you discuss this with
10 him?

11 A. Yes, I did.

12 Q. And what did you talk about?

13 A. I asked why he hadn't shared more of this information. He
14 apologized and he said that he hadn't known how to tell me.

15 Q. What were your responsibilities as a trader at Alameda?

16 A. It was a variety of things; everything from doing research
17 and working on our—our trading models to monitoring automated
18 systems to moving things like Bitcoin around the different
19 exchanges.

20 Q. What was the defendant's role at the time that you worked
21 as a trader at Alameda?

22 A. He was the CEO.

23 Q. Did your relationship with the defendant remain purely
24 professional?

25 A. No, it didn't.

1 Q. Can you explain.

2 A. Yeah. In the fall of 2018—so not too long after I started
3 working at Alameda—we started sleeping together on and off; in
4 the summer of 2020, we eventually started a romantic
5 relationship.

6 Q. And over what periods of time were you in a romantic
7 relationship with the defendant?

8 A. Yeah. We first dated from summer of 2020 to summer of
9 2021; we broke up and then got back together in the fall of
10 2021; and broke up for good in the spring of 2022.

11 Q. While you dated what, if anything, did the defendant tell
12 you about his professional goals?

13 A. He was very ambitious. He talked about wanting Alameda and
14 eventually FTX to be successful and to end up being huge
15 companies that did a wide variety of things. He was also very
16 interested in politics and talked about wanting to use his
17 money to have influence on politics. He said at one point he
18 thought there was a 5 percent chance he would become president
19 some day.

20 Q. When you say president, what are you referring to?

21 A. Of the United States.

22 Q. Around when did the defendant start the FTX exchange?

23 A. It was around the beginning of 2019.

24 Q. And when the defendant started FTX, what role did he play
25 in Alameda at that time?

1 A. He was still the CEO.

2 Q. Was Alameda a customer on the FTX exchange?

3 A. Yes, we were. Initially we were the largest trader on the
4 FTX exchange. Our market share decreased gradually over time.

5 Q. As a customer on the exchange, what types of things did
6 Alameda do on FTX?

7 A. We did trading; we provided on all of the markets on FTX
8 and did our normal sort of arbitrage-type trading there.

9 Q. Did Alameda buy Bitcoin on FTX?

10 A. Yes, we bought Bitcoin.

11 Q. Did that include purchases of spot Bitcoin?

12 A. Yes.

13 Q. And what about Bitcoin futures?

14 A. Yeah, Bitcoin futures too.

15 Q. How would you describe the relationship between FTX and
16 Alameda when FTX was created?

17 A. Initially they were very integrated, they were both run by
18 the same teams; eventually they became more separate over time,
19 though still remained fairly integrated.

20 Q. If Alameda made money on FTX, who was the beneficiary of
21 those profits?

22 A. Sam, because he owned Alameda.

23 Q. When you started working at Alameda, where did the company
24 get its money from to buy cryptocurrency and to trade?

25 A. Initially we were funded primarily by loans from—from

1 acquaintances and friends of friends.

2 Q. And you touched on this, but what happened to some of the
3 loans that Alameda had after you started working there?

4 A. The majority of them were recalled, like a few weeks after
5 I started working there.

6 Q. Can you explain what you mean by "recalled."

7 A. What I mean is that the lenders asked for their money back.

8 Q. And these lenders were these third-party lenders?

9 A. Yes.

10 Q. What's a third-party lender?

11 A. A lender who's separate from us, so not FTX or Alameda.

12 Q. So after a number of these loans were recalled, how would
13 you describe Alameda's ability to borrow from third parties
14 when you were working there as a trader?

15 A. It was initially not very good. This was something Sam
16 talked about a lot as a big priority for the company, figuring
17 out ways to get more loans.

18 Q. You said it was a big priority for the defendant to get
19 more loans. What did he describe about why he wanted to borrow
20 more money for Alameda?

21 A. In order to do more trades or just have the ability to do
22 whatever valuable things came up.

23 Q. When you say "valuable things," what kinds of things are
24 you talking about?

25 A. Things like investments or acquisitions.

1 Q. And what kinds of things would the defendant say to you
2 about trying to borrow money?

3 A. He said that we should be—

4 MR. COHEN: Your Honor, might we have a time frame.

5 Q. While you were working as a trader at Alameda.

6 A. Yeah, he said that we should be trying really hard to find
7 new sources of money.

8 Q. Were there times that Alameda did not have enough money to
9 do all the things that the defendant wanted to do in terms of
10 spending and trading?

11 A. Yes, definitely.

12 Q. Did there come a time while you were working at Alameda
13 that Alameda began using money that belonged to FTX customers
14 as a source of capital?

15 MR. COHEN: Objection, leading.

16 THE COURT: Sustained. Form.

17 Q. You said the defendant wanted to be borrowing from various
18 sources. While you worked as a trader, what was one of the
19 sources that Alameda began using?

20 A. When we began borrowing from third-party crypto lenders as
21 well as borrowing customer funds that were deposited on FTX.

22 Q. What was the defendant's involvement in using FTX customer
23 money as a source of funds for Alameda in FTX's early days?

24 MR. COHEN: Same objection.

25 THE COURT: Overruled.

1 A. Sorry. Can you repeat the question.

2 Q. Of course. What was the defendant's involvement in using
3 FTX customer money as a source of funds for Alameda in those
4 early days at FTX?

5 A. He said that FTX would be a good source of capital, and he
6 set up the system that allowed Alameda to borrow from FTX.

7 Q. To your knowledge were customers of FTX ever told that
8 their money was being taken and used by Alameda?

9 A. No, not to my knowledge.

10 Q. Before the lunch break you described two ways that Alameda
11 took customer money from FTX, so let's talk about those.

12 What role, if any, did Alameda have with respect to
13 FTX customer fiat or dollar deposits?

14 A. Yeah. Initially, when FTX was getting started, it was hard
15 for it to get bank accounts, so Alameda would receive money in
16 its bank accounts for FTX customer deposits.

17 Q. And why were FTX customers depositing money?

18 A. Because they wanted to use it to maybe convert into
19 cryptocurrencies or just use as collateral for their trading.

20 Q. What was the approximate time frame of Alameda receiving
21 FTX customer money into its bank account?

22 A. I recall it happening as early as 2020. I'm not sure if it
23 was earlier. And I know that it was still happening to some
24 extent in 2022, though we had largely moved to FTX bank
25 accounts at that point.

1 Q. What was the name of one of the entities that was listed
2 for those bank accounts?

3 A. North Dimension is the main one I'm aware of.

4 Q. Apart from FTX customer funds, as far as you know, did
5 other money get deposited into the North Dimension bank
6 account?

7 A. Not that I know of, but I'm not sure about that.

8 Q. About how much FTX customer money would you approximate got
9 deposited with Alameda over time on a net basis?

10 MR. COHEN: Objection to form.

11 THE COURT: I don't understand the objection.

12 MR. COHEN: Compound, your Honor.

13 THE COURT: Overruled.

14 A. I think it was ballpark of 10 to \$20 billion.

15 Q. How, if at all, did Alameda keep track of these billions of
16 dollars of customer money that it was accepting into its bank
17 accounts?

18 A. There was an account on FTX with the email fiat@ftx.com
19 where, if a customer deposited money into an Alameda bank
20 account, then there would be a negative ledger entry created in
21 this account to offset the money that Alameda was receiving.

22 Q. What about if a customer withdrew money from FTX?

23 A. It was supposed to—the process was supposed to happen in
24 reverse, though I later learned that there was a bug that
25 prevented this from happening at least some of the time.

1 Q. When you say the process was supposed to happen in reverse,
2 do you mean the negative liability was supposed to get less
3 negative?

4 A. Yes, that's right.

5 Q. And was Alameda paying for those withdrawals?

6 A. Yes, we were.

7 Q. You testified that approximately billions of dollars went
8 through the Alameda bank account. Did Alameda maintain most of
9 this FTX customer money in that bank account?

10 A. No, we did not.

11 Q. What did Alameda do with a portion of that money?

12 A. Some of that money was withdrawn to other exchanges, was
13 spent on expenses, was used to repay loans, was used for
14 investments.

15 Q. Was some of that money used for something called stablecoin
16 conversion?

17 A. Yes, that's right, some of it was.

18 Q. What is that?

19 A. So a stablecoin is a cryptocurrency that's supposed to
20 track the price of the fiat currency—for example, US dollar.
21 So a USD coin is supposed to be worth the same as a US dollar.
22 So sometimes FTX customers would deposit like US dollars
23 through a bank account and want to withdraw USDC, so Alameda
24 would take the dollars that it deposited, convert them to USDC
25 so they could withdraw.

1 Q. Is that a way of sending the money back to customers?

2 A. Yeah, that's right.

3 Q. I think you said about \$10 billion went into this Alameda
4 bank account. About how much of that was used to send money
5 back to customers in the form of stablecoin?

6 A. I think in the ballpark of \$2 billion.

7 Q. So what happened to the remaining \$8 billion or so that was
8 not used to convert money to stablecoin for customers?

9 A. It was used for Alameda's trading and other purposes.

10 Q. Who was the CEO of Alameda when this practice of spending
11 FTX customer money on Alameda trading and expenses started?

12 MR. COHEN: Objection.

13 THE COURT: Overruled.

14 A. Sam was the CEO.

15 Q. Generally, about how much money was kept in the North
16 Dimension bank account relative to the amount of money that
17 customers were depositing into it?

18 A. Much less. I don't think it was more than, you know, in
19 the hundreds of millions of dollars.

20 Q. Why is that?

21 A. Because it could be put to use generating returns if we
22 used it for trading.

23 Q. And whose decision was that?

24 A. It was Sam's initially.

25 Q. Over time what was your impression of how FTX marketed the

1 securities customer assets on the FTX exchange?

2 A. My impression was that FTX marketed itself as a safe,
3 reliable, audited, and highly regulated exchange.

4 Q. Did you consider using customer deposits in Alameda trading
5 as consistent with that?

6 A. No, I didn't.

7 Q. Why not?

8 A. Because it meant that those assets were at risk. I mean,
9 as a trader, I was a customer in other exchanges, and if I knew
10 that this was happening in another exchange, I would feel
11 uncomfortable leaving a lot of money there.

12 Q. So you had mentioned that Alameda took customer money in
13 two ways. We just talked about one. What was the other way
14 that Alameda took customer money?

15 A. We had a—a line of credit on FTX that allowed us to borrow
16 cryptocurrency.

17 Q. What do you mean by line of credit?

18 A. What I mean is that we had a—a setting that allowed us to
19 withdraw coins from our account, even if we didn't have them in
20 our balances, or to sell them again, even if we didn't have
21 them.

22 Q. And when you talk about using this line of credit, did it
23 allow Alameda to take money off of the FTX exchange to spend
24 elsewhere?

25 A. Yes, that's right.

1 Q. What is collateral?

2 A. Collateral is money that you post if you're taking out a
3 loan to secure the loan so that if you don't repay it, then
4 whoever lent you the money can use that collateral and maybe
5 sell it and use it to make up the value of the loan.

6 Q. Generally, when Alameda traded on other cryptocurrency
7 exchanges besides FTX, did it have to post collateral?

8 A. Yes, we did.

9 Q. As a result of Alameda's line of credit on FTX, was it
10 required to post collateral for its transactions on the
11 exchange?

12 A. No.

13 Q. Were you aware of any other customers that did not have to
14 post collateral to trade on FTX?

15 A. No.

16 Q. How was the money that Alameda could access through this
17 line of credit different from the customer money it was using
18 out of the North Dimension bank account?

19 A. It included all coins on FTX, not just the fiat currencies,
20 so we could borrow cryptocurrency as well.

21 Q. And where was this money being stored before Alameda took
22 it?

23 A. It was being stored in FTX's wallets.

24 Q. And when you say "FTX's wallets," what do you mean by that?

25 A. It's like in a blockchain address that you use to store

1 cryptocurrency.

2 Q. When Alameda took this customer money from FTX's wallets,
3 where did the money go?

4 A. To whatever we needed it for, potentially to another
5 exchange or to a D5 platform.

6 Q. What gave Alameda this capability?

7 A. My understanding is that it was a special setting on FTX.

8 Q. Was this in FTX's code, as far as you understood it?

9 A. I believe so.

10 Q. Did you implement those features into FTX's code?

11 A. No.

12 Q. Did you generally have access to FTX's code?

13 A. No. I'd seen parts of it at various times, but I never
14 made any changes and I don't recall ever seeing this specific
15 part of it.

16 Q. While you worked at Alameda were you ever told about the
17 exact size of the line of credit?

18 A. Not that I recall.

19 Q. When did you learn about this special feature of this line
20 of credit that allowed Alameda to withdraw customer money?

21 A. I learned about it I think around the time that our FTX
22 account was set up; we were told that we had this ability.

23 Q. And what was your impression of the amount of customer
24 cryptocurrency that Alameda could take using this line of
25 credit?

1 A. My impression was that it was unlimited.

2 Q. In your time as an Alameda trader what instructions, if
3 any, did the defendant give you about using the line of credit?

4 A. He said to use it but to make sure we kept money on FTX so
5 that if customers were withdrawing that we would be able to
6 process those withdrawals, but he didn't tell us to keep any
7 more money on FTX beyond that.

8 Q. And when you say to process customer withdrawals, generally
9 were all customers withdrawing their money at once?

10 A. No, no. Usually it was much smaller than that.

11 Q. You mentioned that Alameda was a market maker on FTX. Was
12 an unlimited line of credit necessary for Alameda to perform
13 its market-making functions on the exchange?

14 A. No, I wouldn't say so.

15 Q. Why not?

16 A. Well, there was a—a limited amount of trading on the
17 exchange so there's really only a limited line of credit that
18 could be necessary.

19 Q. When you say Alameda would have only needed a limited line
20 of credit, what size are we talking about?

21 A. Our lines of credit on other exchanges, I think the largest
22 that I can recall were around the hundred or maybe \$200 million
23 range.

24 Q. And that was million, with an M?

25 A. Yeah, with an M.

1 Q. And over time, on FTX, did Alameda's market-making
2 responsibilities increase or decrease?

3 A. Over time they decreased. Initially I think we were around
4 half of the volume, and later it went down a lot to something
5 more like 2 percent.

6 Q. With respect to this line of credit were you aware of any
7 contracts that accompanied borrowing customer money through the
8 line of credit?

9 A. No, I wasn't aware of any.

10 Q. Were you aware of any specific written terms on when
11 Alameda had to return the money that it took?

12 A. No.

13 Q. Were you aware of any terms or understandings at all of
14 when Alameda had to return this money?

15 A. No.

16 Q. How did you know that Alameda was spending customer money
17 and not just FTX revenue?

18 A. I mean, initially, when we started borrowing money, we
19 would borrow coins that I knew FTX didn't have on its balance
20 sheet, like relatively illiquid assets. Later on, once we
21 started borrowing in the billions of dollars, I knew that our
22 borrowing exceeded the total amount of money that FTX had from
23 its revenue and from its fundraising so I knew that some of
24 what we were borrowing at least had to be customer funds.

25 Q. Prior to June 2022 generally in what kinds of amounts was

1 Alameda borrowing through its line of credit?

2 A. Could be amounts ranging from, you know, a hundred thousand
3 dollars to \$10 million at a time.

4 Q. And generally for what purpose was it doing that?

5 A. For trading purposes.

6 THE COURT: Ms. Ellison, could you get a little closer
7 to the microphone.

8 THE WITNESS: Oh, yeah, sure.

9 Q. Can you give an example of that.

10 A. For instance, if there was a coin that was trading at a
11 higher price on another exchange, like Binance, it might be
12 profitable to withdraw that coin from FTX and sell it on
13 Binance.

14 Q. Did you perceive this as a benefit to Alameda?

15 A. Yeah, I did.

16 Q. Why?

17 A. Because it allowed us to make profitable trades that we
18 wouldn't have been able to make otherwise.

19 Q. While you were working as a trader at Alameda using this
20 line of credit, did you ever have any concerns about the fact
21 that Alameda was withdrawing customer funds from the exchange?

22 MR. COHEN: Objection to form.

23 THE COURT: Sustained.

24 Q. While you worked as a trader, what, if any, concerns did
25 you have about Alameda using customer funds through the line of

1 credit?

2 MR. COHEN: Same objection.

3 THE COURT: Overruled.

4 A. Yeah, I was somewhat concerned because I thought it was
5 something that customers weren't aware of and wouldn't be happy
6 if they knew about, though as I was just a trader at the time,
7 I didn't really see it as my role to make decisions on that.

8 Q. The concerns that you just described having, did you ever
9 voice them to the defendant?

10 A. Yeah. I remember one conversation that we had about when
11 FTX was first being audited, when I asked him whether this line
12 of credit would show up on the FTX audit because I was
13 concerned that, you know, it would raise concerns with
14 investors and other people who were seeing the audit, and he
15 said, like, *No, don't worry, the auditors aren't going to look*
16 *at that.*

17 Q. Around when was this conversation that you raised concerns
18 with the defendant?

19 A. Maybe something like 2020.

20 Q. And you described voicing concerns in the context of an
21 audit. What is an audit?

22 A. An audit is when an external accounting firm looks at the
23 finances of the company to certify that they are what they say
24 they are.

25 Q. What, if anything, did the defendant tell you about why FTX

1 was having an audit?

2 A. He said it was to appeal to potential investors.

3 Q. So why did you ask the defendant about whether Alameda
4 using customer funds would cause problems with the audit?

5 A. Because I thought that if I were an investor or someone
6 else interested in the finances of FTX, that would be important
7 information about FTX's finances that I would want to know.

8 Q. When the defendant told you not to worry because the
9 auditors wouldn't see it, did he say anything about whether
10 what you were doing was actually okay?

11 A. No, not that I recall.

12 Q. And as far as you know, was FTX disclosing to auditors,
13 customers, or the public that unlike other customers on
14 exchange, Alameda had this line of credit?

15 MR. COHEN: Objection to form.

16 THE COURT: Sustained as to form.

17 Q. As far as you were aware, was FTX disclosing the existence
18 of Alameda's line of credit to auditors, the public, or
19 customers?

20 THE COURT: It's compound. Rephrase.

21 Q. As far as you know, was FTX disclosing to customers the
22 existence of Alameda's line of credit?

23 A. No, not as far as I know.

24 Q. And as far as you know, was Alameda disclosing to auditors
25 the existence of Alameda's line of credit?

1 A. No.

2 Q. And as far as you know, was FTX disclosing to investors the
3 existence of Alameda's line of credit?

4 A. No.

5 Q. Prior to June of 2022 are there any occasions that stand
6 out in your mind when the defendant told you to use Alameda's
7 line of credit?

8 A. Yeah. There was one instance when we were buying FTX
9 equity back from Binance that he did so.

10 Q. What is Binance?

11 A. So Binance was another major crypto exchange. They were
12 initially an early investor in FTX but later on became more of
13 a competitor to FTX, but they still owned a large stake of FTX
14 stock. It was about \$2 billion. So Sam wanted to buy it back
15 from them.

16 Q. And around when was this discussion with the defendant
17 about buying back Binance's stake in FTX?

18 A. I think it was the summer of 2021.

19 MS. SASSOON: Mr. Bianco, can you show the witness
20 Government Exhibit 1638.

21 Q. Do you recognize the people in this photograph?

22 A. Yes.

23 Q. Who are they?

24 A. That's Sam with CZ or Changpeng Zhao, who is the CEO of
25 Binance.

1 MS. SASSOON: The government offers 1638.

2 MR. COHEN: No objection.

3 THE COURT: Received.

4 (Government's Exhibit 1638 received in evidence)

5 MS. SASSOON: Mr. Bianco, please publish the
6 photograph to the jury.

7 BY MS. SASSOON:

8 Q. Who's in this photograph?

9 A. This is Sam with CZ, who is the CEO of Binance.

10 Q. And in the summer of 2021, what was the size of Binance's
11 investment in FTX?

12 A. It was around \$2 billion.

13 Q. What did the defendant tell you about buying out Binance's
14 \$2 billion stake in FTX?

15 A. He said it was really important because if we didn't buy it
16 out, otherwise Binance would do things to mess with FTX.

17 Q. Where did this conversation take place?

18 A. This was in person in the Hong Kong office.

19 Q. When you say "the Hong Kong office," whose offices?

20 A. It was the office where both FTX and Alameda staff worked.

21 Q. Who was there for this conversation with the defendant
22 about buying out Binance's \$2 billion stake?

23 A. It was me, Sam, and I believe Trabucco

24 Q. Who is Trabucco?

25 A. He was at the time another trader at Alameda. He later

1 became co-CEOs with me.

2 Q. Co-CEOs with you of Alameda?

3 A. Yes, that's right.

4 Q. What was your reaction when the defendant proposed buying
5 out Binance's \$2 billion stake in FTX?

6 A. I was concerned about the amount of money. Like, FTX had
7 just raised a lot of money, which made me feel more confident
8 about its financial position, but then we were going to use I
9 think it was more than the amount of money that they had just
10 raised to buy back this share of FTX from Binance.

11 Q. What did you say to the defendant?

12 A. I said something like, *We don't really have the money for*
13 *this, we'll have to borrow from FTX to do it.*

14 Q. When you said, *We'll have to borrow from FTX to do it*, what
15 did you mean?

16 A. I meant use our line of credit on FTX.

17 Q. When you said to the defendant that you didn't really have
18 the money and you would have to borrow from FTX, what did he
19 say?

20 A. He said, *That's okay, I think this is really important, we*
21 *have to get it done.*

22 Q. And did you get it done?

23 A. Yes, we did.

24 Q. About how much money did Alameda take from FTX customers to
25 buy out Binance?

1 A. It was in the ballpark of \$1 billion.

2 Q. Is this the first time you recall Alameda spending about a
3 billion dollars of customer cryptocurrency from FTX?

4 MR. COHEN: Objection.

5 THE COURT: What's the objection?

6 MR. COHEN: Builds a conclusion into the sentence.

7 This is supposed to be direct examination, your Honor.

8 MS. SASSOON: The witness just testified to those
9 facts.

10 THE COURT: Overruled.

11 A. Yeah, the first time that I can recall an amount that large
12 being taken from FTX.

13 Q. Who made that decision?

14 A. It was Sam's decision.

15 Q. And what was Sam's title at Alameda at the time?

16 A. At the time I believe he was CEO.

17 Q. What, if anything, did you take away from this experience
18 with the defendant telling you to buy out Binance using
19 Alameda's line of credit?

20 A. I took away more confirmation that he saw Alameda's line of
21 credit on FTX as a general backstop source of funds for
22 whenever we needed funds.

23 Q. When you say "whenever we needed funds," who are you
24 referring to?

25 A. Alameda.

1 Q. And after that, when Alameda needed money for trading or
2 other expenses, what sources of capital did you draw from?

3 A. We drew from—I mean, we were funded largely with loans at
4 that point, and if we needed money for any particular thing, we
5 would take from exchanges, including FTX.

6 Q. You mentioned loans. Besides the line of credit, what was
7 Alameda's primary source of money to invest and do trading in
8 2021?

9 A. It was loans from third-party crypto lending desks.

10 Q. And initially, when you started working at Alameda, about
11 how much money was Alameda borrowing from third parties?

12 A. Maybe around a hundred million dollars.

13 Q. Did there come a time when the defendant spoke to you about
14 getting more loans?

15 A. Yeah. Around the end of 2018 or beginning of 2019, he met
16 people from Genesis, which was a large crypto lending desk, and
17 he told me he was very excited about that and he thought we
18 should try to get loans from them.

19 Q. Did he mention any other lenders?

20 A. None at the time that I recall, though we later, you know,
21 over the course of, especially in 2021, found more lenders.

22 Q. And prior to that had Alameda faced any difficulty in
23 getting loans?

24 A. Yeah, for a lot of 2018, we had a lot of trouble getting
25 loans.

1 Q. When did that change?

2 A. It started to improve in the beginning of 2019, but the
3 situation definitely got better towards the end of 2019 when
4 we—after we created FTT.

5 Q. I want to talk about FTT in a moment. But let me ask you:
6 If Alameda had a line of credit on FTX, why was Alameda also
7 seeking out these other lenders?

8 A. I mean, in those days, back in 2019, the amount of FTX
9 customer deposits wasn't very large so it wasn't a very good
10 source of funds for Alameda.

11 Q. You mentioned that Alameda was able to borrow more money
12 with the creation of FTT. What is FTT?

13 A. FTT was the FTX exchange token.

14 Q. What does that mean?

15 A. That means that FTX would take a third of the revenue that
16 they earned from fees and use it to buy up this token, so
17 effectively they were trying to transfer that value to the
18 token holders.

19 Q. How did FTT come about? How did it originate?

20 A. Sam created it.

21 Q. And when you say he created it, can you explain that.

22 A. I think he and others on the business development team came
23 up with the idea and some of the developers at FTX created the
24 actual token.

25 Q. And what reason, if any, did the defendant give for

1 creating FTT?

2 A. Initially he said that it would be a good way to raise some
3 funds and build an equity cushion for FTX, and he thought it
4 had the potential to get really big, similar to BNB or other
5 popular exchange tokens at the time.

6 Q. So when you say the defendant created FTT, in practice,
7 does that mean creating a bunch of coins online?

8 A. Yeah.

9 Q. And how were these coins that the defendant created
10 initially distributed?

11 A. Some were sold in the seed round to outside investors and
12 to employees, and the rest were owned by Alameda.

13 Q. Roughly what percentage of that initial distribution of FTT
14 went to Alameda?

15 A. Not sure. Maybe, ballpark, 60 or 70 percent.

16 Q. What did Alameda pay for its initial supply of FTT that was
17 about 60 or 70 percent of all the tokens?

18 A. Nothing as far as I know.

19 Q. So it got the tokens for free.

20 A. As far as I know.

21 Q. And when FTT was first actually listed for sale, what was
22 the approximate price?

23 A. The price in the seed round was 10 cents, but when it was
24 listed on exchanges, it quickly went up to around a dollar.

25 Q. What, if any, instructions did the defendant give you about

1 trading FTT?

2 A. He said that he thought 1 dollar was a psychologically
3 important price, and if it went below a dollar, then people
4 might lose confidence in it, so that we should try to buy it if
5 it started going below a dollar.

6 Q. And again, when you say "we" should try to buy FTT if it
7 goes below a dollar, who's the "we"?

8 A. Alameda.

9 Q. Over time did the—

10 THE COURT: Excuse me for a minute. You used the
11 phrase "seed round." Would you explain to the jury what you
12 meant by that.

13 THE WITNESS: Yeah. "Seed round" means an initial
14 investment round. So before FTT was ever listed on exchanges,
15 it was sold privately to some investors for the price of 10
16 cents.

17 BY MS. SASSOON:

18 Q. And then it was eventually listed publicly?

19 A. Yes, that's right.

20 Q. And is that when it went to about a dollar?

21 A. Yes.

22 Q. Over time did the value of FTT change?

23 A. Yeah. It eventually went up to around \$50.

24 Q. And that would be \$50 for one FTT token?

25 A. Yes, that's right.

1 Q. And the total value of FTT held by Alameda, how did that
2 change?

3 A. It went up a lot with the price of FTT, so it was several
4 billion dollars at one point.

5 Q. What, if anything, did the defendant say to you about the
6 benefit to Alameda from these FTT coins if it became worth much
7 more money?

8 A. He said that, you know, after—shortly after they were
9 listed, he said that we should start putting them on our
10 balance sheet and that they would be able to get us more loans
11 from third-party lenders.

12 Q. Over time what additional instructions, if any, did the
13 defendant give you about trading FTT?

14 A. At various points he—he gave us a lot of instructions
15 about FTT; at various points he instructed us to buy if there
16 was a large amount of selling or if the price was going down
17 too much.

18 Q. And do you recall any specific occasions when the defendant
19 told you to buy FTT when the price was going down?

20 A. Yeah. One that comes to mind is in 2021, when Binance was
21 selling some of their stake in FTT.

22 Q. What did the defendant tell you to do?

23 A. He said to start buying once the price had gone down a bit.

24 Q. Was this something the defendant discussed openly in front
25 of you with other employees?

1 A. No. He tended to be pretty careful about not discussing it
2 too openly.

3 Q. What, if anything, did the defendant say to you about that?

4 A. He at one point got upset at me when I had discussed our
5 FTT trading what he thought was too openly around several other
6 employees and he said to keep our discussions of FTT trading,
7 you know, between us or us and a few other people.

8 MS. SASSOON: Mr. Bianco, can you show the witness
9 Government Exhibit 1622.

10 Q. Do you recognize this?

11 A. Yes, I do.

12 Q. What is this?

13 A. This is a Signal chat between me and Victor Xu, who was a
14 trader at Alameda at the time.

15 MS. SASSOON: The government offers Government
16 Exhibit 1622.

17 MR. COHEN: No objection, your Honor.

18 THE COURT: Received.

19 (Government's Exhibit 1622 received in evidence)

20 MS. SASSOON: Mr. Bianco, please publish this exhibit
21 for the jury.

22 BY MS. SASSOON:

23 Q. So who is Victor Xu, who is on this chat?

24 A. He was a trader at Alameda at the time.

25 Q. What is the date on this chat?

1 A. It's July 16, 2021.

2 Q. And was this around the time of the Binance transaction?

3 A. Yes, it was.

4 Q. Can you read your messages to Victor Xu.

5 A. Yeah. "So sorry if I was being cagey about the FTT convo.
6 FTT price is definitely something SBF has got upset at me for
7 talking about too publicly before so I was feeling stressed out
8 about that/struggling how to respond. Obvi important to get
9 right tho, and I think we get fucked up by not taking it down
10 more earlier."

11 Q. What were you referring to when you said you were being
12 cagey about the FTT convo?

13 A. I was having a conversation with Victor where he was
14 expressing disagreement with our FTT trading strategy and he
15 said that we should be buying less, we should be waiting for it
16 to—the price to go down more before we bought, and I was
17 pushing back against him because Sam had said he wanted to buy
18 FTT at this price.

19 Q. Did what Victor Xu said to you, that you shouldn't be
20 buying at the low price, make sense to you?

21 A. Yeah, it did make sense. I thought that what he was saying
22 would be a more profitable trading strategy.

23 Q. So why were you pushing for a different trading strategy?

24 A. Because Sam had said that he wanted to buy more, and I—I
25 understood that to be because he didn't want to spook the

1 market or didn't want to put any of our loans in danger by
2 having the price go down too much.

3 Q. What was the effect of buying FTT when the price was going
4 down?

5 A. The effect was that we made the price go back up and
6 prevented it from going down very much but that we lost some
7 money doing so.

8 (Continued on next page)

1 Q. You said FTT helped Alameda secure more third-party loans.
2 What, if any, financial information did Alameda provide its
3 lenders about Alameda?

4 A. We provided balance sheets to our lenders, traditionally
5 quarterly. We would also provide them more frequently if a lot
6 of things were going on or if lenders were asking for more
7 frequent updates.

8 Q. What is a balance sheet?

9 A. A balance sheet is a document that shows the company's
10 assets and liabilities, so it showed what were the things that
11 we owned, how much they were worth, and what were our debts.

12 Q. And who would prepare the balance sheet?

13 A. Various people did it at Alameda over time, but I was one
14 of the primary ones, and I was the one who did it throughout
15 2022.

16 Q. What was the purpose of sending balance sheets to Alameda's
17 lenders?

18 A. To provide them with information on Alameda so they could
19 assess how risky it was to lend to us.

20 Q. Initially did you put Alameda's FTT holdings on Alameda's
21 balance sheet?

22 A. Not initially.

23 Q. Why not?

24 A. Because it was a very large number because we owned a lot
25 of the supply of FTT, but I thought it was somewhat misleading

1 because we wouldn't have been able to sell all the FTT for that
2 much and it was much larger than the rest of the items on our
3 balance sheet at the time.

4 Q. Let's break that down. You said you thought it was
5 misleading to put the FTT on the balance sheet because you
6 couldn't sell it for that much. When you say that much, what
7 numbers are you talking about?

8 A. Like maybe it was mark to market worth around \$200 million
9 at the time, so the price basically market price was around
10 \$200 million. But if Alameda had actually tried to sell the
11 FTT that we owned, it would have ended up kind of making us way
12 less than that.

13 Q. Why did you believe it was the case that if Alameda
14 actually tried to sell its FTT the price would drop
15 significantly?

16 A. Because I was trading FTT and watching the markets, and I
17 could see when people, like some of the seed round investors
18 started to sell their FTT after it listed publicly, and I could
19 see how much they were selling and see how much that moved the
20 price.

21 Q. Who owned most of the FTT?

22 A. It was Alameda.

23 Q. You believe there was a market for the amount of FTT that
24 Alameda owned?

25 A. Not at the time.

1 MR. COHEN: Can we have a time frame, your Honor?

2 THE COURT: Yes.

3 MS. SASSOON: Sure.

4 Q. 2021.

5 A. No. I don't think there was a market for the amount of FTT
6 Alameda owned in 2021.

7 Q. Did you ever come to believe that there was a market for
8 the entire holdings that Alameda had of FTT on its balance
9 sheet?

10 A. No. I would say it was always a lot more than what just
11 kind of the normal market trading could support. If we wanted
12 to sell that amount, we would have had to find sort of a buyer
13 who was willing to do a large block trade or something like
14 that.

15 Q. You said initially you didn't put FTT on the balance sheet
16 because you thought it would be misleading. Did there come a
17 time when you did put FTT on Alameda's balance sheet?

18 A. Yeah.

19 Q. Why did you do that?

20 A. Sam directed me to do so.

21 Q. When the defendant directed you to put FTT on Alameda's
22 balance sheet, what, if anything, did he explain about that?

23 A. He said he thought it would help us get more loans from
24 Genesis and from other lenders.

25 Q. What was your response to that initially?

1 A. I thought it was a little potentially misleading to put it
2 on, but he said that as long as we sort of put it on and broke
3 it out into its own category and made it clear that it was FTT
4 that he thought it was fine, and I agreed with that.

5 Q. When you say you thought it was misleading, did you share
6 that thought with the defendant?

7 A. Yeah. I think I did initially.

8 Q. Did you put FTT on the balance sheet?

9 A. Yeah.

10 Q. In these discussions with the defendant, did he dispute
11 that FTT was, in practice, worth less than the value on the
12 balance sheet?

13 A. No, not that I recall.

14 Q. And did putting FTT on the balance sheet help Alameda get
15 more loans?

16 A. Yeah.

17 Q. Were there other cryptocurrency coins that the defendant
18 created or helped promote?

19 A. Yeah. Some of the other major ones were Serum, MAPS, OXY,
20 and Solana, which he didn't create, but he played a large role
21 in promoting.

22 Q. Did these coins, along with FTT, have a nickname?

23 A. Yes. They were sometimes referred to as Sam coins.

24 Q. Why were they sometimes referred to as Sam coins?

25 A. Because he either created them or played a large role in

1 them.

2 Q. Did Alameda have holdings in these other Sam coins?

3 A. Yes. We had large holdings.

4 Q. And were they ultimately put on Alameda's balance sheet?

5 A. Yeah.

6 Q. How would you describe the overall liquidity of these coins
7 as a group?

8 A. Overall, it was not very high, so it varied between coins.

9 Like Solana was significantly more liquid than the other ones.

10 Q. When we are seeing liquidity, can you just be clear what we
11 mean by that?

12 A. Yeah. So liquidity is a measure of how much market trading
13 activity there is in something and how easy it is to buy and
14 sell it without moving the price too much. So for some of
15 these coins, like MAPS, if you tried to buy a little bit of
16 MAPS, the price would go up a lot, and, conversely, if you
17 tried to sell it, the price would go down a lot.

18 Q. Who owned most of these Sam coins?

19 A. It varies by coin, but Alameda was generally a large holder
20 for some coins. Like Serum, Alameda had significant holdings,
21 but also Sam personally and other people at the company
22 personally held a lot.

23 Q. What was the effect of that on the price of these coins?

24 A. It meant that there wasn't a very large supply. So if most
25 of it was held by Alameda or FTX or insiders, then there

1 weren't that many other people left to sell the coin,
2 basically.

3 Q. If Alameda had these coins on its balance sheet, how does
4 that correspond to the amount of money Alameda could actually
5 get if it tried to sell blocks of these coins?

6 A. If we actually tried to go out and sell all these coins in
7 the market, we would end up getting a lot less.

8 Q. Did your title at Alameda ever change?

9 A. Yeah. In 2021, I was appointed co-CEO. And in 2022, I
10 became CEO when my co-CEO stepped down.

11 Q. Around when in 2021 were you promoted to co-CEO?

12 A. I believe it was summer of 2021.

13 Q. What did the defendant say to you about why he was
14 promoting you to co-CEO?

15 A. He said that he had been wanting to step down as CEO
16 officially of Alameda for a while and that he thought it was
17 important to separate Alameda and FTX more optically and not
18 have him be too officially associated with Alameda.

19 Q. When you say he wanted to separate FTX and Alameda
20 optically, what, if anything, did he explain about why that was
21 important?

22 A. He said that it was a concern that a lot of FTX customers
23 had that Alameda and FTX's relationship was too close and,
24 therefore, that FTX might favor Alameda over other traders.

25 Q. At the time you were named co-CEO, what was your personal

1 relationship status with the defendant?

2 A. We were on a break at the time.

3 Q. Did there come a time that you dated again?

4 A. Yes, there did.

5 Q. Over what time period?

6 A. We started dating again in, I believe, November of 2021.

7 Q. How would you describe the power dynamic of your personal
8 relationship with the defendant?

9 MR. COHEN: Objection, your Honor.

10 THE COURT: Sustained. Form.

11 Q. How would you describe the nature of your personal
12 relationship with the defendant?

13 A. I would say the whole time that we were dating he was also
14 my boss at work, which created some awkward situations. I
15 would say in our personal relationship there was a general
16 theme that I sort of wanted more from our relationship but
17 often felt like he was distant or not paying attention to me.

18 Q. Why did you ultimately break up?

19 A. Because of those things I mentioned, because I felt like he
20 wasn't paying much attention to me or spending much time with
21 me in the relationship.

22 Q. Were you and the defendant open with other FTX and Alameda
23 employees about your personal relationship?

24 A. Not really. The first time that we dated, we agreed to
25 keep it secret, though some people did end up finding out. The

1 second time that we dated, Sam agreed that we could make it
2 public, and we were living together, but it still wasn't
3 something that we really talked about openly with people much.

4 Q. When you became co-CEO of Alameda, did your salary change?

5 A. No.

6 Q. What was your salary throughout your time at Alameda?

7 A. \$200,000 a year.

8 Q. Did it remain that way?

9 A. Yeah.

10 Q. What about bonuses and other monetary benefits that you
11 received?

12 A. Yeah. I received bonuses twice a year. They ranged from
13 in the range of \$100,000 at the beginning, when I started
14 working there, to the largest one, which was for 2021, was
15 around \$20 million.

16 Q. What did you do with that money?

17 A. I generally kept most of it on the FTX exchange. I
18 withdrew about \$10 million for a personal investment in a
19 startup. I also withdrew a hundred thousand dollars for a loan
20 to my parents, and I withdrew several million dollars each for
21 taxes and for donations, including transfers to my personal
22 donor advised fund.

23 Q. As a trader at Alameda and then co-CEO and then CEO, did
24 you ever get an equity stake in Alameda?

25 A. No, I did not.

1 Q. Did you ever ask for equity in Alameda?

2 A. Yes. I did ask Sam after I became co-CEO. He initially
3 seemed somewhat receptive but eventually said that he thought
4 it was too complicated and it didn't make sense to give me
5 equity in Alameda.

6 Q. Who retained ownership of Alameda throughout your time
7 there?

8 A. It was Sam or at least mostly Sam.

9 Q. How about FTX, did you get any equity in FTX?

10 A. I did receive some equity in FTX as part of my bonuses.

11 Q. About how much?

12 A. I believe it was around .5 percent of FTX.

13 Q. Let's talk a little bit more about when you became co-CEO
14 in the summer of 2021. How did your job responsibilities
15 change?

16 A. They didn't really change with the title change. I would
17 say over time I started like -- both before and after the title
18 change I gradually took on more responsibility at Alameda.

19 Q. Did you feel equipped to be CEO of Alameda?

20 A. Not particularly. I felt like it was a big job, and I
21 wasn't very experienced. But Sam said that he thought it made
22 sense for me to be co-CEO and that there wasn't a better person
23 for the job.

24 Q. Did you have an employment agreement as CEO?

25 A. I did, yeah.

1 Q. Under that employment agreement who did you report to, if
2 anyone?

3 A. To Sam.

4 Q. How would you describe the decision-making process once you
5 were co-CEO of Alameda?

6 A. I handled a lot of day-to-day decisions and
7 responsibilities in Alameda. But for any major decisions I
8 would always run them by Sam, and I would always ultimately
9 defer to Sam if he thought that we should do something.

10 Q. Why were you running big decisions by Sam and deferring to
11 Sam?

12 A. I mean, he was the person I officially reported to. He
13 owned the company. And he was the one who set my compensation
14 and had the ability to fire me if he wanted.

15 Q. Did your job responsibilities in 2021 include preparing
16 Alameda balance sheets?

17 A. Yeah, it did.

18 Q. What about in 2022?

19 A. Yeah.

20 Q. Apart from the Sam coins that we have talked about, how
21 would you gather information for the balance sheet?

22 A. There was a somewhat automated process involving a
23 spreadsheet that would pull data from Alameda's systems, but
24 then it would also require a lot of manual work by me to find a
25 mistake or mistakes or to look at discrepancies.

1 Q. In preparing Alameda's balance sheets what, if anything,
2 did you learn about loans Alameda was making?

3 A. I learned that Alameda had loaned billions of dollars to
4 Sam, Gary, Nishad, and to other entities that were owned by
5 Sam.

6 Q. Did you know about all of these loans at the time that they
7 were made?

8 A. Not necessarily. Some of them I hadn't recalled knowing
9 about them at the time they were made and only learned about
10 them after the fact.

11 Q. The ones you didn't know about, how did you learn about
12 them?

13 A. Either by looking through transfers when I was preparing
14 our balance sheets or by asking people if they were aware of
15 any loans.

16 Q. Were there some loans that you signed?

17 A. Yeah.

18 Q. What was the rough total size of these loans to company
19 insiders like the defendant, Nishad, and Gary?

20 A. Just the loans to them or including the other entities as
21 well?

22 Q. Thanks for the clarification.

23 Including entities controlled by them.

24 A. I recall in mid 2022 it was around \$5 billion.

25 Q. Did you receive similar loans from Alameda?

1 A. I received one loan of \$3.5 million.

2 Q. What was that loan for?

3 A. It was for a gambling company that some people at FTX
4 wanted to start, and they asked if they could start it in my
5 name since I wasn't affiliated with FTX. So the money -- like
6 I never really saw or used the money. It went straight to
7 this -- to cede this gambling company.

8 Q. Were these billions of dollars in loans that you mentioned,
9 what did you learn about how this money was being spent?

10 A. A lot of it was being spent on investments, including in
11 FTX and in other companies, a lot of early-stage companies.
12 Some was used for political donations.

13 Q. You mentioned investments. Can you describe a little bit
14 more what types of investments these loans were being used for?

15 A. Yeah. There was like a large investment in a Bitcoin
16 mining firm, another large one in an AI company, another in, I
17 believe it was like a venture fund.

18 Q. Did you learn of any large loans to any company insiders
19 besides the defendant, Gary, and Nishad?

20 A. Yeah. I learned that Alameda had loaned, I think it was
21 around \$35 million to Ryan Salame as well.

22 Q. What, if anything, did the defendant say to you about Ryan
23 Salame as an employee?

24 A. He said that he really valued Ryan for his loyalty.

25 Q. What, if anything, did you learn about how the multimillion

1 dollar loans to Ryan Salame were being spent?

2 A. They were being used for donations to republican
3 candidates.

4 Q. What, if anything, did the defendant tell you about
5 spending money on politics?

6 A. He said he thought it was very effective, that you could
7 get very high returns in terms of influence by spending
8 relatively small amounts of money.

9 Q. When you say relatively small amounts of money, what are we
10 talking about here?

11 A. I mean, he donated, I think, \$10 million to Biden, and that
12 was sort of a relatively small amount of money compared to the
13 amount of money he ended up having later on, but he still felt
14 like that was something that got him some amount of influence
15 and recognition.

16 Q. You have described these billions of dollars of loans that
17 Alameda was making. What was your reaction to that?

18 A. I was somewhat concerned because a lot of these loans
19 seemed to be going to very illiquid things, so that the loans
20 couldn't necessarily be paid back easily.

21 Q. When you say they were going to illiquid things, can you
22 explain what you meant by that?

23 A. What I mean is, they were being used to make investments in
24 things like early-stage companies that you couldn't easily sell
25 your stake in if you needed to repay the loans.

1 Q. Why, if you're investing in an early-stage company, is it
2 difficult to sell that investment?

3 A. Because it's not a company that's listed on say the New
4 York Stock Exchange or the NASDAQ. In order to sell your
5 stake, you would need to go out and find a person who is
6 willing to buy it, and that might be hard, depending on the
7 market conditions or depending on who you know.

8 Q. You mentioned that you learned about some of these loans
9 while working on Alameda balance sheets. How did you feel
10 about including these loans on Alameda's balance sheet?

11 A. I didn't feel good about it. I thought it was something
12 that might raise concerns for Alameda's lenders.

13 Q. Why do you think that those loans to insiders might raise
14 concerns with lenders?

15 A. For one thing, because I didn't think that they would --
16 Alameda would easily be able to get the loans back if we needed
17 to, and for another thing, I thought it might look like Alameda
18 was sort of funneling or giving money to the FTX executives.

19 Q. In your view, how did these loans to FTX executives affect
20 the health of Alameda's balance sheet?

21 A. They made Alameda significantly riskier.

22 Q. You testified that, by late 2021, Alameda had increased its
23 borrowing -- by late 2021, how would you describe the state of
24 Alameda's borrowing from third parties?

25 A. By late '21, we were borrowing a lot. I think it was in

1 the ballpark of 10 to \$15 billion from third parties.

2 Q. Was that billion with a B?

3 A. Yeah.

4 Q. What kinds of loans did Alameda get from these third-party
5 lenders?

6 A. They were either in -- U.S. dollars, in stablecoins,
7 Bitcoin, or ETH were the most common currencies.

8 Q. How would you describe the terms of these loans?

9 A. They were mostly open-term loans, meaning that the lender
10 could ask for it to be repaid at any time, and Alameda would
11 have to repay it.

12 Q. How would you describe the riskiness of an open-term loan?

13 A. I would say it's more risky than a fixed-term loan because
14 of the risk that the loan could be called at any time, and then
15 you would have to repay it even if you don't necessarily have
16 the funds available.

17 Q. Just to be clear, when you say the loan could be called at
18 any time, what does that mean?

19 A. When a loan is called, that means the lender asks for their
20 money back.

21 Q. So what kind of risk did that present to Alameda?

22 A. It put us in a situation where if all of our loans were
23 called at once but we didn't have the funds available, we might
24 have to default on our loans or go bankrupt.

25 Q. Who was driving the strategy in late 2021 when it came to

1 how much Alameda --

2 MR. COHEN: Objection to form.

3 THE COURT: Sustained.

4 Q. Who if anyone, as far as you know, was directing Alameda's
5 strategy with respect to borrowing in late 2021?

6 A. Sam was directing us at the time to borrow as much money as
7 we could from whatever sources we could find at whatever terms
8 we could get. This was something he emphasized a lot and
9 talked to us about frequently.

10 Q. In these frequent conversations with the defendant about
11 borrowing money, what, if anything, did he say about the
12 purpose of trying to borrow more and more money?

13 A. Aside from just the general benefits of having money on
14 hand if we needed it, he also said that he wanted to make a lot
15 of investments, potentially in the billions of dollars of
16 venture investments, so investments in like relatively
17 early-stage companies.

18 Q. What was your view of this strategy being proposed by the
19 defendant of borrowing more and more money for investments?

20 A. I thought it was risky to borrow money through these
21 open-term loans when it might get called at any time if we were
22 going to put the money in these investments that couldn't be
23 sold easily.

24 Q. Just to be clear, what connection did you see between
25 having open-term loans and these illiquid long-term

1 investments?

2 A. I saw that as creating a risk. Because if the loans were
3 called, we wouldn't necessarily be able to sell the investments
4 to repay our loans.

5 Q. During your time working with the defendant, how, if at
6 all, did he describe his approach to risk taking?

7 A. He described himself as truly risk neutral, meaning that --
8 most people are risk averse, meaning that they would rather not
9 take a risk if they don't have to, or they try to avoid risks.
10 But he said that he was totally comfortable taking a risk, as
11 long as he thought it was a positive EV.

12 Q. What do you mean by positive EV?

13 A. EV stands for expected value, so that was a term that we
14 used a lot when talking about trading. So, yeah. Positive EV
15 just means that sort of, on average, you expect it to pay off
16 well even if maybe there are lots of cases where you will end
17 up with zero or you'll end up losing lots of money, because
18 there are like some cases where you make a lot of money.

19 Q. Did the defendant ever give any example to describe his
20 approach to risk taking?

21 A. Yeah. He talked about being willing to take large coin
22 flips, like a coin flip where -- if it comes up tails, you
23 might lose \$10 million, but if it comes up heads, you make
24 slightly more than \$10 million.

25 Q. Did he ever give other coin-flip examples?

1 A. Yeah. I guess he also talked about this in the context of
2 thinking about what was good for the world, saying that he
3 would be happy to flip a coin, if it came up tails and the
4 world was destroyed, as long as if it came up heads the world
5 would be like more than twice as good.

6 MS. SASSOON: Your Honor, this would be a natural
7 point for a break, if we are going to take an actual break.

8 THE COURT: We are.

9 Fifteen minutes.

10 (Jury not present)

11 (Recess)

12 THE COURT: Let's get the witness, please.

13 (Jury present)

14 THE COURT: The defendants and the jurors are present,
15 as they have been all throughout.

16 Please be seated.

17 Ms. Sassoon, when the jury is all seated.

18 MS. SASSOON: Thank you, your Honor.

19 Q. Before the break we were talking about expected value. As
20 part of your job, did you analyze scenarios and their expected
21 value?

22 A. Yeah, I did.

23 Q. Can you explain again what you mean by expected value.

24 A. Expected value is the average amount you expect to make or
25 lose in a scenario, taking into account the different potential

1 outcomes and their probabilities.

2 MS. SASSOON: Mr. Bianco, can you please show the
3 witness Government Exhibit 48B.

4 Q. Do you recognize this?

5 A. Yeah.

6 Q. Are these notes you took in the course of your time at
7 Alameda?

8 A. Yeah. This is an excerpt from a sort of personal to-do
9 list Google Doc that I kept.

10 MS. SASSOON: The government offers Government Exhibit
11 48B.

12 MR. COHEN: No objection.

13 THE COURT: Received.

14 (Government Exhibit 48B received in evidence)

15 MS. SASSOON: Mr. Bianco, can you publish Government
16 Exhibit 48B.

17 Q. Did you write parts of this page?

18 A. Yes, I did.

19 Q. Is this page part of a larger document?

20 A. Yes.

21 Q. What was that document?

22 A. It was a Google Doc that I kept with personal to-do lists
23 and other notes.

24 Q. Was that a common practice of yours?

25 A. Yes, it was.

1 Q. Can you just generally describe how you would keep these
2 Google Docs or lists?

3 A. It was in a very disorganized way. I would sort of add
4 notes to whatever part of the doc I was currently looking at
5 rather than chronologically.

6 Q. All the things on this page, check on Indodax, better email
7 system, did they all relate to each other?

8 A. No.

9 Q. Are these notes you took at different times?

10 A. Potentially, yeah.

11 Q. I want to direct your attention to the part that's
12 highlighted in gray here.

13 Who wrote this?

14 A. That was written by Sam.

15 Q. How did it end up on your Google Doc?

16 A. I copied and pasted that from a message that he sent me
17 asking me to analyze this scenario.

18 (Continued on next page)

19

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1 BY MS. SASSOON:

2 Q. And do you recall roughly when it was that you copied and
3 pasted this list that the defendant wrote into your Google Doc?

4 A. Yeah, I think it was like summer or fall of 2021.

5 Q. And so what is this, before we take a closer look at each
6 line?

7 A. This is a potential bad scenario for FTX and Alameda.

8 Q. What kind of bad scenario, in broad strokes?

9 A. Scenario where the crypto market is down and a lot of our
10 investments are down a lot and we've sort of lost a lot of
11 money.

12 Q. And what did the defendant say to you in connection with
13 sending you this bad scenario?

14 A. He referred to it as a 10th percentile scenario, meaning
15 that he thought 10 percent of outcomes were similar to this or
16 worse.

17 Q. And why did he send this to you? What did he say about
18 that?

19 A. He said he wanted to analyze what would happen to our
20 balance sheet in this scenario.

21 Q. Let's take a closer look at this bad scenario that the
22 defendant sent you.

23 Item No. 1 says "Most of crypto down 50 percent."
24 What does that refer to?

25 A. That means like the overall crypto market, like Bitcoin and

1 Ethereum, are down 50 percent.

2 Q. Why would that be bad for Alameda?

3 A. Because Alameda had long positions in crypto.

4 Q. And when you say long positions, what does that mean in
5 simple terms?

6 A. That means we owned a lot of cryptocurrency.

7 Q. The next item on this list is 2, "Our venture investments
8 down 100 percent." What is that referring to?

9 A. So that's referring to investments that we made in
10 early-stage companies or projects, and it's saying that those
11 had gone down a hundred percent, meaning that they're worth
12 zero.

13 MR. COHEN: I apologize. Did we have a date for when
14 this document was created?

15 MS. SASSOON: Yes, I believe—

16 THE COURT: We did.

17 MR. COHEN: Thank you.

18 THE COURT: Summer or fall of 2021.

19 MR. COHEN: Thank you, your Honor.

20 MS. SASSOON: 2021, yeah.

21 BY MS. SASSOON:

22 Q. How could it be that your venture investments would go down
23 a hundred percent to zero?

24 A. A lot of these investments were quite speculative, so if
25 the company that we invested in went under or didn't work out

1 for some reason, then it could end up being worth zero.

2 Q. And is that something that you discussed with the defendant
3 could happen, that your investments would go down to zero?

4 A. Yeah.

5 Q. The next item says, "FTT, SOL, Serum down 75 percent." So
6 first, just remind us, FTT, SOL, Serum, what are those?

7 A. FTT was the exchange token of FTX created by Sam; Serum was
8 the exchange token of a DFI exchange that was also created by
9 Alameda, and then Solana was the—a token that wasn't created
10 by us but that Alameda owned a lot of and that Sam promoted.

11 Q. So are these all Sam coins that were on Alameda's balance
12 sheet?

13 A. Yeah.

14 Q. And these Sam coins going down 75 percent, what does that
15 refer to?

16 A. That means that their price is down 75 percent so they're
17 only worth one quarter of what they used to be.

18 Q. And is that something you discussed with the defendant
19 could happen?

20 A. Yeah.

21 Q. And how could these coins lose so much value, going down
22 75 percent?

23 A. I mean, they were very volatile, meaning that they moved up
24 and down a lot, and for coins like FTT, you know, initially it
25 was worth 10 cents and then it was a dollar and then it was

1 \$50; it seemed totally plausible it could go back down to
2 something like \$10.

3 Q. No. 4, "Stocks down 25 percent, growth tech stocks down
4 50 percent," what's that referring to?

5 A. That refers to like equities.

6 Q. The traditional stock?

7 A. Traditional stock, not cryptocurrency.

8 Q. The fifth item says "Genesis, etc., tighten up on their
9 requirements from us, potentially restricting use of FTT, etc.
10 as collateral somehow. I don't know how exactly." What is
11 this referring to?

12 A. So at the time we were borrowing billions of dollars from
13 Genesis, using FTT as collateral for these loans, so if they
14 had some kind of restriction on the amount of FTT they were
15 willing to accept as collateral, then we would no longer be
16 able to borrow so much money from them.

17 Q. What, if anything, did you discuss regarding restricting
18 using FTT as collateral?

19 A. I don't recall if we discussed this explicitly, but, I
20 mean, it made sense to me that if FTT was down a lot, they
21 might be less willing to accept it as collateral.

22 Q. So I want to go to item No. 8, which says, "We can't easily
23 raise funds by equity because of bad FTX news. Maybe
24 regulatory." Around this time what was FTX's rough equity
25 value?

1 A. I think it was in the ballpark of \$20 billion.

2 Q. And what does that refer to, the equity value of FTX?

3 A. That means that when FTX was selling stock, the stock was
4 priced such that the value of all of the stock of FTX was worth
5 \$20 billion.

6 Q. So this was what investors in FTX had valued the company
7 at?

8 A. Yes, that's right.

9 Q. And what does this scenario that the defendant sent to you
10 suggest about what might happen to FTX equity in a bad market
11 scenario?

12 A. It suggests that FTX might not be able to sell any more
13 equity so that it might be, you know, almost effectively
14 worthless.

15 Q. At the bottom here it says "10th percentile scenario."
16 What is that?

17 A. That means that he expected something this bad or worse to
18 happen about 10 percent of the time.

19 Q. And you said "he." So who wrote "10th percentile
20 scenario"?

21 A. That was Sam.

22 Q. So the defendant had quantified these eight things
23 happening as a probability of 10 percent?

24 MR. COHEN: Objection.

25 THE COURT: Overruled.

1 A. Yeah.

2 Q. A 10th percentile scenario, did you take that seriously as
3 a potential risk to Alameda?

4 A. Yeah, definitely. 10 percent is something that could
5 plausibly happen in trading. 10th percentile scenarios happen
6 every day.

7 Q. And in what context was the defendant asking you to analyze
8 the effect on Alameda in this 10th percentile scenario?

9 A. He said that he was thinking of making \$3 billion more of
10 venture investments and wanted to know how that would affect
11 Alameda's finances in this type of scenario.

12 MS. SASSOON: We can take this down.

13 Q. What other steps, if any, did you take to analyze the risks
14 of making several billion dollars more in investments in late
15 2021?

16 A. I made a spreadsheet to analyze the risks.

17 Q. And what does the analysis in your spreadsheet show?

18 A. It showed that at a high level, making \$3 billion more of
19 venture investments and funding that with open-term loans would
20 put Alameda in a significantly riskier position and make it
21 much less likely or almost impossible that we would be able to
22 pay off our loans if all of our loans were called at once.

23 Q. And in the scenario where Alameda might not be able to pay
24 off its loans, what were the implications of that to FTX, if
25 any?

1 A. Yeah, that would also be a bad scenario for FTX because
2 Alameda had this line of credit on FTX, it was borrowing some
3 funds from FTX, so FTX might lose money in this scenario; it
4 would also just be a bad sort of public relations event for
5 FTX; it might shake confidence in FTX.

6 Q. And just to be clear, why were you conducting this
7 analysis? Who told you to do it?

8 A. Sam did.

9 Q. Did you share your conclusions with the defendant?

10 A. Yeah, I showed him the spreadsheet and we talked about it.

11 Q. And what was his overall reaction to the conclusions you
12 just described?

13 A. He suggested that I should try to move some of our loans to
14 fixed term but that overall he still wanted to go ahead with
15 the venture investments.

16 Q. When you say move your loans to fixed term, what do you
17 mean by that?

18 A. What I mean was that our loans at the time were mostly open
19 term, meaning that lenders could call them at any time. He
20 wanted us to change them to fixed term, meaning that, you know,
21 we didn't have to pay them back for at least three months or
22 six months, something like that.

23 Q. But apart from that, what did he say about an additional
24 \$3 billion of investments?

25 A. He said that he wanted to do it. He thought it was high

1 expected value.

2 Q. Did the defendant dispute the risks that you just outlined?

3 A. No, not that I recall.

4 Q. In assessing the risks of taking on more loans, or making
5 billions of dollars more in investments, what did you and the
6 defendant discuss, if anything, about how Alameda would repay
7 its third-party loans if Alameda's lenders asked for their
8 money back?

9 A. We used the assumption that Alameda would take FTX customer
10 funds, if they were available, to repay our loans.

11 MR. COHEN: Move to strike.

12 THE COURT: Is this something that he said to you?

13 THE WITNESS: I don't recall if he said it to me. It
14 was the assumption that was—that I used in the spreadsheet,
15 and then we both discussed the analysis in the spreadsheet.

16 THE COURT: Answer stricken. The jury will disregard
17 it.

18 BY MS. SASSOON:

19 Q. In the analysis that you conducted of the risks associated
20 with additional investments, what did you assume for purposes
21 of your analysis about how Alameda would repay its lenders?

22 A. I assumed that we would use FTX customer funds, if they
23 were available and if we were out of other money to repay our
24 lenders with.

25 Q. And was that assumption laid out in your spreadsheet

1 analysis?

2 A. Yeah.

3 Q. And is that the spreadsheet you said you reviewed with the
4 defendant?

5 A. Yes.

6 Q. And after which reviewing he said he wanted to make
7 additional investments.

8 A. That's right.

9 Q. Why did you view FTX customer funds as something Alameda
10 could use to repay its loans?

11 A. Because it was something we had used in the past for, you
12 know, various small cases, for larger cases, such as the
13 Binance buyback, and it was the only available large source of
14 capital I could think of if all of the rest of our loans were
15 being called.

16 MS. SASSOON: At this time the government offers
17 Government Exhibit 2003, which is a stipulation between the
18 parties, as well as Government Exhibit 36, which the parties
19 have stipulated is a document called NAV Minus Sam Coins dated
20 September 27, 2021.

21 MR. COHEN: No objection, your Honor.

22 THE COURT: Yes. I appreciate that.

23 They're received.

24 (Government's Exhibits 2003 and 36 received in
25 evidence)

1 THE COURT: But am I looking at Government Exhibit 36?

2 MS. SASSOON: Mr. Bianco, can you please pull that up
3 for the judge and the witness.

4 THE COURT: Well, I'm looking at something but it
5 isn't marked.

6 MS. SASSOON: It's in Excel and so it doesn't have an
7 exhibit sticker on it.

8 THE COURT: We've got to fix that problem.

9 MS. SASSOON: Understood.

10 THE COURT: We can't send this computer screen where
11 it may have to go some day.

12 MS. SASSOON: Understood, your Honor.

13 THE COURT: All right. And we'll get that fixed
14 today, please.

15 MS. SASSOON: Yes.

16 THE COURT: 2003 and 36 are both received.

17 MS. SASSOON: Thank you.

18 Mr. Bianco, can you please publish Government
19 Exhibit 36, NAV Minus Sam Coins, for the jury.

20 BY MS. SASSOON:

21 Q. Ms. Ellison, do you recognize this?

22 A. Yes, I do.

23 Q. And what is this?

24 A. This is a spreadsheet that I made in the fall of 2021
25 because Sam asked me to make it.

1 Q. And is this the first tab of that spreadsheet?

2 A. Yes, that's right.

3 Q. And what—there are a lot of numbers here, but at a high
4 level, what were you analyzing here?

5 A. I was analyzing Alameda's NAV, or net asset value, meaning
6 our assets minus our liabilities, and then I was subtracting
7 the value of the Sam coins we owned, so coins like FTT, SOL,
8 and Serum.

9 Q. If you were calculating Alameda's assets and liabilities,
10 why would you exclude Sam coins, which were one of Alameda's
11 assets?

12 A. I mean, we didn't exclude them in all of our analyses, but
13 Sam physically asked me to exclude them in this one. I don't
14 recall if he specified why.

15 Q. What was your understanding of why?

16 A. I thought it was because those coins weren't very liquid,
17 and so if we were talking about making large investments, he
18 wanted to know what liquid assets we had available.

19 Q. And what was the rough value of Alameda's Sam coins on
20 paper in late 2021?

21 A. It was maybe in the ballpark of \$10 billion.

22 Q. And you kept that off the spreadsheet.

23 A. That's right.

24 Q. Why didn't you consider that \$10 billion—

25 THE COURT: Excuse me. Let me just clarify. When you

1 say "on paper," valued how?

2 THE WITNESS: The values that we would put on our
3 balance sheet, which were using the current market prices for
4 those coins.

5 THE COURT: Mark to market.

6 THE WITNESS: Mark to market, that's right.

7 THE COURT: Thank you.

8 BY MS. SASSOON:

9 Q. And why, in assessing whether Alameda should make
10 additional venture investments, would you exclude \$10 billion
11 of assets?

12 A. Because they weren't assets that we could sell very easily
13 and they were assets that might go down a lot if the market
14 went down.

15 Q. And in connection with creating the spreadsheet, what, if
16 anything, did you discuss with the defendant about the
17 relevance of FTT and other Sam coins to Alameda's actual
18 financial health?

19 A. He asked if I could create the spreadsheet so that he could
20 analyze whether it made sense to make more venture investments,
21 and he asked me to exclude coins like FTT. I don't recall
22 anything else specific.

23 Q. The spreadsheet at the top refers to Q1, Q2, July to
24 August, September. What year is this referring to?

25 A. This is from 2021.

1 Q. And where on this spreadsheet does it reflect your
2 conclusion about what Alameda's net asset value was without Sam
3 coins?

4 A. As in cell E18.

5 Q. So cell E18 says negative 2700. What does that number
6 represent?

7 A. Yeah, this is in millions. So that was saying I believed
8 our current net asset value minus Sam coins to be about
9 negative 2.7 billion.

10 Q. There's another column here, H, that says December to
11 February. Do you recall what that column is about?

12 A. Yeah. I recall adding that column at a later date after I
13 initially made the spreadsheet.

14 Q. So when you analyzed Alameda's balances and saw that it had
15 a net asset value of negative 2.7 billion if you excluded Sam
16 coins, how did that affect your view of making more illiquid
17 investments?

18 A. I thought it made it riskier.

19 Q. Why?

20 A. Because if we used things like US dollars to make these
21 further venture investments, then our liquid assets would go
22 down even further.

23 Q. And what would be the implications of your liquid assets
24 going down even further?

25 A. It would mean that we would lose even more money in a

1 market crash and we would be unable to repay our loans if all
2 of our loans were called.

3 Q. Did you share this analysis with the defendant?

4 A. Yes, I did.

5 Q. What was his view after reviewing this tab of the
6 spreadsheet?

7 A. He said he still thought it was a good idea to make the
8 investments.

9 Q. The next tab of this spreadsheet is called Questions. And
10 before we take a closer look, when you wrote Questions, what
11 does that refer to with respect to this tab?

12 A. That refers to questions I had for Sam about this
13 investment strategy.

14 Q. And why did you do further analysis after you created the
15 first tab of this spreadsheet that we just looked at?

16 A. Because I wanted to consider other options besides the
17 options that—the option that Sam was suggesting and see if
18 there are ways to reduce the risk of these investments.

19 Q. Did you share your analysis on this tab with the defendant?

20 A. Yeah.

21 Q. Did you discuss it with him?

22 A. Yeah.

23 Q. So let's take a closer look here. And before we do, for
24 the analysis that you did here about the risks of additional
25 investments, did you account for FTX customer funds in that

1 analysis?

2 A. Yes, I did.

3 Q. And at a general level how did you include that in your
4 analysis?

5 A. I included the amount of funds that customers currently had
6 deposited on FTX, and I assumed that in the events that our
7 loans got called that we could use those funds to repay our
8 loans.

9 Q. So let's take a closer look, piece by piece.

10 MS. SASSOON: Mr. Bianco, if you could expand columns
11 F and G from rows 2 to 7.

12 Q. So this says, "Main Question: Should we (1) raise more
13 equity, (2) invest less in ventures, (3) sell more FTT, (4) get
14 shorter overall, (5) other stuff?" Who are you posing these
15 questions to?

16 A. To Sam.

17 Q. And what is the meaning of this list of questions?

18 A. These were all ways that we could reduce our risk.

19 Q. And are these alternatives to taking out more loans for
20 investments?

21 A. Yeah.

22 Q. Does the remainder of the spreadsheet analyze these
23 questions?

24 A. Yes, it does.

25 Q. So let's look at the first question, which is "raise more

1 equity."

2 MS. SASSOON: Mr. Bianco, can you expand columns A
3 through C from rows 1 to 7.

4 Q. So this says, "What is the negative EV of raising equity?"
5 Can you explain what that question means.

6 A. So Sam said that he didn't want to sell more equity in FTX
7 at the time because he believed that if we waited, we could
8 sell equity later at a higher valuation. So this was trying to
9 quantify, you know, how much more we would make if we waited to
10 sell FTX equity.

11 Q. And what was the conclusion, in your analysis of this
12 question?

13 A. Based on the—Sam—what Sam told me, I estimated it at a
14 cost of \$1 billion.

15 Q. Meaning if you raise money now instead of later, you'd be
16 giving up a billion dollars?

17 A. That's right.

18 Q. And so let's zoom out and look at your second question.

19 MS. SASSOON: Mr. Bianco, this would be columns A
20 through D, rows 9 through 13.

21 Q. And this asked the question, "What is the positive EV of
22 venture investments?" So what are you analyzing here?

23 A. That's the positive, what is the expected value from making
24 venture investments, like how much do we think these
25 investments are worth.

1 Q. Is the analysis you did here complete?

2 A. No.

3 Q. Why not?

4 A. I didn't know very much about our venture investments, so I
5 got a few numbers from Sam but didn't feel like I had a full
6 picture of them.

7 Q. And so these numbers—600, 300—what's that meant to
8 represent?

9 A. That's how much I think he thought these investments would
10 be worth, so 600 million and 300 million.

11 Q. And are these some of the investments the defendant wanted
12 to make with the 3 billion additional dollars?

13 A. That's right.

14 Q. Let's zoom out. The third question on your list to the
15 defendant is "Sell more FTT." Did you analyze whether that
16 could be a source of additional capital for Alameda?

17 A. Yeah, I did.

18 MS. SASSOON: So Mr. Bianco, if you could now bring up
19 columns A through C, rows 111 through 114.

20 This says, "What are the effects of selling FTT? Sell
21 1B," and there's an arrow, "negative 50 percent." Is that
22 3 billion less of Genesis borrows?

23 A. Yes, that's right. So this is saying that I thought that
24 if we sold a billion dollars of FTT, it would go down something
25 like 50 percent and then we would have \$3 billion less of loans

1 from Genesis because the value of our FTT collateral would go
2 down.

3 Q. Just to break that down, why did you think FTT would go
4 down in value by 50 percent if you sold a billion dollars'
5 worth of FTT?

6 A. Because there weren't that many buyers outside of Alameda
7 and it wasn't a coin that had a ton of trading.

8 Q. And if you sold that amount of FTT and the value went down,
9 why would that result in less borrowing from Genesis?

10 A. Because our borrows from Genesis at the time were mostly
11 collateralized with FTT and so we had to maintain a certain
12 value of collateral compared to the value of our loans, so if
13 our collateral went down, we would have fewer loans.

14 MS. SASSOON: Mr. Bianco, let's zoom out again, and if
15 we could zoom in on the question in row 18.

16 Q. This says, "What is the negative EV from downside risks of
17 funding with loan?" Does this go back to kind of the core
18 original question in your analysis?

19 A. Yeah. This is asking how much risk are we taking on by
20 funding these venture investments with these open-term loans.

21 Q. And at a high level, what did you conclude were the risks
22 of funding billions more of investments with loans?

23 A. I concluded that it would significantly increase the risk
24 that we would be unable to meet loan recalls.

25 MS. SASSOON: Mr. Bianco, let's take a look at some of

1 this analysis, and if you could expand rows 18 through 29,
2 columns A through E.

3 Q. So this list, "Current Liquid Assets and Loans," whose
4 liquid assets and loans is this listing?

5 A. Alameda's.

6 Q. And what is meant by current?

7 A. That meant in the current scenario, without assuming any
8 market moves or without assuming any further investments.

9 Q. And why are you calculating Alameda's liquid assets and
10 loans?

11 A. Because I wanted to calculate our financial health in a
12 baseline scenario.

13 Q. And where it says Liquid Assets, what's a liquid asset?

14 A. That means an asset that can easily be sold for something
15 else that has a lot of active trading in it.

16 Q. And according to this spreadsheet, what were Alameda's
17 liquid assets at this time?

18 A. At the time it was \$8 billion.

19 Q. And what was the rough size of Alameda's loans at that
20 point?

21 A. \$9.4 billion.

22 Q. And when we're talking about loans here, are these loans
23 from third parties?

24 A. Yes, that's right.

25 Q. And is that broken down beneath it?

1 A. Yeah, that's broken down into Genesis, Bitcoin, Genesis US
2 dollars, and other sources.

3 Q. I want to direct your attention to row 27, where it says
4 "FTX borrows," followed by "USD 3" and "crypto 4." Where you
5 wrote "FTX borrows," what does that refer to?

6 A. That referred to the amount of FTX customer deposits that
7 were currently on the exchange and that were available for
8 Alameda to borrow.

9 Q. And just to be clear, the numbers 3 and 4, what do those
10 signify?

11 A. That means there was 3 billion—about \$3 billion of USD and
12 about \$4 billion of crypto.

13 Q. So by what means were you assuming that Alameda would make
14 use of this \$7 billion of FTX customer funds?

15 A. I was assuming that we could use our line of credit to
16 borrow some of these funds if we needed to.

17 Q. How, if at all, did these numbers account for the customer
18 money Alameda was already using that came in the form of
19 customer fiat or dollar deposits?

20 MR. COHEN: Objection.

21 THE COURT: Overruled.

22 A. I don't recall exactly how they accounted for that, like
23 whether that's included in the current totals or not.

24 Q. Why did you assume that Alameda would use FTX customer
25 money through its line of credit to repay loans?

1 A. Because we had used FTX—our FTX line of credit for other
2 large funding needs in the past, large and small funding needs;
3 and from, you know, the founding of FTX, Sam had talked about
4 FTX being a good source of capital for Alameda.

5 Q. You testified that you shared your analysis with the
6 defendant. Did the defendant at any time question this
7 assumption in your spreadsheet?

8 MR. COHEN: Objection.

9 THE COURT: What's the objection?

10 MR. COHEN: Builds a conclusion into the question.
11 It's leading.

12 THE COURT: Overruled.

13 A. No. He never questioned it.

14 MS. SASSOON: So Mr. Bianco, can you please display
15 this same tab, lines 50 through 65.

16 Q. At the top here it says, "How does this change with another
17 3B—" is that billion?

18 A. Yeah.

19 Q. "How does this change with another 3 billion of venture
20 investments?" What question are you posing here?

21 A. I'm looking at how our balances change if Sam makes the
22 \$3 billion of venture investments that he was talking about
23 making.

24 MS. SASSOON: So Mr. Bianco, if you could display this
25 alongside the original calculation of Alameda's current assets.

1 Q. So on the left-hand side here we have Alameda's current
2 liquid assets and loans, on the right-hand side—

3 MS. SASSOON: Mr. Bianco, can you please go back to
4 them side by side.

5 Q. So on the right-hand side here we have the scenario of
6 \$3 billion of additional venture investments. How are the
7 numbers different in that scenario?

8 A. The only difference is that our liquid assets go down by
9 \$3 billion.

10 MS. SASSOON: Mr. Bianco, if you could highlight row
11 21 and 53.

12 Q. And so what effect would an additional \$3 billion of
13 investments have on Alameda's overall ability to repay
14 \$9.4 billion in loans, if necessary?

15 A. It would make it significantly more difficult.

16 Q. And why is that?

17 A. Because the—the available assets that we had to repay the
18 loans would go down from 8 billion to 5 billion.

19 Q. So let's take a look at another part of this spreadsheet.

20 MS. SASSOON: And I know it's long, but Mr. Bianco, if
21 you could now display columns A through C, row 30 to 32.

22 Q. And so here you wrote, "Very bad FTX news, market down
23 20 percent, FTT, Serum down 50 percent, we buy 300 million FTT,
24 100 million Serum, 2 billion in Deltas." What are you
25 analyzing here?

1 A. So that's a scenario that Sam suggested of if there was
2 very bad news about FTX, maybe the market would be down around
3 20 percent, FTT and Serum would be down 50 percent, and we'd
4 buy some of all these coins as they went down.

5 Q. So we looked at another document a little bit ago with the
6 10th percentile scenario. How does what you wrote here compare
7 to that 10th percentile scenario the defendant sent you?

8 A. This is similar, though a bit less bad.

9 Q. And why in this scenario are you assuming that you would be
10 buying large quantities of FTT and Serum?

11 A. Because as market makers, our models were generally set up
12 to buy FTT and Serum as they went down.

13 Q. And why?

14 A. Because we wanted to support them, provide liquidity.

15 Q. When you say support them, do you mean keep the price up?

16 A. Yeah, that was one of the reasons.

17 Q. Did you compare in the spreadsheet what would happen to
18 Alameda's risk profile in this bad scenario if Alameda invested
19 another \$3 billion?

20 A. Yeah, I did.

21 MS. SASSOON: Mr. Bianco, can you please display two
22 parts of the spreadsheet, columns A through D, row 30 to 45 and
23 row 62 to 77.

24 Q. What is being compared here, Ms. Ellison?

25 A. So this is our assets and liabilities, assuming this bad

1 market scenario, both in the case where we made no further
2 investments and the case where we made this \$3 billion of
3 investments.

4 Q. So that the scenario of an additional \$3 billion of
5 investments, is that on the right-hand side?

6 A. That's right.

7 Q. Let's look at the left-hand side first, which is the
8 current scenario.

9 If Alameda maintained its current assets, what did you
10 estimate would be Alameda's liquid assets in the event of a
11 market downturn?

12 A. It would go down to \$4.8 billion.

13 Q. And how would that compare to Alameda's loans?

14 A. Its loans would be \$8 billion.

15 Q. I believe we looked before and Alameda had loans of
16 9.4 billion. Why has it gone down to 8 billion here?

17 A. Because some of our loans were in cryptocurrency, so the
18 value of those loans would go down if the market went down.

19 Q. Likewise here, if you look at FTX borrows in row 40 and 41,
20 the amount of USD and crypto that you wrote were available is
21 1.5 billion and 1.5 billion. Why have those numbers gone down?

22 A. I was assuming that in a bad market scenario that customers
23 would withdraw some money from FTX.

24 Q. And what would that mean about what was available for
25 Alameda?

1 A. It would mean there was less available for Alameda to
2 borrow.

3 Q. Looking beneath that, where it says "Assets, 7.8 billion,"
4 what is that referring to?

5 A. So that's our liquid assets plus the FTX borrows. That's
6 the total liquid assets that we would have access to in this
7 case.

8 Q. So is that assuming that FTX customer money would be
9 available to Alameda as an asset?

10 A. That's right.

11 Q. Beneath that where it says "Liabilities, 8 billion," what
12 does that refer to?

13 A. That refers to our total loans in this bad market scenario.

14 Q. And beneath that, where it says "Genesis, 4.8 billion,"
15 what is that?

16 A. That's specifically the loans that we were taking out from
17 Genesis.

18 Q. So is that a subset of the liabilities?

19 A. That's right.

20 Q. Let's look at the right side.

21 What did your analysis show about how \$3 billion of
22 additional investments would affect Alameda's total liquid
23 assets?

24 A. Go down to 1.8 billion.

25 Q. So that's \$3 billion less?

1 A. Yeah.

2 Q. And how does this affect, at the bottom, the total assets
3 that would be on hand to repay loans?

4 A. We would only have \$4.8 billion of assets on hand to repay
5 loans, including the FTX customer funds that we had access to.

6 Q. So that \$4.8 billion number is adding the liquid assets
7 with the customer funds?

8 A. Yes, that's right.

9 Q. Did you use these numbers to make any predictions about
10 Alameda's ability to repay its loans in the event of a market
11 downturn?

12 A. Yeah, I did.

13 MS. SASSOON: Mr. Bianco, can you please bring up
14 columns E through G, rows 21 through 25 and row 31 through 34.

15 Q. You'll see that there are two new boxes at the bottom. And
16 so let's focus on the left-hand side, the bottom rows.

17 Does this pertain to a scenario where Alameda did not
18 make any additional investments?

19 A. Yes, that's right.

20 Q. And looking at these four bottom rows—can we zoom in on
21 that please—what did you conclude about the probability that
22 Alameda could repay its loans if they were recalled in a market
23 downturn scenario?

24 A. I concluded that there was a 30 percent chance that we
25 would not be able to meet our loan recalls, so there was a

1 70 percent chance that we would be able to.

2 Q. And just to be clear, where it says "P v bad FTX news
3 10 percent," what's "P v bad FTX news"?

4 A. That's the probability of a scenario like this with very
5 bad FTX news.

6 Q. Where did you put that probability?

7 A. I said it was about 10 percent.

8 Q. And the next line, "P Genesis freaks out immediately,
9 15 percent," what does "P Genesis freaks out immediately" mean?

10 A. That's the probability that in this bad market scenario
11 Genesis would recall all of our loans.

12 Q. And what is "P we can't meet that" referring to?

13 A. It means the probability that we're unable to meet those
14 loan payments.

15 Q. And so just to be clear, this is your estimate that there
16 was a 30 percent chance of not repaying loans under the current
17 situation.

18 MR. COHEN: Objection.

19 THE COURT: Sustained in that form, certainly.

20 Q. Okay. We've been talking about a bad market scenario. In
21 what scenario are you concluding here that there's a 30 percent
22 chance of not being able to repay your loans?

23 A. In this scenario; in the scenario where there's a bad
24 market scenario but we haven't made any additional investments.

25 Q. And the 30 percent chance of not being able to repay loans,

1 was that concerning to you?

2 A. Yeah, that was somewhat concerning.

3 Q. Let's take a look at your calculations in the event that
4 Alameda made an additional \$3 billion of venture investments.
5 Is that reflected in this bottom box on the right?

6 A. Yes, that's right.

7 Q. And can you walk us through your analysis of what would
8 happen in a market downturn if Alameda made an additional
9 \$3 billion of venture investments.

10 A. Yeah. So the probability of very bad FTX news doesn't
11 change. The probability that Genesis recalls our loans goes up
12 from 15 percent to 25 percent; and the probability that we're
13 unable to make those loan payments goes up from 30 percent to
14 100 percent.

15 Q. And so what is a hundred percent probability of not being
16 able to repay your loans if recalled, what does that mean?

17 A. That means if we made this \$3 billion of investments and
18 there was bad market news leading to a significant market
19 downturn and our loans got called, that there was no way we
20 would be able to make the payments.

21 Q. And when you concluded there was no way to be able to make
22 the payments, was that even accounting for using FTX customer
23 money?

24 MR. COHEN: Objection.

25 THE COURT: Sustained as to form.

1 Q. When you concluded that there was a hundred percent chance
2 of not being able to repay your loans, what, if any,
3 assumptions did you make about whether Alameda would be using
4 customer funds?

5 MR. COHEN: Same objection.

6 THE COURT: Overruled.

7 A. I assumed that we would be able to borrow FTX customer
8 funds to make these repayments.

9 Q. And you still would not be able to repay.

10 A. That's right.

11 Q. And in this scenario where Alameda would be unable to repay
12 its third-party lenders, what were the implications of that
13 about any money available to repay the money that Alameda owed
14 FTX customers at this time?

15 A. Yeah. If we used FTX customer money to repay lenders, then
16 we would have no source to repay the FTX customer money we had
17 borrowed unless we were able to find new loans, or, you know,
18 make a lot of money or something.

19 Q. Do you recall how you shared this spreadsheet with the
20 defendant?

21 A. No. I don't recall if I sent it over Signal or if we just
22 like looked at it on my computer and discussed it.

23 Q. Are those two different ways that you sometimes reviewed
24 documents together?

25 A. Yeah.

1 Q. So sometimes communicating over Signal and sometimes in
2 person?

3 A. That's right.

4 Q. When you shared this spreadsheet analysis with the
5 defendant, did he dispute any of your calculations?

6 A. The only feedback that he gave was he said that I should
7 redo the calculations assuming that Alameda was able to convert
8 a lot of its loans to fixed term.

9 Q. Just to be clear, did he dispute your calculation of the
10 risks associated with the scenarios you mapped out here?

11 MR. COHEN: Objection.

12 THE COURT: Sustained.

13 Q. What, if any, feedback did he give on the calculations you
14 had made with respect to a scenario with open-term loans and
15 \$3 billion of venture investments?

16 A. He didn't raise any objections to the calculations I had
17 made in that scenario.

18 Q. So when the defendant told you to consider what would
19 happen if Alameda changed to fixed-term loans, did you conduct
20 any additional analysis?

21 A. Yes, I did. I added that to the spreadsheet.

22 Q. And is that reflected in this version of the spreadsheet?

23 A. Yeah.

24 MS. SASSOON: And Mr. Bianco, so can you please bring
25 up columns A through B, this time with lines 62 through 77,

1 side by side with lines 93 through 108.

2 Q. So now just to be clear, what scenario do we have on the
3 left-hand side?

4 A. The left-hand side is the scenario of bad market conditions
5 and \$3 billion of venture investments have been made.

6 Q. And so we've just looked at that; is that right?

7 A. Yeah.

8 Q. And what do we have on the right-hand side now?

9 A. The right-hand side is the same thing but assuming that
10 we're able to convert our loans with Genesis to fixed term.

11 Q. So the numbers here look the same except for the
12 liabilities and the Genesis row at the bottom. Why is that?

13 A. Because the liabilities and the Genesis rows are assuming
14 that only a fraction of the loans are able to be recalled so
15 that those lines are listing the loans that are able to be
16 recalled.

17 Q. Meaning if some were fixed term, they couldn't be recalled
18 on a moment's notice.

19 A. Yeah, not immediately.

20 Q. And did you analyze the probability of Alameda being able
21 to repay its loans under that scenario?

22 A. Yes, I did.

23 MS. SASSOON: So Mr. Bianco, can you please bring up
24 columns E through G, rows 31 through 34 and rows 39 through 42.

25 Q. So on the left-hand side, these probabilities for

1 \$3 billion more ventures, is that what we previously looked at?

2 A. Yes, that's right.

3 Q. And looking at the right-hand side, what did you conclude
4 was the probability you'd be unable to repay your loans with a
5 new loan structure in a bad market scenario?

6 A. I estimated that it would go back down to 30 percent.

7 Q. And 30 percent, what was your view of that level of risk?

8 A. I mean, it was still a somewhat concerning level of risk
9 but less so, especially given that it was sort of risk
10 conditional on these two previous assumptions.

11 Q. Were you in fact able to change all of Alameda's loans to
12 fixed-term loans?

13 A. No. We were able to change some, but the majority remained
14 open-term loans.

15 Q. Did you share that information with the defendant?

16 A. Yeah, I regularly updated him on the progress of our—of
17 getting loans and changing loan terms.

18 Q. So after you prepared this spreadsheet and shared it with
19 the defendant, what did he do?

20 A. He directed me to try to change more of our loans to fixed
21 term, and he said that he wanted to go ahead with billions of
22 dollars of venture investments.

23 Q. And after the defendant directed you to try to change the
24 loan terms and stated that he still wanted to make these
25 investments, what did you understand the plan was if Genesis

1 recalled its loans?

2 A. I understood the plan was as was laid out in the
3 spreadsheet, to use our liquid assets to try to repay if we
4 could and to borrow from FTX if we were out of other assets.

5 MS. SASSOON: Pursuant to Government Exhibit 2001, the
6 government offers Government Exhibit 837.

7 And Mr. Bianco, if you could pull it up for the Court,
8 please.

9 MR. COHEN: No objection, your Honor.

10 THE COURT: 837 is received.

11 (Government's Exhibit 837 received in evidence)

12 MS. SASSOON: Mr. Bianco, please publish this exhibit
13 for the jury.

14 BY MS. SASSOON:

15 Q. Ms. Ellison, do you recognize the Twitter account at
16 SBF_FTX?

17 A. Yes, that was Sam's Twitter.

18 Q. What's the date of this tweet?

19 A. January 14, 2022.

20 Q. And at the top here it says, "First, we're launching a
21 \$2 billion venture fund, FTX Ventures. As a founder, it's
22 important to support other founders creating great companies.
23 Hopefully this will allow us to do that a lot more."

24 How, if at all, does this tweet relate to the analysis
25 we were just looking at in your NAV Minus Sam Coin spreadsheet?

1 A. This is part of the—Sam's general push to do more venture
2 investments.

3 Q. And what's your understanding whether the defendant in fact
4 did billion dollars more of venture investments?

5 A. Yes, he did.

6 Q. And was this after you tried to change all the loans to
7 fixed-term loans?

8 A. That's right.

9 Q. And had you informed him that that was unsuccessful?

10 A. Yeah.

11 Q. What was your understanding of where the \$2 billion of
12 additional money for this venture fund was coming from?

13 A. It was coming from Alameda.

14 Q. How did you know that?

15 A. I knew that because I knew that when there was a venture
16 investment, people would, you know, post in Slack asking
17 someone from Alameda to send money for the investment, things
18 like that.

19 Q. If the money was coming from Alameda, what, if anything,
20 did the defendant say about why the investment fund was called
21 FTX Ventures?

22 A. He said he thought that Alameda's brand was less good and
23 that he wanted to associate himself more with the venture
24 investing but he didn't want his name associated with Alameda's
25 name.

1 Q. You just testified that you understood that the plan, if
2 loans were recalled from Genesis and others, was to borrow from
3 FTX. What did you mean by borrow from FTX?

4 A. What I meant was use the line of credit that I've talked
5 about on FTX.

6 Q. Meaning whose funds?

7 A. Meaning that it was ultimately coming from customer funds.

8 Q. In 2022 did the defendant buy shares of a company called
9 Robinhood?

10 A. Yes, he did.

11 Q. What is Robinhood?

12 A. It's a publicly traded company that has an app where you
13 can buy and sell stock.

14 Q. Were you aware of what entity paid for the shares in
15 Robinhood?

16 A. Yes, it was paid for by Alameda.

17 Q. And what entity ultimately bought the shares?

18 A. Alameda did the initial buying of the shares, but before we
19 reached the point where the buying had to be publicly
20 disclosed, Sam asked for the shares to be moved to a different
21 entity with a different name.

22 Q. Do you recall the name of that entity?

23 A. Yeah, I think it's the Emergent Fidelity Technologies.

24 Q. What, if anything, did the defendant explain to you about
25 why he moved the shares to another entity other than Alameda?

1 A. He said that he wanted to be able to talk about his
2 Robinhood investment but he didn't want his name associated
3 with Alameda.

4 Q. By mid-2022 what was the rough amount of Alameda's
5 borrowing from third parties like Genesis?

6 A. It was in the ballpark of \$10 billion.

7 Q. And what were the loans from Genesis and other third-party
8 lenders being used for?

9 A. Some were being used for our general trading, others had
10 been used for these venture investments that we've talked
11 about.

12 Q. Was Alameda also still borrowing money from FTX?

13 A. Yeah. We were borrowing some money.

14 Q. And did this include through the line of credit?

15 A. That's right.

16 Q. Were you keeping track of that borrowing?

17 A. Yeah. Not necessarily carefully, but to some extent.

18 MS. SASSOON: Mr. Bianco, can you please show the
19 witness Government Exhibit 48A.

20 Q. Do you recognize this?

21 A. Yeah, this is a section from one of the personal to-do list
22 documents.

23 Q. Meaning you wrote this?

24 A. Yes, that's right.

25 MS. SASSOON: The government offers Government

1 Exhibit 48A.

2 MR. COHEN: We need a foundation, your Honor.

3 THE COURT: Yes, you do.

4 Q. Ms. Ellison, you testified that you wrote this?

5 A. Yes, I did.

6 Q. Around when did you write this?

7 A. I think it was in the spring of 2022.

8 Q. And what are you writing about here?

9 A. Those were the funds that Alameda was currently borrowing
10 from FTX through this line of credit.

11 Q. And did you take these notes in the course of performing
12 your job responsibilities at Alameda?

13 A. Yeah.

14 MS. SASSOON: The government offers Government
15 Exhibit 48A.

16 MR. COHEN: No objection.

17 THE COURT: Received.

18 (Government's Exhibit 48A received in evidence)

19 MS. SASSOON: Mr. Bianco, can you please publish
20 Government Exhibit 48A.

21 BY MS. SASSOON:

22 Q. So just to orient us, is this an excerpt from a longer
23 document?

24 A. Yes, it is.

25 Q. And around when did you write this part of the document?

1 A. In spring of 2022.

2 Q. The first bullet says, "Borrowing from FTX hot wallet,"
3 followed by some numbers and letters. Where it says 1B, what
4 does B represent?

5 A. Billion.

6 Q. And where it says, for example, 600M, what does M
7 represent?

8 A. Million.

9 Q. And what are these various acronyms?

10 A. Those are various coins and fiat currencies. So SOL is
11 Solana, USD is US dollars.

12 Q. And what was this list?

13 A. This was a list of coins and currencies that Alameda was
14 borrowing from FTX at the time.

15 Q. It says at the top "Borrowing from FTX hot wallet." Was
16 all this money coming from an FTX hot wallet?

17 A. Not necessarily. That was more of a shorthand I used for
18 just borrowing from FTX, but some of these were fiat currencies
19 like US dollars, so that wouldn't have been in a hot wallet;
20 that would have been in a bank.

21 Q. So for example, where it says 10 billion US dollars, what's
22 that referring to?

23 A. That's referring to 10 billion of US dollars fiat currency
24 that Alameda was borrowing.

25 Q. And was some of that from Alameda's bank account?

1 A. Yeah, that's right.

2 Q. What does this list show about how much crypto Alameda was
3 borrowing from FTX around the time you made this list?

4 A. It shows that it was borrowing around \$3 billion.

5 Q. And would that be through the line of credit?

6 A. That's right.

7 Q. Can you describe Alameda's financial situation going into
8 the spring of 2022.

9 A. We had a quite positive NAV, net asset value, because we
10 had a lot of these coins like FTT and Solana that were worth a
11 lot, but we were fairly leveraged because we had been—we had a
12 lot of loans and we were using a lot of those loans for
13 investments.

14 Q. When you say you were fairly leveraged, can you explain
15 what you mean by that.

16 A. What I mean is that we were in a fairly risky situation
17 where our, like, total assets were significantly larger than
18 our net assets.

19 Q. Can you explain what you mean by that.

20 A. So total assets is just all of the assets we have; net
21 assets is our assets minus our liabilities.

22 Q. And so why did that put you in a leveraged situation?

23 A. Because that means—I mean, if you're not leveraged, then
24 your assets have to go down a hundred percent for you to lose
25 all of your value, but if you are leveraged, then they can go

1 down less than a hundred percent and you can still lose all of
2 your value, so that's the situation that Alameda was in.

3 Q. Were you discussing that with the defendant?

4 A. Yeah, we were talking about Alameda's balance sheet and our
5 positions.

6 Q. I'm showing you what's been marked as Government
7 Exhibit 49A.

8 Do you recognize this?

9 A. Yes, this is a—a update document that I wrote about things
10 that had been happening at Alameda and that I sent to Sam.

11 MS. SASSOON: At this time the government offers
12 Government Exhibit 49A pursuant to stipulation 2003, which the
13 parties have stipulated is a document titled Alameda Updates
14 5/7, dated May 7, 2022.

15 THE COURT: Received.

16 (Government's Exhibit 49A received in evidence)

17 MR. COHEN: I was about to say no objection.

18 MS. SASSOON: Mr. Bianco, if you can publish this for
19 the jury.

20 BY MS. SASSOON:

21 Q. So who wrote this document, putting aside the comment
22 bubbles that say Sam Bankman-Fried?

23 A. I wrote this document.

24 Q. Why did you write this document?

25 A. I somewhat regularly wrote update documents about Alameda

1 both for my own reflection and to send to Sam and get his
2 comments and feedback.

3 Q. And around when did you write this?

4 A. In May of 2022.

5 Q. And do you see comment bubbles that say Sam Bankman-Fried?

6 A. Yes, I do.

7 Q. How often would he write comments on these update documents
8 that you shared with him?

9 A. Pretty often.

10 Q. Let's turn to page 2, the end of this document. I want to
11 direct your attention to where it says Worries/Questions. What
12 did you mean by Worries/Questions?

13 A. Those were either things I was concerned about or questions
14 I wanted Sam's input on.

15 Q. The last item here says, "Leverage, both actual leverage
16 and presenting on our balance sheet." What did you mean by
17 that in describing actual leverage and how to present it on
18 your balance sheet as a worry?

19 A. By actual leverage, I meant that I thought Alameda's
20 financial position was risky and that if the market went down
21 significantly, we would lose a lot of money, and by presenting
22 on our balance sheet, I meant that I was concerned about
23 conveying that information to lenders and having them worry
24 about Alameda's financial health and recall their loans.

25 Q. And Sam Bankman-Fried wrote a comment on that line. Can

1 you read it.

2 A. It says, "Yup, and could also get worse. Do you put Paper
3 Bird/FTX equity on the balance sheet?"

4 Q. What are Paper Bird and FTX equity?

5 A. Paper Bird was an entity that Sam held most of his FTX
6 equity in, and FTX equity being shares in the company FTX.

7 Q. You wrote a comment, "I don't think so," in response. Why
8 didn't you put Paper Bird and FTX equity on Alameda's balance
9 sheet?

10 A. Because Paper Bird was a separate company that wasn't owned
11 by Alameda or part of the Alameda tree, so it wasn't something
12 that our lenders had any recourse to if we failed to pay back
13 our loans.

14 Q. Explain what you mean when you say your lenders wouldn't
15 have recourse to the Paper Bird/FTX equity.

16 A. I meant that if we failed to pay back our loans, our
17 lenders could potentially get some money back in the form of
18 Alameda's assets, but because Paper Bird was a separate entity,
19 it wasn't the one loaning them the money, it shouldn't really
20 affect their assessment of the loans.

21 Q. The defendant's comment in response to what you wrote about
22 leverage says, "Yup, and could also get worse." In what ways
23 could things get worse?

24 A. If the market went down, Alameda would lose money and
25 our—our leverage and our risk would increase.

1 Q. Did things get worse?

2 A. Yes, they did.

3 Q. Was the possibility of things getting worse something that
4 you and the defendant had analyzed together?

5 A. Yeah, it was, like, in the spreadsheet that we looked at
6 earlier.

7 MS. SASSOON: Your Honor, I see it's just about 4:30.
8 This is a natural break point. I could also continue.

9 THE COURT: Okay. We will break here.

10 Members of the jury, please wait in the jury room
11 because Rhonda—whom you all met, the head of our jury
12 department—wants to see you before you go.

13 See you at 9:30 in the morning. And counsel remain,
14 please.

15 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Who are the government's next several witnesses?

4 MS. SASSOON: So, your Honor, this is by far our
5 longest witness, and I expect that between the direct and
6 cross-examinations, she's certainly going to be on for all of
7 tomorrow. And then after that, we have Christian Drappi, Zac
8 Prince—and we can provide more names tomorrow, your Honor.

9 THE COURT: Okay. What's the new and revised—of
10 course that assumes a fact as to which there's no evidence
11 yet—estimate of the duration of government's case? When do
12 you expect to rest?

13 MS. SASSOON: I think we're proceeding on pace and we
14 could rest as early as the fourth week, after your Honor
15 returns from the conference.

16 THE COURT: 26th, 27th of October?

17 MS. SASSOON: Yes, your Honor. That's our goal.

18 THE COURT: And Mr. Cohen, obviously I'm not going to
19 hold you to anything, but what do you anticipate with respect
20 to a defense case, if any?

21 MR. COHEN: It's very hard to know, your Honor, since
22 we're only through the first week and a day, but I would think,
23 subject to future rulings the Court might make on things like
24 rebuttal experts, a week? Week and a half?

25 THE COURT: Okay. Thank you.

1 I know I have at least one outstanding item, which was
2 the defense application of I think October 2, right? Is there
3 anything else that's outstanding that I'm not calling to mind?

4 MR. REHN: Your Honor, we did—we were hoping to get a
5 ruling in the near future, at least, regarding the issue of
6 remote witness testimony that we had submitted at the beginning
7 of the trial.

8 THE COURT: Well, yes, and I'm waiting for a serious
9 answer—not that you weren't serious before, but perhaps a more
10 informed answer as to what the potential remote witness has to
11 say that wouldn't be cumulative.

12 MR. REHN: Yes, your Honor. I think in looking at
13 the—we've only had one customer so far and we do anticipate
14 some additional customers, but in looking at the
15 cross-examination of the initial customer who testified, some
16 of the cross went to the fact that that customer had traded in
17 crypto, and there was cross suggesting that the customer had
18 understood that they were engaged in risky crypto trading. The
19 witness who would be testifying from Ukraine solely used their
20 FTX account to hold assets and did not engage in trading, which
21 is unlike the other customers we anticipate calling.

22 THE COURT: And you don't have anybody else who can
23 testify similarly?

24 MR. REHN: That's the witness we were proposing to
25 offer, your Honor.

1 THE COURT: Yes, I understand that, but you have a
2 burden to carry on that and you wouldn't as to other witnesses.

3 MR. REHN: We understand that, your Honor. We're
4 asking if the Court will permit the remote testimony.
5 Obviously we would, you know, evaluate our witness list and
6 consider alternatives if the Court denied the motion.

7 THE COURT: I think you'd better consider
8 alternatives. I'm not ruling now, but in order for me to make
9 the findings that I need to make, I think I have to be
10 satisfied that this person is unique, important, and that means
11 noncumulative to me. Am I wrong about that?

12 MR. REHN: I think that's certainly a factor for the
13 Court to take into account. So in light of that, we will
14 resubmit this issue later this week.

15 THE COURT: Okay. Mr. Cohen?

16 MR. COHEN: Your Honor made my point.

17 THE COURT: Well, these things are bound to happen in
18 a long trial.

19 MR. COHEN: A stopped clock is right twice a day, your
20 Honor.

21 THE COURT: Somebody else said that before. I've
22 heard it before.

23 Okay. Anything else this afternoon?

24 MR. REHN: We have one more issue just to put on the
25 Court's radar. We had also filed a letter over the weekend

1 regarding preclusion of the defense eliciting testimony
2 regarding the value of and shares in this Anthropic startup
3 company.

4 THE COURT: I'm sorry. Say it again slowly.

5 MR. REHN: We submitted a letter to the Court over the
6 weekend—

7 THE COURT: That was the part I got.

8 MR. REHN: —requesting that the Court preclude the
9 defense from eliciting any testimony—

10 THE COURT: Oh, yes, yes, yes.

11 MR. REHN: —about the value of defendant's investment
12 in a company called Anthropic.

13 MR. COHEN: Your Honor, might we respond to that and
14 put in a submission on that?

15 THE COURT: Yes.

16 MR. COHEN: When would you like it, your Honor?

17 THE COURT: When would you like a ruling?

18 MS. SASSOON: Well, your Honor, this witness who's on
19 the stand made a personal investment in Anthropic and has
20 knowledge of the company's investment in Anthropic, and so in
21 the event that the Court deems this admissible, it might be an
22 issue that we want to raise with her. We don't think that this
23 is a permissible topic of questioning, but if it is, we may
24 want to ask her questions about it.

25 THE COURT: And you may want to do it tomorrow.

1 MS. SASSOON: Yes.

2 MR. COHEN: So we'll have something tonight, your
3 Honor, before 8:00.

4 THE COURT: Yes, not at 11:05, as we discussed.

5 MR. COHEN: I also think the door's been opened in
6 light of the direct, but we'll make that point in our letter.

7 THE COURT: Well, I'm sure you will.

8 MS. SASSOON: Your Honor, may I raise one more thing.

9 THE COURT: Yes.

10 MS. SASSOON: We may ask—we had a motion *in limine* in
11 our motions *in limine* that we filed before trial about the all
12 hands meeting in November where Caroline Ellison made certain
13 statements to her employees about the prior events and the
14 involvement of the defendant in borrowing FTX customer money.

15 THE COURT: This is the "Sam I guess" meeting, right?

16 MS. SASSOON: Yes. So we had moved that it was an
17 agent statement, a co-conspirator statement. We think it's
18 admissible for those two reasons based on what's been
19 established so far. We also think it's admissible as a prior
20 consistent statement at this point given statements in the
21 opening that the witnesses had a motive to provide the
22 government information about Sam in order to get a cooperation
23 agreement, and so the fact that she made these statements prior
24 to any meetings with the government or knowing of the
25 government investigation meets the standard for prior

1 consistent statement.

2 THE COURT: When did she make these statements? Just
3 refresh me.

4 MS. SASSOON: November 9th, so it's before the
5 declaration of bankruptcy.

6 THE COURT: Oh, yes. That's when she has the
7 explanation—

8 MS. SASSOON: When Binance has agreed to acquire FTX.
9 So at that point she thinks that Binance is going to acquire
10 FTX, the customers will be made whole, and she is coming clean
11 to her employees.

12 THE COURT: And that's in furtherance because?

13 MS. SASSOON: So as laid out in our motion, she
14 discusses this meeting in a Signal message with the defendant
15 prior to the meeting and he gives her input on trying to
16 reassure employees so that they don't quit, and that's in
17 furtherance of the conspiracy because they need employees to
18 keep working to keep satisfying customer withdrawals so the
19 house of cards doesn't collapse.

20 THE COURT: Okay.

21 MR. COHEN: Your Honor, we would oppose that. Even
22 counsel's description just now is self-contradictory. I don't
23 know how coming clean to move forward with no co-conspirators
24 is a co-conspirator statement.

25 THE COURT: Well, I thought the explanation was right

1 on target. He still needs the employees, and if the threat is
2 they're all walking out the door unless she gives an
3 explanation, there's an interest in keeping them. And my
4 recollection is we heard testimony today that that wouldn't
5 have been the first time half the employees walked out the
6 door.

7 MR. COHEN: Well, your Honor, I don't think right at
8 the moment there is a foundation, there is a basis for that.
9 We haven't heard that testimony as to this meeting.

10 THE COURT: That testimony being what in particular?

11 MR. COHEN: As to the purpose behind the November 9th
12 meeting. We had earlier testimony about a different meeting.

13 THE COURT: No, I know.

14 MR. COHEN: I take your Honor's point, but we haven't
15 gotten to the point of direct about November 9th.

16 THE COURT: Okay. Thanks, folks.

17 THE DEPUTY CLERK: All rise.

18 (Adjourned to October 11, 2023, at 9:30 a.m.)
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1614	517

20, 22, 211, 184, 15, 16, 34, 23, and	581
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NAB1BAN1

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

-----x

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

-----x

7
8 New York, N.Y.
9 October 11, 2023
9:35 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

17 BY: DANIELLE R. SASSOON

NICOLAS ROOS

18 DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

24 Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

NAB1BAN1

Ellison - Direct

1 (In open court; jury not present)

2 THE COURT: Good morning, everyone.

3 Under the heading of old business, you will have an
4 order on the defense motion for reconsideration that was filed
5 about a week or so ago probably within a very short period of
6 time.

7 With respect to the government's application to
8 exclude evidence concerning the value of the investment in
9 Anthropic, I don't propose to rule on that until the end of the
10 direct.

11 And the defense application concerning
12 cross-examination with respect to the involvement of
13 attorneys—this being on Ms. Ellison—I'm not going to rule on
14 that until the end of the direct.

15 So I think we're ready to go. Let's get the jury.
16 And the witness.

17 (Continued on next page)

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Ellison - Direct

1 (Jury present)

2 THE COURT: Good morning, everybody. The jurors and
3 the defendant are present, as they have been throughout.

4 Ms. Ellison, you are still under oath.

5 And Ms. Sassoon, you may continue.

6 MS. SASSOON: Thank you, your Honor.

7 CAROLINE ELLISON, resumed.

8 DIRECT EXAMINATION

9 BY MS. SASSOON:

10 Q. Good morning, Ms. Ellison.

11 A. Good morning.

12 Q. When we left off yesterday, we were talking about May of
13 2022, and I want to pick up there.

14 MS. SASSOON: Mr. Bianco, if you could pull back up
15 Government Exhibit 49A, which we were looking at yesterday
16 afternoon. And if you could scroll to the second page back to
17 where it talks about your worries and questions.

18 Q. Just to be clear, the comment bubble on the side where it
19 says Sam Bankman-Fried, "Yup, and could also get worse," who
20 wrote that?

21 A. That was written by Sam.

22 Q. And around this time—we could take that down—in May of
23 2022, what happened around then in the cryptocurrency markets?

24 A. There was a—an overall downturn in the cryptocurrency
25 markets, sort of precipitated by the crash of the coin Luna,

NAB1BAN1

Ellison - Direct

1 but spreading to other coins in crypto as well.

2 Q. And when you say a downturn, what does that mean?

3 A. That means the prices of all, most—or most of all
4 cryptocurrencies went down a lot.

5 Q. So how does that affect the value of Alameda's assets?

6 A. It made the value of our assets go down a lot, as they were
7 mostly in cryptocurrency.

8 Q. What about Alameda's trading positions; what happened with
9 those around this time?

10 A. Sorry. What's the distinction between trading positions
11 and assets?

12 Q. Apart from coins, the trading that Alameda was doing on
13 various exchanges.

14 A. The day-to-day trading that we were doing during this time
15 was profitable.

16 Q. And after the value of many of Alameda's cryptocurrency
17 coins went down, what kinds of conversations, if any, were you
18 having with the defendant about Alameda's assets and balances?

19 A. He started asking for a lot more frequent updates on
20 Alameda's positions. I was sharing balance sheets and, yeah,
21 talking about Alameda's assets and liabilities.

22 Q. How did the downturn in the cryptocurrency market affect
23 the billions of dollars in loans that Alameda had around this
24 time from third-party lenders like Genesis?

25 A. They started to be recalled a bit after the market

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Ellison - Direct

1 downturn, so mostly starting in the middle of June.

2 Q. So in the middle of June, when lenders were recalling
3 loans, what does it mean that they were recalling loans?

4 A. It means that they were asking Alameda to pay the loans
5 back.

6 Q. And under the terms of the loans, was Alameda obligated to
7 repay those loans?

8 A. Yes, we were.

9 Q. Why is that?

10 A. Because the majority of our loans were open-term loans,
11 meaning that the lenders could ask for them back at any time
12 and Alameda would have to repay.

13 Q. How did you learn about Alameda's third-party lenders
14 asking for their money back?

15 A. A variety of sources. Some was from messages on Slack from
16 other Alameda employees, some was from being in Telegram groups
17 or in calls directly with lenders.

18 Q. What is Telegram?

19 A. Telegram is a messaging platform that was widely used by
20 cryptocurrency companies.

21 Q. Was the defendant also on some of these Telegram
22 communications with Alameda's lenders in mid-June?

23 A. Yes, he was.

24 MS. SASSOON: Your Honor, at this time I'd ask
25 permission to approach the witness with a few printed exhibits,

NAB1BAN1

Ellison - Direct

1 and I have a copy for the Court and defense counsel as well.

2 THE COURT: Yes. Thank you.

3 Q. Ms. Ellison, I'm handing you Government Exhibits 1647,
4 1648, 1649, and 1650, and if you could take a look at those and
5 let me know if you recognize them.

6 A. Yes, I do. These are all chats with employees at Genesis.

7 Q. And are these over Telegram?

8 A. Yes, that's right.

9 Q. And are these some of the chats that you mentioned a moment
10 ago having with lenders about Alameda's loans in mid-June?

11 A. Yes, that's right.

12 MS. SASSOON: The government offers Government
13 Exhibits 1647, 1648, 1649, and 1650.

14 MR. COHEN: Your Honor, may we be heard at the
15 sidebar.

16 THE COURT: Okay.

17 (Continued on next page)

NAB1BAN1

Ellison - Direct

1 (At the sidebar)

2 MR. COHEN: Your Honor, we have no objection to all of
3 the exhibits except as to 1647, the first one. It's a chain,
4 Telegram chain between people from the lender and other people
5 at Alameda that Ms. Ellison was not on. So we have no
6 objection to it being offered not for its truth, but she's not
7 part of it.

8 THE COURT: She seems to be on it.

9 MR. COHEN: But she's not in the discussion tree that
10 leads up to the question.

11 MS. SASSOON: May I be heard.

12 THE COURT: Sure.

13 MS. SASSOON: These were taken from Ms. Ellison's
14 phone. She's a participant in the chat group, as is the
15 defendant, and this includes discussions asking for money back,
16 which goes to the defendant's knowledge as well as to
17 subsequent actions taken by the defendant and Ms. Ellison.

18 MR. COHEN: If I might, that's a response on
19 relevance, not on hearsay. There was no foundation that
20 she—we're asking for this—

21 MS. SASSOON: The defendant is on the chats.

22 THE COURT: Is any of this offered for the truth?

23 MS. SASSOON: She will say that she then repaid the
24 lenders the money, but the chat itself is not necessary for the
25 truth as much as its effect on the defendant and Ms. Ellison.

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Ellison - Direct

1 THE COURT: So why not?

2 MR. COHEN: Would your Honor give an instruction to
3 that effect?

4 THE COURT: I will.

5 MR. COHEN: Okay. Then of course.

6 THE COURT: Okay.

7 (Continued on next page)

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NAB1BAN1

Ellison - Direct

1 (In open court)

2 THE COURT: Government Exhibits 1648, 1649, 1650 are
3 received for all purposes. Government Exhibit 1647 is received
4 not for the truth of statements made in it but for the fact
5 that they came to the attention of Ms. Ellison and for whatever
6 relevance they have to what she thereafter did.

7 Any objection to the instruction?

8 MR. COHEN: No, your Honor.

9 THE COURT: Okay. That's the limited—

10 MS. SASSOON: Your Honor, I would add there are other
11 participants on the chat and it's relevant to what they
12 subsequently did as well.

13 THE COURT: I amend my statement to the jury. That's
14 correct.

15 (Government's Exhibits 1647, 1648, 1649, and 1650
16 received in evidence)

17 THE COURT: Okay. Go ahead.

18 MS. SASSOON: Mr. Bianco, please publish Government
19 Exhibit 1647.

20 BY MS. SASSOON:

21 Q. Ms. Ellison, is that a Telegram chat?

22 A. Yes, it is.

23 Q. And what is the date of this Telegram chat group?

24 A. The date of these messages is on June 13, 2022.

25 Q. And generally who is part of this group? I see a number of

NAB1BAN1

Ellison - Direct

1 names at the top, but generally who are these folks?

2 A. These are either Alameda employees or affiliates or Genesis
3 employees.

4 Q. And were you a participant in this chat?

5 A. Yes, I was.

6 Q. What about the defendant?

7 A. Yes, he is.

8 Q. Directing your attention to the first message on June 13,
9 2022, who is Dan Gleim?

10 A. He was an employee at Genesis.

11 Q. Can you please read that message.

12 A. It says, "hey, team - for USD return, we can take USDC
13 here," and gives an address, "or send to 7955."

14 Q. What is a USD return?

15 A. That means that he's asking for us to return some of our US
16 dollar loans from Genesis.

17 Q. And that string of letters and numbers, what is that?

18 A. That's a cryptocurrency address.

19 MS. SASSOON: If we could turn to page 2, Mr. Bianco.

20 Q. And can you read the top message from Matt Ballensweig.

21 Who is Matt Ballensweig?

22 A. He was the head of lending at Genesis.

23 Q. If you could read that.

24 A. It says, "hey, guys - seeing a fair amount of continued
25 outflows from retail deposit aggregators, so to get ahead of

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Ellison - Direct

1 this, we're going to increase the OT loan pullback to
2 \$400 million. Can you please let us know once the first batch
3 and second batch are sent. Do we have an ETA on the first
4 250 million?"

5 Q. What is an OT loan?

6 A. That refers to open-term loans, so these are loans that
7 Genesis could call from us at any time.

8 Q. And what is an OT loan pullback to 400 million?

9 A. That means they're asking in this message for us to return
10 \$400 million of our open-term loans with them.

11 Q. And was this one of the loans that Alameda was obligated to
12 repay, if asked?

13 A. Yes, it was.

14 Q. Taking this down, did you get similar messages from other
15 lenders around this time?

16 A. Yes, we did.

17 MS. SASSOON: And Mr. Bianco, if you could publish
18 Government Exhibit 1648.

19 Q. Ms. Ellison, is this another message between you and some
20 individuals at Genesis?

21 A. Yes, that's right.

22 MS. SASSOON: And if you could zoom in, Mr. Bianco, on
23 Ms. Ellison's message at the bottom dated June 14, 2022.

24 Q. Can you read that message.

25 A. It says, "Just want to add, really appreciate you guys

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1 working with us on this. Unsurprisingly have been getting
2 loans called from everyone across the board but obviously want
3 to help you guys out assuming we can get all our other
4 obligations squared away."

5 Q. And when you said "have been getting loans called from
6 everyone across the board," what are you referring to?

7 A. I'm referring to our open-term loans with other lenders.

8 Q. And what was happening with those?

9 A. They were getting called in addition to the Genesis loans.

10 MS. SASSOON: We can take that down.

11 Q. What was your reaction to third-party lenders all asking
12 for their money back around the same time in mid-June?

13 A. I was very stressed out, and we were talking about billions
14 of dollars, and I knew that Alameda had lost a lot of money in
15 the cryptocurrency market downturn and we didn't have the
16 liquid assets to pay all of the money back and that we would
17 have to be taking money from FTX.

18 Q. When you say "we would have to be taking money from FTX,"
19 what do you mean?

20 A. I mean in order to repay all of our loans, we would have to
21 borrow money using our FTX line of credit.

22 Q. And whose funds would that be?

23 A. That would be coming from customer funds.

24 Q. During this time did you attempt to calculate whether
25 Alameda had the ability to repay its lenders with the money

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Ellison - Direct

1 that Alameda had?

2 A. Yeah, I did. I was regularly making updated balance sheets
3 in similar calculations.

4 Q. And what did your calculations show about whether Alameda
5 could repay its lenders?

6 A. They showed that we did not have enough liquid assets to
7 repay all of our lenders.

8 Q. And why didn't Alameda have enough liquid assets to repay
9 its lenders?

10 A. Because we had used a lot of them for loans and
11 investments, and a lot of our assets had gone down in value
12 with the cryptocurrency market downturn.

13 Q. When you say you had used some of it for loans, I just want
14 to clarify, what loans are you talking about?

15 A. I'm talking about loans to—to Sam, Gary, Nishad, and other
16 entities owned by Sam.

17 Q. How would you describe your mental state when you realized
18 that Alameda had billions of dollars to repay and it didn't
19 have the money?

20 MR. COHEN: Objection.

21 MS. SASSOON: Your Honor, her mental state is
22 relevant.

23 THE COURT: Why isn't it, Mr. Cohen?

24 MR. COHEN: I thought we were talking about the mental
25 state of the defendant in this case, your Honor.

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1 THE COURT: Well, we are, of course.

2 MS. SASSOON: Your Honor, there are charges of
3 conspiring with others.

4 THE COURT: Do you have an answer to that, Mr. Cohen?

5 MR. COHEN: Your Honor, other than my prior objection,
6 I have nothing further on that.

7 THE COURT: Overruled.

8 BY MS. SASSOON:

9 Q. Ms. Ellison, I'll ask you again: What was your mental
10 state when you realized that Alameda had billions of dollars in
11 loans to repay and that it didn't have the money?

12 A. I was in sort of a constant state of dread at that point.
13 I—I knew that we would have to take the money from our FTX
14 line of credit and I knew that that was money that could be
15 called at any time, and every day, I mean, I was worrying about
16 the possibility of customer withdrawals from FTX and the
17 possibility of this getting out and what would happen to people
18 that would be hurt by that.

19 Q. When you say you would have to take money from the line of
20 credit and that could be called at any time, can you just
21 explain what you meant by that, "called at any time."

22 A. What I mean that, when we were taking money from this FTX
23 line of credit, this was coming from FTX customers, and FTX
24 customers had the ability to withdraw their money at any time,
25 so I knew that if a large number of customers decided to

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1 withdraw their funds all at once, that FTX wouldn't have enough
2 money to cover that.

3 Q. At this time did you share information with the defendant
4 that showed that Alameda did not have the money to repay its
5 lenders?

6 MR. COHEN: Objection.

7 THE COURT: Sustained. Form.

8 Q. You just described calculating Alameda's balances, which I
9 believe you testified showed Alameda did not have money to
10 repay its lenders.

11 A. Yes.

12 Q. Were you sharing this information about Alameda's balances
13 with the defendant?

14 A. Yes, I was.

15 Q. What did you share with him?

16 A. I shared updated balance sheets whenever he asked for them
17 and information about things like Alameda's account balances on
18 FTX, which he asked for.

19 Q. So was he asking for this information?

20 A. Yes.

21 Q. And why were the two of you sharing this type of
22 information around mid-June?

23 A. Because, I mean, he was my boss; he was the owner of
24 Alameda. This was a time of crisis for Alameda; this was an
25 extremely big problem for us; it was an important thing for us

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1 to be discussing.

2 Q. What did the defendant tell you to do, if anything, when
3 you showed him Alameda's balances?

4 A. He continued to direct me to repay loans.

5 Q. When the defendant directed you to repay loans after
6 looking at your analysis of Alameda's balances, what did you
7 understand the defendant to be telling you to do?

8 A. I understood that he was telling me to borrow money using
9 our FTX line of credit to repay loans when they were called.

10 Q. And when you say you understood him to be telling you to
11 use Alameda's line of credit on FTX, can you spell out what you
12 mean.

13 A. I understood that he was telling me to use FTX customer
14 funds to repay our loans.

15 Q. And why was that your understanding?

16 A. Because I had shared Alameda's balance sheet information
17 with him that showed that that was the only source of capital
18 large enough to repay all of our loans. We also had, you know,
19 had many discussions in the past about using this FTX line of
20 credit for various Alameda purposes, including discussions
21 about using it as a—a backstop if our loans were called, so
22 I—yeah, I considered that to be the most reasonable and really
23 the only option on the table.

24 Q. So what did you do when the defendant told you to repay its
25 lenders despite Alameda's balances?

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Ellison - Direct

1 A. I continued to direct the Alameda settlement team to repay
2 lenders.

3 Q. Using what money?

4 A. Using FTX customer assets in addition to Alameda's other
5 liquid assets that we had.

6 Q. Over what time period did you repay Alameda's lenders?

7 A. A lot of it was in June, and there continued to be loan
8 recalls over the next few months as well.

9 Q. In the course of the defendant telling you to repay these
10 loans, did you also analyze Alameda's overall balances on FTX?

11 A. Yeah, we did.

12 Q. Why did you do that?

13 A. Sam asked us to put together a spreadsheet showing
14 Alameda's balances on FTX.

15 Q. You said "Sam asked us." Who's "us"?

16 A. Me, Gary, and Nishad.

17 MS. SASSOON: Mr. Bianco, if you could just pull up
18 Government Exhibit 1803. And that's already in evidence. And
19 this can be published.

20 Q. Who is this?

21 A. That's Nishad.

22 MS. SASSOON: You can take that down.

23 And now, Mr. Bianco, can you please pull up Government
24 Exhibit 50, which is already in evidence, and which the parties
25 have stipulated is a document called Alameda Balances by FTX

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1 Sub dated June 13, 2022.

2 Q. So June 13th, is that the day of the messages from Genesis
3 asking for the loans?

4 A. Yeah, which would be the same day.

5 Q. And what is it that we're looking at here?

6 A. This is a spreadsheet with a few tabs that Sam asked me,
7 Gary, and Nishad to put together. The first two tabs both show
8 Alameda's balances on various FTX accounts that we owned.

9 Q. And this first sheet, Sheet 1, who put this together?

10 A. That was me.

11 Q. And just to be clear, column C, what is that showing?

12 A. That shows the email of the account.

13 Q. And column A?

14 A. That's Alameda's internal name for the account.

15 MS. SASSOON: And Mr. Bianco, can you please highlight
16 the column marked Balances and expand the sum of this column in
17 the lower right-hand corner.

18 Q. What did you calculate was the total balance of Alameda's
19 account on FTX? And we can wait a moment. We'll pull that
20 back up.

21 A. Yeah. In this sheet the balances add up to about negative
22 \$20 billion.

23 Q. So before Alameda had repaid its lenders, this is showing
24 Alameda already owed FTX about \$20 billion?

25 A. Yes, that's what this sheet shows, but I knew that to be

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1 incorrect at the time because there was a large bug in the FTX
2 fiat balances that it wasn't accounting for.

3 Q. Let's take a look at that. What is the FTX fiat account?

4 A. That's the account I think I mentioned earlier where, when
5 FTX customers would deposit like US dollars into Alameda bank
6 accounts, there would be an offsetting ledger entry in an FTX
7 account. This was that account. So this is to track Alameda's
8 fiat liabilities to FTX.

9 MS. SASSOON: Mr. Bianco, can you highlight row 6 of
10 this sheet. Sorry, row 5.

11 Q. Is that the fiat account?

12 A. Yes, it is.

13 Q. And what number is being shown here for the fiat account?

14 A. Negative 19 billion.

15 Q. And so is that the number you said was not correct?

16 A. That's right.

17 Q. And how did you learn it wasn't correct?

18 A. I was told that there was a large bug in this calculation
19 of this number by Gary during a meeting with Sam, Gary, and
20 Nishad.

21 MS. SASSOON: And Mr. Bianco, can you highlight row 6
22 of this sheet.

23 Q. What is the FTX account?

24 A. That was Alameda's main trading account on FTX.

25 Q. And how much borrowing from FTX does this show on Alameda's

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1 main trading account?

2 A. It shows about \$3 billion.

3 Q. Is that through the line of credit?

4 A. Yes, that's right.

5 Q. And is this before Alameda had repaid all of its lenders?

6 A. That's right.

7 Q. So before Alameda had repaid its lenders, how much had
8 Alameda already borrowed from FTX customers through the line of
9 credit?

10 A. About \$3 billion.

11 Q. Let's take a look at Sheet 2. Do you recall who put this
12 sheet together?

13 A. I think it was Gary and/or Nishad. I'm not sure which one.

14 MS. SASSOON: And Mr. Bianco, if you could highlight
15 rows 13 and 14.

16 Q. What does this show about Alameda's fiat liability?

17 A. The first row has a similar negative 19 billion as my
18 sheet, but the second row has the correction from the bug,
19 which is about \$8 billion.

20 Q. And what does this show about the size of Alameda's
21 liability to FTX customers for their dollar deposits once the
22 bug was corrected?

23 A. It shows that it was around negative \$11 billion.

24 MS. SASSOON: Mr. Bianco, can you highlight the
25 information in columns I and J of this sheet.

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1 Q. What does this sheet show about the total liability on all
2 of Alameda's FTX accounts once fixing the bug?

3 A. It shows that it was around negative \$10 billion.

4 Q. And did you discuss this spreadsheet with the defendant?

5 A. Yeah, we did.

6 Q. And so this shows that around the time that loans are being
7 recalled, Alameda owed about \$10 billion?

8 MR. COHEN: Objection.

9 THE COURT: What's the objection?

10 MR. COHEN: Leading.

11 THE COURT: Sustained. Answer stricken.

12 Q. Once the figures in this spreadsheet were calculated, what,
13 if anything, did the defendant tell you to do with respect to
14 the continuation of repaying Alameda's loans?

15 A. He directed me to continue repaying Alameda's loans.

16 Q. And how did you continue to repay Alameda's loans?

17 A. By taking money from various sources, including FTX
18 customer funds as well as our other liquid assets.

19 Q. We've talked about the customer deposits in Alameda's bank
20 accounts and the line of credit. Which of these methods was
21 used to repay Alameda's lenders in June?

22 A. I think it was a combination of them.

23 Q. So were you—so was Alameda using the line of credit?

24 A. Yes.

25 Q. And what was the other combination of methods?

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1 A. I was saying I think we also used some money in bank
2 accounts as well.

3 Q. Government Exhibit 50 has an additional tab called Balance
4 Sheet By Liquidity.

5 MS. SASSOON: Mr. Bianco, can you please bring up
6 Tab 3.

7 Q. Who made this tab?

8 A. This was made by me.

9 Q. Why did you prepare this tab?

10 A. Sam asked me to put together some information on our
11 balance sheet and categorize it by how liquid the assets were.

12 Q. And around when did you prepare this?

13 A. I think it was around the same time as the first two tabs,
14 maybe a bit later.

15 Q. On the left-hand side, is that a balance sheet for Alameda?

16 A. Yes, that's right.

17 MS. SASSOON: Mr. Bianco, can you zoom in on columns D
18 and E, liquid liabilities.

19 Q. Do you see where it says "FTX borrows, 13250"?

20 A. Yeah.

21 Q. First of all, what number does that represent?

22 A. That represents 13.25 billion.

23 Q. And 13.25 billion what?

24 A. Dollars.

25 Q. And what are FTX borrows that correspond to this

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Ellison - Direct

1 \$13.25 billion number?

2 A. That represents money that Alameda was borrowing from FTX
3 customers.

4 Q. By the way, we saw this term "FTX borrows" here and on a
5 spreadsheet we looked at yesterday. Why did you call money
6 being taken from customers "FTX borrows" in your spreadsheet?

7 A. I guess I wanted to strike a balance of identifying what it
8 was, but, I mean, I didn't want to say explicitly something
9 like FTX customer money.

10 Q. And why didn't you want to say explicitly in a spreadsheet
11 FTX customer money?

12 A. Because Sam always directed us to be careful about what we
13 put in writing and not put things in writing that might get us
14 in legal trouble.

15 Q. And did you consider putting something like "FTX customer
16 money" in that category?

17 A. Yeah, I did.

18 Q. So according to this spreadsheet, at the time that you made
19 it, around mid-June, how much money had Alameda borrowed from
20 FTX customers at that point?

21 A. Around \$13 billion.

22 Q. I want to look at another part of this spreadsheet.

23 MS. SASSOON: And Mr. Bianco, if you could zoom in and
24 include columns G through L, rows 3 through 10, and please
25 include the column numbers, column letters.

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1 Q. Before we look at the specific numbers here, can you
2 explain what you were analyzing.

3 A. This was analyzing the total customer assets on FTX and how
4 much of that Alameda was borrowing and how much was left on
5 FTX.

6 Q. Sorry. I didn't hear what you said at the end.

7 A. Sorry. The last part was how much Alameda was borrowing
8 and how much was left on FTX.

9 Q. When you say "how much was left on FTX," what do you mean?

10 A. Like how many assets FTX still held in its bank accounts
11 and in its cryptocurrency wallet.

12 Q. So let's take this piece by piece.

13 I want to look at column G, which starts with USD.
14 What is this column?

15 A. That column has various fiat currencies and
16 cryptocurrencies.

17 Q. So what is USD, for example?

18 A. US dollars.

19 Q. And what is BTC?

20 A. Bitcoin.

21 Q. What about the next column, column H, which says FTX minus
22 Alameda?

23 A. That refers to the total customer assets that had been
24 deposited on FTX, not counting Alameda's balances.

25 Q. And so by this time how much US dollar currency had

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Ellison - Direct

1 customers deposited on FTX?

2 A. This was \$13 billion.

3 Q. And what about Bitcoin?

4 A. About \$3 billion.

5 Q. Where did you get this information for your spreadsheet?

6 A. I asked either Gary or Nishad. I don't remember who.

7 Q. And why would you have asked Gary and Nishad for this
8 information?

9 A. Because it wasn't information that I had access to, but I
10 wanted to confirm that, like, their numbers lined up with my
11 numbers for how much I thought Alameda was borrowing from FTX.

12 Q. Let's look at column I, which says "FTX." What are the
13 numbers in this column?

14 A. Those are the total assets that were held by FTX at the
15 time.

16 Q. And so at the time how much US dollars, for example, had
17 customers deposited versus how much was available for them on
18 FTX?

19 A. They had deposited \$13 billion, and only \$3 billion was
20 available on FTX.

21 Q. And what about Bitcoin?

22 A. Bitcoin, they deposited about—they had deposited
23 \$2.9 billion and it was—2.17 billion was left on FTX.

24 Q. So taking dollars as an example, if customers had deposited
25 \$13 billion and 3 billion was left, what had happened to that

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Ellison - Direct

1 remaining \$10 billion?

2 A. The other \$10 billion had been borrowed by Alameda.

3 Q. And is that reflected in this spreadsheet?

4 A. Yes, that's in the next column, column J.

5 Q. And so can you explain what we're looking at with these
6 negative numbers in column J.

7 A. So column J shows how much of each currency Alameda had
8 borrowed from FTX.

9 Q. And so using dollars as an example again, how much US
10 dollars had Alameda borrowed at that point of FTX customer
11 money?

12 A. \$10 billion.

13 Q. And what about Ethereum? That's the third one listed here.

14 A. That was \$800 million.

15 Q. Column K, do you know what those percentages are?

16 A. Yeah. That's showing what percentage of the total FTX
17 customer assets Alameda had borrowed.

18 Q. So let's take the example of BRZ, which is second from the
19 bottom. What is BRZ?

20 A. I think a stablecoin that tracks the Brazilian real.

21 Q. And how much of customers' BRZ had Alameda taken off FTX?

22 A. This spreadsheet shows it had taken a hundred percent.

23 Q. After you put together these numbers did you calculate how
24 much money actually remained for customers in total on the FTX
25 exchange at this point in time?

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1 A. Yes, I did.

2 MS. SASSOON: Mr. Bianco, can you zoom out and zoom in
3 on columns D and E, row 13.

4 Q. What is this?

5 A. That's my calculation of the total amount of money that was
6 available to FTX customers at the time, so it's saying that it
7 was \$6.8 billion.

8 Q. And when you say the total amount of money available to FTX
9 customers, what do you mean by that?

10 A. I mean the total assets that are remaining on FTX, either
11 in its bank accounts or in its cryptocurrency wallets.

12 MS. SASSOON: If you could zoom out, Mr. Bianco.

13 Q. We saw in column H more than \$15 billion of customer money
14 that had been deposited with FTX. What happened to all that
15 money apart from the remaining 6.8 billion?

16 A. It had been taken by Alameda.

17 Q. And to be clear, is this before Alameda had repaid all of
18 its lenders?

19 A. Yes, that's right.

20 MS. SASSOON: Mr. Bianco, within the same sheet, can
21 you display rows 16 through 40, which are at the bottom.

22 And Mr. Bianco, can you please zoom in on rows 35 and
23 36, where it says negative 3 billion, and continue to the
24 right.

25 Q. What are these numbers?

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Ellison - Direct

1 A. These were, I mean, very rough estimates, but just my
2 attempts to estimate what was the probability of enough
3 withdrawals from FTX at one time that FTX would run out of
4 money and how that would change depending on whether Alameda
5 made or lost money.

6 Q. And did these calculations assume all the customers
7 withdrawing their money at once or something else?

8 A. No. This was assuming the probability of all customers
9 withdrawing at once was pretty unlikely.

10 Q. And is that factored into your calculations?

11 A. Yeah.

12 Q. And so under Alameda's current circumstances when you made
13 this spreadsheet, what did you calculate was the probability of
14 not being able to satisfy FTX customer withdrawals?

15 A. I was guessing it was 13 percent.

16 Q. And what if Alameda went negative by another \$3 billion?

17 A. My guess was it went up to 21 percent.

18 Q. Did you share this spreadsheet with the defendant?

19 A. Yeah.

20 Q. And how did you share it with him?

21 A. I think over Signal.

22 MS. SASSOON: If we could zoom out and take this down.

23 Q. This spreadsheet showed about—or you testified that this
24 showed about \$6.8 billion of customer assets remaining on the
25 exchange, and you testified about your calculation of odds of

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Ellison - Direct

1 being unable to meet customer withdrawals. Were those facts
2 and predictions concerning to you?

3 A. Yeah, they were extremely concerning. I was—yeah, really
4 worried that FTX customers would try to withdraw a bunch of
5 money at once and that we wouldn't be able to process those
6 withdrawals.

7 Q. How did the concerns you had in mid-June compare to the
8 concerns you expressed having in May 2022 when you described
9 Alameda's leveraged position in that document to the defendant?

10 A. I mean, they were much worse at that point. In May 2022,
11 it was more like I was concerned that if the crypto market went
12 down that we would be in a bad situation, whereas in June 2022,
13 we were in the bad situation and I was mostly concerned that if
14 anyone would find out, everything would come crashing down.

15 Q. So why, given all that, did you proceed to use customer
16 money to repay Alameda's lenders?

17 A. Because—I mean, because Sam told me to and because I
18 thought that if Alameda just defaulted on its loans and went
19 bankrupt right away, that would be really bad, and if we used
20 customer money, at least there was some chance that we would be
21 able to fix things somehow, that maybe Sam would be able to
22 raise money to repay our loans.

23 Q. What was your view at the time about whether what you were
24 doing was wrong?

25 A. Yeah, I thought it was wrong.

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1 Q. And from mid-June onward what happened to the concerns you
2 were having?

3 A. They continued. I mean, not—not much materially really
4 changed over the next few months. The crypto market didn't go
5 back up and we didn't find any new sources of capital, so I
6 continued to live with the constant worry of—of people finding
7 out or of FTX customers withdrawing too much money at once.

8 Q. We looked at a chat from June 13, 2022, with Genesis.
9 Through that week of June 13, 2022, about how much money did
10 Alameda repay to its third-party lenders?

11 A. I think it was a few billion dollars; maybe in the ballpark
12 of 5.

13 Q. And did that include through the use of FTX customer money?

14 A. Yeah.

15 Q. And over the next two months or so, about how much money
16 did Alameda repay its lenders?

17 A. It was another few billion dollars.

18 Q. And so was that money Alameda was borrowing on top of the
19 borrows we saw from June 13th?

20 MR. COHEN: Objection, leading.

21 THE COURT: Sustained. Form.

22 Q. How did the money, the billions of dollars used to repay
23 lenders, compare to the figures we looked at from June 13,
24 2022?

25 A. We were continuing to repay lenders and borrow more money

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Ellison - Direct

1 from FTX on top of the money that we were already borrowing.

2 Q. And who made this decision to repay Alameda's lenders
3 throughout this period with FTX customer money?

4 A. It was Sam's decision.

5 Q. Who oversaw the process of actually making the payments to
6 the lenders?

7 A. I mean, I—I directed the settlement team to make the
8 payments.

9 Q. Yesterday we looked at Government Exhibit 36, NAV minus Sam
10 coins.

11 MS. SASSOON: And Mr. Bianco, if you could pull up
12 that exhibit, the second tab called Questions.

13 Q. Can you remind the jury when you prepared this analysis
14 that we looked at yesterday.

15 A. I prepared this in the fall of 2021.

16 Q. And looking at rows 30 to 32, did this analysis include
17 what might happen in a bad market event?

18 A. Yes, it did.

19 Q. And did you analyze what would happen if Alameda made an
20 additional \$3 billion of investments?

21 A. Yes, I did.

22 Q. How did this hypothetical scenario of a market downturn
23 compare to what was happening now in June of 2022?

24 A. It was pretty similar. There was a market downturn and we
25 had in fact made several billion dollars more of investments.

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Ellison - Direct

1 Q. What did your analysis here that you shared with the
2 defendant assume about how to repay loans in that circumstance?

3 A. It assumed that we would use customer deposits on FTX to
4 repay loans if we ran out of other liquid assets.

5 Q. We looked at this yesterday. Your analysis here said that
6 if you made an additional \$3 billion of investments—

7 MR. COHEN: Objection. Asked and answered.

8 MS. SASSOON: I didn't finish the question, your
9 Honor.

10 THE COURT: Yes, I'm quite aware of that. Thank you.

11 MR. COHEN: I will withdraw the objection until the
12 question is completed. I apologize.

13 BY MS. SASSOON:

14 Q. Where it says "P (we can't meet that)," your analysis here
15 shows a prediction that there was a hundred percent chance of
16 not being able to repay your loans. Was that the case in June
17 2022, after these additional venture investments?

18 MR. COHEN: Now I'll make the objection.

19 THE COURT: Yes, sustained.

20 MS. SASSOON: Well, I might have to reask some prior
21 questions, your Honor, to get to the new question.

22 Q. Can you remind us what is referenced here where it says "P
23 (we can't meet that)," a hundred percent?

24 MR. COHEN: Same objection.

25 THE COURT: Overruled.

NAB1BAN1

Ellison - Direct

1 A. This is the probability that we would be unable to repay
2 our loans if we were called—if they were called, and at the
3 time I said that in this scenario the probability would be a
4 hundred percent.

5 Q. Can you remind us, "this scenario," what scenario is that?

6 A. The scenario of Alameda making \$3 billion of additional
7 investments and there being a large market downturn.

8 Q. And had Alameda made additional venture investments?

9 A. Yeah.

10 Q. And had the market gone down?

11 A. Yeah.

12 Q. But you testified that you repaid the loans. So what
13 changed?

14 A. The main change from this scenario that I had modeled
15 previously was that FTX had had several billion dollars more of
16 customer deposits so there was a lot more money that we could
17 take from FTX to repay the loans than I had expected.

18 Q. In your conversations with the defendant about repaying
19 lenders, did he identify any other new sources of capital for
20 repaying loans other than new FTX customer deposits?

21 A. No. I mean, he talked about hypothetically raising more
22 funds for FTX or something, but he didn't identify any actually
23 existing sources of capital.

24 Q. And just to be clear, when he talked about raising money,
25 was any money raised for FTX at the time you were repaying

NAB1BAN1

Ellison - Direct

1 these loans?

2 A. No.

3 MS. SASSOON: Mr. Bianco, can you publish Government
4 Exhibit 1649.

5 Q. What is the date of these Telegram messages with Matt
6 Ballensweig?

7 A. These are on June 18, 2022.

8 Q. Can you remind us, who is Matt Ballensweig?

9 A. He was the head of lending at Genesis.

10 MS. SASSOON: Mr. Bianco, can you please highlight or
11 zoom in on the three messages at the bottom.

12 Q. Can you please read the message from Matt Ballensweig.

13 A. He says, "anything you guys can provide to help show a more
14 updated view of equity/balance sheet etc. would be helpful."

15 Q. And the next message?

16 A. "Hey there - looking to see if we can some m2m of balance
17 sheet from you guys. Would be helpful for us to bring more
18 capital into space."

19 Q. What did you respond?

20 A. I said, "makes sense, will see what I can put together."

21 Q. What's "m2m of balance sheet"?

22 A. "m2m" stands for mark to market, so that means our balance
23 sheet with assets valued at the current market prices.

24 Q. When you said, "will see what I can put together," what are
25 you referring to putting together?

NAB1BAN1

Ellison - Direct

1 A. A balance sheet to send to Genesis.

2 Q. What was your reaction to getting a request from Genesis on
3 June 18th for a balance sheet at that time?

4 A. I was very stressed out. I thought that I—it wouldn't be
5 a good idea to ignore them, and I—I wanted to reassure them
6 about Alameda's financial state, but the facts were that
7 Alameda was in a very bad situation that we were—had very
8 risky positions on and that we had been borrowing increasing
9 amounts of money from FTX customers, and I didn't want Genesis
10 to know any of that.

11 Q. Did you discuss your concerns with the defendant?

12 A. Yes, I did.

13 Q. And at first where did you discuss your concerns with him?

14 A. In a group meeting with him, Gary, and Nishad.

15 Q. Where was that meeting?

16 A. It was—I don't remember if it was in the office or in our
17 apartment.

18 Q. And where were you living at that time?

19 A. In the Bahamas.

20 Q. And did he sometimes have work meetings in your apartment?

21 A. Yeah.

22 Q. What was discussed at the meeting?

23 A. We discussed Alameda's most recent balance sheet, and I
24 asked what I should say to Genesis, and Sam gave some
25 suggestions.

NAB1BAN1

Ellison - Direct

1 Q. What kinds of suggestions did the defendant give you about
2 Alameda's balance sheet?

3 A. He suggested that the people in that meeting could give our
4 personal Serum tokens to Alameda to put on the balance sheet
5 and that we could put his holdings of FTX equity in the Paper
6 Bird entity on the balance sheet.

7 Q. If you followed the defendant's suggestions, what effect
8 would that have on the balance sheet?

9 A. It would make our assets look larger.

10 Q. After this meeting what did you do?

11 A. I went back and prepared a balance sheet.

12 Q. And did you make changes to the balance sheet?

13 A. Not initially. Initially I just prepared a—a—yeah,
14 normal balance sheet.

15 Q. And what did you do then?

16 A. I sent it to Sam and said, *This is our balance sheet, I*
17 *think it looks bad, I don't think we can send this to Genesis.*
18 *Do you agree?* And he said, *Yeah, that sounds right.*

19 Q. Why did you think the balance sheet looked bad and couldn't
20 send it to Genesis?

21 A. Overall it showed that Alameda was in a very risky
22 position. It showed that we were borrowing, you know, around
23 \$10 billion from FTX, and that we had about \$5 billion of loans
24 to FTX executives and to affiliated entities.

25 Q. Just to be clear, why did you care what Genesis thought of

NAB1BAN1

Ellison - Direct

1 your balance sheet?

2 A. I didn't want them to recall the rest of our loans. I was
3 also worried that they would share the information with other
4 people in the crypto markets and that might cause more
5 widespread concern about Alameda and could even cause people to
6 start withdrawing their money from FTX.

7 Q. And so at this time did Alameda still have some loans from
8 Genesis?

9 A. Yeah, we did.

10 Q. So when you shared the balance sheet with the defendant,
11 how did you share it with him?

12 A. Over Signal.

13 Q. And when the defendant agreed with you that the balance
14 sheet didn't look good, what happened next in the conversation?

15 A. He suggested that I should prepare some alternative ways of
16 presenting the information and send them to him.

17 Q. And when the defendant told you to come up with alternative
18 ways of presenting the information in your balance sheet, what
19 did you understand that to mean?

20 A. I understood him to be directing me to come up with ways to
21 conceal the things in our balance sheet that we both thought
22 looked bad.

23 Q. So what did you do?

24 A. I prepared a spreadsheet with seven different alternative
25 balance sheets that we could send.

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Ellison - Direct

1 Q. And what was the goal of preparing seven different balance
2 sheets?

3 A. I wasn't sure what the best thing to send to Genesis would
4 be. I didn't really want to be dishonest, but I also didn't
5 want them to know the truth, so I just thought I'd prepare a
6 variety of things and ask Sam what he wanted to do.

7 Q. What kinds of alterations were you making to the balance
8 sheet in these various alternatives?

9 A. Some were doing things like combining categories so that it
10 wasn't obvious that some of our assets were being used as
11 collateral or combining FTT with other cryptocurrencies; other
12 tabs were netting out assets against liabilities to make our
13 overall leverage and risk look lower.

14 MS. SASSOON: Mr. Bianco, can you show the witness
15 what's been marked as Government Exhibit 44.

16 Q. Do you recognize this?

17 A. Yes, this is the spreadsheet I was just talking about with
18 the seven alternatives.

19 MS. SASSOON: The government offers Government
20 Exhibit 44, which the parties have stipulated is a document
21 called Rough Balance Sheet 6/20/22, and is dated June 19, 2022.

22 MR. COHEN: No objection.

23 THE COURT: Received.

24 (Government's Exhibit 44 received in evidence)

25 MS. SASSOON: Mr. Bianco, if you could bring up

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Ellison - Direct

1 Government Exhibit 44 for the jury.

2 BY MS. SASSOON:

3 Q. And right now we're on the first tab called "main." And
4 before we look at each tab, or some tabs, what is this
5 spreadsheet overall?

6 A. This spreadsheet, the main tab is our—the sort of initial
7 balance sheet that I prepared, and then the other tabs are the
8 seven alternatives that I came up with at Sam's direction.

9 Q. So this main tab, is this an internal version of Alameda's
10 balance sheet?

11 A. Yes, that's right.

12 Q. And is this the one you were concerned about sharing with
13 Genesis?

14 A. That's right.

15 MR. COHEN: Objection. Leading.

16 THE COURT: Sustained.

17 Q. How does this tab relate to the balance sheet you were just
18 talking about?

19 A. This is the same balance sheet I was just talking about
20 that I sent to Sam and I said I was concerned with—about
21 sharing with Genesis.

22 Q. Where it says at the top, in column B, "all numbers in
23 millions," what does that mean?

24 A. That means all of the numbers here are in millions. For
25 instance, the bank balances, when it says 525, that means

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Ellison - Direct

1 \$525 million.

2 Q. And how, if at all, is the money that Alameda had used from
3 FTX customers that you testified about reflected on this
4 balance sheet?

5 A. It's in the liabilities section under "exchange borrows."

6 Q. And so for "exchange borrows," what's the total there?

7 A. \$9.9 billion.

8 Q. And so what does that \$9.9 billion represent?

9 A. That means that Alameda had borrowed \$9.9 billion from FTX
10 customers.

11 Q. How did you feel about having \$9.9 billion of money that
12 Alameda had used from FTX on your balance sheet?

13 MR. COHEN: Objection.

14 THE COURT: Ground?

15 Ground?

16 MR. COHEN: Oh, I'm sorry. Leading.

17 THE COURT: Overruled.

18 A. Sorry. Could you ask the question again.

19 Q. Yes. How did you feel about having \$9.9 billion of borrows
20 from FTX customers on Alameda's balance sheet?

21 A. Not good. I mean, I think it—it made it clear that
22 Alameda was in a risky situation because if customers tried to
23 withdraw those funds, then we wouldn't be able to pay them
24 back. It also made FTX look very bad if this got out, and
25 people would be concerned about keeping their money on FTX.

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Ellison - Direct

1 Q. Looking at this balance sheet, "exchange borrows" is in row
2 5, which is the row for liquid liabilities. Why is the money
3 Alameda owes to FTX customers categorized as a liquid
4 liability?

5 A. What I meant by that was that these were loans that could
6 be called at any time, so the open-term loans are liquid
7 liabilities because the lenders could call them at any time,
8 and similarly, the exchange borrows could be withdrawn by FTX
9 customers at any time.

10 Q. So you referenced the open-term loans. Is that the number
11 beneath "exchange borrows"?

12 A. Yes, that's right, where it says "OT loans."

13 Q. So at this point in time how much money in loans did
14 Alameda still have from third parties?

15 A. We had \$1.8 billion in open-term loans remaining and
16 \$2.9 billion in fixed-term loans.

17 Q. You mentioned fixed-term loans. That's in row 17, which is
18 categorized as long-term liabilities. What's the difference
19 between the liquid liabilities and the long-term?

20 A. Long-term liabilities were liabilities that we wouldn't
21 have to ever pay back right away, so the fixed-term loans were
22 typically terms of around three months, that we would have
23 three months before we needed to pay them back.

24 Q. On the assets side of this balance sheet, there's also
25 categories of liquid assets and long-term assets. Why does the

NAB1BAN1

Ellison - Direct

1 balance sheet distinguish between liquid assets and long-term
2 assets?

3 A. Liquid assets were things that we could sell easily, they
4 were things that were, like, publicly traded on exchanges,
5 whereas the long-term assets were, like, private investments,
6 things that we would have to, you know, go out and find a buyer
7 for that we couldn't just sell on an exchange.

8 MS. SASSOON: Mr. Bianco, if you could highlight
9 column C, rows 5 through 10, which is the liquid assets, and
10 expand the sum in the lower right-hand corner.

11 Q. What does this balance sheet show was the total of
12 Alameda's liquid assets at the time?

13 A. It shows the total was around 7 billion, though even the
14 liquid assets category here is including FTT, which was not
15 actually very liquid, so 7 billion is probably an
16 overstatement.

17 Q. Can you explain why \$7 billion, in your view, overstated
18 Alameda's liquid assets.

19 A. Because the liquid category contains \$3 billion of FTT, and
20 if you tried to sell that \$3 billion of FTT, you wouldn't be
21 able to get anything close to \$3 billion, so if we wanted to
22 use it to repay loans, we wouldn't—we wouldn't actually get
23 \$3 billion from them.

24 Q. So in an event that all of FTX's customers wanted to
25 withdraw their money, what does this balance sheet show about

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Ellison - Direct

1 whether Alameda had the money to meet those withdrawals?

2 A. It shows that we did not.

3 Q. And why is that?

4 A. Because there's \$9.9 billion that we're borrowing from FTX
5 and less than 7 billion—maybe more like 5 billion—of liquid
6 assets that we could use for those withdrawals.

7 Q. I want to zoom out.

8 You'll see here that there's a liquid category for
9 assets and then there's a category called collateral, and both
10 categories have FTT. Can you explain the difference between
11 the liquid FTT and the collateral FTT.

12 A. Yeah. Liquid FTT was FTT that we were just holding on
13 exchanges or in wallets. The collateral FTT was being used to
14 collateralize our third-party loans.

15 Q. So the assets listed here under collateral, would those
16 have been available to pay FTX customers?

17 A. No. Those were being held by our lenders in wallets that
18 we couldn't access.

19 MS. SASSOON: Mr. Bianco, could you zoom out again and
20 show the entire main sheet.

21 Q. Do you see—I want to focus now on row 17, where it says
22 "long-term assets related party loans," and it says, 4591.

23 MS. SASSOON: And Mr. Bianco, if you could highlight
24 that.

25 Q. First of all, 4591, what's that number?

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Ellison - Direct

1 A. That means \$4.591 billion.

2 Q. And so what does that \$4½ billion number represent?

3 A. That represents our related-party loans, so that's loans to
4 Sam, Gary, Nishad, and other entities that are related to
5 Alameda or owned by Sam.

6 Q. And in preparing the balance sheet that Genesis had asked
7 for, how did you feel about having about \$4.5 billion in
8 related-party loans on your balance sheet?

9 A. Not good. I thought that it made it clear that Alameda was
10 in a risky situation because these loans weren't loans that we
11 could easily call if we needed them to repay our other loans,
12 and it also might make it look like Alameda was effectively
13 giving or funneling money to FTX executives.

14 Q. And you touched on this, but did you view these loans as
15 available assets to repay what Alameda owed FTX customers?

16 A. No, I did not.

17 Q. Why?

18 A. Because I knew that they had been invested in various
19 things, meaning that the, you know, the people or entities that
20 had gotten the loans didn't have the cash on hand to repay.

21 Q. Let's zoom out and look at the bottom.

22 What does this show about Alameda's total liabilities
23 at the time?

24 A. It shows our total liabilities are around \$15 billion.

25 Q. And let's look at the total assets. What are those?

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Ellison - Direct

1 A. Around \$21 billion.

2 Q. What was your view on whether Alameda could actually sell
3 all the assets listed here and raise \$21 billion?

4 A. I didn't think that we would be able to do that unless
5 there was a, you know, significant change, like the
6 cryptocurrency market went up a lot.

7 Q. And why didn't you think you could liquidate these assets
8 for \$21 billion?

9 A. Because a lot of them were not very liquid, meaning that if
10 you tried to sell a bit, the price would go down a lot; a lot
11 of them were, you know, privately held, meaning that it would
12 be somewhat hard to find buyers.

13 Q. Looking at the bottom, what is the total NAV calculated for
14 Alameda?

15 A. \$6.1 billion.

16 Q. And can you remind us, what is NAV?

17 A. It stands for net asset value, so that means the total
18 value of our assets minus the total value of how much we owe.

19 Q. So if this is showing a NAV of positive \$6 billion, why
20 didn't you want to share this with Genesis?

21 A. Because it showed that a lot of what was making up that
22 positive NAV was FTT and other illiquid assets, and it showed
23 that Alameda was very exposed to the market and borrowing a lot
24 from FTX.

25 MS. SASSOON: We can zoom out.

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Ellison - Direct

1 Q. We've looked at this main tab, which you said was the
2 internal version. I see seven alternative tabs. What were you
3 trying to do in each of those seven alternative tabs?

4 A. I was trying to come up with different ways to create the
5 balance sheet so that it would look better for our lenders.

6 Q. And whose idea was that?

7 A. It was Sam's.

8 Q. How did the defendant communicate that to you?

9 A. He said something like, why don't you come up with some
10 alternative ways of presenting the information in the balance
11 sheet and send them to me.

12 Q. Which alternative, if any, was selected to share with
13 Alameda's lenders?

14 A. Sam said that we should use alternative 7.

15 Q. So let's look at alternative 7.

16 MS. SASSOON: And Mr. Bianco, if you could bring up
17 the tab labeled alternative 7.

18 Q. Is there any line item in this alternative selected by the
19 defendant for FTX customer money or FTX borrows used by
20 Alameda?

21 A. No, there is not.

22 Q. Is there any line item on this alternative for
23 related-party loans of \$4½ billion?

24 A. No.

25 Q. So in this spreadsheet what happened to the \$9.9 billion

NAB1BAN1

Ellison - Direct

1 that Alameda owed to FTX customers?

2 A. Some of it was netted against the related-party loans
3 number and the rest was put in the long-term loans category.

4 Q. So you said some of the money Alameda owed FTX customers
5 was netted against the related-party loans. Can you explain
6 what you meant by that.

7 A. Yeah, that means that I deleted the related-party loans and
8 I also subtracted the same amount of money from the FTX borrows
9 so that our NAV would remain the same but our total assets and
10 total liabilities would both get lower.

11 Q. And you said some of the money Alameda owed to FTX
12 customers was moved to the long-term loans category?

13 A. Yes, that's right.

14 MS. SASSOON: So Mr. Bianco, can you highlight that in
15 row—highlight all of row 17, please.

16 Q. So first of all, why is the \$8.2 billion in loans no longer
17 labeled "exchange borrows" or "FTX borrows"?

18 A. Because I didn't want Genesis or others to know that
19 Alameda was borrowing a lot of money from FTX.

20 Q. And why has that amount of money been moved from the liquid
21 liability category to a long-term loan?

22 A. Because when it was in the liquid liabilities category, it
23 was clear from looking at our balance sheets that our balance
24 sheet—that if all of our, you know, liquid liabilities were
25 called, meaning that if all of the loans that could be called

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Ellison - Direct

1 immediately were called, that we wouldn't have enough assets to
2 repay them, and so moving it to long-term loans makes it look
3 like we're in a safer position.

4 Q. You said moving it here makes it look like you're in a
5 safer position. Was labeling the money Alameda owed to FTX
6 customers a long-term loan accurate?

7 A. No.

8 Q. Why not?

9 A. I mean, because there were no official terms that I was
10 aware of for this loan, but FTX customers could try to withdraw
11 the money at any time with, you know, few restrictions.

12 Q. What effect, if any, did moving the debt to FTX customers
13 into the long-term loan category have on conveying the risk
14 associated with that money that Alameda owed?

15 A. It made it look like the loan was safer than it actually
16 was.

17 Q. You've also relabeled this debt from borrows to loans.
18 Were you aware of any loan terms for this money that Alameda
19 had taken from FTX customers?

20 A. No, I wasn't.

21 Q. Were you aware of any customers agreeing to loan out their
22 money in this fashion?

23 A. No.

24 Q. You said that you—we can zoom out—that you netted this
25 number in part against the related-party loans. Did it make

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Ellison - Direct

1 sense to treat the related-party loans as an offset to the
2 money that Alameda owed to FTX customers?

3 A. No, because the loans weren't something that we could get
4 back easily so it wasn't something that we could easily use to
5 repay FTX customers if we needed to.

6 Q. I think you said that ultimately the NAV here is the same
7 as in the main tab. Was that your testimony?

8 A. Yes, that's right.

9 Q. So if the NAV of 6 billion is the same, what was the
10 overall intended effect of the changes you just talked about?

11 A. The intended effect was to make Alameda look less risky
12 than it really was and to hide the fact that we were borrowing
13 around \$10 billion from FTX customers.

14 MS. SASSOON: Mr. Bianco, I want to compare the main
15 tab with alternative 7 from Government Exhibit 44, so can you
16 bring them up side by side.

17 Q. We have the main tab on the left and alternative 7 on the
18 right. How did the total liabilities compare in each of these
19 balance sheets?

20 A. The liabilities go down from around \$15 billion in the main
21 tab to around \$10 billion in alternative 7.

22 Q. And what was the intended effect of reporting overall lower
23 liabilities?

24 A. To make Alameda look less risky.

25 Q. It looks to me like the liquid assets are the same; is that

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Ellison - Direct

1 right?

2 A. Yes, that's right.

3 Q. What about the liquid liabilities? How did they compare in
4 each of these?

5 A. The liquid liabilities are much lower in alternative 7.

6 It's only \$1.8 billion compared to \$12 billion.

7 Q. So if a lender looked at the alternative 7 balance sheet,
8 what's conveyed here about whether Alameda had liquid assets to
9 cover its liquid liabilities?

10 MR. COHEN: Objection.

11 THE COURT: Sustained, form.

12 Q. In alternative 7, what is conveyed about whether Alameda
13 had the liquid assets to cover its liquid liabilities?

14 A. Alternative 7 makes it look like we had plenty of liquid
15 assets to cover our open-term loans.

16 Q. Was that true?

17 A. No.

18 Q. Why not?

19 A. Because as you can see in the more accurate main tab, we
20 had around \$12 billion of liquid liabilities and more like 3 to
21 \$7 billion of liquid assets.

22 Q. You testified that you sent this to the defendant over
23 Signal. What, if anything, did you say when you sent this to
24 the defendant by Signal?

25 A. I said, *Here are some alternative presentations I came up*

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Ellison - Direct

1 *with for the balance sheet*, and I explained roughly what I did
2 in various tabs.

3 Q. And in substance, how did you describe what you had done in
4 alternative 7?

5 A. I said I had netted out the exchange borrows against the
6 related-party loans and then moved the rest to the long-term
7 loans category.

8 Q. What did the defendant say?

9 A. He said that alternative 7 looked good and that I should
10 send that one to Genesis.

11 Q. Once the defendant chose alternative 7, what did you do?

12 A. I sent it to Genesis.

13 Q. Why did you send it to Genesis?

14 A. Because Sam directed me to; because Genesis was asking for
15 a balance sheet, and I needed to send something.

16 MS. SASSOON: Mr. Bianco, can you publish Government
17 Exhibit 1650.

18 Q. What's the date of this Telegram message between you and
19 Matt Ballensweig at Genesis?

20 A. This is on June 20, 2022.

21 Q. Looking at the first two messages, the second one says,
22 "here you go," and above that there's a link. What is that
23 link?

24 A. The link is to the—a Google Doc of the balance sheet that
25 I sent them.

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Ellison - Direct

1 Q. What did Matt Ballensweig respond?

2 A. He said, "Thanks so much. Appreciate it. Just caught up
3 with Sam, by the way. Let's keep in tight comms this week."

4 THE COURT: There are people who don't have any idea
5 what a Google Doc is, and it might be useful for the witness to
6 explain it now.

7 MS. SASSOON: Thank you, your Honor.

8 Q. Ms. Ellison, can you explain what a Google Doc is.

9 A. Yeah. So a Google Doc is a document or a spreadsheet
10 that's kept on your Google account, so it's accessible online,
11 and it can be shared with people and edited and commented on by
12 other people online.

13 Q. Let's go to page 2.

14 Can you read the first message on this page from Matt
15 Ballensweig?

16 A. It says, "hey there - so spoke with Sam and I'm sure he
17 filled you in--wouldn't be pushing you guys here if it wasn't
18 totally necessary but we want to unwind \$500 million in 250
19 clips. If you guys can show us what that's going to cost, it
20 would be helpful, but we're basically in that position where
21 this is no longer a luxury."

22 Q. What does it mean to unwind 500 million in 250 clips?

23 A. That meant he wanted us to repay \$500 million of our loans
24 in \$250 million at a time.

25 Q. And what's your understanding, if any, of the role that the

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Ellison - Direct

1 balance sheet played in that request?

2 A. I'm not aware that it played any specific role. He told me
3 that it was because of recalls that they were getting on their
4 end.

5 Q. Can you just explain what you mean by recalls that Genesis
6 was getting on their end.

7 A. It meant Genesis was—the money that they were lending us,
8 they were borrowing from others, including retail lending
9 platforms, and customers were withdrawing their money from
10 those platforms, so Genesis had to have a way to fulfill those
11 withdrawals, and that's why they needed their money back from
12 us.

13 Q. This refers to speaking with Sam. What, if anything, did
14 the defendant tell you about his call with Matt Ballensweig?

15 A. He told me that he talked to Matt and that Matt said that
16 Genesis really needed the money and implied that they might go
17 under or have to default on some loans if they didn't get it,
18 so he said that we should make that happen but show them a
19 reasonable price for it.

20 MS. SASSOON: Mr. Bianco, can you show the witness
21 what's been marked as Government Exhibit 17.

22 Q. Do you recognize this?

23 A. Yeah.

24 Q. What is it?

25 A. This is the balance sheet that I ended up sending to

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Ellison - Direct

1 Genesis.

2 MS. SASSOON: The government offers Government
3 Exhibit 17, which the parties have stipulated is a document
4 called Rough Balance Sheet, June 19, 2022, dated June 19, 2022.

5 MR. COHEN: No objection.

6 THE COURT: Received.

7 (Government's Exhibit 17 received in evidence)

8 MS. SASSOON: And Mr. Bianco, can you please publish
9 Government Exhibit 17.

10 BY MS. SASSOON:

11 Q. Ms. Ellison, what is this balance sheet?

12 A. This is the balance sheet that I sent to Matt Ballensweig
13 at Genesis.

14 Q. And this is the document you shared via Google Docs?

15 A. That's right.

16 MS. SASSOON: And Mr. Bianco, let's bring this up,
17 Government Exhibit 17, side by side with alternative 7 from
18 Government Exhibit 44.

19 Q. Just to orient you, on the left-hand side we have
20 Government Exhibit 17, which you said was the balance sheet you
21 sent to Genesis, and on the right-hand side we have alternative
22 7. How did these two documents compare?

23 A. They're the same.

24 Q. Did the balance sheet sent to Genesis identify that Alameda
25 had borrowed billions of dollars from FTX customers?

NAB1BAN1

Ellison - Direct

1 A. No.

2 Q. And how did the total liabilities on this balance sheet
3 compare to the internal version of your balance sheet?

4 A. The total liabilities on this one are only \$10 billion,
5 whereas the internal one had about \$15 billion.

6 Q. Did you consider the financial information that you sent to
7 Genesis to be dishonest?

8 A. Yes, I did.

9 MR. COHEN: Objection.

10 THE COURT: Overruled.

11 A. Yes, I did consider it to be dishonest.

12 Q. Why?

13 A. Because it falsely stated the amounts of our actual assets
14 and liabilities, and it—it hid the fact that we were borrowing
15 \$10 billion from FTX customers and made us look much safer than
16 we actually were.

17 Q. You just testified that you sent what you thought was a
18 dishonest balance sheet to Genesis. When you did that, did you
19 consider what you were doing was wrong?

20 A. Yeah, definitely.

21 THE COURT: Let's take our morning break here.

22 (Recess)

NABMBAN2

Ellison - Direct

1 THE COURT: Let's get the witness.

2 Ms. Sassoon, a little repetitive.

3 MR. COHEN: Your Honor, can we have an estimate of how
4 much longer the direct will take?

5 THE COURT: That would be a nice thing.

6 Ms. Sassoon.

7 (Jury present)

8 THE COURT: The defendant and the jurors all are
9 present, as they have been throughout.

10 Ms. Sassoon and Mr. Cohen, come to the sidebar.

11 (Continued on next page)

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NABMBAN2

Ellison - Direct

1 (At sidebar)

2 THE COURT: How much longer?

3 MS. SASSOON: I expect to finish after the lunch break
4 but before the end of the day.

5 THE COURT: How long do you expect to be?

6 MR. COHEN: Certainly into tomorrow, obviously.
7 Depends on how quickly it goes or not. I'm hoping to finish by
8 Friday at the latest.

9 THE COURT: Thank you.

10 (Continued on next page)

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1 (In open court)

2 THE COURT: You may continue.

3 Q. Ms. Ellison, right before the break I believe you testified
4 that you thought sending the dishonest balance sheet to Genesis
5 was wrong.

6 Do you recall that?

7 A. Yes, I do.

8 Q. In the course of working with the defendant, did he talk to
9 you about the ethics of lying and stealing?

10 A. Yeah. He said that he was a utilitarian, and he believed
11 that the ways that people tried to justify rules like don't lie
12 and don't steal within utilitarianism didn't work, and he
13 thought that the only moral rule that mattered was doing
14 whatever would maximize utility, so essentially trying to
15 create the greatest good for the greatest number of people or
16 beings.

17 Q. What did he say about how lying or stealing fit into that?

18 A. He said he didn't think rules like don't lie or don't steal
19 fit into that framework.

20 Q. How, if at all, did the defendant's expressed attitude
21 about lying and stealing affect you?

22 A. I think it made me more willing to do things like and steal
23 over time. When I started working at Alameda, I don't think I
24 would have believed if you told me that a few years later I
25 would be sending false balance sheets to our lenders or taking

NABMBAN2

Ellison - Direct

1 customer money, but over time it was something that I became
2 more comfortable with when I was working there.

3 MS. SASSOON: At this time the government offers
4 Government Exhibit 850, which the parties have stipulated is a
5 tweet from the defendant's account.

6 MR. COHEN: No objection.

7 THE COURT: It's received.

8 (Government Exhibit 850 received in evidence)

9 MS. SASSOON: Mr. Bianco, can you publish the exhibit.

10 Q. Whose tweet is this?

11 A. This is Sam's tweet.

12 Q. The tweet says: Backstopping customer assets should always
13 be primary. Everything else is secondary.

14 What does it mean to backstop customer assets?

15 A. It means they are to ensure there are enough funds so that
16 all customers can have their assets returned.

17 Q. This was tweeted on June 27, 2022. With respect to FTX
18 customer assets, what had happened in the month of June before
19 this tweet?

20 A. Alameda had taken billions of dollars of them in order to
21 repay our lenders.

22 Q. Did you consider this tweet misleading?

23 A. Yeah, I did. I didn't think it lined up with Alameda's
24 behavior at the time.

25 Q. In June of 2022, as far as you understood it, did FTX have

NABMBAN2

Ellison - Direct

1 sufficient funds to backstop customer assets?

2 A. No, not at all.

3 Q. Why not?

4 A. Because Alameda had borrowed several billion dollars of
5 them.

6 Q. Have you heard the term segregating customer assets?

7 A. Yeah.

8 Q. What do you understand that to mean?

9 A. To mean keeping customer assets separate from other types
10 of assets, like things that you have on your company's balance
11 sheet.

12 Q. Focusing for a moment on Alameda's North Dimension bank
13 account, did FTX or Alameda segregate customer assets that were
14 deposited into that Alameda bank account?

15 A. No, we did not. They were commingled with Alameda's own
16 funds.

17 Q. After Alameda repaid some of its lenders in June of 2022,
18 what, if any, third-party loans did Alameda have left?

19 A. We still had maybe a ballpark of \$4 billion of third-party
20 loans at that time.

21 Q. Who are the largest remaining lenders?

22 A. I believe they were Genesis, BlockFi, and Voyager.

23 Q. Do the names Ledn and Maple mean anything to you?

24 A. Yes. Those were other smaller lenders.

25 Q. And those other smaller lenders, were they loaning to

NABMBAN2

Ellison - Direct

1 Alameda after June?

2 A. Yes, that's right.

3 Q. Did you continue to share information with the defendant
4 about Alameda's balance sheet after June of 2022?

5 A. Yes, I did. I gave him regular updates.

6 Q. And after June, did you continue to send balance sheets to
7 Alameda's remaining lenders?

8 A. Yes, I did.

9 Q. How often were you preparing and sending external balance
10 sheets?

11 A. Typically, I would have done it about once a quarter. In
12 2022, I started doing it more often, as lenders were asking for
13 more frequent updates, so I think I was sending them often,
14 once a month or more.

15 Q. And how, if at all, was Alameda's use of FTX customer money
16 accounted for on balance sheets that you prepared for your
17 lenders after mid June of 2022?

18 A. It was not disclosed. Some of it was netted against
19 Alameda's related-party loans and the rest of it was put in a
20 more general loans or long-term loans category.

21 Q. Would this be similar to what we saw in alternative 7?

22 A. Yes, that's right.

23 MS. SASSOON: Your Honor, permission to approach the
24 witness with a few exhibits, and I have copies for defense and
25 the Court.

NABMBAN2

Ellison - Direct

1 THE COURT: Yes.

2 Q. I'm handing you Government Exhibits 418, 419, and 460, if
3 you can take a look and tell me if you recognize these.

4 A. Yes, I do.

5 Q. Generally, what are these?

6 A. These are some of the balance sheets that I prepared and
7 sent to lenders during this time period. So one of them is
8 from June 30 of 2022 and two are from September 30 of 2022.

9 MS. SASSOON: The government offers Government
10 Exhibits 418, 419, and 460.

11 MR. COHEN: No objection.

12 THE COURT: They are received.

13 (Government Exhibits 418, 419, and 460 received in
14 evidence)

15 Q. I am not going to review these with you line by line. I am
16 just going to ask you a few questions.

17 Do you consider these balance sheets dishonest?

18 A. Yes, I do.

19 Q. How so?

20 A. Because the money that we were borrowing from FTX is --
21 some of it is netted against the related party loans, making
22 both our assets and our liabilities look smaller than they
23 actually are, and the rest of just put in the loans category.

24 Q. Do these balance sheets disclose Alameda's borrowing from
25 FTX customers?

NABMBAN2

Ellison - Direct

1 A. No, they do not.

2 Q. Did Alameda's borrowing relationship with Genesis continue
3 past June?

4 A. Yes, it did.

5 Q. And what happened with some of Alameda's remaining loans
6 with Genesis?

7 A. Some of its fixed-term loans were Genesis asked us to repay
8 them, and we did.

9 Q. Did you discuss that with the defendant?

10 A. Yes, I did.

11 Q. How did you repay them?

12 A. By taking more FTX customer assets.

13 Q. Did you continue to prepare internal versions of Alameda's
14 balance sheet?

15 A. Yes, I did.

16 MS. SASSOON: Mr. Bianco, can you show the witness
17 Government Exhibit 19.

18 Q. Is this one of those internal balance sheets?

19 A. Yes, it is.

20 MS. SASSOON: The government offers Government Exhibit
21 19, which the parties have stipulated is a document titled:
22 Balance sheet, 9/1/22, dated September 1, 2022.

23 THE COURT: Received.

24 (Government Exhibit 19 received in evidence)

25 MS. SASSOON: Mr. Bianco, if you could publish

NABMBAN2

Ellison - Direct

1 Government Exhibit 19.

2 Q. I will just ask you a few questions about this balance
3 sheet. When is this balance sheet from?

4 A. This is from September of 2022.

5 Q. And was this an internal balance sheet or one that was
6 shared with third parties?

7 A. It was internal.

8 Q. How do you know that?

9 A. Because it has the line FTX borrows, which isn't something
10 that I would have shared with third parties.

11 Q. Did you share this with the defendant?

12 A. Yeah.

13 Q. What does this show where FTX borrows in September of 2022?

14 A. It shows that it was about \$13.7 billion.

15 Q. So what does that mean?

16 A. That means that Alameda was borrowing around \$13.7 billion
17 from FTX customers.

18 Q. That would be around September of 2022?

19 A. That's right.

20 Q. A previous balance sheet we looked at had a number of 9.9
21 billion. How did that amount of money from FTX customers that
22 Alameda had used go up to almost \$14 billion?

23 A. Some of it was used to repay some of our remaining loans.

24 I think some more was withdrawn for our trading or for
25 collateral or for further investments.

NABMBAN2

Ellison - Direct

1 Q. You said this was an internal balance sheet. In row 17 I
2 don't see a line for related-party loans. Is that accounted
3 for anywhere on this internal balance sheet?

4 A. Yeah. Instead of grouping all the related party loans
5 together, I separated them out into what the loans ultimately
6 were used for, so things like buying FTX equity or investments
7 in companies like GDA.

8 Q. If you look under liabilities it says loans, 1,740. Is
9 that \$1,740,000,000?

10 A. Yes, that's correct.

11 Q. What loans is that referring to?

12 A. Those are remaining open-term loans and it has a breakdown
13 of them in the next few columns, some from BlockFi, Voyager,
14 Genesis, and others.

15 Q. Just to be clear, did you share this internal balance sheet
16 with Alameda's lenders?

17 A. No, I did not.

18 MS. SASSOON: You can take that down.

19 Q. With respect to the internal dishonest version of this
20 balance sheet that you were sharing, how did you feel about
21 sharing that information that was in the external version with
22 your lenders?

23 MR. COHEN: Objection. Leading.

24 THE COURT: Sustained as to form.

25 Q. With respect to the external balance sheet that you were

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Ellison - Direct

1 sharing with lenders, how did you feel about the information
2 that was conveyed there?

3 A. I thought it looked better than what was on the internal
4 balance sheet, but I still felt nervous about sharing it to
5 lenders and trying to avoid sharing it when possible. I
6 thought that even though it was dishonest, it still did make it
7 clear that Alameda had a fair amount of risk on and was
8 borrowing a fair amount of money.

9 Q. What is Celsius?

10 A. Celsius was a crypto lending desk that went bankrupt in the
11 summer of 2022.

12 Q. Was Alameda borrowing money from Celsius?

13 A. Yes, we were.

14 MS. SASSOON: Mr. Bianco, if you can show the witness
15 Government Exhibit 189 and zoom in on the top.

16 Q. Do you recognize this?

17 A. Yes, I do.

18 Q. What is it?

19 A. This was an internal Signal chat about Celsius asking for
20 some of their loans to be returned.

21 MS. SASSOON: The government offers Government Exhibit
22 189.

23 THE COURT: Received.

24 (Government Exhibit 189 received in evidence)

25 MS. SASSOON: Mr. Bianco, if you could publish

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Ellison - Direct

1 Government Exhibit 189.

2 Q. What is the title of this Signal chat group?

3 A. Celsius loan return.

4 Q. And the first three participants are Richard Chang,
5 Caroline Ellison. Sam Bankman-Fried. Who is Richard Chang?

6 A. Richard Chang was the head of our lending at Alameda.

7 Q. I just want to read the start of the message Mr. Chang
8 wrote: Want to follow up on Celsius a bit internally here.

9 Celsius has now, one, provided the addresses for the loan
10 returns.

11 Do you see that?

12 A. Yes.

13 MS. SASSOON: If we could go to the last four messages
14 of this exhibit.

15 Mr. Bianco, if you could zoom in there.

16 Q. Can you read what the defendant wrote.

17 A. He said: So I think -- we don't send balance sheet. We
18 say we'll return loans as soon as Celsius is prepared to return
19 collateral. Otherwise we're waiting.

20 Q. What did you say?

21 A. I said yep.

22 Q. Why did you agree that you should not send the balance
23 sheet to Celsius?

24 A. Because I didn't think we would get much benefit from
25 sending the balance sheet. It wasn't like they were going to

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Ellison - Direct

1 lend us any more money. And I wanted to send it to as few
2 people as possible.

3 MS. SASSOON: Mr. Bianco, can you show the witness
4 what's been marked as Government Exhibit 11.

5 Q. Do you recognize this?

6 A. Yes, I do.

7 Q. Is this an internal balance sheet?

8 A. Yes, it is.

9 MS. SASSOON: The government offers Government Exhibit
10 11, which the parties have stipulated is a document titled
11 balance sheet, 10/1/22, dated October 7, 2022.

12 MR. COHEN: No objection.

13 THE COURT: Received.

14 (Government Exhibit 11 received in evidence)

15 MS. SASSOON: Mr. Bianco, if you could please bring up
16 Government Exhibit 11.

17 Q. What's the time frame of this balance sheet?

18 A. This was another balance sheet that was made in the fall of
19 2022.

20 Q. Did you share this with the defendant?

21 A. Yes, I did.

22 Q. Just to be clear, did you also share the September internal
23 balance sheet we previously looked at with the defendant?

24 A. Yeah.

25 Q. The title of this document was balance sheet 10/1/2022.

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Ellison - Direct

1 What month is this balance sheet for?

2 A. For October.

3 Q. And it appears here that the amount of money owed to FTX
4 customers has not changed from September. It's \$13.7 billion.
5 Why is that?

6 A. I think this was a mistake I made on the balance sheet. I
7 copied over the number from the previous month and forgot to
8 update it.

9 Q. What do you recall about the actual approximate amount of
10 Alameda's liability to FTX customers in October?

11 A. I recall it being similar but getting a bit larger, maybe
12 14 to 15 billion.

13 MS. SASSOON: I want to focus on some notations in the
14 spreadsheet that we have not seen before. In the right-hand
15 corner there is the word plan, colon. If we could zoom in on
16 that, Mr. Bianco, to the bottom.

17 Q. What is this?

18 A. These were notes I made from a conversation with Sam.

19 Q. And this conversation with the defendant, what was it
20 about?

21 A. It was initially about our balance sheet, and then we were
22 talking about potential plans to hedge some of our risk and to
23 get more capital.

24 Q. Why, in the course of looking at the balance sheet, were
25 you discussing these types of plans?

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Ellison - Direct

1 A. Because the balance sheet showed that we had a lot of risk
2 on and that we owed a lot of money to FTX customers, so in that
3 context it made sense to talk about ways to reduce that risk or
4 to get some money to repay.

5 Q. Why did you take these notes inside the balance sheet?

6 A. Because we were looking at the balance sheet when we were
7 having this discussion.

8 Q. What did you mean by: Plan, keep selling Bitcoin if
9 greater than 20K, maybe a couple B more?

10 A. That was Sam's suggestion, that if Bitcoin went above
11 \$20,000, we should sell up to a couple billion dollars worth of
12 it.

13 Q. And what was the rationale?

14 A. The rationale was to decrease our risk from further
15 cryptocurrency down moves.

16 Q. It says beneath that: FTX may raise. What does that refer
17 to?

18 A. That's referencing the fact that Sam said he would try to
19 raise capital by selling FTX equity.

20 Q. By raising capital for FTX by selling equity, what does
21 that mean?

22 A. That means he was going to try to sell shares in FTX to
23 people to get more money.

24 Q. What kinds of people?

25 A. To investors. The primary one that he talked about at the

NABMBAN2

Ellison - Direct

1 time was Mohammed Bin Salman, who is a Saudi prince.

2 Q. How did raising money from people like a Saudi prince
3 relate to Alameda's balance sheet?

4 A. If we were able to raise money, that that was money that we
5 could use to repay the money we had borrowed from FTX
6 customers, and it would put FTX in a safer position if
7 customers tried to withdraw a lot of money.

8 Q. Can you explain that. The money that Alameda owed to FTX
9 customers, you were discussing repaying how?

10 A. By having FTX sell shares in the company.

11 Q. So, for example, with money from Mohammed Bin Salman?

12 A. That's right.

13 MS. SASSOON: Mr. Bianco, can you show the witness
14 Government Exhibit 10.

15 Q. What is this?

16 A. This looks like an external balance sheet that I prepared
17 during this time, fall of 2022.

18 MS. SASSOON: The government offers Government Exhibit
19 10, which the parties have stipulated is a document titled
20 external balance sheet, 10/1/2022, dated October 17, 2022.

21 MR. COHEN: No objection.

22 THE COURT: Received.

23 (Government Exhibit 10 received in evidence)

24 MS. SASSOON: Mr. Bianco, if you can publish this,
25 please.

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Ellison - Direct

1 Q. I believe you said this is an external balance sheet. What
2 makes you say that?

3 A. Because it doesn't include our FTX borrows on it.

4 Q. So where, if at all, is the \$13.7 billion that Alameda owed
5 to FTX customers reflected here?

6 A. Some of it is netted against the related-party loans, I
7 believe some of it is also netted against the other crypto
8 category, and the rest is put in the long-term loans category.

9 Q. Did you share this with the defendant?

10 A. Yeah, I did.

11 MS. SASSOON: Mr. Bianco, if you could bring up this
12 document, external balance sheet, 10/1/2022, side by side with
13 Government Exhibit 10.

14 THE COURT: Before you do that, please, Ms. Ellison,
15 where is the reference to related-party loans?

16 THE WITNESS: That's not on this balance sheet.

17 THE COURT: You said some of the borrowings from FTX
18 customers were netted against other crypto and some was netted
19 against related-party loans, if I understood you correctly.

20 Did I understand you correctly?

21 THE WITNESS: Yes, that's correct. I think maybe on
22 the internal balance sheet from this month there might not be a
23 category called related-party loans because it was broken down
24 into several subcategories of that.

25 MS. SASSOON: We can look at that.

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Ellison - Direct

1 THE COURT: You were about to go there. Is that
2 what's happening?

3 MS. SASSOON: When your Honor is ready, I'll bring up
4 the two versions, the internal and the external, side by side.

5 THE COURT: I'm ready.

6 MS. SASSOON: This is the last spreadsheet.

7 THE COURT: Microsoft's stock must be plunging.

8 Q. On the left-hand side, just to orient you, we have
9 Government Exhibit 11, which I believe you testified was the
10 internal balance sheet, and on the right-hand side we have the
11 document titled external balance sheet, October 1, 2022.

12 Let's compare them.

13 MS. SASSOON: Mr. Bianco, if you could highlight FTX
14 borrows 13.7 on the left-hand side.

15 Q. Is there any similar line item on the right-hand side?

16 A. No.

17 Q. You said you netted in the right-hand side the money
18 Alameda owed to FTX customers against related-party loans.
19 Where is that information about related-party loans in the
20 internal version on the left-hand side?

21 A. It's not specifically labeled as related-party loans, but
22 it's broken down into these several subcategories of FTX
23 equity, FTX US equity and so on.

24 Q. How did these categories like K5, GDA relate to the
25 related-party loans?

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Ellison - Direct

1 A. Those are all either parts of the related-party loans or
2 investment in equity securities.

3 Q. Just to spell that out, is it your understanding that
4 related-party loans were spent on these types of investments?

5 A. Yes.

6 MR. COHEN: Objection. Leading.

7 THE COURT: Sustained. Rephrase.

8 Q. Can you explain how these categories under the long-term
9 column relate to the related-party loans, if at all?

10 A. The related-party loans were used on these investments.

11 Q. How did the total liabilities compare on the internal and
12 external version of the October balance sheet?

13 A. On the internal version, it's 15.6 billion. On the
14 external version, it's only 8 billion.

15 Q. In the fall of 2022, what did you believe about Alameda's
16 ability to repay the \$13 billion it had borrowed from FTX
17 customers?

18 A. I believe that we had no way to repay it currently, and we
19 would either hope for the crypto market to go up or raise a
20 large amount of money by selling FTX equity, or something along
21 those lines.

22 Q. Why was that your belief?

23 A. Because from looking at these balance sheets, you can see
24 that the FTX borrows number is \$13.7 billion and our liquid
25 assets are much less than that.

NABMBAN2

Ellison - Direct

1 Q. You have talked about concealing this debt from Alameda's
2 lenders. As far as you know, was the debt FTX owed to Alameda
3 customers -- was the debt Alameda owed to FTX customers
4 disclosed to FTX's customers?

5 A. Not as far as I know.

6 Q. How would you describe your state of mind at this point,
7 when Alameda owes FTX customers about \$14 billion?

8 A. I was in a state of dread. I was kind of thinking and
9 worrying, imagining every day about what might happen if people
10 try to withdraw too much money at one time. I was imagining
11 all the FTX customers and lenders to Alameda, everyone that we
12 had worked with who would get hurt by this.

13 Q. I want to take a step back. You testified about
14 conversations you had with the defendant over Signal about the
15 alternative spreadsheet and repaying lenders. Where did some
16 of those conversations take place?

17 A. Sorry. Can you repeat the question.

18 Q. How did you generally communicate with the defendant about
19 the information you were going to share with Alameda's lenders,
20 for example?

21 A. A lot of it was over Signal. Some of it was in-person
22 conversations as well.

23 Q. Do these Signal messages still exist?

24 A. No.

25 Q. Why not?

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Ellison - Direct

1 A. Because Sam directed us to use the disappearing messaging
2 setting on our Signal, meaning that all messages we sent in
3 these conversations would disappear after seven days.

4 Q. You said that the defendant directed you to use
5 disappearing messages. Who is the us you're talking about?

6 A. Employees at FTX and Alameda.

7 Q. What, if anything, did the defendant tell you about putting
8 things in writing?

9 A. He said that we should be very careful about what we put in
10 writing. He had multiple like -- whole company meetings to
11 this effect. He said that putting things in writing was one of
12 the primary ways that financial firms got in legal trouble. He
13 said that we should think about the New York Times test,
14 meaning that anything we put in writing on Slack should be
15 something we are comfortable seeing on the front page of the
16 New York Times. And he said that if we were going to have any
17 sort of sensitive conversations, we should have them either
18 over Signal with disappearing messages or in person or not at
19 all.

20 Q. After the defendant sent those things, were you careful
21 about what you put in writing?

22 A. Yeah, I was pretty careful.

23 Q. How so?

24 A. For things like Alameda taking FTX customer funds, it
25 wasn't something that I wrote about very much. I did put the

NABMBAN2

Ellison - Direct

1 line item of FTX borrows on our internal balance sheet, though
2 I sort of -- I debated a bit about whether I should or whether
3 Sam would be upset about that, but I wanted to make sure that
4 line was clear, so I put it on there, and Sam didn't raise any
5 objections. Besides that, I didn't have many explicit,
6 especially written conversations about what we were doing.

7 MS. SASSOON: Mr. Bianco, can you show the witness
8 what's marked as Government Exhibit 1659.

9 Q. Do you recognize this?

10 A. Yeah.

11 Q. What is this?

12 A. This is the Signal chat between me and Sam.

13 MS. SASSOON: The government offers Government Exhibit
14 1659.

15 MR. COHEN: No objection.

16 THE COURT: Received.

17 (Government Exhibit 1659 received in evidence)

18 MS. SASSOON: Mr. Bianco, can you please publish this
19 exhibit.

20 Q. What is this?

21 A. This is the Signal chat between me and Sam.

22 Q. What's the date that this was created?

23 A. On March 5, 2021.

24 Q. Can you read what it says beneath that.

25 A. It says: Sam Bankman-Fried set disappearing message time

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Ellison - Direct

1 to one week.

2 Q. So for any messages between you and the defendant prior to
3 November of 2022, do those messages still exist?

4 A. Not the Signal messages, no.

5 Q. Before June of 2022, do you recall occasions when you and
6 the defendant spoke in coded terms about potential criminal
7 activity?

8 A. Yeah, I do.

9 Q. What comes to mind?

10 A. One example is, when Alameda paid what I believe was a
11 large bribe to Chinese government officials to get some of our
12 exchange accounts unlocked.

13 Q. Let's break that down a bit.

14 In 2021, did Alameda have trading accounts on
15 exchanges other than FTX?

16 A. Yeah. We had accounts on many and dozens of exchanges.

17 Q. What are OKX and Huobi?

18 A. Those were two exchanges that we had accounts on, both
19 based in China.

20 Q. What happened to Alameda's trading accounts based on Huobi
21 and OKX in 2021?

22 A. They were both frozen, meaning that the exchanges wouldn't
23 let us withdraw any money. When we asked why, they told us
24 that they had been frozen as part of a Chinese government
25 investigation into money laundering.

NABMBAN2

Ellison - Direct

1 Q. Just to be clear, this investigation into money laundering,
2 was it an investigation of Alameda?

3 A. No. We were told it was an investigation of someone else,
4 but that person had traded with Alameda at some point.

5 Q. Who was CEO of Alameda at the time that the trading
6 accounts were first frozen?

7 A. It was Sam.

8 Q. Just to be clear, what does it mean that the accounts were
9 frozen?

10 A. It means we were unable to withdraw our money, and
11 eventually they prevented us from trading on the accounts as
12 well, though that was not immediately true.

13 Q. About how much money was frozen?

14 A. Around a billion dollars.

15 Q. This \$1 billion that was frozen in Alameda's accounts, was
16 that a substantial amount of Alameda's trading capital at the
17 time?

18 A. Yes, it was.

19 Q. How did the defendant react to the freezing of \$1 billion,
20 approximately \$1 billion of Alameda's trading capital?

21 A. He seemed concerned and seemed to want to find ways to
22 address this problem. He held several in-person meetings and
23 started a Signal group to discuss potential solutions.

24 Q. Were the accounts eventually unfrozen?

25 A. Yes, they were.

NABMBAN2

Ellison - Direct

1 Q. About how long did it take?

2 A. I think almost a year.

3 Q. What is your understanding of how the accounts were
4 unfrozen?

5 A. My impression was that they were unfrozen by Alameda paying
6 a bribe to Chinese government officials.

7 MR. COHEN: Move to strike.

8 MS. SASSOON: I'll lay a foundation, your Honor.

9 THE COURT: I am going to strike it. And
10 notwithstanding that there was not a timely objection, I will
11 strike it. The jury will disregard that.

12 Q. Who were some of employees involved in the efforts to
13 unfreeze the account?

14 A. There were several people in the meetings, including Sam,
15 me, Gary, Nishad, Constance, David Ma and Handi Yang.

16 Q. You mentioned employees by the name of Constance, David Ma,
17 and Handi. Why were they part of these meetings?

18 A. They were all Chinese and had some level of connections in
19 China.

20 Q. You said that it took about a year to unfreeze the
21 accounts. Were there some efforts undertaken that were
22 unsuccessful?

23 A. Yes, there were. One is that we hired a lawyer in China
24 and had them negotiate with the Chinese government, but that
25 was unsuccessful after several months. Another is that we used

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Ellison - Direct

1 various strategies, trading strategies, to try to move funds
2 out of our frozen accounts to other accounts.

3 Q. What was one of those trading strategies?

4 A. On OKX we made several accounts using the IDs of different
5 people who I believe were Thai prostitutes, and we tried to
6 basically have our main account lose money and have those other
7 accounts make money, so do very imbalanced trades between the
8 two accounts so those other accounts would be able to make
9 money and withdraw it.

10 Q. How did you learn of the identities of these other people
11 whose accounts were used to trade?

12 A. Ryan Salame told me about them.

13 Q. Who is part of that conversation with Ryan Salame?

14 A. Sam was as well. I don't remember who else.

15 Q. Did that work?

16 A. No, it didn't.

17 Q. Did there come a time when another measure to unfreeze the
18 accounts was discussed?

19 A. Yes. David Ma from sort -- from the early meetings had
20 been suggesting that we should try his way to unfreeze the
21 accounts. But Sam initially said no, let's not try that yet,
22 but eventually, after enough time had passed, he changed his
23 mind and said we should try it.

24 Q. When you said eventually he changed his mind, who are you
25 talking about?

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Ellison - Direct

1 A. Sam.

2 Q. Were other employees involved in these discussions where
3 David Ma suggested trying things his way?

4 A. Yeah. The employees that I mentioned earlier were involved
5 in the discussions.

6 Q. And how did other employees involved in the unfreezing
7 efforts react to the suggestion of doing things David Ma's way?

8 A. I remember Handi in particular being very upset and
9 protesting a lot and saying that she thought it was a bad idea
10 and would get us in trouble.

11 Q. What, if any, connections did Handi have to the Chinese
12 government?

13 A. Her father was a Chinese government official.

14 Q. What, if anything, did the defendant do when Handi
15 expressed her opposition to trying things David Ma's way?

16 A. At one point Handi was talking a lot and wouldn't be quiet
17 and let other people talk, even after Sam had asked her a
18 couple of times, so eventually he yelled at her to shut the
19 fuck up.

20 Q. Had you seen the defendant react that way to employees
21 before?

22 A. Not that often, but sometimes he would yell in sort of very
23 busy or stressful trading situations.

24 Q. Based on what David Ma said and Handi's reaction and the
25 defendant's reaction, did you draw any conclusions about what

NABMBAN2

Ellison - Direct

1 was meant by Ma's way?

2 MR. COHEN: Objection. Calls for speculation.

3 THE COURT: Sustained.

4 Q. You said that the defendant eventually changed his mind
5 about doing things Ma's way. What, if anything, did he tell
6 you to do at that point?

7 A. He said that we should send cryptocurrency transfers and
8 gave us the directions, or I don't remember if it was Sam or
9 David Ma in the same conversation with Sam, but one of them
10 gave us the directions of the amounts and the addresses that we
11 should send them to.

12 Q. When you say amounts and addresses, what do you mean by
13 addresses?

14 A. Cryptocurrency addresses, so like the address of someone's
15 cryptocurrency wallet.

16 Q. In the context of providing you these cryptocurrency wallet
17 addresses, what did the defendant say?

18 A. He said that Ma had found a way to get her accounts
19 unfrozen and that all we needed to do was send this money to
20 these addresses.

21 Q. Roughly how much money did the defendant tell you to send
22 to these cryptocurrency wallet addresses?

23 A. There were a few payments. I don't remember the exact
24 number, but I think it was a ballpark a \$100 million.

25 Q. Around when was this?

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Ellison - Direct

1 A. I think it was November of 2021.

2 Q. Did you make the payments?

3 A. Yes, we did.

4 Q. When you made that payment, did you know for certain who
5 the recipient was?

6 A. No.

7 Q. Did you have a conclusion about who it was?

8 MR. COHEN: Objection.

9 MS. SASSOON: Your Honor, may we have a sidebar?

10 THE COURT: Yeah, I think so.

11 (Continued on next page)

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1 (At sidebar)

2 MS. SASSOON: Your Honor, this witness has established
3 that she engaged in criminal activity with the defendant, that
4 they spoke in coded terms, that he told her to be careful about
5 what you put in writing. She has now described the various
6 lawful efforts or quasi lawful efforts to unfreeze the
7 accounts, the suggestion to do things Ma's way, which remained
8 coded and unexplained, the reaction of an employee -- his
9 father was a police officer -- being very upset.

10 THE COURT: Whose father was a police officer?

11 MS. SASSOON: Handi Yang, who is the one who the
12 defendant told her to shut the fuck up, then the defendant
13 directing her to make these payments, and I think it's pretty
14 established now that she was a trusted associate of the
15 defendant.

16 This witness also has this conduct covered in her
17 cooperation plea agreement in the immunity paragraph of her
18 plea agreement where she accepts responsibility for engaging in
19 what she believed was a bribe to the Chinese.

20 I think there is ample foundation for her to explain
21 her understanding of her own conduct, and on cross-examination
22 she can be questioned about the limits of what she actually
23 knows.

24 MR. COHEN: Your Honor, counsel has just laid out how
25 they plan to argue these inferences from the evidentiary record

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Ellison - Direct

1 that they have created, but it doesn't permit this witness to
2 be making the kinds of speculative conclusions that have now
3 been asked for multiple times during this testimony.

4 THE COURT: Well, we are dealing with an objection to
5 a specific question. Whatever came before pretty much came or
6 entirely came without objection, as I remember it, but of
7 course the record --

8 MR. COHEN: There have been some objections.

9 THE COURT: The question now is what conclusion did
10 she draw about who likely was the recipient.

11 MS. SASSOON: There are two more documents I intend to
12 show her. One, a document she sent to the defendant where she
13 referred to this as \$150 million for the thing, and she is
14 going to explain why she called it the thing, because she
15 thought it was criminal, and another message where she is on a
16 chat with Sam Trabucco and the defendant where they are joking
17 about Handi's father putting them in jail.

18 THE COURT: The objection to the pending question
19 about what conclusion did she reach about who was likely
20 recipient is sustained. I am making no ruling as to what comes
21 after it.

22 MS. SASSOON: Your Honor, do you view a question, what
23 was your understanding of the payment, or do you see those as
24 the same kind?

25 THE COURT: I think all things considered, it's just

1 sustained.

2 MS. SASSOON: One other thing. Given that this is
3 being admitted under 404(b), if the defense would like a
4 limiting instruction, I just wanted to flag that.

5 MR. COHEN: Yes.

6 THE COURT: When you say it --

7 MS. SASSOON: The possible bribed Chinese government.
8 We moved on this *in limine*.

9 THE COURT: I remember, but you've all been so quiet.
10 The instruction you want in substance is that he is
11 not charged with any crime consisting in substance of payment
12 of a bribe to anyone in China and that this is offered for the
13 purpose of --

14 MS. SASSOON: Showing a relationship of trust between
15 this witness and the defendant and evidence of possible motive.

16 THE COURT: Any objection to that instruction?

17 MR. COHEN: No, your Honor.

18 MS. SASSOON: And with respect to their weighing of
19 the evidence about her testimony about coded language.

20 MR. COHEN: That I don't think we will need a 404(b)
21 instruction.

22 THE COURT: I think that's right.

23 (Continued on next page)

1 (In open court)

2 THE COURT: Members of the jury, it's appropriate to
3 give you an instruction with respect to the evidence that you
4 have just been hearing about the unfreezing of the money in
5 China and some that you are about to hear.

6 The defendant is not charged in this case with any
7 crime relating to what I'll loosely refer to as a possible
8 bribe to somebody in China. That's just not on the list of
9 charges, and you may not consider it for that purpose. The
10 evidence is offered for more limited purposes. It is offered
11 to demonstrate the relationship of trust and confidence between
12 the defendant and Ms. Ellison. It is offered on the issue of
13 motive.

14 And I think I've got it all, but if I missed
15 something, anything else counsel want me to mention as to
16 proper purposes?

17 MS. SASSOON: No, your Honor.

18 THE COURT: Hearing nothing else, we will leave it
19 right there. Those are the instructions.

20 Q. Ms. Ellison, you testified about payments the defendant
21 directed you to make. How would those relate to you?

22 A. How was the direction relayed to me?

23 Q. Was in person, over Signal, or some other form?

24 A. It was over Signal.

25 Q. Who else was part of that Signal discussion?

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Ellison - Direct

1 A. Trabucco. It was me, Sam, Trabucco, and I don't remember
2 if there was anyone else in the discussion.

3 Q. When you say Trabucco, are you referring to Sam Trabucco?

4 A. That's right.

5 MS. SASSOON: Mr. Bianco, can you show the witness
6 Government Exhibit 1631.

7 Q. Before I ask you about that, one question for you,
8 Ms. Ellison. After you participated in the making of these
9 payments, did you lie to any employees of Alameda about the
10 nature of the payment?

11 A. Yeah, I did. I had a conversation with Ben Xie where he
12 was asking about the payment, and I reassured him and I said I
13 didn't know too much about it but I thought our legal had
14 approved it, something like that.

15 Q. What was the nature of Ben Xie's question to you?

16 A. I think he asked me if I was aware of the FCPA and whether
17 this was a violation of that.

18 Q. What's the FCPA?

19 A. The foreign --

20 MR. COHEN: Objection.

21 MS. SASSOON: There was no objection to the testimony.

22 THE COURT: No. Overruled.

23 A. The Foreign Corrupt Practices Act.

24 THE COURT: Just to reiterate what I said, there is no
25 charge against the defendant in this case of any violation of

NABMBAN2

Ellison - Direct

1 the Foreign Corrupt Practices Act or anything else of that
2 character that I mentioned before.

3 Q. When you told Ben Xie that this had been approved by a
4 lawyer, was that truthful?

5 A. No.

6 Q. Why did you lie to him?

7 A. Because I didn't want him raising concerns about this with
8 others, and I didn't want the fact of our crime to get out.

9 Q. I'd like to direct your attention now to Government Exhibit
10 1631.

11 Do you recognize this?

12 A. Yeah.

13 Q. What is this?

14 A. This is a Signal chat between me, Sam, and Trabucco.

15 MS. SASSOON: The government offers Government Exhibit
16 1631.

17 THE COURT: Received.

18 (Government Exhibit 1631 received in evidence)

19 MS. SASSOON: Mr. Bianco, can you publish this,
20 please.

21 Q. What's the date of this first message from the defendant
22 that says, by the way, Handi is being pretty antagonistic?

23 A. The date is January 28, 2022.

24 Q. Who was Handi?

25 A. Handi was a trader at Alameda who quit shortly before this.

NABMBAN2

Ellison - Direct

1 Q. Is this the same Handi that you described objecting in the
2 meeting with David Ma?

3 A. That's right.

4 Q. What was going on with Handi in January?

5 A. She had quit Alameda, and she was trying to negotiate for
6 severance payments, and she seemed somewhat upset at us. It
7 was a somewhat acrimonious conversation.

8 MS. SASSOON: Mr. Bianco, if you can go to the next
9 page or go down to the February 1, 2022 messages.

10 Q. Can you read what Sam Trabucco wrote on February 1, 2022.

11 A. He said: Did Handi's father immediately turn us in or
12 something.

13 Q. Who is Handi's father?

14 A. He was a Chinese government official.

15 Q. What did the defendant respond?

16 A. LOL.

17 Q. What's LOL?

18 A. It stands for laughing out loud. He thought the comment
19 was funny.

20 Q. Did you understand the joke?

21 A. I don't recall if I understood it precisely at the time. I
22 knew that -- I understood it to be referring to --

23 MR. COHEN: Objection. Move to strike.

24 THE COURT: Look. I will let it stand: I don't
25 recall if I understood it precisely at the time. And what the

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Ellison - Direct

1 witness said after that the jury will disregard.

2 MS. SASSOON: Your Honor, I would ask to strike the
3 entirety, because she was qualifying what she just said when
4 she was interrupted.

5 THE COURT: Then I'll strike the whole thing.

6 MS. SASSOON: We can take that down.

7 Q. After being named CEO of Alameda Research, did you write
8 updates about Alameda for the defendant?

9 A. Yes, I did.

10 Q. How often would you do that?

11 A. It wasn't on a regular schedule, but maybe once every
12 couple of months or so.

13 Q. For what purpose were you doing that?

14 A. Both as a way for me to reflect on Alameda and as a way to
15 update him on what was happening and get his comments and
16 feedback.

17 MS. SASSOON: Mr. Bianco, can you pull up Government
18 Exhibit 64 for the witness.

19 Q. Do you recognize this?

20 A. Yes.

21 Q. What is this?

22 A. This is one of those update documents that I wrote.

23 MS. SASSOON: The government offers Government Exhibit
24 64, which the parties have stipulated is a document called
25 state of Alameda, 11/25/21, dated November 25, 2021.

NABMBAN2

Ellison - Direct

1 THE COURT: Received.

2 (Government Exhibit 64 received in evidence)

3 MS. SASSOON: Mr. Bianco, if you could publish this
4 for the jury, please.

5 Q. Who wrote this document?

6 A. I wrote it.

7 Q. And around when did you write it?

8 A. In November of 2021.

9 Q. Who, if anyone, did you share this with?

10 A. With Sam.

11 Q. Why were you sharing it with the defendant?

12 A. To update him on major things that had happened in Alameda
13 and get his feedback.

14 Q. Was that a general practice of yours?

15 A. Yeah.

16 MS. SASSOON: Mr. Bianco, if we can zoom in on the
17 section that begins notable/idiosyncratic PNL stuff.

18 Q. What does that heading referring to?

19 A. That refers to large things that had either be gains or
20 losses or Alameda in the past year.

21 Q. I would like to direct your attention to the middle of this
22 list where it says negative 150M from the thing, question mark.
23 What's M?

24 A. That means millions. This is negative \$150 million.

25 Q. What are you referring to here that was a negative \$150

NABMBAN2

Ellison - Direct

1 million expense for Alameda?

2 A. I was referring to our payments to get the China accounts
3 unlocked.

4 Q. Why did you call it the thing instead of just saying the
5 payments to get the accounts unlocked?

6 MR. COHEN: Objection to leading. Overruled.

7 A. Because I didn't want to put in writing that we had paid
8 what I believed were bribes to get these accounts unlocked.

9 MR. COHEN: Objection. Move to strike.

10 MS. SASSOON: Your Honor, it's not being offered for
11 the truth.

12 THE COURT: Overruled.

13 MR. COHEN: Yes, it is, your Honor.

14 THE COURT: Counsel, when I rule, that's the end of
15 the discussion. Could we agree on that?

16 MR. COHEN: Of course, your Honor.

17 THE COURT: Thank you.

18 Q. When you sent this to the defendant, did he ever express
19 any confusion or ask any follow-up questions about what you
20 meant by negative 150 million from the thing?

21 A. No.

22 Q. You said you didn't want to be more explicit in this
23 document. What was your mindset when it came to writing about
24 the repayment of lenders using customer money?

25 A. I wanted to be careful about what I wrote down. I wrote

NABMBAN2

Ellison - Direct

1 down things that I thought were important to be aware of on our
2 balance sheet, but I was careful about not saying in too
3 explicit language that we took money from customers to repay
4 our loans.

5 Q. Why is that?

6 A. Because I thought it might leak. It could eventually be
7 used against us in a court case.

8 MS. SASSOON: Mr. Bianco, we can take that down.

9 THE COURT: Before you proceed, what I'm reasonably
10 confident I heard and the question to which Mr. Cohen objected
11 was: Why did you call it the thing rather than just saying the
12 payments to get the accounts unlocked? Am I mistaken in
13 thinking the word why was the way the question began?

14 MR. COHEN: No, your Honor.

15 THE COURT: Do you agree, Ms. Sassoon?

16 MS. SASSOON: Yes.

17 THE COURT: I'll ask the reporter to correct the
18 transcript in that respect.

19 Let's proceed.

20 Q. I want to turn to the summer and fall of 2022. Around then
21 what, if anything, did you and the defendant discuss about ways
22 to get more money for FTX?

23 A. We discussed a few different ideas. One was that FTX was
24 in the process of acquiring BlockFi, and Sam suggested that we
25 could get some of either BlockFi alone more money to Alameda or

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Ellison - Direct

1 get BlockFi's assets moved on to FTX. Another idea was that of
2 raising money for FTX by selling equity.

3 Q. What kinds of things was the defendant saying about raising
4 money for FTX through equity in the summer and fall of 2022?

5 A. In the summer, for a few months he was saying he thought it
6 wasn't a good time and the market was still too fragile. Then
7 later on, in the fall of 2022, he said that he was going to try
8 to start raising money.

9 Q. How would you describe the state of your communication with
10 the defendant around this time?

11 A. We had broken up a few months prior, so I was trying to
12 avoid spending much time with him in social contexts and avoid
13 having many one-on-one conversations with him, but we were
14 still communicating via Signal, as we had always done, and we
15 were having group meetings.

16 Q. How would you describe your communications about Alameda's
17 business?

18 A. I still gave him the same regular updates I had on
19 Alameda's balance sheet and our financial situation.

20 MS. SASSOON: Mr. Bianco, can you show the witness
21 Government Exhibit 25A. You know what, we can take that down.

22 If you could show the witness Government Exhibit 25B,
23 please.

24 Q. Ms. Ellison, do you recognize this?

25 A. Yeah. This is part of a personal to-do list document that

NABMBAN2

Ellison - Direct

1 I kept.

2 Q. Did this include to-do list related to your
3 responsibilities at Alameda?

4 A. Yes, it did.

5 MS. SASSOON: The government offers Government Exhibit
6 25B.

7 THE COURT: Received.

8 (Government Exhibit 25B received in evidence)

9 MS. SASSOON: Mr. Bianco, if you could publish this.

10 Q. What is this?

11 A. This is a section of a personal to-do list document that I
12 kept.

13 Q. I want to direct you to where it says work priorities,
14 colon. What is this list?

15 A. This list was a list of things that I considered top
16 priorities for my job.

17 Q. Do you recall around when you made this list?

18 A. Yeah. It was around the fall of 2022.

19 Q. At the top it says: Hedging/getting more capital.

20 What are you referring to there?

21 A. Those were ways of either reducing Alameda's risk or
22 getting more capital that we could use to repay our borrowers
23 from FTX.

24 Q. Can you just explain what hedging is?

25 A. So hedging is, if you own something, such as in this case

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Ellison - Direct

1 Alameda owned say a lot of FTT and you want to reduce your risk
2 from that, you can sell something else that is correlated with
3 that asset. So Alameda could have sold Bitcoin because that
4 was correlated with FTT and that would mean if FTT goes down,
5 we will lose less money than we otherwise would.

6 Q. Why were hedging and getting more capital priority for you
7 in the fall of 2022?

8 A. Because Alameda had on a lot of risk and because we had a
9 very large quantity of borrows from FTX that we were unable to
10 repay.

11 Q. Around August of 2022, what conversations with the
12 defendant do you recall about Alameda's hedging practices that
13 year?

14 A. Yeah. We had an in-person conversation in August of 2022
15 where Sam -- we initially started by talking about Alameda's
16 balance sheet, and then Sam started saying that he thought
17 Alameda should have hedged way more earlier in the year and
18 that it was a big mistake and that it was my fault and that I
19 was largely responsible for the financial situation that
20 Alameda had ended up in.

21 Q. This conversation that you are describing, where did it
22 take place?

23 A. It was in our apartment, in the study.

24 Q. Why were you talking about Alameda's hedging that year and
25 whose fault it was?

NABMBAN2

Ellison - Direct

1 A. Because we were -- the conversation started by talking
2 about Alameda's financial situation, so hedging was sort of a
3 natural next step to talk about as in like how did we get into
4 that situation in the first place.

5 Q. When you said you talked about how Alameda got into this
6 financial situation in the first place, what financial
7 situation?

8 A. The situation where we were in a very risky position where
9 we were borrowing over \$10 billion from FTX and we didn't have
10 the assets to repay that.

11 Q. When you say you were discussing that you had borrowed \$10
12 billion from FTX, just to be clear, whose funds were those?

13 A. FTX customers.

14 Q. How would you describe the defendant's demeanor when he
15 told you that it was a mistake not to hedge and it was your
16 fault?

17 A. He was speaking pretty loudly and strongly.

18 Q. How did you react?

19 A. I got very upset, I started crying, and I had trouble
20 continuing the conversation.

21 Q. What did he say that caused you to have trouble finishing
22 the conversation?

23 A. That it was my fault that Alameda had gotten into that
24 situation.

25 Q. What did you think about that accusation?

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Ellison - Direct

1 A. I mean, I thought that I absolutely could and should have
2 done things differently, and that I could have hedged more
3 earlier in the year. But I also thought that Sam was the one
4 who chose to make all these investments that put us in a
5 leverage position in the first place and that it wasn't
6 necessarily -- yeah. His suggested hedging strategy was we
7 should have sold more stock market futures earlier in the year,
8 and I thought that it wasn't necessarily clear, without
9 hindsight, that getting short of the stock market was a good
10 idea.

11 Q. At that point did you agree that the reason Alameda was in
12 this bad financial situation was because of a failure to hedge?

13 A. I thought that hedging could have helped our situation, but
14 I felt that the fundamental reason we were in the situation was
15 that we had borrowed these billions of dollars in open-term
16 loans and used them for illiquid investments.

17 Q. Whose decision was that?

18 A. That was Sam's.

19 Q. To the extent Alameda had suffered losses that year, where
20 were those losses coming from?

21 A. They were coming from our positions in cryptocurrencies
22 like FTT, Serum, and Solana and our venture investments.

23 Q. Who had directed those investments?

24 MR. COHEN: Objection. Asked and answered.

25 THE COURT: Sustained.

NABMBAN2

Ellison - Direct

1 Q. Who had directed Alameda to invest in coins like FTT,
2 Solana, and Serum?

3 MR. COHEN: Same objection.

4 THE COURT: Sustained.

5 MS. SASSOON: Your Honor, I believe she testified
6 about other types of investments but not these.

7 THE COURT: I sustained the objection.

8 Q. After this conversation with the defendant, did Alameda put
9 on additional hedges?

10 A. Yes, we did.

11 Q. Does it cost money to put on hedges?

12 A. It requires you to put up collateral, so we sold several
13 billion dollars of NASDAQ futures, and to do that we had to
14 post maybe in the ballpark of \$2 billion of collateral with our
15 brokers.

16 Q. So in order to post \$2 billion of collateral to put on
17 hedges, where did that money come from?

18 A. It came from our FTX borrowing.

19 Q. Specifically from where?

20 A. From FTX customers.

21 Q. And around when was this?

22 A. This was in the fall of 2022.

23 Q. Let's look at the next page of this document.

24 Do you see where it says: Things Sam is freaking out
25 about?

NABMBAN2

Ellison - Direct

1 A. Yeah.

2 Q. What is this list?

3 A. This was a list that I often kept and updated and tried to
4 note the things that Sam had seemed most upset or concerned or
5 adamant about, things he had been mentioning the most.

6 Q. Just to be clear, in drawing the conclusion that he was
7 concerned about these things, where were you getting that
8 information?

9 A. Because he would talk about them a lot and say that they
10 were important and we should be focusing more on them.

11 Q. The first item here is hedging. Is that what we just
12 talked about?

13 A. Yes, that's right.

14 Q. I want to direct you to where it says raising from MBS.
15 What is that?

16 A. That's raising capital by selling shares of FTX to Mohammed
17 Bin Salman.

18 Q. Is that the Saudi prince you mentioned earlier?

19 A. That's right.

20 Q. What about getting capital from BlockFi?

21 A. That's the thing I mentioned earlier. BlockFi was sort of
22 in the process of being acquired by FTX, and Sam mentioned that
23 we could use that relationship to get more loans or assets from
24 them.

25 Q. Do you see where it says: Getting regulators to crack down

NABMBAN2

Ellison - Direct

1 on Binance. What does that refer to?

2 A. Sam said that he thought that was one of the best potential
3 ways for FTX to improve its market share. He said that if
4 there was a regulatory action taken against Binance that a lot
5 of Binance customers might move to FTX and that he had been
6 hoping this would happen for a while, and various regulators
7 had been promising him that this would happen for a while, but
8 it never happened.

9 Q. And you referred to increasing FTX market share. Can you
10 just explain what you meant by that.

11 A. What I mean is, getting more customers to move to FTX and,
12 therefore, making FTX more profitable and more attractive for
13 investors.

14 Q. It says toward the bottom: Buying SNAP and trading JGBs.

15 What is that?

16 A. Snap is a Snapchat, which Sam was talking about wanting to
17 buy stock in or acquire around this time. JGBs are Japanese
18 government bonds.

19 Q. Around this time, in the fall of 2022, was the defendant
20 still involved in decisions about Alameda's trading and
21 investments?

22 A. Yeah. These are two examples.

23 Q. You see the second item here, it says: Bad PR in the next
24 six months, Alameda/FTX.

25 A. Um-hum.

NABMBAN2

Ellison - Direct

1 Q. What does this refer to?

2 A. Sam said that he was worried about bad PR or bad media or
3 press about the relationship between Alameda and FTX,
4 especially in the next six months, because in the next six
5 months he was hoping that FTX would get licensed to provide
6 futures trading in the United States.

7 MS. SASSOON: Your Honor, I can continue or I could
8 also break here, whatever you have in mind for a breaking time.

9 THE COURT: Give me an idea how much longer you are
10 going to be.

11 MS. SASSOON: Sorry. I didn't hear your Honor.

12 THE COURT: Please give me an idea of how much longer
13 you are going to be.

14 MS. SASSOON: One and a half hours.

15 THE COURT: Let's break here until 1:30.

16 (Luncheon recess)
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NAB1BAN3

Ellison - Direct

AFTERNOON SESSION

1:34 p.m.

(In open court; jury not present)

THE COURT: Good afternoon, everyone. Let's get the witness and get the jury.

(Jury present)

THE COURT: Okay. The jurors and the defendant all are present, as they have been throughout.

The witness is reminded she's under oath.

Proceed, Ms. Sassoon, please.

MS. SASSOON: Thank you, your Honor.

DIRECT EXAMINATION CONTINUED

BY MS. SASSOON:

Q. Ms. Ellison, when we stopped for our lunch break, we were talking about an item on the list called "bad PR." So I want to take a few minutes to talk about public relations more generally.

How would you generally describe the defendant's approach to public relations?

A. He said that he believed in a very proactive approach to public relations. He spent a lot of time cultivating relationships with reporters and on tweeting, maintaining his Twitter presence.

Q. As far as you know, did the defendant make any financial investments in the media?

NAB1BAN3

Ellison - Direct

1 A. Yes, he made a few that I'm aware of.

2 Q. And what were those?

3 A. I believe one was a company called Semafor; there were a
4 few that I can think of that he considered making, like VOX and
5 I think Forbes.

6 Q. Are you familiar with a publication called The Block?

7 A. Yes.

8 Q. And what do you recall about The Block?

9 A. The Block was a crypto news site that Sam expressed that he
10 thought was good and that he eventually invested in.

11 Q. What, if anything, did the defendant say about his
12 investment in The Block?

13 A. He said he thought it was the best crypto news
14 organization, and I think he said that they were in some amount
15 of financial trouble and he wanted to support them so they
16 could continue their reporting.

17 Q. And what, if anything, did he say about the effect that he
18 intended for his investments?

19 A. I don't recall anything beyond him saying that he wanted to
20 support The Block.

21 MS. SASSOON: Mr. Bianco, can you show the witness
22 Government Exhibit 1619.

23 Q. Do you recognize this chat?

24 A. I do.

25 Q. What is it?

NAB1BAN3

Ellison - Direct

1 A. This is a Signal chat between me, Sam, and some other
2 people.

3 MS. SASSOON: The government offers Government
4 Exhibit 1619.

5 THE COURT: Received.

6 MR. COHEN: Your Honor, may we approach briefly on
7 this?

8 THE COURT: All right.

9 (Continued on next page)

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NAB1BAN3

Ellison - Direct

1 (At the sidebar)

2 MS. SASSOON: We're pulling up a hard copy.

3 MR. COHEN: You can have mine if you don't mind the
4 notes.

5 THE COURT: I don't mind the notes.

6 MR. COHEN: They're indecipherable.

7 Your Honor, we have no objection to the comments by
8 the defendant coming in, but the other comments I believe are
9 from someone named Will MacAskill, who is, as I understand it,
10 not a co-conspirator under the government's theory, so we would
11 ask that they not be offered for their truth and the Court give
12 an appropriate instruction.

13 THE COURT: Do you have any problem with that?

14 MS. SASSOON: No.

15 THE COURT: Thank you. Okay.

16 (Continued on next page)

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NAB1BAN3

Ellison - Direct

1 (In open court)

2 THE COURT: Okay. Members of the jury, this exhibit
3 is received. As you will see, it's a chat. Certain statements
4 are attributable to the defendant. Those statements are
5 received for all purposes. There are a couple of statements
6 attributed to somebody else. Those statements are not received
7 for the truth of anything this other person said but rather to
8 give you only the context of the defendant's remarks.

9 Any objection to that charge?

10 MS. SASSOON: Your Honor, there's also a message from
11 Ms. Ellison, so there are three people who sent messages in
12 this chat.

13 THE COURT: Ah, yes. I, not being an experienced
14 reader of chats, missed that. The statements by Ms. Ellison
15 are received for all purposes as well.

16 MR. COHEN: You can't be less experienced than me,
17 your Honor, but no objection.

18 THE COURT: Oh, now we're going to have a contest in
19 the next day or two.

20 (Government's Exhibit 1619 received in evidence)

21 MS. SASSOON: Mr. Bianco, if you can publish this
22 exhibit for the jury, Government Exhibit 1619.

23 BY MS. SASSOON:

24 Q. Ms. Ellison, do you see this is a chat called Fellowships
25 Discussion?

NAB1BAN3

Ellison - Direct

1 A. Yes, I do.

2 Q. What's the date of it?

3 A. January 5, 2022.

4 Q. And are you on this chat?

5 A. Yes, I am.

6 Q. As well as the defendant?

7 A. That's right.

8 Q. And just to clarify one point, you talked earlier about
9 auto-delete policies for Signal messages, but we're looking at
10 one right now. How do you explain that?

11 A. Not all people in all chats had these auto-delete policies
12 so most chats relating to FTX and Alameda business did, but
13 some of our chats, especially relating to our—our
14 philanthropy, did not.

15 Q. Can you read the defendant's first message.

16 A. It says, "For what it's worth, February 8 to 16, Michael
17 Lewis is going to be in the Bahamas profiling us."

18 Q. Who is Michael Lewis?

19 A. He was a well-known financial writer.

20 Q. And what was the defendant referring to when he said he's
21 "going to be in the Bahamas profiling us"?

22 A. Sam had agreed to cooperate with a book that Michael Lewis
23 was writing about Sam and cryptocurrency more generally.

24 Q. What did you write in response?

25 A. I said, "Yes, it makes sense. I feel like my instincts are

NAB1BAN3

Ellison - Direct

1 more toward under the radar, but I might just be irrationally
2 biased toward that in general."

3 Q. What do you mean by "my instincts are more toward under the
4 radar"?

5 A. Meant that I generally tried to avoid press and media when
6 possible.

7 Q. Can you read the defendant's response.

8 A. He said, "Same, except exactly the opposite."

9 Q. As far as you know, what happened with Michael Lewis?

10 A. He did end up writing a book about Sam.

11 Q. And can you read the second half of the message from Will.

12 A. It says, "But if a whole bunch of attention is going to be
13 on FTX, Sam, and EA, whatever happens, then getting ahead of
14 the game and controlling the narrative is approximately
15 necessary."

16 Q. How did the defendant respond to that?

17 A. He said "Yup."

18 Q. Did Michael Lewis in fact spend time with you in the
19 Bahamas?

20 A. Yes, he did.

21 Q. And as far as you know, was he included in any
22 conversations with you and the defendant about Alameda's use of
23 customer funds?

24 A. No.

25 Q. Based on your conversations with the defendant about public

NAB1BAN3

Ellison - Direct

1 relations, what image of himself was the defendant cultivating?

2 A. He was trying to cultivate an image of himself as sort of a
3 very smart, competent, somewhat eccentric founder.

4 Q. Were you cultivating a personal image of yourself?

5 A. Not to the same extent. For a while I mostly tried—stayed
6 off Twitter and tried to avoid all media. Eventually I did get
7 a Twitter once Sam Trabucco started stepping back more from the
8 company. And Sam said he thought it was necessary for someone
9 from Alameda to be on Twitter.

10 Q. Based on your conversations with the defendant about public
11 relations, what image was he cultivating about FTX?

12 MR. COHEN: Objection, relevance.

13 MS. SASSOON: Your Honor, this goes to
14 misrepresentations that were made to the public.

15 THE COURT: Sustained.

16 Q. What, if anything, did the defendant tell you about how he
17 was trying to portray FTX publicly?

18 MR. COHEN: Same objection.

19 THE COURT: Overruled.

20 A. He said that he wanted FTX to have the image of being a,
21 you know, exciting, innovative place to trade on, similar to
22 offshore exchanges, but also being safe, reliable, audited, and
23 highly regulated, like other US exchanges.

24 Q. You mentioned Twitter. What, if anything, did the
25 defendant say about his use of Twitter?

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Ellison - Direct

1 A. He said it was very important and a valuable way to
2 cultivate customers and to help control the narrative around
3 FTX.

4 Q. What was your reaction to cultivating a public image of FTX
5 as safe and reliable?

6 A. I mean, it varied over time. I would say particularly in
7 2022, I thought that was definitely an inaccurate image.

8 Q. Why is that?

9 A. Because in 2022 Alameda was borrowing around \$10 billion of
10 FTX customer funds that we had no way to repay, meaning that it
11 wasn't a safe place for customers to keep their money.

12 MS. SASSOON: Mr. Bianco, can you show the witness
13 Government Exhibit 1642.

14 Q. Who is the person in this photograph?

15 A. It's Sam.

16 MS. SASSOON: Government offers Government
17 Exhibit 1642.

18 THE COURT: Received.

19 (Government's Exhibit 1642 received in evidence)

20 MS. SASSOON: Mr. Bianco, can you publish Government
21 Exhibit 1642.

22 BY MS. SASSOON:

23 Q. How would you describe the defendant's personal appearance
24 throughout 2022?

25 A. I would say he looked like he didn't put a lot of effort

NAB1BAN3

Ellison - Direct

1 into his personal appearance. He dressed sort of sloppily and
2 didn't cut his hair often.

3 Q. What, if anything, did he tell you about that?

4 A. He said he thought his hair had been very valuable. He
5 said ever since Jane Street, he thought he had gotten higher
6 bonuses because of his hair and that it was an important part
7 of FTX's narrative and image.

8 Q. When you first moved to the Bahamas, what kinds of cars did
9 you and the defendant drive?

10 A. We both got assigned luxury company cars.

11 Q. And did that change?

12 A. Yeah. We both switched to driving—I believe he was
13 driving a Toyota Corolla and I had a Honda Civic.

14 Q. What, if anything, did the defendant say to you about that?

15 MR. COHEN: Objection. Relevance.

16 THE COURT: Overruled.

17 A. He said he thought it was better for his image to be
18 driving a Toyota Corolla.

19 Q. Are you familiar with the public statements the defendant
20 made about where he slept?

21 A. Yeah. I'm aware that he made statements about sleeping on
22 a beanbag in the office.

23 Q. And when you first moved to the Bahamas, where was the
24 defendant living?

25 MR. COHEN: Same objection.

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Ellison - Direct

1 THE COURT: Overruled.

2 A. He lived in an apartment with me and several others, though
3 it's true that he did often sleep on beanbags in the office.

4 Q. And what, if anything, did he tell you about those
5 statements about sleeping on a beanbag?

6 A. Nothing particular comes to mind.

7 Q. Did there come a time when Alameda and FTX experienced what
8 you considered negative PR?

9 A. Yeah.

10 Q. Around when was that?

11 A. I mean, there were many periods of time, but one in
12 particular that Sam said he was concerned about was in the fall
13 of 2022, when he said he was concerned about Alameda and FTX PR
14 because of the license that FTX was trying to get.

15 Q. And what do you recall in particular?

16 A. He said that, I mean, there was a Bloomberg article about
17 the relationship between Alameda and FTX that he was unhappy
18 about.

19 Q. And what about that article did the defendant say he was
20 unhappy about?

21 A. He said that he was unhappy about the insinuations about
22 Alameda and FTX's relationship.

23 Q. And what do you recall about the article's insinuations
24 about FTX's and Alameda's relationship?

25 A. It—

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Ellison - Direct

1 MR. COHEN: Objection.

2 THE COURT: Sustained.

3 MS. SASSOON: Mr. Bianco, will you show the witness
4 Government Exhibit 908.

5 Q. Do you recognize this?

6 A. I do.

7 Q. What is it?

8 A. This is the Bloomberg article I was talking about.

9 MS. SASSOON: Your Honor, the government offers this
10 for a nonhearsay purpose, not for its truth, and to explain the
11 subsequent actions of the defendant and Ms. Ellison.

12 MR. COHEN: We would request a limiting instruction,
13 your Honor.

14 THE COURT: Yes. Members of the jury, the article,
15 Exhibit 908, is received not for the truth of the matters
16 stated but for the fact that the statements were made and to
17 explain subsequent behavior of the defendant and the witness.

18 (Government's Exhibit 908 received in evidence)

19 MS. SASSOON: Mr. Bianco, if you could publish
20 Government Exhibit 908.

21 BY MS. SASSOON:

22 Q. Is this the Bloomberg article you were just talking about?

23 A. Yes, it is.

24 Q. What is the date of this article?

25 A. September 14, 2022.

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Ellison - Direct

1 Q. What is the headline?

2 A. It says, "Crypto Quant Shop with Ties to FTX Powers
3 Bankman-Fried's Empire."

4 Q. And can you read the sub headline beneath that.

5 A. It says Alameda is a—"Alameda Research is a
6 little-scrutinized power player in virtual currencies. As its
7 influence grows, so do concerns over a potential market
8 advantage."

9 Q. Before this article was published, did you speak to the
10 reporter?

11 A. I did.

12 Q. Did you generally speak to reporters about Alameda?

13 A. No, not usually.

14 Q. Why did you speak to this reporter?

15 A. She was someone that I knew personally, a friend of a
16 friend, and so I thought that she might have a more favorable
17 take than most reporters. I asked Sam whether he thought it
18 was a good idea for me to speak to her and he said yes.

19 Q. Before you spoke to the reporter, did you discuss with
20 anyone else what you would say?

21 A. Yeah, I wrote a Google Doc outlining some answers to
22 potential questions the reporter might ask.

23 MS. SASSOON: If we could go to the second page of
24 this article.

25 Q. I want to direct your attention to the bottom of the page,

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Ellison - Direct

1 the paragraph beginning, "Alameda is a wholly separate entity."

2 MS. SASSOON: And Mr. Bianco, if you could zoom in.

3 And can you highlight from "'Alameda is a wholly separate

4 entity,' said Bankman-Fried, who is estimated to own more than

5 50 % of FTX." "It sends orders and accesses customer

6 information the same way other users do, he added." Do you see
7 that?

8 A. Yes, I do.

9 Q. And in your view did Alameda and FTX actually operate
10 wholly separately?

11 A. No, I wouldn't say so.

12 Q. Why is that?

13 A. I mean, because Sam owned and controlled them both and
14 because there was a lot of interaction between the two
15 companies and staff who shared—who did work at both companies.

16 Q. Let's look at the third page.

17 Let's zoom in on your quote, beginning "We're arm's
18 length." Do you see where it says, "'We're arm's length and
19 don't get any different treatment from other market makers,'
20 said Ellison"?

21 A. Yeah, I do.

22 Q. And was that a misleading statement?

23 A. Yeah, I think it was.

24 Q. How so?

25 A. We did in fact get different treatment from other market

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Ellison - Direct

1 makers in a very significant way in that we had this line of
2 credit that other market makers didn't have, and that allowed
3 us to do profitable trades and to, you know, take money in a
4 way that other market makers were not allowed to.

5 Q. So if this was a misleading statement, why did you say it
6 to the reporter?

7 A. Because I didn't want her or others being aware of the
8 relationship between Alameda and FTX. I heard Sam give
9 statements on it many times and was trying to say things
10 similar to what he had said in the past.

11 Q. How did the defendant react to this article?

12 A. He seemed concerned about it and said that we should be
13 more careful about avoiding any bad PR about Alameda and FTX.

14 Q. And in what way did you perceive this as bad PR?

15 A. Because it suggests that Alameda and FTX have a close
16 relationship and that may cause conflicts of interest.

17 Q. What do you mean by conflicts of interest?

18 MS. SASSOON: And we can take this down.

19 A. What I mean is that because Sam owned both FTX and Alameda,
20 he had a reason not to treat all of the traders on FTX equally.

21 Q. And from your standpoint, were there conflicts of interest
22 between FTX and Alameda?

23 A. Yes, there were. I think allowing Alameda to borrow
24 billions of dollars was not—from FTX customers was not in the
25 best interest of FTX or its customers, but it was important to

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Ellison - Direct

1 keeping Alameda alive.

2 Q. In the fall of 2022, what steps, if any, did the defendant
3 take to increase an appearance of separation between FTX and
4 Alameda?

5 A. One thing he did was directed several entities that had
6 Alameda in the name to be renamed so their association with
7 Alameda wasn't obvious.

8 Q. Can you think of any examples?

9 A. Yeah. I believe Alameda Ventures, Ltd. was renamed to
10 something like MacLaurin Investments; Alameda Research Ventures
11 was renamed to I think Clifton Bay Investments.

12 Q. And what, if anything, did the defendant say about why he
13 was directing the changing of these entity names?

14 A. He said he didn't want our venture investing to be
15 associated with Alameda.

16 Q. And so were these entities used for venture investing?

17 A. Yes, they were.

18 Q. And just to be clear, where was the money coming from for
19 venture investing that went through these entities?

20 A. It was coming from Alameda.

21 Q. Around the time of the Bloomberg article what
22 conversations, if any, did you have with Nishad Singh and Gary
23 Wang about Alameda's status?

24 A. We had a conversation about the idea of shutting off
25 Alameda trading, or at least stopping it from trading on FTX.

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Ellison - Direct

1 Q. And what was the context of this conversation?

2 A. Nishad sent me a message saying that he wanted to have a
3 conversation about the idea of Alameda shutting off or stopping
4 its FTX trading. I made some notes about what I wanted to talk
5 about, and shortly afterwards we had this conversation.

6 Q. What did Nishad explain about why he wanted to have this
7 conversation?

8 A. He said that he was concerned and he knew that Sam was
9 concerned about the negative PR about Alameda and FTX and that
10 he was concerned about the CFTC audit which would be required
11 for FTX to get its futures license, and he thought that Alameda
12 might interfere with that.

13 Q. So when Nishad Singh proposed a meeting, what did you do?

14 A. First I made notes in a notebook I had of the reasons that
15 I thought that Alameda—it wouldn't make sense for Alameda to
16 stop its trading.

17 MS. SASSOON: Mr. Bianco, can you please show the
18 witness Government Exhibit 432.

19 And if you could scroll, Mr. Bianco.

20 Q. Do you recognize this?

21 A. Yes, I do. This is the notes that I took in my notebook
22 prior to entering the meeting.

23 MS. SASSOON: The government offers Government
24 Exhibit 432.

25 THE COURT: Received.

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Ellison - Direct

1 (Government's Exhibit 432 received in evidence)

2 MS. SASSOON: Okay. If we could begin on the second
3 page of Government Exhibit 432 and publish that for the jury.

4 BY MS. SASSOON:

5 Q. We see some handwritten notes here. Who wrote this?

6 A. I wrote this.

7 Q. And where did you write this?

8 A. It was in a notebook I had.

9 Q. And we're going to take a closer look, but generally what
10 were you writing here?

11 A. These were problems that I saw with turning Alameda off on
12 FTX.

13 Q. And if you could just walk through the first few and
14 explain what those problems you perceived were.

15 A. Yeah. The first bullet point says "BLPs," which stood for
16 backstop liquidity providers. So what I meant by that was that
17 Alameda acted as a backstop liquidity provider. When there
18 were liquidations on FTX, Alameda was one of the firms that
19 would provide those liquidations, so it might be harder to
20 manage liquidations in the margin system without Alameda.

21 Q. And let's just take one more example from this page. Looks
22 like you wrote "Market making for shitty things." What is
23 that?

24 A. Yes, that's right. That was referring to market making for
25 smaller, more illiquid markets, so the ones I listed were

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Ellison - Direct

1 tokenized stocks, new listings, Japan, Turkey, etc. These were
2 all markets on FTX where there weren't many other market
3 makers.

4 Q. Let's go to the next page.

5 Is this a continuation of your list?

6 A. Yes, this is the last item on the list.

7 Q. And what did you write here on the third page?

8 A. It says, "True up funds??"

9 Q. What does that refer to?

10 A. That refers to the money that Alameda was borrowing at the
11 time from FTX customers. I was saying that if Alameda shut off
12 trading on FTX or closed down its account, then FTX would just
13 be left with a giant hole in its balance sheet that it would
14 have no immediate way to fill.

15 Q. And why did you refer to that as "True up funds"?

16 A. I wanted to refer to the concept but not write down
17 anything very explicit along the lines of, you know, "return
18 customer money that Alameda took," because of my—my general
19 practice, as directed by Sam, of not writing problematic things
20 down explicitly.

21 MS. SASSOON: Your Honor, can I request a sidebar.

22 THE COURT: Yes.

23 (Continued on next page)

1 (At the sidebar)

2 MS. SASSOON: Your Honor, given where I'm standing,
3 I've noticed several times since the lunch break that in
4 response to things the witness has said, the defendant has
5 laughed, visibly shaken his head, and scoffed, and obviously
6 I'm not communicating with the witness, but it's possible it's
7 having a visible effect on her, especially given the history of
8 this relationship, the prior attempts to intimidate her, the
9 power dynamic, their romantic relationship, and I would ask
10 that defense counsel tell him to control his visible reactions
11 to her testimony.

12 MR. COHEN: Your Honor, this is ridiculous. The
13 defendant is attending this trial. If he's having any reaction
14 at all, that's for your Honor and the jury to decide.

15 I will note that the government is going out of its
16 way to present highly cumulative evidence portraying our—my
17 client as a very dirty person. The last photograph had him
18 holding a deck of playing cards with no testimony about the
19 relevance of that, which I expected. So if they're going to
20 keep doing this, your Honor, can we try the issues in this
21 case.

22 MS. SASSOON: May I respond.

23 MR. COHEN: Let me finish.

24 There's been seven photos of my client. We stipulated
25 he had a lot of hair. I mean, we're getting testimony about

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Ellison - Direct

1 his hair, we're getting testimony of him holding a deck of
2 playing cards, with no connection?

3 THE COURT: You haven't had any testimony about his
4 holding playing cards.

5 MR. COHEN: No, that's right, correct.

6 THE COURT: You had a photograph in the context of
7 testimony about remarks he made about cultivating a particular
8 image, of which the photograph is arguably probative. So
9 let's—

10 MR. COHEN: Without any connection.

11 MS. SASSOON: May I respond, your Honor. Defense
12 counsel specifically asked me not to ask about the deck of
13 cards.

14 MR. COHEN: Let me finish. Your Honor—no, your Honor
15 goes first.

16 THE COURT: One at a time.

17 What do you want to say?

18 MR. COHEN: This is, what, the seventh photograph of
19 him standing there. The one with the head of Binance was
20 probative to show connection. Now we have seven photographs of
21 him to show his hair or with playing cards with no probative
22 evidence offered about that? If we're going to—

23 THE COURT: We're going to have a different view about
24 whether there's probative value.

25 MR. COHEN: Okay. If we're going to try the issues in

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Ellison - Direct

1 this case, let's try the issues in this case. I am offended by
2 counsel's position, and the notion that someone who she
3 couldn't even pick out in the courtroom, after we stipulated to
4 this, is trying to intimidate her is ridiculous. Let's try the
5 issues in this case, your Honor.

6 THE COURT: Now look, she did pick him out in the
7 courtroom, first of all. Now—

8 MS. SASSOON: Your Honor—

9 THE COURT: No, I don't need a response.

10 I have not looked for and therefore not seen any
11 reactions. That's the first thing I want to be clear about.

12 Secondly, I accept that I'm dealing with honorable and
13 honest counsel all around in this case.

14 MR. COHEN: Thank you.

15 THE COURT: All right? So I accept that you're
16 offended, and I accept that Ms. Sassoon has seen what she says
17 she's seen, or at least thinks so.

18 MR. COHEN: Okay.

19 THE COURT: I'm not going to say anything publicly,
20 certainly, and I'm not going to send the jury out now, but I
21 would ask you, Mr. Cohen, to go to your client and have a word
22 with him. You know how best to put it. And if he's doing
23 anything, it should stop; and if he's not, then no harm, no
24 foul.

25 MR. COHEN: Okay.

NAB1BAN3

Ellison - Direct

1 THE COURT: And I'll keep an eye on him, to the extent
2 I can, because I'm taking copious notes too. And we'll see
3 what happens. Okay?

4 MR. COHEN: Your Honor, I would just ask if we come
5 back from the sidebar and I would have to counsel my client in
6 front of the jury, it may give the wrong message to the jury.

7 THE COURT: Well, I can understand that. You'll
8 counsel him at the break.

9 MR. COHEN: Okay.

10 THE COURT: And in the meantime, I'll—

11 MR. COHEN: I will try to counsel him now, your Honor,
12 in an informal way, but I don't have—

13 THE COURT: Look, I understand the problem, and I'm
14 sympathetic to your problem. And let's do it that way.

15 MR. COHEN: Thank you.

16 MS. SASSOON: Thank you.

17 (Continued on next page)

NAB1BAN3

Ellison - Direct

1 (In open court)

2 THE COURT: Okay. Let's continue.

3 MS. SASSOON: Mr. Bianco, if you could pull back up
4 Government Exhibit 432.

5 BY MS. SASSOON:

6 Q. Ms. Ellison, we were just looking at this list you wrote
7 before your meeting with Nishad Singh. Which, if any, of the
8 items on this list did you view as the biggest problem to
9 shutting down Alameda?

10 A. I viewed the last one, truing up funds, as the biggest
11 problem.

12 Q. Why?

13 A. Because the other problems could potentially be gotten
14 around if FTX found other market makers and weren't necessarily
15 existential to FTX, whereas this one was.

16 Q. And in your view, would it have been possible to replace
17 Alameda in the other functions described on the prior page?

18 A. I think it would have been possible, though difficult.

19 Q. Did you in fact meet with Nishad Singh and Gary Wang?

20 A. Yes, I did.

21 Q. Where was this meeting?

22 A. It was in person in the FTX office in the Bahamas in a
23 conference room.

24 Q. What did you discuss at this meeting with Nishad Singh and
25 Gary Wang?

NAB1BAN3

Ellison - Direct

1 A. We went through the list I had created and discussed the
2 issues with Alameda turning off trading on FTX.

3 Q. And so did you discuss the items that you wrote in your
4 notebook that we've looked at?

5 A. Yes, that's right.

6 Q. What, if anything, did you discuss about this last item on
7 your list, "True up funds"?

8 A. I brought this up, and Nishad said something along the
9 lines of, *Yeah, you're right, that's a pretty big issue. I*
10 *don't know how we would get around that one.*

11 Q. Let's look at the first page of your notes here. And can
12 you read what it says.

13 A. Yeah. It says, "Options. 1) new entity. 2) just turn
14 off. 3) do nothing."

15 Q. And when did you write this list?

16 A. Those were notes that I took during the meeting.

17 Q. And can you explain these notes.

18 A. Those were three options that we discussed during the
19 meeting. The first one would be finding or creating a new
20 entity to perform many of these market-making functions; the
21 second one would be to just turn Alameda's trading off; and the
22 third one would be to do nothing, as in have Alameda continue
23 trading on FTX as usual.

24 Q. And what did the three of you discuss about the viability
25 of these three options?

NAB1BAN3

Ellison - Direct

1 A. I mean, we discussed I think—I think it was Gary who
2 proposed the new entity as a potential option, but I think my
3 objections were that I thought it was sort of adding more
4 dishonesty on top of what we were already doing and that it
5 didn't solve the last problem of truing up funds.

6 Q. Why did you view a new entity as creating more dishonesty?

7 A. Because if it was still Alameda's money or Alameda's staff
8 working for it, then it would still be sort of like Alameda
9 trading on FTX, just on a different name because we were trying
10 to hide it.

11 Q. And what, if anything, did you discuss with Gary and Nishad
12 about option 2, just turning Alameda off?

13 A. We discussed that it had all of the problems that I listed.

14 Q. Meaning what?

15 A. Meaning the problems of not having a market maker for these
16 things and the problems of not being able to true up Alameda's
17 borrows.

18 Q. And so coming out of the meeting, where did things land?

19 A. We landed on option 3, which was do nothing, continue as we
20 had been.

21 Q. And when you say "do nothing, continue as we had been,"
22 what do you mean?

23 A. I mean Alameda kept trading on FTX.

24 MS. SASSOON: Mr. Bianco, if you could pull back up
25 Government Exhibit 25B, page 2.

NAB1BAN3

Ellison - Direct

1 Q. We looked at this list before, "Things Sam is Freaking Out
2 About." I want to direct your attention to the middle of this
3 list where it says "Alameda/Modulo relationship."

4 A. Mm-hmm.

5 Q. What was Modulo?

6 A. Modulo was a crypto hedge fund that Alameda invested in at
7 Sam's direction.

8 Q. And around when was that?

9 A. The initial investment was in early 2022, and we continued
10 making further investments into the fall of 2022.

11 Q. What was your view of investing in this crypto hedge fund
12 called Modulo?

13 A. I was against it. Yeah.

14 Q. Why were you against it?

15 A. Initially I was not convinced that their trading would be
16 good, and I thought that the terms we were giving them were
17 very generous, and then later on in the fall I had the
18 additional reason that Alameda didn't have any more capital and
19 any further capital was coming from FTX customers.

20 Q. And about how much money was the defendant investing in
21 Modulo?

22 A. It was around a few hundred million dollars, I believe.

23 Q. Did you express your objections to the defendant?

24 A. Yeah, I did.

25 Q. How did he respond?

NAB1BAN3

Ellison - Direct

1 A. He wrote a few Google Docs about it and—yeah, he said that
2 he wanted to go ahead with the investments anyway and that I
3 needed to do better at getting along with Modulo and working
4 together productively with them.

5 MS. SASSOON: Mr. Bianco, can you show the witness
6 Government Exhibit 39A.

7 Q. Do you recognize this?

8 A. Yes, I do.

9 Q. Who wrote this?

10 A. Sam did.

11 Q. And what is it generally about?

12 A. It was a Google Doc that was sent to both people at Alameda
13 and people at Modulo about how the two companies should do a
14 better job of working together.

15 MS. SASSOON: The government offers Government
16 Exhibit 39A.

17 MR. COHEN: Your Honor, may we be heard briefly.

18 THE COURT: Are you asking for another sidebar?

19 MR. COHEN: Yes.

20 THE COURT: Is there an objection?

21 MR. COHEN: There is.

22 THE COURT: What is the objection, in a word?

23 MR. COHEN: In a word, the objection is to Nos. 1
24 through 23 on the grounds of relevance, and 403, in light of
25 the conversation we just had at sidebar.

NAB1BAN3

Ellison - Direct

1 THE COURT: Let's scroll down so I can see the rest of
2 it.

3 Have I gotten to the bottom yet?

4 MS. SASSOON: Mr. Bianco, if you can keep scrolling.

5 THE COURT: Hold.

6 MS. SASSOON: And I can make a proffer of relevance if
7 your Honor is interested.

8 THE COURT: Do you want to do it there or do you want
9 to do it here?

10 MS. SASSOON: Whatever your Honor prefers.

11 THE COURT: Let's do it here. And let's try to hold
12 the sidebars to a minimum from now on.

13 MR. COHEN: Yes, your Honor.

14 MS. SASSOON: Yes, your Honor.

15 (Continued on next page)

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NAB1BAN3

Ellison - Direct

1 (At the sidebar)

2 THE COURT: Okay. What's it all about?

3 MR. COHEN: Here's my objection, your Honor. In light
4 of the conversation we just had, what conceivable relevance is
5 it that he wrote these items, only to show that he's some sort
6 of crazy person?

7 MS. SASSOON: I don't know how the conversation we
8 just had has bearing on this document, but the defendant, after
9 Alameda used customer money to repay its debts, continued to
10 spend—

11 THE COURT: I'm sorry. After?

12 MS. SASSOON: After Alameda had borrowed customer
13 money to repay its debts, the defendant continued to pour
14 hundreds of millions of dollars into other investments,
15 including Modulo, against the objections of Caroline Ellison,
16 who, as the defense has insinuated, was responsible for
17 Alameda's financial situation. And it also goes to knowledge
18 and intent because he's claiming he didn't know about the
19 precarious financial situation, but he was grooming Modulo as a
20 replacement for Alameda by putting money there, having
21 ownership over it, and saying on the next line, "I see myself
22 as completely aligned with Modulo."

23 MR. COHEN: To be clear, we're just objecting to this,
24 your Honor. And she's already elicited all the testimony she—

25 THE COURT: The 23 enumerated paragraphs.

NAB1BAN3

Ellison - Direct

1 MR. COHEN: Correct.

2 MS. SASSOON: The defendant wrote these sentences, and
3 it does go to the dynamic between the defendant and Caroline
4 Ellison—

5 MR. COHEN: Come on, your Honor.

6 MS. SASSOON: —where he's—where he's—

7 MR. COHEN: I apologize.

8 MS. SASSOON: —where he's directing the type of
9 loyalty that he expects from his co-conspirator, who's
10 objecting to an investment he wants to make, and saying, *You*
11 *need to be aligned*, and, *I'm shifting away from Alameda to*
12 *Modulo*.

13 MR. COHEN: Your Honor, I've heard the proffer. We
14 have an additional ground of cumulativeness to all the
15 testimony she has already elicited about their relationship.
16 This, under 403, substantially outweighs any probative value of
17 these 23 items.

18 MS. SASSOON: Your Honor, it's the heart of the case.

19 THE COURT: Stop interrupting each other.

20 MR. COHEN: The rest of the memo talks about points
21 counsel wants to make about the Alameda-Modulo relationship,
22 which she just elicited testimony about. Your Honor, they
23 don't need this.

24 MS. SASSOON: Your Honor, this is the heart of the
25 case, whether Caroline Ellison did this without his knowledge

NAB1BAN3

Ellison - Direct

1 or whether she was acting at his direction, and also what his
2 good-faith beliefs were about Alameda's financial situation,
3 and this document is—

4 THE COURT: How do these 23 enumerated paragraphs go
5 to the latter?

6 MS. SASSOON: Ms. Ellison is objecting—

7 MR. COHEN: This is—

8 THE COURT: Please don't interrupt each other.

9 MR. COHEN: I apologize.

10 MS. SASSOON: During this time, the company insiders
11 are contemplating whether Alameda is going to be replaced with
12 a new entity. Ms. Ellison, working at Alameda, for a variety
13 of reasons doesn't want that, and the defendant instead is
14 trying to cultivate Modulo and is giving her directives in this
15 document to stop objecting, be loyal, and do what he says.

16 MR. COHEN: And the rest of the document, your Honor,
17 is all about the Alameda-Modulo relationship, which counsel is
18 free to inquire into. We're not objecting to that.

19 MS. SASSOON: He wrote this during the fall of 2022.

20 THE COURT: I'm going to allow it.

21 MR. COHEN: Thank you.

22 (Continued on next page)

NAB1BAN3

Ellison - Direct

1 (In open court)

2 THE COURT: Now let's try to make some progress.

3 MS. SASSOON: Mr. Bianco, if you could publish
4 Government Exhibit 39A.

5 BY MS. SASSOON:

6 Q. Ms. Ellison, who wrote this?

7 A. Sam wrote it.

8 Q. And did you receive this?

9 A. Yes, I did.

10 Q. And what was it about?

11 A. It was about the relationship between Alameda and Modulo.

12 Q. And why? What had happened before the defendant sent you
13 this document?

14 A. I think this was after a dispute that we had over an OTC
15 trade, meaning that they had asked us to do a trade with them
16 and they hadn't been happy with the price that we had offered.

17 Q. More generally, just to make sure I understand what you
18 mean, this is a dispute that you—that Alameda had with Modulo?

19 A. That's right.

20 Q. And if you could just read item No. 1 on this list.

21 A. Says, "Being aligned and always doing whatever you think is
22 best for the company."

23 MS. SASSOON: And if we could scroll down. Keep
24 scrolling down.

25 Okay. Stop. Sorry. Go up a little bit.

NAB1BAN3

Ellison - Direct

1 Little bit more. Sorry.

2 Okay. Stop.

3 Q. Can you just read the sentence that starts, "I, SBF."

4 A. It says, "I, SBF, basically think both Alameda and Modulo
5 are really aligned and make reasonable, thoughtful decisions."

6 MS. SASSOON: Okay. And if we can scroll down a
7 little bit more.

8 Q. Can you read item No. 7.

9 A. It says, "SBF is aligned with Alameda plus Modulo and
10 treats 1 dollar to any as the same even though ownership
11 percentages aren't a hundred percent, and in the end I will
12 make sure that each side is fairly acknowledged and treated for
13 public goods created."

14 MS. SASSOON: Okay. We can take that down.

15 Mr. Bianco, can you show the witness Government
16 Exhibit 310.

17 Q. Do you recognize this?

18 A. Yes, this is a Slack channel called Private Ventures.

19 MS. SASSOON: Government offers Government
20 Exhibit 310.

21 MR. COHEN: No objection.

22 THE COURT: Received.

23 (Government's Exhibit 310 received in evidence)

24 MS. SASSOON: Mr. Bianco, if you could publish this
25 for the jury.

NAB1BAN3

Ellison - Direct

1 BY MS. SASSOON:

2 Q. You mentioned Slack. Was that another way employees of the
3 company communicated?

4 A. Yes, we often had less sensitive or more routine
5 communications over Slack.

6 MS. SASSOON: And if we could go to the next page.

7 Q. Can you read the defendant's message on June 24, 2022.

8 A. Yeah. It says, "\$50 million for Modulo Capital LP. We
9 should send via Signet," and then gives an address.

10 Q. What does it mean to send \$50 million by Signet?

11 A. Signet is a banking system that a lot of companies and
12 crypto use, so that meant send \$50 million from our bank
13 account to their bank account.

14 Q. And what had happened shortly before the defendant directed
15 a \$50 million payment to Modulo?

16 A. This is around a week after Alameda had used billions of
17 dollars of FTX customer funds to repay our loans.

18 Q. And in your view, did Alameda have liquid funds at this
19 time to make these sorts of investments?

20 A. No. All of our liquid funds were coming from money we had
21 borrowed from FTX.

22 Q. And so where did you understand the money for this
23 \$50 million to Modulo was coming from?

24 A. It was coming from Alameda, and that was ultimately coming
25 from FTX customers.

NAB1BAN3

Ellison - Direct

1 Q. You discussed related-party loans throughout your
2 testimony.

3 MS. SASSOON: You could take this down.

4 Q. Did you continue to track intercompany loans into the fall
5 of 2022?

6 A. Yes, I did.

7 MS. SASSOON: Mr. Bianco, can you show the witness
8 Government Exhibit 41.

9 Q. What is this?

10 A. This is a spreadsheet I made to track intercompany loans.

11 MS. SASSOON: Government offers Government Exhibit 41,
12 which is called—which the parties have stipulated is a
13 document called Intercompany Stuff, dated September 18, 2022.

14 MR. COHEN: No objection, your Honor.

15 THE COURT: Received.

16 (Government's Exhibit 41 received in evidence)

17 MS. SASSOON: Mr. Bianco, can you publish this for the
18 jury.

19 BY MS. SASSOON:

20 Q. What is this?

21 A. This is a spreadsheet that I made to track loans that were
22 made by Alameda to related parties and entities.

23 Q. So who are the—what are some of the names of individuals
24 that are on this list?

25 A. The individuals include Sam Bankman-Fried, Nishad Singh,

NAB1BAN3

Ellison - Direct

1 Gary Wang, and Ryan Salame.

2 Q. And what about some of these entities?

3 A. Paper Bird was the entity that Sam used to hold his FTX
4 shares; ARV, LLC was an entity that was used to make US-based
5 venture investments.

6 Q. And what's the total amount of these loans in column C?

7 A. The total amount is \$8.2 billion.

8 Q. Let's go to the second tab called Transactions.

9 MS. SASSOON: And Mr. Bianco, if you could expand
10 column C.

11 Q. What is this tab?

12 A. This is a tab with the—each individual loan that was made.

13 Q. And just taking an example, can you read the entries in row
14 1. What is this?

15 A. You mean in spreadsheet row 2 or—

16 Q. Yes.

17 A. The lending entity is Alameda Research, LLC, and it was
18 being lent to Alameda Research Investments, Ltd. The amount
19 was \$100 million. The date was September 20, 2022. And the
20 notes say that the invest—the loan was for an investment into
21 Modulo.

22 Q. Let's look at row 40. And what does row 40 show about how
23 much money was loaned to Ryan Salame?

24 A. It shows that it was around \$35 million.

25 Q. Directing your attention to rows 41 to 55, who is the

NAB1BAN3

Ellison - Direct

1 recipient of the loans listed here?

2 A. Sam was.

3 Q. And looking at row 48 as an example, it says there was a
4 loan of 20 million on October 1, 2021, that was used for GAP.
5 What is GAP?

6 A. GAP stands for Guarding Against Pandemics. That was Sam's
7 political lobbying organization.

8 Q. And what did you learn about how the money to GAP was
9 spent?

10 A. I learned that it was spent on donations to congressional
11 candidates and to political action committees.

12 Q. Overall, in the summer and fall of 2022, what did you
13 understand about where the money was coming from to make
14 additional venture investments?

15 A. I understood that it was coming from Alameda and that
16 Alameda's money was coming from FTX customer funds.

17 Q. In your view, by making additional investments in the fall
18 and summer of 2022, what effect did this have on Alameda's
19 ability to repay its debt?

20 MR. COHEN: Objection. Asked and answered.

21 THE COURT: Sustained.

22 Q. Let's turn to November of 2022.

23 At a high level, what happened in November of 2022?

24 A. Alameda's balance sheet got leaked to CoinDesk, a crypto
25 news outlet. This caused a general market concern about

NAB1BAN3

Ellison - Direct

1 Alameda that increased, ultimately FTT went down a lot, and
2 people started withdrawing a lot of money from FTX, and FTX did
3 not have enough assets to meet all of those withdrawals.

4 Q. And so what happened?

5 A. So FTX and Alameda went bankrupt.

6 MS. SASSOON: Let's pull up Government Exhibit 1087,
7 which is in evidence.

8 Q. Let's start first on November 2nd, which is a Wednesday.
9 Where were you on November 2nd?

10 A. I was on vacation in Japan.

11 Q. And what happened on that day?

12 A. Alameda's balance sheet was leaked to CoinDesk.

13 Q. And when we're talking about Alameda's balance sheet
14 getting leaked, is this the internal balance sheet or a version
15 of the external balance sheet that was shared with lenders?

16 A. This was a version of the external balance sheet that was
17 shared with lenders.

18 Q. And what did you do when you learned that Alameda's
19 external balance sheet was leaked?

20 A. I—I considered whether to comment for the article and
21 discussed the question in a group with Sam and others but
22 decided not to make any comment.

23 Q. Why is that?

24 A. I mean, most of the time by default I wouldn't comment on
25 articles, and there wasn't anything we could think of that

NAB1BAN3

Ellison - Direct

1 seemed like a clearly helpful comment, and I was hoping at the
2 time the news would just blow over.

3 Q. What did the leaked balance sheet show?

4 A. I mean, it was dishonest so it understated the true extent
5 of Alameda's risk, but it still showed that Alameda was in a
6 fairly risky position and that a lot of this—its assets were
7 FTT and other risky cryptocurrencies.

8 Q. What happened in the days immediately following this
9 article that leaked Alameda's balance sheet?

10 A. At first not much happened for a couple days, but then
11 concern about Alameda started to grow and eventually FTT
12 started going down and people started withdrawing money in
13 greater numbers from FTX.

14 Q. Let's turn to Sunday, November 6th. Where were you on that
15 day?

16 A. At that point I was in Hong Kong, working out of the Hong
17 Kong office.

18 Q. And that was Alameda's Hong Kong office?

19 A. Yes, that's right.

20 Q. How were you communicating with the defendant that day?

21 A. Over Signal, and I know we had some phone calls during this
22 period. I don't remember specifically if there were any on
23 that day.

24 Q. With respect to what you described as increased FTX
25 customer withdrawals, what, if anything, was the defendant

NAB1BAN3

Ellison - Direct

1 telling you to do?

2 A. He said to liquidate Alameda's positions and send the money
3 to FTX.

4 Q. Why?

5 A. Because—I don't think I—I don't think he specified a
6 reason, but that was our general practice when there were FTX
7 customer withdrawals.

8 MS. SASSOON: Mr. Bianco, can you show the witness
9 Government Exhibit 1621.

10 And if you could zoom in a little so the witness can
11 see the top.

12 Q. What is this?

13 A. This is a chat between Sam, me, and Nishad.

14 MS. SASSOON: The government offers Government
15 Exhibit 1621.

16 THE COURT: Received.

17 (Government's Exhibit 1621 received in evidence)

18 (Continued on next page)

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NABMBAN4

Ellison - Direct

1 MS. SASSOON: Mr. Bianco, can you publish Government
2 Exhibit 1621.

3 Q. Do you recognize these messages between you, Nishad, and
4 the defendant?

5 A. Yes, I do.

6 Q. What's the date here?

7 A. November 6, 2022.

8 Q. You testified about auto-deletion features of Signal. At
9 some point did you start preserving your messages in November?

10 A. Yes, I did.

11 Q. Why?

12 A. Everyone else in the company was starting to preserve their
13 messages, and I think someone said that there was a legal
14 reason we should, though I don't remember who.

15 MR. COHEN: Objection. Move to strike.

16 THE COURT: I will deny the motion to strike, but I
17 will receive the someone said comment simply for the fact that
18 somebody said it not for the truth of it and for the fact that
19 the witness became aware of it and to explain what she did or
20 didn't do.

21 Q. Let's take a look at these messages. The first message,
22 Nishad Singh wrote: Lots of withdrawals on FTX are queuing up.
23 Net changes: Negative 1.25 billion in the last day, negative
24 230 million in the last three hours, negative 120 million in
25 the last hour.

NABMBAN4

Ellison - Direct

1 What do those numbers represent?

2 A. That represents the amount of money that FTX customers had
3 withdrawn in the past day and few hours.

4 Q. In your experience, was that typical?

5 A. No. Typical was a lot less than that.

6 Q. Nishad Singh then wrote you: Continuing so far at about
7 120 million an hour.

8 What is that referring to?

9 A. He is saying that there were continued withdrawals, about
10 \$120 million dollars' worth, in the past hour.

11 Q. You wrote back with a sad face. Why did you write a sad
12 face?

13 A. I mean, I was terrified. This was what I had been worried
14 about for the past several months and it was finally happening.
15 I thought that at this point everything about FTX and Alameda
16 was going to come out.

17 Q. What did the defendant respond?

18 A. He responded oof.

19 Q. And at this point in time, what was your understanding
20 about whether Alameda or FTX could satisfy all customer
21 withdrawals if they continue to increase?

22 A. My understanding was that we could not.

23 Q. Why?

24 A. Based on the most recent balance sheets. I think the most
25 recent one we looked at, at around \$14 billion that we were

NABMBAN4

Ellison - Direct

1 borrowing from FTX, and more like \$6 billion of liquid assets
2 that we had on hand.

3 Q. The balance sheets we looked at also had a number of other
4 assets on the balance sheet. Did that comfort you?

5 A. Not really. I mean, for one thing, in any sort of market
6 conditions, it would be hard to sell those assets quickly. But
7 also, if people were starting to withdraw in large amounts from
8 FTX, that would be very negative news for FTX's future and,
9 therefore, would mean our FTX equity and FTT holdings would be
10 worth a lot less, if not zero.

11 Q. Looking at the bottom here you wrote: Ryan is asking me if
12 FTX can meet all withdrawals. What should I say.

13 Who is Ryan?

14 A. That's Ryan Salame. He was an employee at FTX.

15 Q. Why are you asking about what to say to Ryan about whether
16 FTX could meet all withdrawals?

17 A. I mean, I knew that FTX could not meet all withdrawals, but
18 that was a fact that we had tried to conceal in the past, and I
19 was wondering whether I should continue trying to conceal it or
20 just start being honest with people about it once it was
21 becoming evident.

22 MS. SASSOON: Can we scroll down to the defendant's
23 message that begins, maybe something like. Stop.

24 Mr. Bianco, can you zoom in.

25 Q. Can you read the defendant's message?

NABMBAN4

Ellison - Direct

1 A. It says: Maybe something like we can meet a ton, though
2 it's already getting large.

3 Q. What's IDK?

4 A. I don't know.

5 Q. At that point in time what did you think was the accurate
6 response to Ryan Salame's question as to whether FTX could meet
7 all withdrawals?

8 A. I thought the accurate response was, no, we could not.

9 Q. Did you take any public steps on November 6 in light of
10 surging customer withdrawals?

11 A. Yes, I did. I made tweets about Alameda's balance sheet.

12 Q. Why on November 6 did you tweet about Alameda's balance
13 sheet?

14 A. Sam started a group Signal chat with me and a few others
15 and said that the concern around Alameda's balance sheet had
16 been growing, and he thought that we needed to do something
17 publicly to address this concern.

18 Q. And how did it come about that it was addressed through a
19 tweet by you?

20 A. I think someone said that we should tweet, and Sam said, I
21 can't be the one to tweet because I don't want to be associated
22 with Alameda, and I said, I don't want to tweet but I can.

23 Q. Why didn't you want to tweet?

24 A. Because I knew that the purpose of such a tweet would be to
25 try to mislead people and give them false reassurance.

NABMBAN4

Ellison - Direct

1 MS. SASSOON: Mr. Bianco, can you show the witness
2 Government Exhibit 875.

3 Q. Do you recognize this?

4 A. Yes. These are the tweets I made on that day.

5 MS. SASSOON: The government offers Government Exhibit
6 875.

7 MR. COHEN: No objection.

8 THE COURT: Received.

9 (Government Exhibit 875 received in evidence)

10 MS. SASSOON: Mr. Bianco, can you please publish
11 Government Exhibit 875.

12 Q. Whose tweet is this?

13 A. Those are my tweets.

14 Q. What is the date of your tweet?

15 A. November 6, 2022.

16 Q. Can you read what you wrote.

17 A. I said: A few notes on the balance sheet info that has
18 been circulating recently. That specific balance sheet is for
19 a subset of our corporate entities. We have greater than \$10
20 billion of assets that aren't reflected there.

21 The balance sheet breaks out a few of our biggest long
22 positions. We obviously have hedges that aren't listed. Given
23 the tightening in the crypto credit space this year, we've
24 returned most of our loans by now.

25 Q. How is this tweet meant to reassure customers?

NABMBAN4

Ellison - Direct

1 A. It was meant to imply that our liabilities were less than
2 they might think because it says we return most of our loans
3 and that we had more assets than they might think and that our
4 positions were less risky than they might think.

5 Q. Was the tweet misleading?

6 A. Yeah, I think it was.

7 Q. How?

8 A. In the statement that we've returned most of our loans by
9 now, it was true that we had returned most of our loans to
10 third-party lenders, but we had done so by taking out more
11 loans from FTX.

12 Q. And what about the statement that there is an additional
13 \$10 billion of assets that were not on your balance sheet?

14 A. Yeah. In that statement I was meaning to refer to Sam's
15 holdings of FTX equity in the Paper Bird entity, but I think it
16 was misleading because it was a separate entity from Alameda,
17 and because when people see the number 10 billion of assets,
18 they probably wouldn't think that it was all in the same risky
19 asset of FTX's equity.

20 Q. What was the process for drafting this tweet?

21 A. There was some discussion in the group about different
22 ideas for what to include. Based on those discussions, Sam
23 wrote a tweet that he said I could send. A few other people,
24 Nishad and Ryan, both rewrote their own versions, and
25 ultimately I rewrote it in my own words and sent the tweet.

NABMBAN4

Ellison - Direct

1 MS. SASSOON: Mr. Bianco, can you show the witness
2 Government Exhibit 20.

3 Q. What is this, Ms. Ellison?

4 A. This is a Google Doc I made around the time with all of the
5 draft versions of the tweet.

6 MS. SASSOON: The government offers Government Exhibit
7 20.

8 MR. COHEN: No objection.

9 THE COURT: Received.

10 (Government Exhibit 20 received in evidence)

11 MS. SASSOON: Mr. Bianco, if you could publish this
12 exhibit for Ms. Ellison and the jury.

13 Q. Can you explain the different parts of this document, what
14 it shows overall.

15 A. Yeah. The first part, starting with, heh, I see, and
16 ending with, see, we have already returned most of our loans,
17 is the initial tweet by Sam or the proposed tweet by Sam.
18 Below that is Nishad's proposal, Ryan's proposal, and, finally,
19 mine.

20 Q. And you said the top has a tweet drafted by the defendant.
21 How did it end up in this document?

22 A. I copy and pasted all of the ideas into this document when
23 I was writing my own version.

24 Q. And why didn't you post this version drafted by the
25 defendant?

NABMBAN4

Ellison - Direct

1 A. Other people in the group said, and I agreed, that it
2 sounded like his writing style.

3 MS. SASSOON: We can take that down.

4 Q. We have been talking about November 6. Did the defendant
5 also tweet that day?

6 A. Yes, he did.

7 MS. SASSOON: Mr. Bianco, can you show the witness
8 Government Exhibit 863.

9 And this is in evidence. We can publish it.

10 Q. Ms. Ellison, this is a tweet from November 6, 2022. Did
11 you see it at the time?

12 A. Yeah, I did.

13 Q. And did you consider this tweet misleading?

14 A. Yeah, I did.

15 Q. In what ways was this tweet misleading?

16 A. One thing is that it refers to FTX keeping audited
17 financials, which is true. But as we have discussed, the
18 audited financials didn't look at FTX's customer balances,
19 which was the issue in question here.

20 Another thing is, talking about processing
21 withdrawals, it refers to problems as anti-spam checks and no
22 great capacity, when I believe the primary problem was that FTX
23 just didn't have enough assets to process all of the
24 withdrawals.

25 Q. Did CZ, the CEO of Binance, also tweet that day?

NABMBAN4

Ellison - Direct

1 A. Yes, he did.

2 MS. SASSOON: Mr. Bianco, can you show the witness
3 Government Exhibit 874. If you could zoom in at the top.

4 Q. Ms. Ellison, do you recognize this?

5 A. Yes, I do.

6 Q. What is it?

7 A. This is a series of tweets from CZ, the CEO of Binance.

8 MS. SASSOON: The government offers Government Exhibit
9 874.

10 MR. COHEN: No objection, your Honor.

11 THE COURT: Received.

12 (Government Exhibit 874 received in evidence)

13 MS. SASSOON: Mr. Bianco, can you publish this for the
14 jury.

15 Q. Can you read the top tweet by CZ of Binance.

16 A. It says: As part of Binance's exit from FTX equity last
17 year, Binance received roughly \$2.1 billion USD equivalent in
18 cash, BUSD and FTT. Due to recent revelations that have come
19 to light, we have decided to liquidate any remaining FTT on our
20 books.

21 Q. Did you see this tweet at the time?

22 A. Yes, I did.

23 Q. What was your reaction?

24 A. I was very upset and stressed out by it. I had been hoping
25 that my tweet thread would reassure people, and it seemed like

NABMBAN4

Ellison - Direct

1 it did for a bit, but then this tweet thread brought up --
2 brought concerns back and made them even stronger.

3 Q. Can you explain why this tweet raised concerns?

4 A. Because CZ refers to recent revelations that have come to
5 light and says that they are selling all of their FTTs. So
6 it's both very bad news for the price of FTT and also
7 suggesting that Binance is aware of negative news about FTX and
8 Alameda.

9 Q. Did you discuss this tweet with the defendant?

10 A. Yes, we did.

11 Q. What did you discuss?

12 A. We discussed how to respond and decided that I should a
13 tweet in response.

14 MS. SASSOON: Mr. Bianco, can you show the witness
15 Government Exhibit 413A.

16 Q. Do you recognize this?

17 A. Yes. This is a Signal chat group I was in.

18 MS. SASSOON: The government offers Government Exhibit
19 413A.

20 MR. COHEN: No objection, your Honor.

21 THE COURT: Received.

22 (Government Exhibit 413A received in evidence)

23 MS. SASSOON: Mr. Bianco, can you publish this for the
24 jury.

25 Q. This is a Signal chat group called Vertex with Caroline

NABMBAN4

Ellison - Direct

1 Ellison, Sam Bankman-Fried, Sam Trabucco, and B. Who is B?

2 A. B was Ben Xie, who was the head of trading in Alameda.

3 Q. Prior to November 6, 2022, what was this group chat used
4 for?

5 A. It was used primarily for the subject of trading. The most
6 common topics were our overall deltas, like any large trades we
7 were doing and our FTT trading.

8 Q. When you refer to trading, are you talking about trading
9 Alameda?

10 A. Yes, alameda's trading.

11 Q. And the defendant was a member of that group?

12 A. Yes, he was.

13 Q. At the top you wrote: I think I am going to tweet at CZ
14 that we will buy it all from him at \$22. Any objections?

15 What is the it that you're proposing buying it all for
16 \$22?

17 A. That refers to the FTT holdings that Binance had.

18 Q. Why were you suggesting buying all of Binance's FTT for
19 \$22?

20 A. For one thing, the price of FTT had gone down when CZ had
21 tweeted, and I was hoping that tweeting would make it go back
22 up.

23 I also wanted to call his bluff in some sense because
24 I felt that if he really wanted to sell his FTT, he wouldn't
25 preannounce to the market that he was going to sell it. He

NABMBAN4

Ellison - Direct

1 would just sell it. So I wanted to point out that his real aim
2 in that tweet, as I saw it, was not to sell his FTT, but was to
3 hurt FTX and Alameda.

4 Q. Can you read the defendant's message in this thread.

5 A. Yeah. He says: I think the main point is just to counter
6 the PR/narrative here, and Binance probably won't take us up on
7 it. I also think, for what it's worth, that the market is more
8 likely to buy more if we tweet it, but I don't know.

9 Q. You wrote back: I am about to tweet. FTT will go up.

10 Did you post a tweet?

11 A. Yes, I did.

12 Q. And when you tweeted, were you trying to counter a
13 PR/narrative?

14 A. Yes, I was.

15 Q. What narrative?

16 A. The narrative that FTX and Alameda had serious problems and
17 were potentially insolvent.

18 Q. In your view, at that time, was Alameda and FTX potentially
19 insolvent?

20 A. Yeah, absolutely.

21 MS. SASSOON: Mr. Bianco, can you please show the
22 witness Government Exhibit 876.

23 Q. Do you recognize this tweet?

24 A. Yeah.

25 Q. What is it?

NABMBAN4

Ellison - Direct

1 A. That's the tweet that I made at the time offering to buy
2 the FTT from CZ at \$22.

3 MS. SASSOON: The government offers Government Exhibit
4 876.

5 MR. COHEN: No objection.

6 THE COURT: Received.

7 (Government Exhibit 876 received in evidence)

8 MS. SASSOON: Mr. Bianco, can you publish this tweet
9 for the jury.

10 Q. On what date did you tweet offering to buy Binance's FTT
11 for \$22?

12 A. This was on November 6.

13 Q. What happened to the price of FTT after these tweets?

14 A. It went down after CZ's tweet, it went up after my tweet,
15 and stayed around \$22 for some period of time but eventually
16 went back down.

17 Q. For a period of time did Alameda buy FTT?

18 A. Yes, we did.

19 Q. Did there come a time when Alameda stopped buying FTT and
20 \$22?

21 A. Yes. There came a time where I saw that we had been buying
22 large amounts of FTT, and I said to Sam, I think it was in this
23 same chat group, something like, we've been seeing a lot of
24 selling. Is it time to give up on defending the \$22? And he
25 said, yeah, that sounds right.

NABMBAN4

Ellison - Direct

1 Q. About how much money did Alameda spend buying up FTT during
2 this November of time frame?

3 A. I don't remember exactly. Maybe in the tens of millions of
4 dollars. Could have been a hundred million dollars or more.

5 Q. If Alameda had not spent that money buying FTT, how would
6 that money have been used?

7 MR. COHEN: Objection.

8 A. It would most likely have been sent to FTX to help process
9 customer withdrawals.

10 Q. In your view, was FTX having trouble satisfying customer
11 withdrawals because of the price of FTT?

12 A. No. I wouldn't have said that that was a major factor.

13 Q. If the price of FTT had remained at \$22, in your view,
14 would FTX have been able to process all customer withdrawals?

15 A. No, not unless something else significant changed. The
16 customers, they weren't withdrawing FTT. They were withdrawing
17 other currencies, so our FTT would have needed to be sold to
18 other currencies. And whatever else was happening in the
19 market, if we tried to sell billions of dollars of FTT, it
20 would have a huge negative price impact.

21 Q. Let's turn to November 7, which is a Monday. Did you
22 continue to communicate with the defendant on Signal that day?

23 A. Yes, I did.

24 MS. SASSOON: Mr. Bianco, can you show the witness
25 Government Exhibit 406.

NABMBAN4

Ellison - Direct

1 Q. Do you recognize these chats that include you and the
2 defendant?

3 A. Yes, I do.

4 MS. SASSOON: The government offers Government Exhibit
5 406.

6 MR. COHEN: No objection.

7 THE COURT: Received.

8 (Government Exhibit 406 received in evidence)

9 MS. SASSOON: Mr. Bianco, please publish this exhibit
10 for the jury.

11 Q. What was small group chat?

12 A. It was a chat that Sam made around this time to discuss our
13 capital situation and potential fundraising.

14 Q. What's the date of this excerpt from small group chat?

15 A. November 7, 2022.

16 Q. Do you see the defendant's message beginning, so right now,
17 and ending with, so that's roughly 1 to \$2 billion left?

18 A. Yes.

19 Q. What is this list?

20 A. That's a list of liquid assets that FTX and Alameda had.

21 Q. What does this show about the amount of liquid assets that
22 FTX and Alameda had left?

23 A. It showed, according to this list, that it was around 1 to
24 \$2 billion.

25 Q. You wrote: I think Alameda can get more than that by

NABMBAN4

Ellison - Direct

1 scraping stuff together and closing our remaining positions.

2 Do you see that?

3 A. Yes.

4 Q. Why would Alameda do that?

5 A. Because Alameda was the one who had borrowed all this money
6 from FTX, so we were doing what we could to repay it.

7 Q. Were these positions you described scraping together
8 positions that were on the FTX exchange, or elsewhere?

9 A. No. These were positions that were elsewhere.

10 Q. These were not assets on FTX.

11 A. No.

12 Q. Let's continue down.

13 MS. SASSOON: Mr. Bianco, if you can scroll down more.
14 Stop there.

15 I apologize. Please scroll back up to the first table
16 and stop there.

17 Q. Do you see this table sent by the defendant?

18 A. Yes, I do.

19 Q. What does the table show?

20 A. It was a table of Alameda and FTX's liquid assets that he
21 thought we could access on a week time scale.

22 Q. It says total 3.9. What does that mean?

23 A. That means the total is \$3.9 billion that we could get
24 within a week.

25 Q. Just to be clear, where it says, does this look right on a

NABMBAN4

Ellison - Direct

1 week time scale, what does that mean?

2 A. That means these were things that I thought we could close
3 or sell or access within the next week.

4 MS. SASSOON: Let scroll down.

5 Q. You wrote: Seems ballpark reasonable to me.

6 Why did these numbers seem ballpark reasonable to you?

7 A. Because they were based on numbers that I had given him and
8 we have been discussing together about Alameda's balance sheet.

9 Q. If Alameda and FTX could in fact access \$3.9 billion on a
10 week time scale, would that have been enough for all FTX
11 customers?

12 A. No, not nearly enough.

13 Q. Let's look at this next chart.

14 Do you see the same total, 3.9 billion?

15 A. Yes, I do.

16 Q. There are two additional rows at the bottom. It says cust
17 assets, question mark, 12. Difference, 8.1.

18 What is cust assets, question mark, 12?

19 A. That means that there were around \$12 billion of customer
20 holdings on the exchange.

21 Q. Where it says difference, 8.1, what's that?

22 A. That's the difference between the amount of liquid assets
23 that we had and the amount that customers had and were entitled
24 to withdraw.

25 Q. Is that 12 minus 3.9?

NABMBAN4

Ellison - Direct

1 A. Yes, that's right.

2 Q. I just want to clarify this \$8.1 billion number. Is that
3 the total amount of money Alameda had borrowed from FTX
4 customers, or something else?

5 A. No. The total amount of money was higher, but we had
6 repaid some of it, and we had the potential to repay more of
7 it.

8 Q. Is this \$8.1 billion number only what Alameda owed for FTX
9 customer dollar deposits?

10 A. No. It included both the fiat liabilities and crypto
11 liabilities.

12 Q. Had you known the rough size of this difference between
13 customer holdings and what was available for customers prior to
14 November 7?

15 A. Yeah, I had.

16 Q. How?

17 A. For instance, in the most recent balance sheet we talked
18 about, the balance sheet stated that we were borrowing \$14
19 billion from FTX and that we had around \$6 billion in liquid
20 assets. The difference in those is \$8 billion, which is the
21 same as we see here.

22 Q. And is that a spreadsheet that you had shared with the
23 defendant?

24 A. Yes, it is.

25 MS. SASSOON: Mr. Bianco, can you please show the

NABMBAN4

Ellison - Direct

1 witness Government Exhibit 480D.

2 Q. Do you recognize these chats?

3 A. Yeah.

4 Q. Who are the participants in these chats?

5 A. This is a chat between me and Sam.

6 MS. SASSOON: The government offers Government Exhibit
7 480D.

8 THE COURT: D as in David?

9 MS. SASSOON: Yes.

10 MR. COHEN: No objection.

11 THE COURT: Received.

12 (Government Exhibit 480D received in evidence)

13 MR. COHEN: Your Honor, one thing, if I can just
14 consult with Ms. Sassoon for just a moment.

15 THE COURT: Yes.

16 MR. COHEN: OK. We are fine, your Honor. Thank you.

17 MS. SASSOON: Mr. Bianco, if you could publish 480D.

18 Q. Who are these messages between?

19 A. These are messages between me and Sam.

20 Q. Where it says at the top, by the way, if things got a lot
21 worse, I don't think I am going to handle it well, who wrote
22 that?

23 A. That was me.

24 Q. And the next message in black, who wrote that?

25 A. That was also me.

NABMBAN4

Ellison - Direct

1 Q. It says: This was such a bad prediction. This is the best
2 mood I've been in in like a year, to be honest.

3 The responses in blue, who wrote those?

4 A. Those were written by Sam.

5 Q. What did Sam write?

6 A. He said: Wow, huh, congrats? Because shit's exciting.

7 Q. What did you write back?

8 A. I said: I think I just had an increasing dread of this day
9 that was weighing on me for a long time, and now that it's
10 actually happening, it just feels great to get it over with one
11 way or another.

12 Q. Did you write these messages around the time that FTX
13 customer withdrawals were surging?

14 A. Yes. That's right.

15 MR. COHEN: I'm sorry. Do we have a specific date for
16 this chat?

17 THE COURT: Let's do that, if we can.

18 MS. SASSOON: Your Honor, because this is a
19 screenshot, there is no date on the message itself.

20 Q. But, Ms. Ellison, do you recall around when you wrote this?

21 A. My recollection is that it was around November 7.

22 Q. At this point in time were you aware of the shortfall in
23 customer funds on the FTX exchange?

24 A. Yes, I was.

25 Q. In light of that, why are you saying that this is the best

NABMBAN4

Ellison - Direct

1 mood you've been in in a year?

2 A. I mean, yeah. To be clear, that was overall the worst week
3 of my life. I had a lot of mood swings during that week and a
4 lot of different feelings. But one of the feelings I had was
5 an overwhelming feeling of relief because, as I said, this had
6 been something that I had been dreading for so long, for the
7 past several months. It's something that had been in my mind
8 every day, worrying about what would happen when the truth
9 finally came out. And I felt a sense of relief that I didn't
10 have to lie anymore, that I could start taking responsibility
11 and being honest about what I had done, even though I obviously
12 felt indescribably bad about all of the people that were harmed
13 and the people that lost their money, the employees that lost
14 their jobs, people that trusted us that we had betrayed.

15 Q. Why were you sharing this with the defendant?

16 A. Because I didn't feel like there was anyone else I could
17 talk to about these feelings because I had been -- this had
18 been something I had been trying to keep secret for the past
19 several months.

20 Q. When you say it was something you were trying to keep
21 secret, did that include from the defendant?

22 A. No. I mean, the -- Alameda taking FTX customer funds was
23 something that I had been trying to keep secret, and I didn't
24 share my feelings much with the defendant about this prior to
25 this that I can recall.

NABMBAN4

Ellison - Direct

1 Q. With respect to keeping the use of customer funds secret,
2 who were you keeping that secret from?

3 A. From the public.

4 Q. What about -- I just want to be clear. Were you keeping
5 that from the defendant?

6 A. No. It was something we discussed frequently.

7 MS. SASSOON: We can take that down.

8 Mr. Bianco, can you show the witness Government
9 Exhibit 407.

10 Q. Is this another excerpt from small group chat?

11 A. Yes, it is.

12 MS. SASSOON: The government offers Government Exhibit
13 407.

14 THE COURT: Received.

15 (Government Exhibit 407 received in evidence)

16 MS. SASSOON: Mr. Bianco, can you publish this.

17 Q. The first message on November 7, 2022 here says: Current
18 status.docx.

19 What is that?

20 A. That's a link to a document that Sam was sending in this
21 chat.

22 Q. Is this an example of how you would share documents with
23 the defendant over Signal?

24 A. Yeah. More often it would be a Google Doc and, as I said,
25 this might be a Word document, but, yes, we would often share

NABMBAN4

Ellison - Direct

1 documents over Signal.

2 Q. Beneath that it says: Potential to-dos: 1. Reach out to
3 Briger, Dustin, Silverlake, Sequoia, and Apollo when they wake
4 up.

5 Who were those entities or people?

6 A. Those were all investors or potential investors in FTX.

7 Q. What did the defendant say for the reason for reaching out
8 to these folks.

9 A. To get an emergency infusion of capital, basically to see
10 if we could sell any stock in FTX very quickly at a big
11 discount so that we could use the funds to process more
12 customer withdrawals.

13 MS. SASSOON: Mr. Bianco, can you show the witness
14 Government Exhibit 21.

15 Q. Do you recognize this?

16 A. Yeah, I do.

17 Q. Who wrote this?

18 A. Sam wrote this.

19 MS. SASSOON: The government offers Government Exhibit
20 21, which the parties have stipulated is a document called
21 sources, dated November 6, 2022.

22 THE COURT: Received.

23 (Government Exhibit 21 received in evidence)

24 MS. SASSOON: Mr. Bianco, can you publish that.

25 Q. Who wrote this document?

NABMBAN4

Ellison - Direct

1 A. It was written by Sam.

2 Q. And around when did he receive it?

3 A. In -- during that week in November of 2022.

4 Q. And this list 1 to 14, what is that?

5 A. Those were potential investors in FTX that Sam or others
6 were going to reach out to.

7 MS. SASSOON: Let's go to the bottom half of this
8 list. I apologize. The bottom half of this document.

9 Q. Do you see where it says current status?

10 A. Yeah.

11 Q. I'd like to focus your attention on number 6. Can you read
12 item number 6.

13 A. Yeah. It says: That means: 1. We have roughly enough to
14 process current withdrawals. 2. We have another two to three
15 billion of liquidity this week. 3. That would mean enough to
16 process one-third of remaining client assets.

17 Q. With that number 3, what does that mean?

18 A. That means that out of the \$12 billion of client assets on
19 the exchange, FTX only had one-third of that, so \$4 billion
20 available to process their withdrawals.

21 MS. SASSOON: Let's go to the bottom of this document,
22 where it says potential to-dos.

23 Q. This list here, 1 through 4, does that resemble what we saw
24 in small group chat?

25 A. Yeah, it does.

NABMBAN4

Ellison - Direct

1 Q. What does it mean to halt withdrawals?

2 A. It means to stop FTX customers from continuing to withdraw
3 their funds.

4 Q. Did that happen on November 6 or November 7 of 2022?

5 A. No, I don't think so.

6 Q. What about number 2, send a confident tweet thread?

7 A. Yeah. Sam did do that.

8 MS. SASSOON: Let's take a look at Government Exhibit
9 866.

10 Q. I'll focus your attention on number 2: FTX has enough to
11 cover all client holdings. We don't investigate client assets,
12 even in treasuries.

13 On November 7, 2022, was that true?

14 A. No, it was not.

15 Q. And why not?

16 A. Because it says that FTX has enough to cover all client
17 holdings, but, as we have just been seeing from internal
18 documents, FTX only had \$4 billion to cover \$12 billion of
19 client holdings, and FTX didn't invest assets itself directly;
20 it loaned them to Alameda, who invested them in assets that
21 were much riskier than treasuries.

22 Q. Then it says: We have been processing all withdrawals and
23 will continue to be.

24 What do you understand about FTX's ability to process
25 all withdrawals?

NABMBAN4

Ellison - Direct

1 A. I understood that FTX did not have the ability to process
2 all or even half of its withdrawals.

3 Q. Do you recall customers of FTX tweeting around this time?

4 A. Yeah, I do.

5 MS. SASSOON: Mr. Bianco, if you could show the
6 witness Government Exhibit 408.

7 Q. Do you recognize these messages from small group chat?

8 A. Yeah, I do.

9 MS. SASSOON: The government offers Government Exhibit
10 408.

11 THE COURT: Received.

12 (Government Exhibit 408 received in evidence)

13 MS. SASSOON: Mr. Bianco, if you could publish this.

14 Q. Ms. Ellison, do you recall getting a message from Ryan
15 Salame on November 7, 2022 with a link to
16 Twitter.com/moonoverlord?

17 A. Yeah, I do.

18 MS. SASSOON: The government also offers Government
19 Exhibit 871, which is a tweet, according to the parties'
20 stipulation, a retweet.

21 Mr. Bianco, if we could pull that up just for the
22 Court and the witness. Page 4.

23 MR. COHEN: No objection, your Honor.

24 THE COURT: 871 is received.

25 (Government Exhibit 871 received in evidence)

NABMBAN4

Ellison - Direct

1 MS. SASSOON: Mr. Bianco, can you pull up Government
2 Exhibit 871 alongside Government Exhibit 408.

3 Q. Can you read the tweet by moon over lord?

4 A. It says: Can't wait for my FTX airdrop for not moving any
5 of my funds.

6 Q. And at the top what does it say here?

7 A. It says: SBF retweeted.

8 Q. What does it mean to retweet?

9 A. It means to republish someone else's tweet so that it
10 appears on your own timeline and your followers will see it.

11 Q. Just to be clear, if you retweet something, it would be
12 published on your own Twitter page?

13 A. Yes, that's right.

14 Q. What's the date of that?

15 A. November 7, 2022.

16 Q. Was this around the time you were having discussions with
17 the defendant about discouraging customers from withdrawing
18 their funds from FTX?

19 A. Yeah.

20 MS. SASSOON: You can take that down.

21 Q. While customer withdrawals were increasing, what was going
22 on with Alameda's lenders?

23 A. Alameda's lenders also started recalling their loans.

24 Q. And these are the remaining lenders from after June?

25 MR. COHEN: Objection.

NABMBAN4

Ellison - Direct

1 THE COURT: What's the objection?

2 MR. COHEN: Vague.

3 Q. In November of 2022, did Alameda still have lenders?

4 A. Yes, we did. We still had around \$2 billion of loans from
5 third parties left.

6 Q. And I think you said they started recalling those loans.
7 What was your reaction to that?

8 A. I mean, I wasn't sure what to do. I wanted to honor our
9 obligations to our lenders, but I also wanted to honor our
10 obligations to FTX customers, and I wasn't sure how to balance
11 those.

12 MS. SASSOON: Mr. Bianco, can you please show the
13 witness Government Exhibits 410A and 410B.

14 Q. Do you recognize these?

15 A. Yeah. These are more excerpts and small group chat.

16 MS. SASSOON: The government offers Government
17 Exhibits 410A and 410B.

18 MR. COHEN: No objection.

19 THE COURT: Received.

20 (Government Exhibits 410A and 410B received in
21 evidence)

22 MS. SASSOON: Mr. Bianco, if you could first publish
23 410A.

24 Q. Do you see your message here from November 8, 2022 asking
25 any opinion on whether Alameda should try and return loans that

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1 are being called?

2 A. Yeah.

3 Q. There is a response from Ramnik Arora. Who is he?

4 A. He was the head of ventures and investor relations at FTX.

5 Q. What did he respond to your question?

6 MR. COHEN: Your Honor, might we have a limiting
7 instruction as to Mr. Arora?

8 THE COURT: Any objection?

9 MS. SASSOON: Your Honor, he is also an agent of the
10 defendants because he was an employee. This would be
11 admissible under 801(d)(2)(D).

12 THE COURT: Why not, Mr. Cohen?

13 MR. COHEN: Your Honor, this is not within the scope
14 of the agency as it has been defined in this case, so we would
15 ask for the limiting instruction just as to that individual.

16 THE COURT: Denied.

17 Q. Ms. Ellison, can you read Ramnik Arora's response to your
18 question?

19 A. He said: Probably not. That would put FTX commerce at a
20 disadvantage to non-FTX commerce, right. Could be totally
21 wrong.

22 Q. Let's take a look now at Government Exhibit 410B. This is
23 a little later that day. What did you write at 9:49 a.m.?

24 A. I said: On second thought, how bad is it to process loan
25 recalls in the next few hours. I kind of just want to do it

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1 because we have the capital, and lenders are freaking out, and
2 it seems like it will be another few hours at least, and it
3 will be easier to make them happy and calm them down now, but
4 if it's bad, I cannot.

5 Q. What did Sam respond?

6 A. Sam said: Which lenders? Can certainly do it for all the
7 smaller ones. Would prefer not to do it for BlockFi yet.

8 Q. Why did you ask if it was bad to start repaying the
9 lenders?

10 A. Because I wasn't sure if it would be illegal or just a bad
11 idea for other reasons, so I wanted to get others' opinions.

12 Q. After the defendant said, can certainly do it for all the
13 smaller ones, did you in fact repay some of your lenders?

14 A. We did start to repay some of our lenders.

15 Q. What effect, if any, did repaying the lenders have on the
16 money available to pay for FTX customer withdrawals?

17 A. It meant that there was less money available for FTX
18 customers.

19 MS. SASSOON: Mr. Bianco, can you please show the
20 witness Government Exhibit 412.

21 Q. Do you recognize this excerpt from small group chat?

22 A. Yes, I do.

23 MS. SASSOON: The government offers Government Exhibit
24 412.

25 MR. COHEN: No objection.

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1 THE COURT: Received.

2 (Government Exhibit 412 received in evidence)

3 MS. SASSOON: Mr. Bianco, if you could publish this.

4 Q. Can you read the message you sent on November 8, 2022.

5 A. Yeah. It says: Multiple people internally asking me
6 whether they should continue to make statements to external
7 parties, like Alameda is solvent. Should I suggest they stall
8 instead? Just stall in responding to their messages, or what?

9 Q. At that point did you consider Alameda to be solvent?

10 A. No.

11 Q. Why?

12 A. Because we had debts to FTX that were much larger than what
13 we could realistically repay.

14 Q. Why are you asking in small group chat what you should say
15 about whether Alameda was solvent?

16 A. I mean, in the past I had, at Sam's direction, made
17 misleading statements to lenders about Alameda's financial
18 health. I wasn't sure -- I wasn't sure whether it was wise to
19 tell people the truth here, but I also thought it didn't really
20 make much sense to continue lying, so I wasn't sure what to
21 say.

22 Q. Were there any favorable developments for FTX later on
23 November 8?

24 A. Yes. Sam and CZ, the CEO of Binance, worked out a
25 tentative deal whereby Binance would acquire FTX and spend

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1 enough money on the acquisition to backstop all FTX customer
2 assets.

3 Q. What was your reaction to that?

4 A. I was extremely relieved. If the deal went through, it
5 would mean that all of FTX customers would get their money
6 back, which would be more than I was hoping for at the time.

7 Q. What happened to the deal with Binance?

8 A. It fell through when CZ backed out of it.

9 Q. How soon after the deal had been announced did it fall
10 apart?

11 A. It was pretty soon. I think it was within a day.

12 Q. After that, was FTX able to keep up with customer
13 withdrawals?

14 A. No, it wasn't.

15 Q. And was Alameda able to repay its lenders in full?

16 A. No.

17 Q. What happened on November 11, 2022?

18 A. I believe that was the day that FTX and Alameda declared
19 bankruptcy.

20 Q. And at the time that Alameda and FTX declared bankruptcy,
21 about how much money did Alameda still owe its lenders?

22 A. Its third-party lenders, do you mean?

23 Q. Yes.

24 A. Maybe in the ballpark of a billion dollars.

25 Q. Did there come a time after Alameda and FTX declared

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1 bankruptcy that you began meeting with federal prosecutors and
2 special agents with the FBI?

3 A. Yes, I did.

4 Q. Around when was that?

5 A. I think it was in December of 2022.

6 Q. And had you been arrested for any crimes at that point?

7 A. No.

8 Q. What happened before you came to meet with the government?

9 A. The FBI searched my parents' house where I was staying and
10 took my phone, computer, and other electronic devices, as well
11 as my journal.

12 Q. Did those electronics contain some of the documents we
13 looked at today?

14 A. Yes, they did.

15 Q. Did that journal contain some of those handwritten notes we
16 looked at today?

17 A. That's right.

18 Q. When you met with the government, what kind of information
19 did you provide?

20 A. I provided a lot of the information I've talked about here.
21 I told them about what happened and the crimes that we had
22 committed and who had been involved.

23 MS. SASSOON: Your Honor, I'm not going to wrap up
24 within the next 15 minutes. I just wanted to check in when you
25 think it's appropriate to take a break, if you would like to.

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Ellison - Direct

1 THE COURT: How much longer?

2 MS. SASSOON: Perhaps 25, 30 minutes.

3 THE COURT: We will take our break here.

4 3:30, folks.

5 (Recess)

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Ellison - Direct

1 (In open court; jury present)

2 THE COURT: The defendant and the jurors all are
3 present.

4 You may continue, Ms. Sassoon.

5 MS. SASSOON: Thank you.

6 BY MS. SASSOON:

7 Q. We were discussing the time that you started meeting with
8 the government. Prior to that, in the final weeks before
9 Alameda and FTX declared bankruptcy, did there come a time
10 where you shared with other people what had happened with FTX
11 customer money?

12 A. Yes, I did. I had a—an all hands meeting of all the staff
13 at Alameda where I told them what had happened.

14 MS. SASSOON: Mr. Bianco, if you could show the
15 witness Government Exhibit 414A.

16 Q. Do you recognize this?

17 A. Yeah, this is another excerpt from the small group chat.

18 MS. SASSOON: Government offers Government
19 Exhibit 414A.

20 MR. COHEN: No objection, your Honor.

21 THE COURT: It's received.

22 (Government's Exhibit 414A received in evidence)

23 MS. SASSOON: Mr. Bianco, please publish this exhibit
24 to the jury.

25 BY MS. SASSOON:

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Ellison - Direct

1 Q. This is a small group chat dated November 9, 2022, and you
2 wrote, "Thinking about what to tell people at Alameda all
3 hands. Right now I'm thinking a vibe of Alameda is probably
4 going to wind down, if you don't want to stay or take some time
5 off, no pressure, if you do want to help with stuff like making
6 sure our lenders get repaid, it's super appreciated. Does that
7 seem right?"

8 What's an Alameda all hands?

9 A. These were meetings that we generally had once every two
10 weeks where the whole staff of the company was invited to
11 attend the meeting.

12 Q. And the defendant wrote back, "And maybe something about
13 there being a future of some sort for those who are excited,
14 but that you can't know for sure what it is."

15 Why were you seeking the defendant's input about what
16 to say at the meeting?

17 A. Because I generally sought his input on important decisions
18 at Alameda, and I thought, like, what to tell Alameda employees
19 about what was happening was one of those important decisions.

20 Q. And at that meeting did you end up sharing with your
21 employees what had happened over the course of 2022?

22 MR. COHEN: Your Honor, I believe one of the jurors
23 has his hand raised.

24 THE COURT: Yes, sir.

25 JUROR: The monitor is not working.

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Ellison - Direct

1 THE COURT: Let's get the monitors working. Thanks
2 for telling us.

3 Is it just one of the monitors or all of them?

4 JUROR: Just one.

5 THE COURT: Just one. Okay.

6 (Pause)

7 THE DEPUTY CLERK: I'll have to call AV, Judge, and
8 they can share for now.

9 THE COURT: Can you share with somebody on one side
10 till we get it fixed?

11 MS. SASSOON: And I'll limit the remaining exhibits,
12 your Honor.

13 THE COURT: Good.

14 BY MS. SASSOON:

15 Q. At that all hands—did the all hands meeting happen?

16 A. Yes, it did.

17 Q. And at that meeting did you share with your employees what
18 had happened over the course of 2022?

19 A. Yes, I did.

20 Q. I want to turn—

21 MR. COHEN: Your Honor, for the reasons we discussed
22 at the sidebar yesterday, we would object to the testimony
23 about this meeting as hearsay.

24 THE COURT: My understanding is that this is what the
25 witness said at the meeting, right? That's what you're

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Ellison - Direct

1 eliciting?

2 MS. SASSOON: Yes, your Honor.

3 THE COURT: How is that hearsay?

4 MR. COHEN: Well, I didn't want to wait until the
5 testimony was already in, your Honor. Could we just talk
6 briefly at the sidebar.

7 MS. SASSOON: I don't intend any further questions
8 about this. I don't know if that affects a sidebar.

9 MR. COHEN: If there are no further questions on this,
10 then that's fine.

11 THE COURT: Okay. Let's go.

12 BY MS. SASSOON:

13 Q. Turning back to your meetings with the government, did you
14 describe during those meetings your role in committing fraud on
15 customers of FTX?

16 A. Yes, I did.

17 Q. Did you discuss other crimes you had committed?

18 A. Yes.

19 Q. And did you talk about the people that you had committed
20 crimes with?

21 A. Yes, I did.

22 Q. Did you tell the government about lies that you had told?

23 A. Yes, I did.

24 Q. Why did you provide all of this information about your
25 crimes and other people's crimes and your own lies to the

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1 government?

2 A. It was as part of the process to get a cooperation
3 agreement with the government. I was hoping to get an
4 agreement because I was hoping it would lead to a more lenient
5 sentence for my crimes, and I also wanted to be honest and to
6 take responsibility for what I had done.

7 Q. In your meetings with the government did you describe your
8 personal relationship with the defendant?

9 A. Yes, I did.

10 Q. And over the course of your on-again, off-again romantic
11 relationship with the defendant, did you share personal
12 writings with him?

13 A. Yes, I did.

14 Q. What kinds of things did you write to him about?

15 A. We both wrote each other Google Docs at various times with
16 our thoughts on our relationship and our feelings.

17 Q. And at a very general level, what kinds of feelings did you
18 share in these Google Docs?

19 A. I often shared feelings about being unhappy with our
20 relationship.

21 Q. And what about any professional concerns?

22 A. Yeah, I also shared feelings about the intersection of our
23 personal and professional relationship and how our relationship
24 affected me at work.

25 Q. And at a very general level, what did you write about how

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Ellison - Direct

1 the relationship affected you at work?

2 MR. COHEN: Objection.

3 THE COURT: Ground.

4 MR. COHEN: Relevance.

5 MS. SASSOON: Your Honor, I expect that this is going
6 to be inquired about on cross-examination.

7 THE COURT: What do you say to that, Mr. Cohen?

8 MR. COHEN: It may well, your Honor, but this question
9 just posed has an appropriate objection to it.

10 THE COURT: Overruled.

11 A. Sorry. Could you repeat the question.

12 Q. I believe I asked: What sorts of professional concerns did
13 you have that you shared with the defendant?

14 A. Yeah. I shared concerns about our personal and
15 professional relationships affecting each other. For instance,
16 if I messed—if I messed something up at work and Sam gave me
17 negative feedback on that, that would affect our personal
18 relationship as well and sort of vice versa.

19 Q. And how did that make you feel?

20 A. It—it made me feel bad. I mean, it made me feel like sort
21 of a—an unequal partner in our relationship.

22 Q. Did you ultimately plead guilty to a cooperation agreement?

23 A. Yes, I did.

24 Q. And how many crimes did you plead guilty to?

25 A. I believe it was seven counts.

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Ellison - Direct

1 MS. SASSOON: Mr. Bianco, can you show the witness
2 Government Exhibit 3550-079.

3 Q. Do you recognize this document, Ms. Ellison?

4 A. Yes, I do. This is my cooperation agreement with the
5 government.

6 MS. SASSOON: The government offers Government
7 Exhibit 3550-079.

8 MR. COHEN: No objection.

9 THE COURT: Received.

10 (Government's Exhibit 3550-079 received in evidence)

11 MS. SASSOON: And Mr. Bianco, if you could publish the
12 last page of this agreement.

13 And publish this.

14 BY MS. SASSOON:

15 Q. Did you sign this on December 19, 2022?

16 A. Yes, I did.

17 Q. And before you signed it did you review it with your
18 attorney?

19 A. Yes.

20 Q. And after you signed it did you plead guilty to seven
21 crimes?

22 A. Yes, I did.

23 Q. And why did you plead guilty to the crimes in your
24 cooperation agreement?

25 A. Because I believe I am guilty and because it was part of

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Ellison - Direct

1 the terms of the cooperation agreement.

2 MS. SASSOON: And if we could go back to the first
3 page.

4 Q. Under this agreement you pleaded guilty to wire fraud and
5 wire fraud conspiracy on customers of FTX, as well as
6 commodities fraud conspiracy. Does that relate to what you've
7 described in your testimony about Alameda using FTX customer
8 money?

9 A. Yes, it does.

10 Q. And under this agreement you pleaded guilty to wire fraud
11 and wire fraud conspiracy against Alameda's lenders. What does
12 that relate to?

13 A. That relates to what I testified about regarding the false
14 balance sheets that we provided to lenders.

15 Q. And when you say "we," who do you mean?

16 A. Sam and me.

17 Q. You also pleaded guilty to securities fraud conspiracy.
18 What does that relate to?

19 A. That relates to the investors in FTX.

20 Q. And in what ways did you participate in a conspiracy to
21 defraud the investors in FTX?

22 A. I was aware that FTX was not disclosing Alameda's borrowing
23 and line of credit to FTX investors, and I made false
24 statements on, you know, Twitter and in this Bloomberg article
25 that I knew FTX investors were one of the audiences of those

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Ellison - Direct

1 statements.

2 Q. Were you directly involved in communicating directly with
3 FTX's equity investors in 2021?

4 A. No.

5 Q. You testified some time ago about an FTX audit. Were you
6 aware of any other information that was being concealed from
7 FTX's auditors besides customer balances?

8 MR. COHEN: Objection, leading.

9 THE COURT: Rephrase.

10 Q. What, if anything, did you learn about information that was
11 concealed from FTX's auditors?

12 A. I learned that FTX had loaned money that it had raised from
13 investors totaling \$1.6 billion to Alameda and that that had
14 been concealed from FTX's auditors.

15 Q. Did you discuss with the defendant that \$1.6 billion of FTX
16 investor money had been transferred to Alameda?

17 A. Yes, I did.

18 Q. And in what forum was that discussed?

19 A. We discussed it over Signal and in in-person conversations.

20 Q. And what, if anything, were you told about why \$1.6 billion
21 of FTX investor money had been transferred to Alameda?

22 A. That it would be useful for Alameda's trading.

23 Q. And what, if anything, did you learn about how this
24 \$1.6 billion of FTX investor money transferred to Alameda, how
25 it was accounted for in FTX's records?

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Ellison - Direct

1 A. So there was money that was transferred from FTX's bank
2 accounts to Alameda's bank accounts, and then to offset that,
3 there were negative ledger entries in Alameda's main account on
4 FTX, but then there were also, offsetting to that, positive
5 ledger entries in a subaccount that Alameda had on FTX.

6 Q. And what did you understand was the purpose of these
7 offsetting entries?

8 A. I was told that it was for FTX auditing purposes.

9 THE COURT: Where did you get this information from?

10 THE WITNESS: I believe it was Nishad Singh who told
11 me this, your Honor.

12 Q. And was this—

13 MR. COHEN: Objection.

14 THE COURT: Ground?

15 MR. COHEN: Speculation.

16 MS. SASSOON: Your Honor—

17 THE COURT: What's the speculation?

18 MR. COHEN: I think she just said she believes, she
19 didn't know.

20 MS. SASSOON: Your Honor, this is admissible under
21 801(d)(2)(E).

22 THE COURT: I believe this is Wednesday.

23 MR. COHEN: I didn't hear your Honor.

24 THE COURT: I believe this is Wednesday. That's not
25 speculation.

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Ellison - Direct

1 MR. COHEN: Okay. All right.

2 THE COURT: Overruled.

3 MR. COHEN: Your Honor, withdrawn.

4 THE WITNESS: Yes, sorry. I recall that it was Nishad
5 Singh who told me. I'm sorry if I misspoke.

6 BY MS. SASSOON:

7 Q. And when you were looking into the accounting for this FTX
8 investor money, did you discuss that with the defendant?

9 A. Yes, I did.

10 Q. Were you aware of any FTX losses that—

11 THE COURT: I'm sorry. You discussed it with the
12 defendant. What did he say?

13 THE WITNESS: We discussed—it was a discussion where
14 we were trying to reconcile Alameda's and FTX's records. Sam
15 was present as well as me and people from FTX, and we all went
16 over our versions of what had happened and eventually agreed
17 on—that we all were on the same page about what had happened.

18 THE COURT: Thank you.

19 BY MS. SASSOON:

20 Q. And did Alameda ultimately repay to FTX the FTX investor
21 money that had been transferred to Alameda?

22 A. We repaid some of it but not all.

23 Q. What, if any, other information were you aware of that was
24 concealed from FTX investors?

25 A. I was aware that in 2021, FTX suffered a large loss—around

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Ellison - Direct

1 \$800 million—from the malfunctioning of its margin system and
2 that this loss was—Alameda took on this loss and it wasn't
3 disclosed to FTX investors.

4 Q. And this loss, did it pertain to particular cryptocurrency?

5 MR. COHEN: Objection. Lack of foundation.

6 THE COURT: Sustained.

7 Q. Ms. Ellison, did there come a time when the defendant
8 discussed with you any losses that were concealed from FTX
9 investors?

10 A. Yes, the loss that I was just talking about was one that I
11 discussed with Sam.

12 Q. And can you describe what you learned about this loss.

13 THE COURT: From Sam.

14 MS. SASSOON: From Sam.

15 A. From Sam, I learned that FTX had—that there had been a
16 trader on FTX who had taken a large position in BTMX and
17 withdrawn Bitcoin and other, more liquid currencies from FTX,
18 and that he said that Alameda would have to take on the BTMX
19 and try to sell it, which we did, but ended up selling it at a
20 very large loss.

21 Q. What, if anything, did the defendant say about why Alameda
22 had to take on this \$800 million loss?

23 A. He said that he didn't want it on FTX's balance sheet.

24 Q. And did he say why?

25 A. I don't recall if he said specifically.

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Ellison - Direct

1 Q. Did he say anything about FTX investors?

2 A. I don't recall.

3 Q. And you mentioned the coin BTMX. Were there any other
4 cryptocurrencies involved in this \$800 million loss?

5 A. Yeah, the customer on FTX was also trading MobileCoin, and
6 some of the losses came from that as well.

7 Q. Did this incident occur prior to the defendant raising
8 additional investor funds in late 2021?

9 A. Yes, it did.

10 Q. While you worked at FTX what was the value of your account
11 on FTX around its peak?

12 A. I think at its peak it was close to a billion dollars.

13 Q. And what happened to that account?

14 A. Well, the billion dollars was coming from the
15 cryptocurrencies FTT and Serum, which then went down a lot and
16 became worthless or almost worthless.

17 Q. Ms. Ellison, have you been sentenced?

18 A. No, not yet.

19 Q. What's your understanding of the maximum sentence that you
20 are facing?

21 A. It's—the maximum is 110 years in prison.

22 Q. And what's your understanding of whether there will be a
23 financial component to your sentence?

24 A. Yeah, my understanding is that there will also be a fine
25 and I will have to make restitution to the victims of the

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Ellison - Cross

1 crimes.

2 Q. What's your understanding of what you are required to do
3 under the cooperation agreement?

4 A. My understanding is that the requirements are that I assist
5 the government with this investigation and provide truthful
6 information, that I testify in court if asked and testify
7 truthfully, and that I refrain from committing any further
8 crimes.

9 Q. What's your understanding of what the government will do if
10 you fulfill those obligations?

11 A. The government will write a letter to the judge at my
12 sentencing outlining the crimes that I've committed and
13 discussed with them and also the cooperation and assistance
14 that I've given.

15 Q. As far as you understand it, does the outcome of this trial
16 have any bearing on whether the government will submit that
17 letter?

18 A. My understanding is that it does not.

19 Q. Have you been promised what sentence you will receive?

20 A. No, I haven't been promised any sentence.

21 Q. What's your understanding of who will decide your sentence?

22 A. The judge.

23 MS. SASSOON: One moment, your Honor.

24 THE COURT: Yes.

25 MS. SASSOON: No further questions, your Honor.

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Ellison - Cross

1 THE COURT: Thank you.

2 Mr. Cohen.

3 MR. COHEN: Thank you, your Honor.

4 CROSS EXAMINATION

5 BY MR. COHEN:

6 Q. Maybe just a few questions.

7 A. Okay.

8 Q. Good afternoon, Ms. Ellison.

9 A. Good afternoon.

10 Q. I'd like to talk about some terms that you used during your
11 testimony. I want to see if I understand them.

12 A. Okay.

13 Q. You spoke a lot about something called the fiat@ account.
14 Do you recall that, ma'am?

15 A. Yes, that's right.

16 Q. And you also spoke a lot about something called the info@
17 account.

18 A. Yeah.

19 Q. I just want to make sure I understand the difference here.

20 Now the fiat@ account was an account that, well, that
21 related to bank accounts that Alameda had where it was
22 accepting fiat or dollars from customers, correct?

23 A. That's correct.

24 Q. Okay. And I believe you referred either to the Alameda
25 bank accounts or accounts for an entity called North Dimension?

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Ellison - Cross

1 A. That's right.

2 Q. So if I understand this correctly, fiat is just another
3 word for dollars, correct?

4 A. Dollars, or other currency, like euros.

5 Q. Euros, British pounds, but for our purposes, let's just
6 talk dollars; is that fair?

7 A. Yeah.

8 Q. Okay. So a customer could wire dollars into this bank
9 account that Alameda had; that's correct?

10 A. That's my understanding, yes.

11 Q. All right. Now at the same time this bank account had
12 other dollars in it as well, for example, from Alameda's
13 revenues.

14 A. That's right.

15 Q. From Alameda's profits.

16 A. That's right.

17 Q. You mentioned that Alameda traded on other exchanges,
18 correct?

19 A. That's correct.

20 Q. So if it received transfers from those exchanges, in
21 dollars, some of those dollars might wind up in the account.

22 A. That's right.

23 Q. Okay. And I take it these dollars weren't labeled,
24 correct?

25 A. That's right.

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Ellison - Cross

1 Q. So if customer Alice sent in a dollar and customer Bob sent
2 in a dollar and there was dollars from revenues and profits,
3 they were all just in one account.

4 A. That's right.

5 Q. Okay. Now when dollars came out of the fiat account, they
6 came out to pay withdrawals to customers, correct?

7 A. That's right.

8 Q. Or they could come out, for example, to pay Alameda's rent
9 or its payroll.

10 A. That's correct.

11 Q. Or for its investments.

12 A. That's right.

13 Q. And again, those dollars also were not labeled; dollars are
14 dollars, right?

15 A. Mm-hmm, that's right.

16 Q. Okay. Now I want to focus this next question on the period
17 before 2022. I have a feeling we'll talk a lot about 2022
18 tomorrow, but—

19 A. Mm-hmm.

20 Q. Is it fair to say that before that period of time you did
21 not track how these dollars went out and where they were going
22 to in terms of whether they were going to a customer or to pay
23 the payroll or to pay the rent?

24 A. I mean, we did have a transfer tracking system for all of
25 the transfers that went out of our accounts.

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Ellison - Cross

1 Q. Okay. Fair enough. Fair enough.

2 Okay. So that was the fiat@ account. So it actually
3 was—really what we're talking about is the bank account, and
4 then there was a separate way to track it, or separate ledger
5 adjustment called FTX/.com, correct?

6 MS. SASSOON: Objection, form.

7 THE COURT: Sustained.

8 Q. Okay. Let me try again.

9 What did the FTX/.com refer to?

10 A. Sorry. You said FTX/.com?

11 Q. Underscore. Excuse me.

12 A. Underscore.com?

13 Q. I'm sorry. FTX_fiat, what did that refer to?

14 A. That was Alameda's internal labeling of the fiat@ftx.com
15 account.

16 Q. The account we were just talking about.

17 A. Yes.

18 Q. Okay. Now let me try to talk now about the info@ account,
19 okay? That was the account that Alameda had on the exchange,
20 on the FTX exchange?

21 THE COURT: I'm sorry. I just want to make sure I got
22 the last point.

23 FTX_fiat? You talked about that, yes?

24 THE WITNESS: Yeah. I was saying that was the same
25 account as the fiat@ftx.com account.

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Ellison - Cross

1 THE COURT: I thought I understood, and now I'm
2 thoroughly confused.

3 THE WITNESS: Sorry, your Honor.

4 MR. COHEN: Your Honor, if I might, I think I know
5 where your Honor is going.

6 THE COURT: Yes, okay.

7 BY MR. COHEN:

8 Q. There are two things going on here, I believe, Ms. Ellison.
9 Correct me if I'm wrong. One is the bank account itself, and
10 we've been calling it today the fiat@ account; is that correct?

11 A. When I use—when I say fiat@ account, I'm thinking of the
12 account on the FTX website and not a bank account.

13 Q. Okay. Okay. And then there's also the ledger entry which
14 you were just describing to his Honor.

15 MS. SASSOON: Objection, your Honor. This is
16 confusing. She just said that that was a ledger entry.

17 MR. COHEN: That's not what she said.

18 THE COURT: I have a thought.

19 MR. COHEN: Okay.

20 THE COURT: It's been a long day.

21 MR. COHEN: Okay.

22 THE COURT: I have the feeling that if we broke now
23 and started in the morning, Mr. Cohen, you'd be happier,
24 everyone would be fresher, and this could get sorted out
25 overnight, right?

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1 MR. COHEN: Yes. I would appreciate that. I could
2 tell stories from my legal career, but I don't think anyone
3 would be interested.

4 THE COURT: No, we'd all be interested but we're all
5 going to be asleep by then. Not because of the stories but—

6 MR. COHEN: Well, maybe.

7 THE COURT: No, no, on the occasion of.

8 Okay. Let's do that.

9 MR. COHEN: Okay. Thank you.

10 THE COURT: Folks, 9:30 tomorrow morning.

11 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Okay, folks. Be seated.

3 I think we have two open items of business that may
4 affect the cross, right? We have this controversy about
5 mention of Anthropic and Mr. Cohen's letter of October 10th, to
6 which I think I have an answer for you.

7 The witness is out of the room.

8 Let me address a question to the government. I
9 understand the point about mention of Anthropic. Suppose that
10 the defendant had otherwise admissible evidence, fully
11 admissible, not about Anthropic or any other specific
12 investment but about what their letter of the 10th refers to as
13 the portfolio nature of venture capital investing. What would
14 be the government's position about that?

15 MS. SASSOON: So I think there are two distinct issues
16 here. One is pre-collapse and one is post-collapse. I think
17 anything about the portfolio post-collapse is totally
18 irrelevant. If we're talking about pre-collapse, there was
19 some testimony that these venture investments were speculative
20 and risky, and I think that's what the defense wants to
21 address. I think from the government's standpoint, it was
22 appropriate to elicit that information because the defense has
23 claimed a variety of the defendant—

24 THE COURT: But it's in already, so nobody's saying it
25 wasn't.

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1 MS. SASSOON: So I think that goes to the defendant's
2 knowledge and his intent. But the core issue here is whether
3 he misappropriated the money, and whether he put it into a
4 government bond or a venture portfolio, it's still fraud. And
5 so we think there's limited to no relevance to any evidence
6 that they want to bring in about how they could have shot the
7 moon with one of these investments.

8 THE COURT: So your position is even a general
9 discussion of a portfolio nature or portfolio approach to
10 venture capital investing would be irrelevant.

11 MS. SASSOON: One moment.

12 Yes, so we think that the safety or riskiness of the
13 investments is ultimately not relevant to the misappropriation.
14 On this question about the portfolio, I don't understand the
15 proffered relevance by the defense, but if they explain it now,
16 I would ask for an opportunity to respond.

17 THE COURT: Well, that's your cue, Mr. Cohen.

18 MR. COHEN: Thank you, your Honor.

19 A couple of things. The government has put on
20 evidence that one of the ways in which the loans from FTX to
21 Alameda were invested was in a series of venture investments,
22 which it has gone out of its way to describe as speculative and
23 risky. We had extensive testimony, including from today's
24 witness—yesterday and today—about her view of the riskiness
25 around making such investments, and the government is—although

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1 they claim it's not part of their case, they're doing it an
2 awful lot, Judge, and they're clearly trying to argue to the
3 jury that the fact that the investments were, in their view,
4 risky is itself proof of the crime. And the only way to rebut
5 that, your Honor, is for us to be able to proffer evidence,
6 either through cross-examination or otherwise, on a couple of
7 levels. One is that, as your Honor described it, the
8 portfolio—this venture investing is a portfolio approach. You
9 buy in ten startups; if two hit, you're doing great. If one of
10 them was, you know, Facebook, you'd—

11 THE COURT: It depends how much you put in the bad
12 ones—

13 MR. COHEN: Correct.

14 THE COURT: —and what the return on the good ones
15 were, and how much you put in the good ones.

16 MR. COHEN: Correct. And here—

17 THE COURT: So it could be a disaster venture, or not.

18 MR. COHEN: Correct. But here, just to give your
19 Honor context, the Anthropic investment was a \$93 million
20 investment that the trustee in bankruptcy sold for a hundred
21 million and is today worth a billion dollars.

22 THE COURT: Publicly traded?

23 MS. SASSOON: No, your Honor. This is a private
24 valuation, which, if you take this case as just one example,
25 it's highly misleading about whether you could actually

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1 liquidate for that amount of money. And this is part of the
2 concern about Anthropic specifically. It has the potential to
3 create a misleading impression with the jury about the nature
4 of this portfolio, which perhaps in hindsight, you could make
5 these arguments, but has no bearing on the fact that it was a
6 gamble at the time that these investments were being made.

7 MR. COHEN: So then why are they arguing that these
8 investments were risky and illiquid and so forth and trying to
9 suggest they were improper if it's not related to the crime?
10 Why are we having hours of testimony?

11 THE COURT: The crime charged is that he took the
12 money.

13 MR. COHEN: Right.

14 THE COURT: That's the crime.

15 MR. COHEN: Right.

16 THE COURT: And what he did with it afterward doesn't
17 matter. This is like saying that if I break into the Federal
18 Reserve Bank, make off with a million bucks, spend it all on
19 Powerball tickets and happen to win, it was okay.

20 MR. COHEN: Your Honor, they're offering evidence
21 exactly on your Honor's hypothetical. They are offering
22 evidence that you used the money for Powerball as proof of the
23 crime.

24 THE COURT: No, I don't see it that way. I mean, the
25 crime is the misappropriation. That's it, it's finished, the

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1 minute the misappropriation happens, whether it's used wisely,
2 foolishly, or whatever, and that's my view. I certainly would
3 never have let in the Anthropic because letting in the
4 Anthropic is kind of like trying to prove that you're a good
5 guy by looking around the room, picking your three best
6 friends, and asking them what kind of a guy you are, and
7 ignoring everybody else. Right? That doesn't work. You don't
8 get to pick your friends and do it that way. It's just
9 unrepresentative. It's meaningless. So—

10 MR. COHEN: But that takes us back to the more narrow
11 point about whether or not we can elicit the nature of venture
12 investing.

13 THE COURT: Well, it does take us back to that. And
14 so far as that is concerned, it might be one thing if you had a
15 qualified witness to talk about that. I'm not saying that
16 would be admissible. I have my doubts about that. But I can't
17 see how eliciting anything from Ms. Ellison on
18 cross-examination on this subject possibly overcomes all the
19 barriers to relevance and admissibility, and maybe you can
20 enlighten me on that.

21 MR. COHEN: Well, they have elicited this testimony
22 from Ms. Ellison. They have elicited from her that she viewed
23 the venture investments as risky investments, with the
24 implication that the defendant should not have made them and
25 that they were reckless, the defendant was reckless for making

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1 them, and one way to rebut that is to show they were part of a
2 portfolio approach to venture investing, which is very common.

3 THE COURT: Which might or might not have paid off.

4 MR. COHEN: Right.

5 THE COURT: And she had her opinion.

6 MR. COHEN: And if the witness doesn't know about the
7 portfolio theory of venture investing, then we are bound by the
8 answer.

9 MS. SASSOON: Your Honor, that testimony was admitted
10 for a proper purpose, which is to show the defendant's
11 knowledge of the misappropriation. One—

12 THE COURT: And her state of mind at various points.

13 MS. SASSOON: Her state of mind and the fact that the
14 money was not just sitting in a bank account ready to be
15 provided to customers, it had been misappropriated and spent on
16 other things, and there were discussions with the defendant
17 establishing that he knew that it was being spent on other
18 things and that this put them in a position of having to use
19 customer money for other expenses, which is exactly what
20 happened. And the fact that in 2021 she's warning the
21 defendant about these investments is inextricably linked to
22 what happened in June when they don't have the money and they
23 have to use customer funds, and it goes to his knowledge about
24 the use of funds to repay the loans because he knows that the
25 money is tied up in illiquid venture investments.

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1 THE COURT: Yes. The government's motion on this
2 point is granted, period. I'm not ruling now on the question
3 of whether somewhere down the road you want to proffer a
4 witness on this. I'll cross that bridge if, as, and when I get
5 to it.

6 MR. COHEN: Understood, your Honor.

7 THE COURT: Okay. Now the other issue is the
8 application by the defense with respect to auto-deletion, where
9 the witness said that she had been told, or the employees
10 generally had been told, that the defendant told people
11 generally to set auto-deletion on some of these messaging
12 accounts and had some other comments that she attributed to
13 him. How about that one, or have we really covered that
14 already? Mr. Cohen?

15 MR. COHEN: I'm sorry, your Honor. I apologize. I
16 didn't hear you. I'm sorry.

17 THE COURT: I said how about that, or have we covered
18 this already?

19 MR. COHEN: Well, I think it is covered in the letter,
20 and the testimony was elicited today about the involvement of
21 counsel, and we would like to be able to ask it—

22 THE COURT: And what was said about the involvement of
23 counsel—

24 MR. COHEN: Well, the—

25 THE COURT: —on the subject of auto-deletion?

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1 MR. COHEN: On the subject of auto-deletion was opened
2 up by the witness.

3 THE COURT: That's not what you said.

4 MR. COHEN: Right. That's fair. That's fair, your
5 Honor. That's fair, your Honor.

6 THE COURT: Nobody, to my recollection—correct me if
7 I'm wrong—nobody said one word on the direct about counsel
8 even being aware that there were settings to auto-deletion. Am
9 I wrong?

10 MR. COHEN: You are not wrong, your Honor, but we
11 believe if we ask this question on cross-examination, we will
12 get a different answer. And we should be entitled to probe it.

13 MR. ROOS: So, your Honor, I think the government is
14 guided by your Honor's October 1st order on this, outlining
15 both the potential probative nature of the involvement of
16 counsel but also the risk of prejudice, confusion. On page 9
17 of your Honor's order, you outlined particular things that were
18 important, including specificity around the involvement of
19 counsel, what they knew, what they blessed, specificity about
20 the topics and their involvement, and I think in order for
21 there to be any relevant and nonprejudicial basis to ask the
22 question of Ms. Ellison, there at first needs to be a proffer
23 of what exactly this was. Was it just there's some indication
24 that lawyers were involved in retention policies generally or
25 is it something more specific, like some particular lawyer, who

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1 we'll name and we have specifics about their involvement, said
2 on this date, it's okay to use an auto-delete Signal messaging
3 system. And so I think before we venture down this road, we
4 need a little more from the defense.

5 THE COURT: Well, there's also—and then I'll give
6 Mr. Cohen an opportunity to respond—there is also the
7 question, quite important in this context, as to what, if
8 anything, the defendant knew about it—the "it" being whatever
9 counsel's role was, if any, and what the lawyers knew about it,
10 because it's reasonably clear that probably something like 502
11 out of the Fortune 500 companies have record retention policies
12 that are written by major law firms for them, or at least
13 blessed by major law firms, and that's of no relevance at all
14 in this context, where there is evidence that somebody, with
15 the intent to make sure there was no evidence, saw to it that
16 documents disappeared, or that a policy was adopted that would
17 get rid of them every 30 days, for the purpose of avoiding the
18 perpetuation of evidence, which is something of which there is
19 evidence so far. Now of course it's not binding on the
20 defense, but there is evidence.

21 MR. ROOS: And your Honor, if I can just make one more
22 point on that. I think the other issue is going to be, is
23 there an admissible nonhearsay purpose for the question to
24 Ms. Ellison. And to play this out, if the defense asks
25 Ms. Ellison, *Did the defendant ever tell you there was a lawyer*

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1 *blessing of an auto-delete policy*, that seems to be for its
2 truth, and there's real questions about its accuracy and
3 legitimacy. And so I don't know that Ms. Ellison—what the
4 answer would be, but I think there needs to be at least a
5 little more investigation here before they're allowed to spring
6 it on the witness.

7 THE COURT: The last word for the evening on this?

8 MR. COHEN: Yes, your Honor. I have a suggestion for
9 the Court to think about overnight. We could take that
10 testimony outside the presence of the jury and the Court could
11 then have a further record to make any ruling.

12 MR. ROOS: I don't know. If they don't have a basis
13 to ask the question now, then they get a test run outside the
14 presence of the jury.

15 MR. COHEN: We believe that she will say that lawyers
16 were involved in the records—excuse me—auto-deletion policy.
17 Now we don't have access to her like the government does, so we
18 haven't had a chance to interview her beforehand, but we
19 believe she will say that. If she doesn't say that, we're
20 bound by her answer. So—

21 THE COURT: And are you willing to broaden that to say
22 that she would say that lawyers were involved in consulting on
23 the use of the auto-deletion policy and that lawyers were aware
24 that the reason that the direction was given to do that by
25 whoever gave the direction was to ensure that evidence

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1 disappeared every 30 days?

2 MR. COHEN: Well, I don't think—I don't know what she
3 would say. I would be fine stopping at the question yes or no
4 if she knew that lawyers were involved in the policy.

5 THE COURT: All right. I will think about it. But
6 this is a problematic subject, and we all have been aware of
7 that for a long time.

8 Okay. Thank you.

9 MR. COHEN: Challenging, your Honor. Not problematic,
10 challenging.

11 THE COURT: I'd have said problematic more than
12 challenging.

13 MS. SASSOON: Quickly, your Honor?

14 THE COURT: Yes.

15 MS. SASSOON: Defense provided us I believe Monday
16 evening with a list of exhibits that it may use for
17 cross-examination to which we are likely to have hearsay
18 objections. And I'm mindful of trying to minimize sidebars, so
19 I wanted to inquire about how the Court would like to address
20 that. Perhaps come in ten minutes early tomorrow to hash some
21 of this out? I'm weary of filing a late-evening letter.

22 THE COURT: No, no, no, no, no. We're having a
23 moratorium on late-evening letters.

24 Look, I have a binder 3 inches thick, which I'm sure
25 is what you're referring to, and the best way of dealing with

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1 it is probably going to be one at a time, but if somebody has a
2 better idea, I'll consider it.

3 MR. COHEN: Your Honor, we can try to confer with the
4 government. Just for your Honor's benefit, much of the binder
5 is material we might use in impeachment and we're not seeking
6 to offer. I think the disputes will be about a relatively
7 limited set of documents, which we can talk to the government
8 about tonight again and see if we can work something out.

9 THE COURT: Well, I urge you to do that, and I'm
10 grateful for the clarification from you. And as I said at the
11 sidebar before, I know I'm dealing with some very fine lawyers
12 here and, you know, people get a little tense once in a while.
13 It happens. But it's all in good faith.

14 Good night.

15 (Adjourned to October 12, 2023, at 9:30 a.m.)
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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 October 12, 2023
10 9:30 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
17 Southern District of New York

18 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury present)

2 THE COURT: The defendant and the jurors all are
3 present, as they have been throughout.

4 Ms. Ellison, you are still under oath.

5 Mr. Cohen, you may proceed.

6 MR. COHEN: Thank you, your Honor.

7 CAROLINE ELLISON, resumed.

8 CROSS-EXAMINATION (cont'd)

9 BY MR. COHEN:

10 Q. Good morning, Ms. Ellison?

11 A. Good morning.

12 Q. I want to just briefly touch on what we were speaking about
13 yesterday?

14 A. Yes.

15 Q. That's the difference between the fiat@ account and the
16 info@ account.

17 A. OK.

18 Q. Now, the fiat account was an account that received fiat
19 dollars, British pounds, so on, correct?

20 A. Are you referring to the bank account?

21 Q. Yes. I didn't mean to interrupt.

22 A. You're referring to the bank account?

23 Q. Yes.

24 A. Which bank account?

25 Q. The Alameda bank account or the North Dimension bank

1 account.

2 A. Yes. Alameda and North Dimension both had several bank
3 accounts.

4 Q. Those are the accounts that received the fiat deposits,
5 correct?

6 A. Yes. At times they received fiat deposits for at least
7 some of them received fiat deposits for FTX customers.

8 Q. Now, explain to us what the term fiat underscore -- FTX
9 underscore fiat referred to.

10 A. That referred to the Alameda's account on FTX that tracked
11 the fiat deposits that Alameda was receiving in its North
12 Dimension bank accounts.

13 Q. That was on the Alameda account on FTX, correct?

14 A. That's right.

15 Q. The info account?

16 THE COURT: Excuse me. Let's try to clarify a little.

17 When you talk about the FTX underscore fiat account,
18 are you talking about a bank account or an account on the books
19 and records maintained by FTX, or both?

20 THE WITNESS: I was referring to an account on FTX,
21 not a bank account.

22 THE COURT: Let's try to be clear.

23 Q. You meant a ledger entry, correct?

24 A. Yeah.

25 Q. Now, the info@ account was Alameda's account for trading on

1 FTX, the exchange, is that correct?

2 A. It was our main account for trading on FTX, yes.

3 Q. Fair enough. It was a main account and it also had sub
4 accounts.

5 A. Yes, that's right.

6 Q. And it had about 200 subaccounts?

7 A. I don't know the exact number.

8 Q. Ballpark.

9 A. Yeah. I had had at least dozens of subaccounts, I would
10 say.

11 THE COURT: Again, just for clarity, the info@ account
12 was an account in the sense of a customer account with FTX,
13 right?

14 THE WITNESS: That's correct.

15 THE COURT: Not a bank account and not a ledger
16 account on somebody's books. Yes?

17 THE WITNESS: Yes, that's right.

18 THE COURT: OK.

19 Q. So when Alameda made trades on the FTX exchange, they would
20 be reflected -- to follow up on your Honor's question, they
21 would be reflected in the info@ account?

22 A. Most of our trades, yes. We also do trades on other
23 accounts at various times.

24 Q. And you also did trades on other exchanges?

25 A. That's right.

1 Q. Now, I want to go back, Ms. Ellison, to some of the
2 testimony you gave here on Tuesday about sort of the early
3 days. I don't intend to repeat all of it, but there are a few
4 things I would like to go over with you, if that's OK.

5 A. Yup.

6 Q. You testified that you joined Alameda in about 2018, is
7 that correct?

8 A. That's right.

9 Q. And you testified that sometime after you joined you
10 learned that there had been prior issues at Alameda, correct?

11 A. That's right.

12 Q. And you were concerned with the defendant not telling you
13 about them, correct?

14 A. Yes, I was.

15 Q. And one of the issues you mentioned was that there had been
16 disputes among the various people at Alameda, correct?

17 A. That's right.

18 Q. Is it fair to say, Ms. Ellison, that after you had been at
19 Alameda for a time you came to understand more about what had
20 happened?

21 A. Yes, that's fair to say.

22 MS. SASSOON: Objection. Relevance.

23 THE COURT: It has been answered. Overruled.

24 Q. Did you come to a view that Sam had been correct about many
25 of the issues he first talked to you about?

1 MS. SASSOON: Objection. Relevance.

2 THE COURT: What's the relevance, Mr. Cohen?

3 MR. COHEN: Your Honor, can we come up to the sidebar?

4 THE COURT: We are not going -- yes, but we are not

5 going to do this on every question.

6 MR. COHEN: I would prefer not to.

7 (Continued on next page)

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1 (At sidebar)

2 MR. COHEN: It's one more question, first of all.

3 THE COURT: Always good to know.

4 MR. COHEN: The implication or the inference that the
5 government sought yesterday in its examination about this topic
6 was that Mr. Bankman-Fried had a pattern of being reckless and
7 deceitful that went back even to the early days of Alameda.

8 What this witness I believe will answer, certainly if
9 she is consistent with the 3500, is that after she came to
10 understand what had happened, she believed he was right about
11 the dispute.

12 MS. SASSOON: This information was elicited yesterday
13 or Tuesday from the witness with respect to her relationship
14 with the defendant and his failure to disclose to her the
15 financial state of Alameda when she joined or when she
16 apologized after for concealing from her, not the merits of any
17 underlying dispute that gave rise to Alameda being in a worse
18 financial situation when she arrived which had not been shared
19 with her.

20 Her view on that situation, whatever view she formed,
21 was formed on hearsay conversations with the defendant, no
22 firsthand knowledge of what actually occurred. It's
23 irrelevant, it's based on hearsay, and the pending question is
24 vague because I think the question was: And what was your view
25 about the things that were talked about. Who even knows what

1 that is referring to.

2 MR. COHEN: The issue with that proffer is that's not
3 what she elicited. She elicited testimony about a dispute
4 between employees. It wasn't just about the financial
5 situation of Alameda. That just wasn't -- could have been
6 limited that way, but it wasn't.

7 So we are left with the implication that from jump my
8 client was misleading her about fundamental things that,
9 according to the 3500, when she came to understand it, she
10 didn't believe he was misleading her. That's fair cross, your
11 Honor.

12 MS. SASSOON: Your Honor, the appropriate way to
13 address that was to make an objection and ask for a limiting
14 instruction that it wasn't being offered for the truth. To now
15 get into the underlying merits of that dispute and any view she
16 formed based on self-serving hearsay statements from the
17 defendant is irrelevant and based on hearsay.

18 MR. COHEN: Your Honor, we are not limited to the
19 government's theory of the case. We are allowed to put on a
20 defense. We are allowed to cover topics that have been covered
21 before and to put our view of what happened across.

22 I have to say, I can't think of a trial I've done
23 where we are being told we have to limit our cross to only what
24 was on the direct.

25 THE COURT: I can't think of that actually occurring

1 in this case.

2 MR. COHEN: Then I withdraw that remark.

3 THE COURT: And properly so.

4 I will allow the one additional question and the
5 question pending, but that's it.

6 MR. COHEN: That's all I wanted to do.

7 THE COURT: All right.

8 (Continued on next page)

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1 (In open court)

2 MR. COHEN: Would you read the question back, please.
3 yes, sure.

4 (Record read)

5 A. Yes, I did come to that view.

6 Q. Now, on Tuesday you gave us your views -- some of your
7 views about Mr. Bankman-Fried. I want to just talk about a few
8 of them. You described him to us. You told us he was
9 ambitious and driven.

10 Do you recall that, Ms. Ellison?

11 A. Yeah. At least I recall saying that he was ambitious, but
12 I would also agree that he was driven.

13 Q. We can stay with ambitious. He worked very hard?

14 A. Yes.

15 Q. You worked very hard?

16 A. Yes, I did.

17 Q. Gary and Nishad also worked very hard?

18 A. Yes. I agree with that.

19 Q. You were all ambitious in your way, correct?

20 MS. SASSOON: Objection. Form.

21 Q. Were you ambitious, Ms. Ellison?

22 THE COURT: Overruled.

23 A. I didn't think of myself as ambitious before I started at
24 Alameda, but I think I became more ambitious as Sam encouraged
25 me in that.

1 Q. After all, you and Sam and Gary and Nishad built two
2 companies within three years, correct?

3 A. That's right.

4 Q. And prior to 2022, both of those companies were worth
5 billions of dollars, correct?

6 A. Yes.

7 MS. SASSOON: Objection.

8 THE COURT: Sustained.

9 Q. You also told us, Ms. Ellison, on Tuesday that you had --
10 you come to a view, based on your interactions with Sam, about
11 his view of risk.

12 You recall that testimony?

13 A. Yes, I do.

14 Q. Would it be fair to say that when it came to risk, business
15 risk, you were more conservative than he was.

16 A. Yes, that's fair to say.

17 Q. In your view, he was willing to take more business risk
18 than you were?

19 A. Yes, that's right.

20 Q. Did you have a view about Gary's willingness to take risks
21 from a business perspective?

22 MS. SASSOON: Objection. Foundation.

23 THE COURT: Sustained.

24 Q. Based on your interaction -- let me back up. How long did
25 you know Gary for?

1 A. I met him when I started at Alameda, so in 2018.

2 Q. Based on your interactions with Gary, did you come to a
3 view about his views about risk?

4 A. I don't think I ever had a very clear impression of what
5 his views on risk were.

6 Q. Let's go back to your views of Sam. Is it fair to say,
7 Ms. Ellison, that sometimes he took risks that you would not
8 have taken?

9 A. Yes, that's right.

10 Q. For example -- let me rephrase. Do you recall, in 2019,
11 when Alameda was already established, Mr. Bankman-Fried wanted
12 to start FTX?

13 A. Yes, I do.

14 Q. And you didn't think that was a good idea?

15 A. That's right.

16 Q. You thought that FTX might have problems getting customers,
17 for example?

18 A. Yes, I did.

19 Q. And that it might be a waste of time to start it?

20 A. Yes.

21 Q. That was one way in which you and he differed on the risk
22 around starting FTX?

23 A. Yes, that's right.

24 Q. Do you recall there was some testimony I think on Tuesday
25 and also Wednesday you gave about a token call -- not a token.

1 About Solana.

2 A. Yes, that's right.

3 Q. What was Solana, just to remind us all?

4 A. Solana was a Blockchain that Alameda built debts called
5 Serum on and it was also a coin that Sam wanted to invest in.

6 Q. You recall that, in your view, Solana at the time was not a
7 good investment?

8 A. I don't recall my exact view. I definitely recall that I
9 was less excited about investing in Solana than Sam was.

10 Q. Fair enough.

11 And you were not excited about him buying it for one
12 dollar, correct?

13 A. I don't remember having an opinion on the one dollar price.
14 I do remember that there was a swap of Solana for Serum that I
15 was against because I thought it involved selling Serum at too
16 low of a price relative to Solana.

17 Q. Is it fair to say that over time, when you looked back,
18 sometimes your view of risk was correct compared to his?

19 A. Yeah.

20 Q. And sometimes his view of risk was correct compared to
21 yours?

22 A. Yeah. I think that's right.

23 Q. Now, you spoke, I think, Tuesday and also yesterday about
24 the fact that at times the job at Alameda could be very
25 stressful, is that correct?

1 A. Yes, I did.

2 Q. Now, would you agree with me that you and Sam had different
3 ways of reacting to stress?

4 A. Yeah, I think so.

5 Q. Now, you also told us Tuesday, and I think yesterday, you
6 talked to us about Sam's interaction with the media.

7 Do you recall that, ma'am?

8 A. Yes, I do.

9 Q. To contrast your styles, you were more of a
10 behind-the-scenes, not-be-out-in-the-media person?

11 A. That's right.

12 Q. That was your business style?

13 A. Yeah.

14 Q. His business style was to be more out in the media, more in
15 the public attention?

16 A. Yes, that's right.

17 Q. In and of itself, you didn't think there was anything wrong
18 with that?

19 MS. SASSOON: Objection.

20 THE COURT: What's the objection?

21 MS. SASSOON: Her view of whether there was anything
22 wrong with that.

23 THE COURT: Sustained.

24 Q. Now, you testified, I think it was Tuesday, maybe it was
25 Wednesday, that, in your view, Mr. Bankman-Fried also had a

1 certain personal style in terms of the kind of clothing he
2 wore, correct?

3 A. Yes.

4 Q. And that was the T-shirts and shorts and so on?

5 A. That's right.

6 Q. And that was obviously different from your style?

7 A. That's right.

8 Q. And I think you told us that, in your view, this was
9 something being done trying to promote the business of FTX?

10 MS. SASSOON: Objection. Misstates her testimony.

11 THE COURT: Sustained.

12 Q. Did you have a view of the style and whether it would
13 promote the business of FTX?

14 MS. SASSOON: Objection. Relevance.

15 THE COURT: Overruled.

16 A. I don't recall having a strong opinion on whether his style
17 was good or not for FTX. I thought it had some pros and cons.

18 Q. OK. Fair enough.

19 Let me move forward to some of the other topics you
20 covered on Tuesday. I am not going to go into them in the same
21 detail, but I want to go over a few things.

22 You came to Alameda in 2018, and I believe you told us
23 your first position was as a trader, is that correct?

24 A. Yes, that's right.

25 Q. And that you got the title of CEO or co-CEO in the summer

1 of 2021?

2 A. That's right.

3 Q. Let me step back a moment and call your attention to 2022.

4 There is a person we have talked about in the case named Sam
5 Trabucco.

6 Do you recall that?

7 A. Yes.

8 Q. I think for convenience we are all referring to him as
9 Trabucco because there is a lot of Sams.

10 A. Yeah.

11 Q. Is it fair to say, ma'am, that, in 2020, you and Trabucco
12 began running Alameda's day-to-day operations on a de facto
13 basis?

14 A. I would say, in 2020, Trabucco and I began handling a lot
15 of Alameda's day-to-day business.

16 Q. Mr. Bankman-Fried would check in with you?

17 A. Yes, he would.

18 Q. He might tell you things to do?

19 A. Yes.

20 Q. But he would also be absent for long periods of time,
21 correct?

22 A. There were periods of time when he wasn't paying much
23 attention to Alameda or talking to us much.

24 Q. And he would leave it to you and Trabucco?

25 A. Yeah.

1 MR. COHEN: Can we pull up GX-25B in evidence.

2 Q. You discussed this on your direct, Ms. Ellison. This is an
3 example of some of the Google Docs entry you made, correct?

4 A. Yes, that's right.

5 Q. And I believe you told us it was your regular practice to
6 make business-related notes in your Google Docs, correct?

7 A. That's right.

8 Q. And 25B is an example of that.

9 A. Yes, it is.

10 MR. COHEN: Can we take that down for a moment and
11 pull up GX-64.

12 It's a multipage document. Can you please show
13 Ms. Ellison the multiple pages so she can see the whole thing.
14 And go back to the beginning, Brian, when you are done.

15 Q. Quick question. Is this another example, Ms. Ellison, of
16 the kind of business-related notes you would take in the Google
17 documents?

18 A. This looks like an update document that I would send to
19 Sam, as opposed to the personal notes I would just keep for
20 myself.

21 Q. This would be to update him on the business of Alameda,
22 correct?

23 A. Yes, that's right.

24 Q. And it was your regular practice to keep these kinds of
25 notes as well?

1 A. Yes, that's right.

2 MR. COHEN: Can we now call up just for the witness
3 DX-10 for identification.

4 Q. Take a moment to go through DX-10, Ms. Ellison. You can
5 see the whole document. I just have some preliminary questions
6 for you.

7 THE COURT: Does this correspond to a tab in the book
8 you have given me?

9 MR. COHEN: Yes, your Honor. I'm sorry. Tab 5.

10 THE COURT: Thank you.

11 A. Could I see the second page again?

12 Q. Of course.

13 A. OK.

14 Q. Ms. Ellison, is it fair to say this is another entry in
15 your Google Docs relating to your views on the Alameda and FTX
16 business?

17 A. This is a Google Doc that I wrote to share with Alameda
18 employees.

19 Q. It is in connection with your business, correct?

20 A. Yes.

21 Q. Was it your regular practice to keep these kinds of
22 documents as well?

23 A. I wouldn't say I did this very frequently, but this was
24 addressing some upset feelings that various Alameda employees
25 had.

1 Q. And did it reflect your intent and state of mind at the
2 time relating to that situation with the employees?

3 MS. SASSOON: Objection. Vague.

4 THE COURT: Sustained as to form.

5 Q. Did it reflect your intent regarding the business purposes
6 of running the business of Alameda?

7 MS. SASSOON: Same objection.

8 THE COURT: Same ruling. Try again.

9 Q. What did it reflect?

10 A. It was a message that I wanted to share with Alameda
11 employees to encourage them and improve their morale.

12 Q. And you were sharing it as a CEO of Alameda?

13 A. I don't recall if I was CEO already at the time or not.

14 Q. I believe we have a date. I am just looking for the date.
15 Let's see if that helps you, Ms. Ellison.

16 According to stipulation 2003 as to authenticity, this
17 is a document entitled EV of Alameda, dated July 22, 2021.

18 Does that help you, ma'am?

19 A. Yeah. My recollection is that I wasn't appointed co-CEO
20 until August of 2021. I am not totally sure about that.

21 Q. But it's in connection with your role in Alameda?

22 A. With my role in Alameda, yes.

23 MR. COHEN: Your Honor, we offer DX-10.

24 MS. SASSOON: Objection. This does not satisfy 803(6)
25 or 803(3) and it's hearsay.

1 THE COURT: Tell me what you think the 803(6) problem
2 is, please.

3 MS. SASSOON: Yes, your Honor. You'd like me to
4 explain?

5 THE COURT: Yes.

6 MS. SASSOON: Although Ms. Ellison testified that she
7 wrote this while at Alameda, a foundation has not been
8 established that satisfies the four prerequisites of the rule.
9 This document is unlike the others shown to Ms. Ellison. It is
10 not on her to-do list. It's not an updated document to the
11 defendant.

12 THE COURT: A little slower.

13 MS. SASSOON: It's a document she said she wrote to
14 some of her Alameda employees, which she said she did not do
15 routinely, and in that sense it resembles an email created as
16 part of a business practice which your Honor in *DLA Piper* said
17 does not alone satisfy 803(6).

18 THE COURT: And the other rule counsel cited was?

19 MS. SASSOON: He did not cite 803(3), but one of the
20 sustained questions seemed to gesture at 803(3), and no
21 foundation with respect to this document overall or even a part
22 of it has been established as going to state of mind at this
23 time.

24 THE COURT: Mr. Cohen.

25 MR. COHEN: Yes, your Honor.

1 With respect to the 803(6) ground, as I'm sure counsel
2 is aware, the witness only has to say that it's part of the
3 regular practice. It doesn't have to be done every day or
4 every week or so forth, and I think there is sufficient
5 foundation for that.

6 With respect to 803(3) it goes to that existing state
7 of mind.

8 THE COURT: What's the relevance of her then existing
9 state of mind?

10 MR. COHEN: Your Honor, can we approach?

11 THE COURT: All right.

12 (Continued on next page)

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1 (At sidebar)

2 MR. COHEN: Thank you, your Honor.

3 A couple of things. There has been a lot of testimony
4 elicited that Ms. Ellison was not running Alameda, that she was
5 just taking instruction from the defendant.

6 So on the relevancy ground we believe this document
7 shows -- rebuts that. The government is free to argue that it
8 doesn't, but we believe that it does. And as I am sure your
9 Honor knows, we don't have to show that this was done once a
10 week, once a day, so forth. We just have to show there was a
11 regular practice of it.

12 As to her state of mind, this is a conspiracy case, as
13 I was reminded of by counsel yesterday, and I made an objection
14 to evidence coming in as to her state of mind, and her state of
15 mind as to what her relationship with Mr. Bankman-Fried was, in
16 particular when it came to running Alameda was relevant to the
17 case. The government says she really didn't run it. It's
18 their argument. We would like to put in evidence to show that
19 she did.

20 MS. SASSOON: I'll start with 803(3) first. That's
21 not an exception to the hearsay rule meant to swallow the rule
22 to put in any past statements by a witness.

23 This document has a number of assertions, like FTX
24 just raised a \$18 billion valuation. How that goes to
25 Ms. Ellison's intent, plan or preparation under 803(3) is

1 beyond me, and that's true with a lot of the statements in this
2 document, and defense counsel has not pointed to anything here
3 that directly goes to Ms. Ellison's then present state of mind
4 or intent under 803(3).

5 As for 803(6), there are four requirements and it's
6 not just that you created a document in the course of the
7 business. It has to be shown that this type of document was
8 maintained in the regular course of business, that it was a
9 regular practice and it was made in the course of a regularly
10 conducted business activity. I don't think that that
11 foundation has been established. This is more equivalent to an
12 email of encouragement to her employees, as she described it.

13 And, finally, to the extent that defense counsel said
14 it is being offered to rebut the implication that she was not
15 running Alameda, they haven't said it's being offered as a
16 prior inconsistent statement or to impeach, and to establish
17 that additional questions would have to be asked that would
18 show this to be inconsistent with her testimony.

19 MR. COHEN: Your Honor, if it will make it easier for
20 the Court, the only passage I'm interested in is this one. I'm
21 interested in all, but primarily this one.

22 THE COURT: Counsel is referring to the page with the
23 Bates stamp ending in 470, starting with the sentence that
24 reads: The truth is, both have really high upside, and ending
25 with the word often three paragraphs later.

1 MS. SASSOON: May I respond to this?

2 THE COURT: Let me just read it.

3 MS. SASSOON: I believe the witness just testified
4 that there were periods of time where the defendant was not
5 paying attention to Alameda, so I don't think that any of her
6 testimony at this point is inconsistent with this document.

7 I think it would be appropriate to ask questions to
8 elicit the type of information that's in this document, but I
9 don't think there is an admissible basis at this point for this
10 portion of the document itself, whether to impeach as a prior
11 consistent statement or under the other rules we have been
12 discussing.

13 MR. COHEN: With respect, she gave the answer. Then
14 she qualified it.

15 THE COURT: What answer did she qualify?

16 MR. COHEN: She said that he was absent for long
17 periods of time but that she qualified that she wasn't sure
18 about that, which is inconsistent with this.

19 MS. SASSOON: I don't remember that testimony.

20 THE COURT: Nor do I. But the transcript will
21 reflect.

22 If there is a specific part that you want to offer,
23 let's address that, but at the moment you've offered the whole
24 thing.

25 MR. COHEN: Just the part that I showed your Honor is

1 fine.

2 MS. SASSOON: Your Honor, as now explained by the
3 defense, they are trying to offer this for its truth. It
4 certainly would not be admissible under 803(3).

5 THE COURT: I agree with the last statement. My
6 recollection of the testimony is that this was a document that
7 she created to address what she understood to be some upset
8 feelings at AR and that this was not something she regularly
9 did. Am I mistaken?

10 MR. COHEN: I think -- as your Honor says, the
11 transcript controls, but I think what she said was that this is
12 not something she did, the kind of thing she did every day or
13 every month, but she did do on a regular basis at Alameda.

14 THE COURT: Do you agree with that?

15 MS. SASSOON: No. Mr. Cohen showed her three totally
16 different categories of documents, attempted to conflate the
17 three, and the witness resisted that and said no. This is not
18 like my update docs. This is not like my to-do list. This is
19 something maybe every once in a while I shared with my
20 employees for a specific purpose.

21 THE COURT: Objection sustained.

22 MR. COHEN: Thank you, your Honor.

23 (Continued on next page)

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1 (In open court)

2 MR. COHEN: Could I have the question read back,
3 question and answer read back from before the colloquy for the
4 Court.

5 MS. SASSOON: Objection, your Honor. It pertained to
6 a document not in evidence.

7 MR. COHEN: Before that, before the document was
8 offered.

9 THE COURT: Then I don't know what you're asking.

10 The very last question and answer before we wound up
11 in the sidebar was:

12 "Q. But it's in connection with your role in Alameda?

13 "A. With my role in Alameda, yes."

14 Q. Let me continue, Ms. Ellison, with the period in which you
15 and Mr. Trabucco, in 2020 going into 2021, when you were
16 handling day to day for Alameda.

17 Did you have a view -- did you know Mr. Trabucco?

18 A. Yes, I did.

19 Q. Did you have a view of him as a trader?

20 A. Yes. I thought he was a very good trader.

21 Q. Did you have a view of how he handled extreme situations?

22 MS. SASSOON: Objection. Form.

23 THE COURT: Sustained as to form.

24 Q. From time to time, did you have the opportunity to observe
25 Mr. Trabucco in various situations?

1 A. Yes.

2 Q. Did you observe him in situations you considered to be
3 extreme?

4 MS. SASSOON: Objection. Vague.

5 THE COURT: I'll allow it.

6 A. Yes, I did.

7 Q. And did you form a view of how he handled those?

8 A. Yes, I did.

9 Q. What was that?

10 A. I thought that he was good under pressure and good at
11 handling extreme trading situations.

12 Q. Now, moving forward to 2021, you and he officially became
13 co-CEOs, I think you said, in the summer of 2021, is that
14 right?

15 A. That's right.

16 Q. And then toward the end of that year, is it fair to say
17 that he stopped coming to the office?

18 A. Yes, that's right.

19 Q. And he sort of stepped away from handling the job.

20 A. That's right.

21 Q. Leaving it to you.

22 A. That's right.

23 Q. And he officially resigned as co-CEO in August of 2022, is
24 that correct?

25 A. Yes. I recall him resigning sometime around then.

1 Q. I didn't mean to interrupt.

2 You remained the sole CEO from that point on until
3 November of 2022?

4 A. That's correct.

5 Q. During that period did there come a time that the topic of
6 adding another co-CEO came up?

7 A. Yes, it did.

8 Q. Who did it come up with?

9 A. I believe Sam brought it up.

10 Q. What do you recall about that topic?

11 A. When we were talking about the idea of Trabucco stepping
12 down, Sam asked whether we should add Ben Xie, who was the head
13 of trading at Alameda, as co-CEO, and I said that I didn't
14 think it made sense.

15 Q. I think we talked about Ben Xie. That's X-i-e, right?

16 A. Yes.

17 Q. He had been a trader at Alameda?

18 A. Yes.

19 Q. And the discussion was about whether he would become co-CEO
20 with you?

21 A. Yes, that's right. He was already head of trading, I
22 believe.

23 Q. In your view, was it was better if you continued as the
24 sole CEO, correct?

25 A. Yes, I expressed that.

1 Q. I want to move on to another topic related to the beginning
2 years at Alameda. Actually, it's all the years at Alameda.

3 I apologize. Let me start again.

4 I want to go over with some more detail some of your
5 responsibilities as the CEO of Alameda.

6 A. OK.

7 Q. By, call it, 2021, 2022, about how many employees did
8 Alameda have?

9 A. Around 30.

10 Q. And you have mentioned yesterday of course it had traders?

11 A. That's right.

12 Q. It had people called settlement people. Can you explain to
13 the jury what that was.

14 A. Yes. This was the team that handled things like sending
15 wire transfers or sending cryptocurrency between different
16 accounts.

17 Q. And it also had people called developers?

18 A. Yes, that's right, software developers, so they handled the
19 technology side of Alameda.

20 Q. Those were the computer people?

21 A. Yes, that's right.

22 Q. And accountants?

23 A. Yes. We had one accounting person starting in, I think,
24 2021 and hired two more junior people in 2022.

25 Q. And during the 2020 to '21 time period, you and

1 Mr. Trabucco and then you managed these employees, correct?

2 A. Yes, that's right.

3 Q. I think you told us yesterday that along with Sam you and

4 Sam also determined the trading strategies for Alameda.

5 MS. SASSOON: Objection. Two Sams, I think.

6 THE COURT: Sustained.

7 Q. Did you determine the trading strategies for Alameda?

8 A. I would say that Sam gave the ultimate direction on what he
9 thought we should do, and then Trabucco and I also made trading
10 decisions for Alameda ultimately deferring to Sam, and of
11 course other traders did as well.

12 Q. You had input into the trading decisions?

13 A. Yes, that's right.

14 Q. Did you also deal with matters relating to HR?

15 A. Yes. I did things like hiring and firing employees and
16 having meetings with them.

17 Q. Did you also deal with data security for Alameda?

18 A. I wouldn't say I dealt much with it directly. That was
19 more the developers.

20 Q. And, to your understanding, what data security issues were
21 dealt with?

22 A. Things like keeping our passwords and our API keys secure,
23 preventing people from hacking our systems.

24 Q. Was hacking of the systems a risk to Alameda?

25 A. Yes, it was. It happened a few times.

1 Q. It actually happened.

2 A. Yes, that's right.

3 Q. Now, coming back to accounting matters, when you first
4 joined Alameda, even before you became CEO, did you, as part of
5 your job, handle accounting matters?

6 A. Yes, I did. From not too long after I started at Alameda,
7 Sam asked if I could handle some of the accounting and
8 calculating things like daily trading panels, things like that.

9 Q. You took it on?

10 A. That's right.

11 Q. Fair to say no one else wanted to do it?

12 A. No one else wanted to at the time. At various times other
13 people did take on some of these responsibilities.

14 Q. Fair enough. But you early on you would hire accounting
15 people and they would leave?

16 A. Yes. We did have a few people that we tried to give these
17 accounting responsibilities to, and they found they couldn't or
18 didn't want to handle it.

19 Q. Over the course of your time at Alameda, one of the things
20 you wanted to do was try to improve the accounting systems?

21 A. Yeah, definitely.

22 Q. You found it to be a difficult or hard task?

23 A. I did.

24 Q. Fair to say there were processes to be built out relating
25 to accounting?

1 A. Yeah.

2 Q. Now, I think you testified on Tuesday that another one of
3 your responsibilities was preparing balance sheets. Is that
4 correct?

5 A. Yes, that's right.

6 Q. And is it fair to say that, in 2019 or so, Ryan Salame
7 prepared the balance sheets for Alameda?

8 A. He did prepare balance sheets for Alameda for some time
9 period. I thought that it was more like 2020 or 2021, but I'm
10 not sure.

11 Q. Regardless of timing, there came a time where you sort of
12 took it over from Mr. Salame?

13 A. Yes, that's right.

14 Q. Can you describe for us the process you would go through to
15 prepare a balance sheet in the 2020 and 2021 period.

16 A. Yes. There was an automated spreadsheet that had a bunch
17 of macros that would pull data from Alameda's databases, and
18 this would produce a balance sheet. But in practice just
19 running the automated spreadsheet wasn't enough. There was a
20 lot of manual reconciliation that I had to do. So basically
21 looking for discrepancies and fixing mistakes, things like
22 that.

23 Q. So you had to pull the data first, correct?

24 A. Yeah.

25 Q. Then you had to manually go in and check for discrepancies?

1 A. Yes, that's right.

2 Q. During 2021, you prepared, I guess, four balance sheets,
3 four quarterly balance sheets?

4 A. Yes, that's right. I think I also maybe prepared other
5 nonquarterly balance sheets.

6 Q. And then a year-end balance sheet?

7 A. That would be one of the quarterly balance sheets.

8 Q. OK. Fine.

9 Did you regard any of those balance sheets as
10 misleading?

11 A. No. Not intentionally so, that I can recall.

12 Q. And those balance sheets were one page?

13 A. Yes, that's right.

14 Q. They had summary categories for assets?

15 A. That's right.

16 Q. Summary categories for liabilities?

17 A. That's right.

18 Q. Then they'd would have retained earnings, correct?

19 A. Yes, that's correct.

20 Q. Just for the jury's benefit, retained earnings is
21 synonymous with what we have been calling net asset value,
22 right?

23 A. Yes.

24 Q. For NAV?

25 A. Yes.

1 Q. And one of the purposes for preparing the balance sheets in
2 2021 was to send them to various lenders that Alameda had,
3 correct?

4 A. That's right.

5 Q. So you would send them these one-page balance sheets on a
6 quarterly basis?

7 A. Yes, that's right.

8 Q. Would they ever ask you any questions about them?

9 A. Sometimes.

10 Q. Would they ever ask you for additional information?

11 A. Yeah, sometimes.

12 Q. And if they did, you would provide it?

13 A. Sometimes. Sometimes we said that it wasn't something --
14 sometimes we said that it wasn't something we could or would
15 provide.

16 Q. Now, I think another one of your responsibilities at
17 Alameda was to interact with the lenders, correct?

18 A. Yes, that's right. Eventually, we hired someone to be head
19 of borrow lending, so at that point I didn't interact much with
20 lenders directly.

21 Q. That person was Richard Chang, who we talked about
22 yesterday?

23 A. Yes, that's correct.

24 Q. And he was head of borrow lending?

25 A. Yes.

1 Q. And you supervised him?

2 A. Yes, that's right.

3 Q. From time to time would you also have direct contact with
4 lenders?

5 A. Yes, I would.

6 Q. Now, I just want to ask you something I meant to ask you
7 earlier. One of the ways that Alameda -- let me back up. Who
8 were the owners of Alameda?

9 A. Sam was the main owner, and I believe Gary also owed 10
10 percent of it.

11 Q. There were no outside investors?

12 A. That's correct.

13 Q. It was a private company owned by Sam and Gary?

14 A. That's right.

15 Q. The way that Alameda got capital was by borrowing from
16 lenders, correct?

17 A. That was the primary way, yes.

18 Q. We heard some of the names yesterday, but just to refresh,
19 so it would be lenders like Voyager, Genesis, and I am going to
20 pronounce this wrong. Ledn?

21 A. That's right. Those were all lenders to Alameda.

22 Q. So Alameda was a hedge fund that was structured in a way
23 where it got its capital from third-party lenders?

24 A. I didn't generally refer to us as a hedge fund. This was a
25 trading firm.

1 Q. That's a better answer.

2 Did you have a view about this structure?

3 MS. SASSOON: Objection. Vague.

4 THE COURT: Overruled.

5 A. Do you have anything more specific.

6 Q. Sure. Let me try again, Ms. Ellison.

7 Did you feel that this structure was proper?

8 MS. SASSOON: Objection.

9 THE COURT: Sustained as to form.

10 Q. Did you come to a view about the use of this structure of
11 having third-party lenders?

12 A. I thought it was a way for Alameda to get capital and had
13 advantages over some other potential ways, such as have a hedge
14 fund structure with investors in that form.

15 Q. I believe you testified yesterday that you had been an
16 intern at Jane Street?

17 A. Yes. As well as a full-time trader there.

18 Q. And Jane Street was a Wall Street firm, trading firm?

19 A. Yes, that's right.

20 Q. Did you ever learn about whether Jane Street -- how Jane
21 Street received its capital?

22 MS. SASSOON: Objection, 401.

23 THE COURT: I'm sorry. What did you say?

24 MS. SASSOON: 401.

25 THE COURT: Sustained.

1 Q. Now, in terms of Alameda's relationship with its
2 third-party lenders -- let me ask this question. What could
3 Alameda do with the funds that it borrowed from the lenders?

4 A. We could trade. We could pay expenses.

5 Q. I'm sorry. I didn't mean to interrupt.

6 A. No. Sorry. Nothing else.

7 Q. You could use the funds for business purposes?

8 A. Yeah.

9 Q. So the lenders didn't restrict the particular business
10 purposes?

11 A. No.

12 MR. COHEN: Your Honor, I'd like to go to what is tab
13 13 in your binder, DX-155 for identification. I have a hard
14 copy for the witness which, if I can approach, I'll hand to the
15 witness.

16 THE COURT: You may.

17 Q. I don't have a lot of questions for you about this, ma'am,
18 but just take a look and look through DX-155 for
19 identification.

20 Do you recognize this document?

21 A. Yes, I do.

22 Q. What is it?

23 A. This is a master loan agreement between Alameda and
24 Voyager, who is one of our lenders.

25 Q. If you could turn to page 28, ma'am.

1 Did you sign that document?

2 A. Yes, I did.

3 MR. COHEN: The defense offers Exhibit 155.

4 MS. SASSOON: No objection.

5 THE COURT: Received.

6 (Defendant's Exhibit 155 received in evidence)

7 Q. If you could turn to the first page, Ms. Ellison. You used
8 the first master loan agreement. Could you describe for the
9 jury what that is?

10 A. That's a loan agreement between two parties that states the
11 general terms, and then further loans between the two parties
12 would be subject to those terms but might have different
13 details, such as different amounts of currency or interest
14 rates or prepayment dates.

15 Q. Would the idea be that this was a lender you were going to
16 have an ongoing relationship with?

17 A. Yes, that's right.

18 Q. First, you did the master loan agreement and then, as you
19 took down additional loans, you'd have additions to that
20 agreement.

21 A. Yes, that's right.

22 Q. You can put that to one side, ma'am.

23 Now I want to talk about in connection with your job
24 responsibilities. We talked about your responsibilities at
25 Alameda. Now I want to talk briefly about what you did or did

1 not do in regard to FTX. OK?

2 A. OK.

3 Q. Who was Ramnik Arora?

4 A. He was the head of ventures and investor relations at FTX.

5 Q. And did he handle, along with Sam, investments for FTX?

6 MS. SASSOON: Objection. Foundation.

7 THE COURT: Lay a foundation.

8 MR. COHEN: I thought the previous question did, but

9 OK.

10 Q. Did you know Mr. Arora?

11 A. Yes, I did.

12 Q. Did you interact with him?

13 A. Yes.

14 Q. Based on those interactions, did you have a view of what he
15 did in relation to investors?

16 A. Yes. I heard from him that he had a lot of interactions
17 with investors and a lot of fundraising calls.

18 Q. And based on your interactions with Sam, did you have a
19 view about whether he had interactions with investors?

20 A. Yes. There were times we shared an office and I heard him
21 having lots of calls with investors.

22 Q. Now, is it fair to say, Ms. Ellison, that from 2019 to
23 2022, FTX did a number of equity offerings?

24 A. Yes. That's accurate.

25 (Continued on next page)

1 BY MR. COHEN:

2 Q. And can you explain to the jury what an equity offering is.

3 A. That means that FTX was selling shares in the company and
4 investors were buying them, giving FTX, you know, money to
5 spend on expenses or other things.

6 Q. Now you were not involved in preparing any materials for
7 those investors, correct?

8 A. Not that I recall.

9 Q. You didn't participate in any presentations made to those
10 investors, correct?

11 A. I had a couple of conversations with investors that were
12 sort of as part of a due diligence, but for the most part, no.

13 Q. That was handled by others at FTX.

14 A. That's right.

15 Q. Now on Tuesday you were asked some questions about your
16 compensation at Alameda, and I don't want to repeat all of it;
17 I just want to go over a few things.

18 A. Mm-hmm.

19 Q. Your salary was \$200,000 a year?

20 A. That's right.

21 Q. Okay. And I believe there was a system at Alameda called
22 the semester system?

23 A. That's right.

24 Q. Can you explain to us what that was.

25 A. That means that people would get bonuses twice a year; they

1 could be in the form of either US dollars or equity tokens,
2 some combination of the above.

3 Q. And so semester was six months, six months.

4 A. That's right.

5 Q. Okay. And I think you told us that your compensation, your
6 bonus compensation for 2021 was about \$20 million, correct?

7 A. Yes, that's right.

8 Q. And you'd also had compensation going into the beginning of
9 2022 of 2 million in US dollars, correct?

10 A. I don't recall the exact amount. I thought maybe it was
11 like 3 million for the first half of 2022, but something like
12 that.

13 Q. Okay. Fair enough. Fair enough. And you had an account
14 at FTX where your compensation went into, correct?

15 A. That's right.

16 Q. And this account would have your bonuses?

17 A. Yes, my bonuses were deposited into this account.

18 Q. It would have the value—it would have tokens you had
19 received?

20 A. Yes, that's right.

21 Q. And just to remind everyone, tokens would be things like
22 FTT.

23 A. That's correct.

24 Q. Or Serum was another token, correct?

25 A. That's right.

1 Q. Is Serum sometimes abbreviated as SRM?

2 A. That's right.

3 Q. And I believe you told us that you received equity in FTX.

4 A. I did.

5 Q. And equity means ownership.

6 A. That's right.

7 Q. Okay. And prior to November 2022, I think you told us that
8 the total value of all these items in your FTX account was
9 around \$1 billion.

10 A. Yes, that's right.

11 Q. Now you also told us, moving ahead, that during your time
12 at Alameda you had a romantic relationship with
13 Mr. Bankman-Fried; is that correct?

14 A. Yes, that's right.

15 Q. And I believe you described it as an on-again, off-again
16 kind of relationship.

17 A. That's right, I did.

18 Q. Okay. And just to hit it at a high level, I believe you
19 told us that in 2018 you and he had started to sleep together.

20 A. That's right.

21 Q. And then in the summer of 2020 to 2021, you dated for a
22 time?

23 A. Mm-hmm.

24 Q. And then in the fall of 2021 to I think you said May 2022,
25 you dated again.

1 A. Yeah. I thought maybe it was April, but—

2 Q. Maybe April. Okay.

3 MS. SASSOON: Your Honor, we've now had several
4 minutes of simply repeating the direct examination.

5 THE COURT: I understand that. I would like it to—

6 MR. COHEN: I'm sorry. I can't hear you.

7 THE COURT: I said I understand that and I'd like you
8 to go on to something else.

9 MR. COHEN: Yes, mm-hmm.

10 BY MR. COHEN:

11 Q. After you and Mr. Bankman-Fried broke up for the last time,
12 did it affect your ability to communicate with him?

13 A. Yes, it did.

14 Q. Can you describe how that happened.

15 A. I—I found it difficult to have in-person, one-on-one
16 conversations with him and so I tried to avoid those and avoid
17 spending much time with him in social settings, but I still
18 continued to have work communications with him over Signal as
19 we always had and continued to have group meetings with him.

20 Q. And this was about May, you said, May of 2022?

21 A. I think I said around April.

22 Q. I'm sorry. April.

23 Is it fair to say at that point you weren't talking
24 outside of work?

25 A. We talked sometimes outside of work. I mean, he still—we

1 still lived in the same apartment so it's hard to avoid that
2 entirely.

3 Q. Is it fair that you were only talking inside of work when
4 you needed to?

5 A. I don't know if I would say that.

6 MR. COHEN: Can we call up 3550-28, just for the
7 witness, please. Page 16.

8 Q. Before you look at it, let me just ask a few foundation
9 questions.

10 Is it fair to say, Ms. Ellison, that you were
11 interviewed many times by the prosecutors in this case?

12 A. Yes, that's right.

13 Q. And is it fair to say that you were interviewed on
14 April 3rd—

15 MS. SASSOON: Your Honor, object. There's been no
16 testimony of a lack of recollection.

17 THE COURT: Well, there's been no question about
18 refreshment either.

19 MS. SASSOON: And there's a document up for the
20 witness that we'd object to.

21 MR. COHEN: We can take the document down for the
22 moment.

23 I'm sorry. Can we have the prior question and answer
24 read back, please.

25 THE COURT: Yes. Please.

1 I can do it for you.

2 The question is: "Is it fair that you were only
3 talking inside of work when you needed to?"

4 "A. I don't know if I would say that."

5 BY MR. COHEN:

6 Q. Okay. Do you recall being interviewed by the prosecutors
7 on April 3, 2023?

8 A. I don't recall the exact date, but I recall speaking to him
9 around that time period.

10 Q. And do you recall telling them that you were—as of the
11 last breakup, you were only talking inside of work when you
12 needed to?

13 A. Not particularly.

14 MR. COHEN: Can we now call up 3550-28, page 16.

15 Q. I'm going to call your attention to a specific passage so
16 you don't have to read the whole page.

17 If you could look at the second paragraph from the
18 bottom, ma'am.

19 A. Uh-huh.

20 Q. And the—yeah, those sentences. Read them to yourself. My
21 question is whether it refreshes your recollection as to what
22 you told the prosecutors.

23 MS. SASSOON: Objection to form.

24 THE COURT: Overruled as to form, but it's a yes/no
25 question.

1 A. No.

2 MR. COHEN: All right. We can take that down.

3 Q. Now yesterday you told us about a call you had on
4 November 9th on that all hands meeting. Do you recall that,
5 ma'am?

6 A. Yes.

7 Q. I'm going to come back to that in a little bit. I'm just
8 raising it now because I'd like to set a time frame.

9 MR. COHEN: Okay. Could we have the calendar for
10 November 9th pulled up, please.

11 Q. And I believe you told us you had been in Japan on
12 vacation?

13 A. The previous week.

14 Q. And then you went to Hong Kong.

15 A. That's right.

16 Q. There was an office there that Alameda had?

17 A. Yes, it was shared by Alameda and FTX.

18 Q. Okay. And that was the meeting you testified about
19 yesterday at the end of your testimony.

20 A. Yes, that's right.

21 Q. Now did you learn, after that meeting, or before or after
22 that meeting, whether or not there was any investigation going
23 on with respect to FTX and Alameda?

24 A. I don't recall learning about any investigation before that
25 meeting. I certainly learned of it after that meeting.

1 Q. When did you learn about it?

2 A. I don't recall exactly. I mean, it was sometime within
3 the, you know, week or so following that.

4 Q. Okay. Now you returned to the United States on
5 November 11th; is that correct?

6 A. Yes, that's right.

7 Q. And you stayed at your parents' house, correct?

8 A. That's right.

9 Q. I don't want to say where it is, but we'll just say it's
10 outside New York, correct?

11 A. It is not in New York.

12 Q. Okay. And it's in a relatively quiet community.

13 A. Yeah.

14 Q. And on November 16th, is it fair to say FBI agents came to
15 your house?

16 A. I don't recall the exact date, but I remember them coming
17 sometime around then.

18 Q. How many?

19 A. I don't remember the exact number. I think like four or
20 five, maybe.

21 Q. And were you home when they came?

22 A. Yes, I was.

23 Q. Were other people in the house?

24 A. Yes.

25 Q. Who was that?

1 MS. SASSOON: Objection, 401, and 403.

2 THE COURT: Overruled.

3 A. My boyfriend was there as well as my mom's cleaner, who
4 came once a week.

5 Q. And the agents had a search warrant.

6 A. Yes, that's right.

7 Q. And that permitted them to conduct certain searches in the
8 house, correct?

9 A. That's right.

10 Q. Okay. They seized three computers that belonged to your
11 mother?

12 A. I remember them seizing at least one computer that belonged
13 to my mother.

14 Q. Did they seize computers that belonged to your boyfriend?

15 MS. SASSOON: Objection, your Honor. 401 and 403.

16 THE COURT: No. I'll allow it.

17 A. Yes, they did.

18 Q. Okay. And without getting into names, had your boyfriend
19 worked at Alameda and FTX?

20 A. Yes, he had.

21 Q. You mentioned that you kept a physical notebook. Do you
22 recall that, ma'am?

23 A. Yes.

24 Q. Okay. And I think we looked at some pages from it I want
25 to say yesterday. Do you recall that?

1 A. Yes, that's right.

2 Q. Was that notebook also taken by the agents?

3 A. Yes, it was.

4 THE COURT: Mr. Cohen, this was covered almost
5 verbatim previously.

6 MR. COHEN: Well, I don't think this part was, your
7 Honor. The part about the search warrant was not brought up at
8 all, so—

9 THE COURT: It certainly was.

10 MS. SASSOON: Objection. That misstates the record.

11 THE COURT: It certainly was.

12 BY MR. COHEN:

13 Q. All right. Now—

14 THE COURT: Obviously if it's a matter of controversy,
15 cross is appropriate, but you're just repeating it.

16 MR. COHEN: It goes to credibility, your Honor.

17 THE COURT: Repeating it goes to credibility.

18 MR. COHEN: Not repeating it; the topic, of course.

19 THE COURT: And you've got it already, so let's just
20 move on.

21 MR. COHEN: Okay. I'll move on.

22 BY MR. COHEN:

23 Q. Now I believe you testified yesterday that sometime after
24 that you engaged counsel.

25 A. It was before that.

1 Q. Okay. And your counsel met with the prosecutors in the
2 case, correct?

3 A. That's right.

4 Q. Okay. I think you told us yesterday that one of your goals
5 was to see if you could get a cooperation agreement.

6 A. Yes, that's right.

7 Q. And did you have an understanding about whether or not that
8 was on the table?

9 A. Yes, my understanding was that there was a potential for me
10 to get a cooperation agreement.

11 Q. And there was also potential that you might not get it.

12 A. That's right.

13 Q. And then you had—

14 MR. COHEN: If we could put up the calendar for
15 December, please.

16 Is that not in? Can we call up DX 1616 for
17 identification.

18 THE COURT: I'm sorry. I couldn't make out—

19 MR. COHEN: I'm sorry. 1616 for identification, your
20 Honor.

21 THE COURT: Government or defendant's?

22 MR. COHEN: Defendant's.

23 THE COURT: Thank you.

24 MR. COHEN: We offer 1616, which is a calendar of
25 December 2022.

1 MS. SASSOON: No objection. We just ask that the
2 markings that were applied to the prior calendar be taken off.

3 THE COURT: All right. 1616 is received without the
4 markings.

5 (Defendant's Exhibit 1616 received in evidence)

6 BY MR. COHEN:

7 Q. Now there came a time when you had a series of in-person
8 meetings with the government, correct?

9 A. That's right.

10 Q. And that was on December 8th, 12th, 14th, and 15th,
11 correct?

12 A. I don't remember the exact dates, but I know it was
13 sometime around then.

14 Q. Does that sound about right to you?

15 A. Sure.

16 Q. About how long were those meetings?

17 A. A few hours each.

18 Q. And as I understand it, you didn't have a cooperation
19 agreement at that point.

20 A. That's right.

21 Q. And you were being interviewed to see if you would qualify
22 for one.

23 A. Yes, that's right.

24 Q. And you ended up entering into a cooperation agreement and
25 pleading guilty, correct?

1 A. Yes, I did.

2 Q. And that was on December 19th?

3 A. Don't remember the exact date, but I know it was sometime
4 in mid-December.

5 Q. Okay. And prior to that was there any back-and-forth about
6 the charges you would plead guilty to?

7 A. I believe there was some discussion about the charges.

8 Q. Okay. And I think you told us yesterday that you pleaded
9 guilty—you ended up agreeing in your cooperation agreement to
10 plead guilty to charges relating to conspiracy to commit wire
11 fraud and wire fraud relating to customers.

12 A. That's right.

13 Q. Conspiracy to commit wire fraud and wire fraud relating to
14 lenders, correct?

15 A. That's right.

16 Q. And conspiracy to commit commodities fraud relating to
17 customers.

18 A. That's right.

19 Q. And conspiracy to commit securities fraud with respect to
20 investors.

21 A. That's right.

22 Q. And a money laundering count.

23 A. Yes, that's right.

24 Q. And for all of those charges you faced a maximum sentence
25 of 110 years of imprisonment.

1 A. That's correct.

2 Q. Okay. And as the back-and-forth took place, was it your
3 understanding that in order to be considered for a cooperation
4 agreement you'd have to plead to all seven charges?

5 A. Not necessarily.

6 Q. Okay. What was your understanding?

7 A. My understanding was that these were the charges that I
8 think the prosecutors suggested but that I should only plead
9 guilty to the ones that I, you know—plead guilty to them if I
10 believed that I was guilty of them.

11 Q. And you ended up pleading to all of those charges, correct?

12 A. Yes, that's right.

13 Q. Okay. Now one of the charges, Count Six, related to fraud
14 on investors, correct?

15 A. That's right.

16 Q. Was it your understanding as of the period before
17 December 19th that you had not had communications with
18 investors in mind?

19 MS. SASSOON: Objection, form.

20 THE COURT: Sustained as to form.

21 Q. What was your understanding as to investors prior to your
22 plea?

23 MS. SASSOON: Objection, form.

24 THE COURT: Sustained.

25 Q. What was your understanding with regard to investors?

1 MS. SASSOON: Objection.

2 THE COURT: Sustained as to form.

3 Q. Now just one more point on this. I believe you said
4 yesterday, or might have been the day before, that one of the
5 things you were seeking at a cooperation agreement is something
6 called a 5K motion; is that correct?

7 A. Yes, that's right.

8 Q. And what is your understanding of that?

9 A. My understanding is that it's a letter that the prosecution
10 writes to the judge at my sentencing that details the crimes
11 that I've committed, the wrongdoing that I've told them about,
12 and the cooperation and assistance that I've provided in their
13 case.

14 Q. And if the prosecution writes such a letter, you can
15 qualify for a potential reduction in your sentence.

16 A. Yes, that's right, though it's ultimately up to the judge's
17 discretion.

18 Q. But whether to write the letter is up to the government,
19 correct?

20 A. That's right.

21 Q. In your understanding, does it matter how many counts you
22 pled to?

23 A. I'm not aware of whether that's taken into account. Like
24 officially, I think it's up to the judge's discretion.

25 Q. So whether you pled to four counts or five or six, you

1 could still qualify.

2 MS. SASSOON: Objection, form.

3 THE COURT: Sustained as to form.

4 Q. Could you qualify for a 5K motion if you pled to fewer than
5 seven counts?

6 MS. SASSOON: Objection, form.

7 THE COURT: Overruled.

8 A. I believe it's up to the government's discretion whether
9 they want to write the letter.

10 Q. So you could still qualify.

11 A. Yeah.

12 Q. Now in addition to the four meetings we talked about in
13 December, is it fair to say, Ms. Ellison, that you've had a
14 number of meetings with the prosecutors since then?

15 A. Yes, it is.

16 Q. Okay. So you had meetings in January, and that was
17 January 3rd, 20th, and 24th?

18 A. Don't remember the exact dates.

19 Q. Sound about right?

20 A. Sounds possible.

21 Q. Okay. What about March 14th, April 3rd, April 20?

22 A. Again—I'm sorry—I don't remember the dates.

23 Q. Okay. Let me try and do it this way. I don't want to make
24 this a numbers test for you. Is it fair to say you had
25 meetings with the prosecutors in January, March, April, and

1 June?

2 A. That sounds right.

3 Q. Is it fair to say you had meetings with them in July?

4 A. Probably. I don't remember which exact months I met with
5 them in.

6 Q. Okay. August and September?

7 A. Yeah, I believe I met with them in August and September.

8 Q. And October, this month, prior to the trial.

9 A. Yes, I did.

10 Q. In total, is it fair to say you've had more than 20
11 meetings with the prosecutors?

12 A. That sounds right, though I don't know the exact number.

13 Q. Okay. And please answer this question, the next question
14 yes or no. Yes or no: Have your attorneys had calls or
15 meetings with the prosecutors without you being present?

16 A. Yes.

17 Q. And again, how many of those meetings or calls have they
18 had, to your knowledge?

19 MS. SASSOON: Objection.

20 THE COURT: Ground?

21 MS. SASSOON: I rose before he said "to your
22 knowledge," so I'll withdraw it.

23 A. I don't know.

24 Q. You think it was more than 20?

25 A. I don't know.

1 Q. Have you had any meetings with the prosecutors this past
2 week?

3 A. Yes, I have.

4 Q. When did you meet with them?

5 A. I last met with them on Monday.

6 Q. Okay. That was before you gave your direct examination.

7 A. That's right.

8 Q. How long was that meeting for?

9 A. Maybe like three or four hours.

10 Q. Did they go over the topics we'd be discussing in court?

11 A. They asked questions, some of which were questions that
12 ended up being in the direct testimony.

13 Q. And you gave the answers you would give.

14 A. Yeah.

15 MR. COHEN: Okay. Your Honor, I'm about to start a
16 new topic. Would it make sense to take our morning break?

17 THE COURT: I'm willing to do that. Do you have any
18 idea how long you're going to be?

19 MR. COHEN: I will know better after the break.

20 THE COURT: Okay. Fifteen minutes, folks.

21 THE DEPUTY CLERK: All rise.

22 (Recess)

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1 (In open court; jury not present

2 THE COURT: Okay. Please be seated.

3 Mr. Cohen, I'm not rushing you, but in almost 30
4 years, most cross-examinations of cooperators I have seen have
5 ended with what you just did, which is why I asked you how much
6 longer. You don't have to do it that way, but I'm just trying
7 to get an idea of how to schedule this case.

8 MR. COHEN: Sure. I thought I would mix it up, your
9 Honor.

10 My goal is to finish the cross today.

11 THE COURT: Okay.

12 MR. COHEN: It may trickle over to tomorrow, but
13 that's my goal.

14 MS. SASSOON: One request we made of the defense, your
15 Honor, was to give us about 30 minutes' notice before it's
16 done, if possible, so that we can make sure that we have a
17 witness here to efficiently use the Court's time.

18 THE COURT: I'm sure he'll cooperate.

19 Let's get the jury.

20 (Continued on next page)

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1 (Jury present)

2 THE COURT: The defendant and the jurors all are
3 present, as they have been throughout.

4 Mr. Cohen, you may continue.

5 MR. COHEN: Thank you, your Honor.

6 BY MR. COHEN:

7 Q. Ms. Ellison, I'd like to move to a new topic. Actually,
8 it's a topic from this morning, and I realized I forgot to ask
9 you something.

10 Do you recall giving testimony about Alameda as a
11 customer of FTX?

12 A. Yes, I do.

13 Q. And that was in our discussion earlier today about the
14 info@ account.

15 A. Yes, that's right.

16 Q. As a customer of FTX, did Alameda enter into terms of
17 service?

18 A. Yes, I believe it did.

19 Q. Did you ever review those?

20 A. Not that I recall.

21 Q. Please answer the next question yes or no. Did you ever
22 discuss those with anyone?

23 A. Yes.

24 MR. COHEN: Your Honor, may we come up?

25 THE COURT: Because?

1 MR. COHEN: I'm thinking of your Honor's pretrial
2 rulings.

3 THE COURT: Come.

4 (Continued on next page)

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1 (At the sidebar)

2 MR. COHEN: If her answer to the question is an
3 attorney, I don't want her to say it in open court without the
4 Court having a chance to rule, so I can come back to this after
5 the break if your Honor would like me to.

6 THE COURT: Without having a chance to rule on whether
7 she can say the word "attorney"?

8 MR. COHEN: Yes, yes.

9 THE COURT: Well, she can say the word "attorney," but
10 it's likely that if you want to know what was said, you're
11 going to have a problem because—

12 MR. COHEN: No, no. I don't want to know that. I
13 just want to know the who.

14 MR. ROOS: Well, then that raises the question of the
15 pretrial rulings, which is, merely just saying did you talk to
16 attorneys about this, period, moving on, can give a misleading
17 impression to the jury. I think that goes to your Honor's
18 ruling about specificity.

19 And I'll just flag one other issue on this, which is,
20 FTX the company has not waived privilege on this issue, so
21 there were various documents they didn't produce, so it's not—

22 THE COURT: Well, I assumed that was true, which is
23 why I said something to the effect that I assumed it would be a
24 problem.

25 What's the relevance, standing alone, with whether she

1 discussed it with an attorney?

2 MR. COHEN: Well, the relevance is what she did.
3 Look, it's the defense's view that this is an important
4 document in the case, and it's relevant whether or not she
5 discussed it with anyone to understand the rights and
6 obligations of Alameda.

7 MS. SASSOON: She also just testified she never
8 reviewed them.

9 THE COURT: Yeah.

10 MR. COHEN: She then testified that she spoke to
11 people about them, and I didn't want to elicit—

12 THE COURT: What exactly are you trying to elicit from
13 her and why?

14 MR. COHEN: Sure. I'm trying—if she knows—and
15 obviously I haven't had access to her before. This is
16 inconsistent with her 302s, your Honor, by the way, so—

17 THE COURT: What exactly do you want to elicit and
18 why?

19 MR. COHEN: Got it, yeah. What I'm trying to elicit
20 is who she spoke to about it, if it was attorneys, if it was
21 Sam, if it was someone else at the company, and what that did
22 in terms of her understanding of how the terms of service
23 operated, with the exception of attorneys, because of the
24 issues Mr. Roos has raised.

25 MS. SASSOON: Your Honor, I don't see the relevance.

1 She didn't work at FTX, she didn't have direct access to FTX
2 customers, she didn't review the terms of service, and we're
3 certainly not claiming that Alameda was a victim of the fraud
4 because they accepted the terms of service here.

5 MR. COHEN: She was the CEO of the company.

6 THE COURT: Hmm?

7 MR. COHEN: She was the CEO of the company.

8 THE COURT: Of Alameda.

9 MR. COHEN: Of a customer of FTX, so her understanding
10 of how those terms of service worked is relevant.

11 THE COURT: I'm not sure that would be true in a civil
12 contract case.

13 MR. COHEN: Well, you asked for a proffer, your Honor.

14 MS. SASSOON: I still don't understand the relevance
15 whether—

16 THE COURT: We're not going to do it here.

17 MR. COHEN: Okay. Thank you.

18 THE COURT: That ruling relates to only this question.

19 (Continued on next page)
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1 (In open court)

2 BY MR. COHEN:

3 Q. I also meant to ask you earlier, in connection with your
4 testimony about Alameda as a customer, have you ever heard the
5 term "Chinese wall"?

6 A. Yes, I have.

7 Q. What does it mean to you?

8 A. I understand it to refer to the general practice of having
9 information barriers between two parts of a company where there
10 may be conflicts of interest between the two parts.

11 Q. Okay. Were there issues relating to Chinese walls with
12 respect to Alameda and FTX?

13 A. Yes, it was a topic we discussed sometimes.

14 Q. Okay. What was discussed?

15 A. How much separation we should have between Alameda and FTX
16 in various ways, like whether we should have separate offices
17 or the same office, separate Slack work spaces or the same work
18 space.

19 Q. And what was the—if you know, what was the purpose, from a
20 point of view of a trading point of view, of having a Chinese
21 wall?

22 A. I wouldn't have really said it was from a trading point of
23 view. I would have thought it was more from FTX—sort of the
24 point of view of fairness for FTX customers.

25 Q. What do you mean by that?

1 A. What I mean by that is that if Alameda had special
2 privileges on FTX or access to FTX's customer information, that
3 would give Alameda a benefit over other FTX customers.

4 Q. Understood. Okay. Thank you.

5 Now there was also a lot of testimony about Alameda's
6 role as a market maker for FTX, and I don't plan to repeat all
7 of that, but let me ask you this: Was Alameda—well, was
8 Alameda paid for its role as a market maker?

9 A. Not directly, though we did receive special privileges on
10 FTX that I've discussed.

11 Q. Did it receive stipends or rebates?

12 A. We did receive market maker, like, fee rebates on some of
13 our trades in accordance with the general fee policy of FTX.

14 Q. Okay. And was that because you were taking risk as a
15 market maker?

16 A. Yeah, I think that was one of the reasons.

17 Q. So if you came in and took on a position that no one else
18 wanted to buy, there was a risk you might not be able to trade
19 out of it.

20 A. Yes, that's true.

21 Q. I believe you also discussed that as part of its market
22 maker duties, Alameda would help to create a market for new
23 tokens. Do you recall that?

24 A. Yes, we would.

25 Q. Can you explain what you mean by that.

1 A. If a coin initially listed on FTX that hadn't been trading
2 on FTX before, Alameda would be prepared to hold inventory of
3 this coin, if possible, and put out bids and offers on this
4 coin so that as soon as the market opened, if a customer wanted
5 to come to FTX and trade, they would be able to do so.

6 Q. So if it was coming new to the market, Alameda to buy it in
7 case other customers wanted it.

8 A. Potentially either buy or borrow or simply use our line of
9 credit on FTX.

10 Q. Now you also mentioned in connection with Alameda's role as
11 a market maker that Alameda had a line of credit. Do you
12 recall that testimony?

13 A. Yes.

14 Q. Okay. And I think you told us that at a certain point your
15 understanding was the line of credit was \$65 billion; is that
16 correct?

17 MS. SASSOON: Objection. Misstates the testimony.
18 There was no such testimony.

19 MR. COHEN: I'm sorry, your Honor. I didn't hear.

20 THE COURT: No, I was thinking.

21 MR. COHEN: Oh, sorry. I'm hanging on every word.

22 THE COURT: I'm going to overrule the objection, but
23 say to the jury obviously it's your recollection that controls.

24 Answer the question, please.

25 A. I don't recall testifying to any \$65 billion amount.

1 Q. Okay. Based on your experience as first a trader and then
2 CEO of Alameda, did you have—based on your experience, what
3 was its typical drawdown on a line of credit prior to June
4 2022?

5 A. I think it was in the—a few-billion-dollar range.

6 Q. So let's talk for a moment about a topic we spoke about
7 yesterday relating to FTT. Do you recall speaking about FTT?

8 A. I do.

9 Q. Okay. And just to orient everyone, FTT was an exchange
10 token?

11 A. That's right. It was the exchange token of FTX.

12 Q. Okay. Can you explain to the jury what that is.

13 A. The—FTX would take a third of its fee revenue and use it
14 to buy the token FTT, meaning that the—a third of the value
15 from this revenue would go to the holders of this token.

16 Q. So FTX was in effect issuing FTT tokens?

17 A. I think Alameda was the one who issued the tokens.

18 Q. Correct. But they were supported by FTX because of this
19 program.

20 A. That's right. FTX did support them.

21 Q. Did you ever hear the term the "buy and burn" program?

22 A. Yes.

23 Q. Is that—does that refer to this policy of FTX buying the
24 tokens?

25 A. Yes, it does.

1 Q. Now, if you remember, when was FTT created?

2 A. It was in 2019.

3 Q. Okay. And do you know who created it?

4 A. I would say Sam created it.

5 Q. Okay. Did you ever hear of the term "white paper"?

6 A. Yes.

7 Q. What is your understanding of that term?

8 A. It's a document that is published when a token is first
9 created, generally explaining what the token is.

10 Q. Do you know if a white paper was issued with respect to
11 FTT?

12 A. Yeah.

13 Q. And was that available on the internet?

14 A. Yes, it was.

15 Q. Now I think you mentioned yesterday—and I just wanted to
16 clarify—that you knew of another token called BNB. Do you
17 recall that testimony?

18 A. Yes.

19 Q. Can you explain to the jury what that was.

20 A. BNB was the exchange token of Binance, so similar to FTT's
21 relationship to FTX.

22 Q. So Binance had issued its own token called BNB.

23 A. Yes, that's right.

24 Q. Do you know if there was a white paper about that?

25 A. I don't specifically recall one.

1 Q. Now after FTT was issued, was it listed publicly?

2 A. Yes, it was, initially on FTX and then eventually on many
3 other exchanges as well.

4 (Continued on next page)

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1 Q. So it was listed on exchanges other than FTX?

2 A. That's right.

3 Q. And have you ever heard the term mark-to-market price?

4 A. Yes.

5 Q. What's that?

6 A. That means valuing an asset at its current market price, so
7 whatever you can currently buy or sell it for on exchanges.

8 Q. After it was listed and traded on other exchanges, did FTT
9 have a mark-to-market price?

10 A. Yes, it did.

11 Q. You mentioned yesterday that from time to time Alameda
12 would trade on exchanges other than FTX, correct?

13 A. Yes. Most of our trading were on exchanges other than FTX.

14 Q. Would it ever post FTT as collateral on those exchanges?

15 A. I don't recall any instances of us doing so.

16 Q. What about in terms of your interactions with lenders,
17 third-party lenders like Genesis or Voyager, would Alameda post
18 FTT as collateral?

19 A. Yes, we would.

20 Q. Would they accept it?

21 A. Yes.

22 Q. Have you ever heard in the trading field the term a
23 haircut?

24 A. Yeah.

25 Q. It has a different meaning than I think we all think of.

1 Can you tell us what it is?

2 A. I have heard it used referring to marking down assets to
3 less than their market value.

4 Q. Does liquidity factor into that at all?

5 A. One might give a haircut because of an assets liquidity,
6 yeah.

7 Q. So if an asset is worth \$100 but it's hard to sell, it
8 might get marked down to \$80?

9 MS. SASSOON: Objection to the term worth.

10 THE COURT: Yes. Sustained.

11 Q. If an asset trades for \$80 it might -- \$100, it might get
12 marked down to 80 as a haircut?

13 A. Yes, in some contexts.

14 THE COURT: If an asset trades for \$80 --

15 MR. COHEN: I meant a hundred, your Honor.

16 THE COURT: Perhaps.

17 The answer is stricken. You can put a new question.

18 Q. If an asset trades for \$100 and it receives a haircut, it
19 might get marked down to \$80, for example, just as an example?

20 A. Yes. That might happen.

21 Q. Now, you had many interactions with Voyager, Genesis, and
22 the other lenders, correct?

23 A. Yes, I did.

24 Q. Do you know if they ever used haircuts when they evaluated
25 FTT?

1 A. I don't recall hearing what their internal methodology for
2 valuing FTT was.

3 Q. That's not my question. I'm sorry.

4 Do you know whether they in fact gave discounts for
5 FTT?

6 A. No, I don't.

7 THE COURT: Excuse me. By gave discounts for FTT, is
8 it correct or incorrect to say what that means is, did they
9 ever value FTT as collateral posted for loans by the lender at
10 less than the mark-to-market price?

11 THE WITNESS: Yeah. That's what I understood the
12 question to be asking, and I said I do not know.

13 THE COURT: Let's go on.

14 MR. COHEN: Thank you, your Honor.

15 Q. One more trading question. Then we will move on.

16 Have you ever heard the term buy on the way down?

17 A. Yeah. I don't know if I would say it is a term, but I have
18 heard people talking about people buying things on the way
19 down.

20 Q. What does it mean to you?

21 A. To me, it means if an asset -- to buy an asset while the
22 price is going down.

23 Q. And the idea is to let it go down further and buy it when
24 the price gets lower.

25 A. Sorry. The idea of what?

1 Q. Buying on the way down.

2 A. I don't think that's how I would understand it.

3 Q. Give me your understanding.

4 A. I guess I wouldn't say I understand buy on the way down as
5 a common trading term, but my understanding would just be sort
6 of the straightforward interpretation of buying something as it
7 is going down.

8 Q. So you are giving us just sort of a lay understanding.

9 It's not a special term to you.

10 A. Not that I can think of.

11 Q. Then we will move on.

12 We talked yesterday and earlier today about another
13 topic. With respect to the fiat, Alameda would receive fiat
14 from customers in its bank accounts or North Dimension
15 accounts.

16 Do you recall that?

17 MS. SASSOON: Objection. This has been asked and
18 answered yesterday, today.

19 THE COURT: Sustained.

20 Q. You came to a view, I believe this is what you told us
21 yesterday, in 2019 or 2020 that you believed that you and Sam
22 were acting improperly with regard to fiat, the fiat account.

23 Do you recall that, ma'am?

24 A. I don't recall saying that with respect to the fiat
25 account.

1 Q. Let me rephrase. I think you told us yesterday that you
2 came to a view that, by 2019, 2020, you and Sam were acting
3 improperly in regard to customer funds.

4 Do you recall that?

5 A. Yes, I do.

6 Q. If you could describe that for us, please.

7 A. Yeah. I was saying that I felt that by Alameda having the
8 ability to borrow FTX customer funds and use them for our own
9 trading, without customers being aware of this, that this was
10 an improper advantage that Alameda had on FTX and something
11 that put customers at a disadvantage if Alameda was to lose
12 that money.

13 Q. Was your concern the funds coming into the Alameda account
14 in the first place?

15 A. I don't recall being concerned about that.

16 Q. Was your concern about whether or not there was security or
17 collateral with the funds?

18 MS. SASSOON: Objection. Form.

19 THE COURT: Sustained as to form.

20 Rephrase it.

21 Q. What was the basis -- let me rephrase.

22 Does whether or not there was collateral for the funds
23 weigh into your view?

24 MS. SASSOON: Objection. Form.

25 THE COURT: Yeah. Collateral has been used in various

1 ways here, Mr. Cohen, I think.

2 Q. If customer funds were transferred out of Alameda and there
3 weren't Alameda assets to pay for them, was that part of your
4 concern?

5 A. Sorry. Can you repeat the question.

6 MR. COHEN: Can we read that back, please.

7 (Record read)

8 A. I don't think I know what you mean by customer funds were
9 transferred out of Alameda.

10 Q. Let's use your language, if they were used by Alameda. Was
11 your concern -- did it factor into your concerns as to whether
12 they were in, for example, liquid assets that can be used to
13 pay them back?

14 THE COURT: I'm sorry. Could you clarify. Customers
15 of whom?

16 MR. COHEN: Let me try this again.

17 Q. Tell me if I'm wrong, Ms. Ellison. I believe you testified
18 yesterday that you had a concern about Alameda's use of
19 customer funds, is that correct?

20 A. Yes, that's right.

21 Q. Tell me if I'm wrong, part of your concern was that the
22 funds were then used for other purposes, like venture
23 investments?

24 A. That's right.

25 Q. So did this concern include what happened to those

1 investments?

2 A. Yeah. I mean, I would say there was a risk that the
3 investments would go down or go to zero and that risk was part
4 of the reason that I was concerned.

5 THE COURT: And the customer funds you were talking
6 about were customers of which firm?

7 THE WITNESS: I was talking about FTX customer funds.

8 THE COURT: Thank you.

9 Q. Would you have the same concern if the funds -- if the
10 funds were just to be kept in the account as cash?

11 A. No. That would be less concerning or not concerning to me.

12 Q. Now, I think you told us yesterday that you came to these
13 concerns after conversations with Sam, is that correct?

14 MS. SASSOON: Objection. Misstates the testimony.

15 THE COURT: I think so. Put it another way, please,
16 Mr. Cohen.

17 MR. COHEN: No problem, your Honor.

18 Q. What was the basis for your concern?

19 A. I would say the basis for my concern was that Alameda was
20 borrowing customer funds and putting them at risk without, to
21 my knowledge, disclosing this to customers.

22 Q. And you discussed this with Sam?

23 A. Yes, I did.

24 Q. Did you discuss it with anyone else?

25 A. Sorry. What time frame are we talking about?

1 Q. Well, we will make it easy for you. Did it change? Let's
2 start from 2019 to 2020, when you first learned of this.

3 A. I don't recall discussing it with anyone else at that time.

4 Q. So let's complete the time frame from then until November
5 2022.

6 A. Yeah. I discussed my concerns about Alameda's use of
7 customer funds with Gary and Nishad as well during that time
8 frame.

9 Q. Did you discuss it with anyone else?

10 A. Not that I can recall, no.

11 Q. Now, this was a concern -- hold on.

12 From 2019 to November 2022, did you ever consider
13 resigning from Alameda?

14 A. Yes, I did, on some occasions.

15 Q. In light of these concerns?

16 A. Due to a combination of factors.

17 Q. But you didn't resign?

18 A. I did not.

19 Q. You told us yesterday that there were certain times when
20 Mr. Bankman-Fried told you to delete Signal chats.

21 Do you recall that, ma'am?

22 A. Yes.

23 Q. And that in November of 2022, you decided to preserve some
24 of those chats on your own?

25 A. I think Sam had also turned off his disappearing messages

1 at that point.

2 Q. Let me ask about you. Did you decide to preserve any
3 messages during the November 2022 time frame we talked about?

4 A. Yes. I started turning off disappearing messages in
5 November of 2022.

6 Q. So you would have a record of what happened.

7 A. It was because I thought that it was the proper thing to
8 do.

9 Q. Did you do that in any prior time from 2019 to 2022?

10 A. Turning off disappearing messages on Signal?

11 Q. Yes. Keeping screenshots.

12 A. I don't recall any time I turned off disappearing messages.
13 I think I took screenshots of chats at various points, and I
14 don't remember any specific ones.

15 Q. Now, earlier we talked about the fiat@ account and you
16 mentioned the pointer system.

17 Do you recall that?

18 A. Yup.

19 Q. Can you just briefly described how that worked?

20 A. Pointer was Alameda's internal system that stored data and
21 was a user interface for accessing that data and allowed people
22 to do things like manually trade or move cryptocurrency between
23 different exchanges.

24 Q. With respect to the fiat deposits, were there ever issues
25 with reconciling them?

1 A. Yes, definitely.

2 Q. Can you describe that for the jury.

3 A. Yes. There were large and increasing over time number of
4 fiat deposits into Alameda's accounts. And they -- at some
5 point Alameda stopped having access to records of all of the
6 deposits, so there was no way for us to compare the balances in
7 the fiat@ account to the records of all the transfers that had
8 been made. We eventually hired an accounting person who went
9 back over the past couple of years of transfers and attempted
10 to reconcile them all and found lots of discrepancies.

11 Q. And one of the things you were looking for was to reconcile
12 what had come in from customers, what funds had come in from
13 customers from what had come in otherwise, correct?

14 A. The funds from customers generally went into different bank
15 accounts from our other transfers. I would say the more
16 pressing problem was reconciling the funds that we thought had
17 come in from customers, the ones that were reported on the FTX
18 ledger, and whether those bank transfers had actually arrived.

19 Q. And this took some work, correct?

20 A. Yes.

21 Q. Reconciling between Alameda and FTX fiat balances when this
22 project started was a bit of a mess, correct?

23 A. Yes, that's right.

24 Q. Now, FTX eventually got its own bank accounts, correct?

25 A. Yes, it did.

1 Q. That was at the end of 2021 into 2022?

2 A. I don't know the exact time frame, but that sounds
3 plausible.

4 Q. Once that happened, customers could deposit their fiat
5 directly to FTX, is that correct?

6 A. That's right.

7 Q. Was there an issue with customers who had been customers
8 before the changeover?

9 A. Yes, there was. Some of them didn't want to change to
10 using new bank account instructions.

11 Q. But they were sort of legacy customers?

12 A. Yeah, that's right.

13 Q. And they would continue to wire the funds to the old
14 Alameda accounts.

15 A. To the North Dimension accounts.

16 Q. Do you recall ever reviewing that topic with Sam?

17 A. Yes, I do.

18 Q. What do you recall?

19 A. I recall finding out from the settlement team that there
20 were still many of these legacy customers depositing funds into
21 North Dimension accounts, and I brought up -- I brought this
22 issue up with Sam and said, we should probably stop people
23 depositing into North Dimension and switch them all over to
24 FTX, right. And he said, yeah, that sounds good.

25 Q. What was his demeanor?

1 A. I think this was over Signal. I don't recall, really
2 notice a demeanor.

3 Q. From your perception, was he aware that this was still
4 going on?

5 A. I don't remember getting an impression of whether he was
6 aware or not of this.

7 MR. COHEN: Can we call up 3550-31, please. I'm
8 sorry. Wrong document. I apologize. 3550-03.

9 THE COURT: Mr. Cohen, tab?

10 MR. COHEN: I'm sorry, your Honor. It is tab 3.

11 THE COURT: Thank you.

12 MR. COHEN: Page 7, your Honor. It's the first
13 paragraph at the top.

14 Q. Just read it to yourself. The question is whether this
15 refreshes your recollection as to whether you told the
16 prosecutors about this issue.

17 MS. SASSOON: Objection. That wasn't the question
18 prior.

19 THE COURT: Agreed.

20 Rephrase.

21 MR. COHEN: Let me back up.

22 Q. Do you recall speaking with the prosecutors on December 8?

23 A. I recall generally speaking with the prosecutors.

24 Q. And is it fair to say that you were asked about

25 Mr. Bankman-Fried's reaction when you informed him that funds

1 were still being sent to the Alameda accounts?

2 A. Yeah, I remember being asked about that.

3 Q. You recall what you told the prosecutors.

4 MS. SASSOON: We can take the document off.

5 MR. COHEN: Yes. Take the document down.

6 A. I don't recall exactly what I told the prosecutors.

7 MR. COHEN: Now can I bring the document up?

8 THE COURT: Yes.

9 Q. Read that paragraph to yourself. The question is, yes, no,
10 whether it refreshes your recollection.

11 A. Yeah, it does refresh my recollection.

12 Q. What is your recollection, Ms. Ellison?

13 A. Yeah.

14 MS. SASSOON: Can we take the document down, your
15 Honor?

16 THE COURT: Yes.

17 A. Yeah. I recall -- I think I recall saying that it seemed
18 like he might not know that this was happening, something like
19 that.

20 Q. I want to move forward --

21 MS. SASSOON: Your Honor, just because of the
22 vagueness of the question.

23 MR. COHEN: Can we have nonspeaking objections please,
24 your Honor.

25 MS. SASSOON: This objection --

1 THE COURT: Is everybody prepared to take the pledge
2 on that on both sides?

3 MR. COHEN: I am, and I did.

4 MS. SASSOON: This is a difficult one to not explain.

5 THE COURT: Sidebar.

6 MS. SASSOON: This doesn't warrant a sidebar, your
7 Honor. I don't want to waste time.

8 THE COURT: The objection is withdrawn.

9 MS. SASSOON: Yes.

10 Q. Let's move to a new topic, Ms. Ellison.

11 I am going to move forward to the summer of 2021. Do
12 you recall yesterday giving testimony about interactions you
13 had with Sam about whether he ought to make a new venture
14 investment?

15 A. Yes, I do.

16 MR. COHEN: Can we please call up Government Exhibit
17 48B in evidence.

18 Q. Do you recall seeing this document yesterday, Ms. Ellison?

19 A. Yes, I do.

20 Q. Just to orient us and the jury, can you describe what this
21 was.

22 A. This document generally was a document of personal notes
23 and to-do lists that I kept.

24 Q. This was in connection with the issue of whether to make
25 the additional venture investment?

1 A. I don't think I recall whether these notes were in
2 connection with that.

3 Q. Do you recall that Sam asked you to do an analysis in
4 connection with the venture investment?

5 A. Yeah.

6 Q. Was this analysis at all referenced in 48B?

7 A. I don't remember if this is the same -- part of the same
8 conversation about the investments or if this was a separate
9 conversation about a similar scenario.

10 Q. We used yesterday the phrase, the 10th percentile scenario.
11 Maybe I misheard. Was that in connection with the venture
12 investment?

13 A. I don't recall if these notes were in connection with the
14 conversation specifically about venture investments, but there
15 were similar notes in the other document we looked at that I do
16 recall being in connection with a conversation about venture
17 investments.

18 Q. I don't have many more questions on this, but was this
19 something, notes you made, after interactions with Sam?

20 A. Yeah. I believe this was a message that Sam sent that I
21 copied and pasted into this document.

22 Q. It set forth assumptions you should make for your analysis.

23 A. Yes, that's right.

24 Q. Item 1: Most of crypto down 50 percent, correct?

25 A. Yeah.

1 Q. In your time as a trader and CEO of Alameda, had crypto
2 gone down 50 percent?

3 A. Yeah, it did.

4 Q. When was the last time it had done that?

5 A. I think the last time was in 2022.

6 Q. Other than 2022. Fair point.

7 A. Before that, maybe March of 2020.

8 Q. Item 4 says: Stocks down 25 percent, and I think you
9 testified that referred to the general stock market?

10 A. Yeah, that's right.

11 Q. And growth tech stocks down 50 percent. What do you mean
12 by growth tech?

13 A. I think Sam was the one who wrote this.

14 Q. What was your understanding?

15 A. My understanding was, this was more volatile technology
16 stocks.

17 Q. So the assumption here was that they would go down by 50
18 percent.

19 A. Yes, that's right.

20 Q. And on item 2, and that's my last question on this, the
21 assumption was that the venture investment would go all the way
22 down 100 percent?

23 A. Yes.

24 MR. COHEN: You can take that exhibit down.

25 Q. Mr. Bankman-Fried asked you to do various risk-analysis

1 scenarios with respect to the venture investment, correct?

2 A. That's right.

3 Q. Did you think it was an appropriate thing for him to ask
4 you to do that?

5 A. Yeah.

6 Q. Why?

7 A. Because I was a trader at the time, so talking to me about
8 trading issues seemed appropriate.

9 MR. COHEN: Let's take a look at Government Exhibit 36
10 in evidence.

11 If we can call out the middle page, main question.

12 Brian, it's column F. F and G together.

13 Q. Ms. Ellison, can you just remind us again what you were
14 doing in that spreadsheet.

15 Let me back up. This was a spreadsheet that you
16 created?

17 A. Yes, that's right.

18 Q. This was part of the analysis you were doing of the risk of
19 making a venture investment?

20 A. Yes.

21 Q. What did that refer to, those questions?

22 A. Those questions were questions that I had for Sam that I
23 was trying to analyze about ways to potentially reduce the risk
24 of these venture investments.

25 Q. So there are different things that you could do to reduce

1 the risk?

2 A. That's right.

3 Q. Raise more equity, sell more FTT, and so on, correct?

4 A. That's right.

5 MR. COHEN: Brian, if we could look at column A, line
6 2, just line 2, and go all the way across.

7 Q. You see an entry, raised at 18B with FTT 24 dash and
8 greater than sign. Now it's 52.

9 Can we have a translation, Ms. Ellison.

10 A. Yes. That means that FTX raised equity at a valuation of
11 \$18 billion when FTT was at a price of \$24, and then at the
12 time I was making the spreadsheet FTT had gone up to a price of
13 \$52.

14 Q. What does it mean to raise equity at a price of \$18
15 billion?

16 A. That means that FTX had sold stock in the company at a
17 price that meant that the sort of price of the entire company's
18 stock would be \$18 billion.

19 Q. So in valuing the offering to investors, the company was
20 valued at \$18 billion?

21 A. That's right.

22 MR. COHEN: We can take that one down.

23 Can we call up DX-48 only for identification for the
24 witness.

25 Your Honor, it's tab 37 in your binder.

1 THE COURT: Thank you.

2 Q. Ms. Ellison, do you recognize this document?

3 A. Yes. This is a spreadsheet that I made.

4 Q. What was your purpose in making it?

5 A. This was as part of discussions with Sam about whether we
6 should hedge more, that is, sell either Bitcoin or NASDAQ
7 futures in order to reduce Alameda's risk.

8 Q. And was this the sort of spreadsheet you would prepare in
9 the course of your duties at Alameda?

10 A. Yeah.

11 Q. Was it your regular practice to do so?

12 A. No, I wouldn't say it was a regular practice. This was
13 sort of a special circumstance of a time period when we were
14 discussing hedging a lot.

15 Q. So this was only something you did once?

16 A. I think I made a few spreadsheets around this time to
17 analyze the question of how much we should hedge.

18 Q. How many did you make?

19 A. Two or three that I can recall.

20 MR. COHEN: Let's take it down so the witness can't
21 see it.

22 You may bring it back up in a moment.

23 Q. Do you recall ever doing an analysis of the costs of not
24 hedging?

25 A. Yeah.

1 Q. Can you tell us what that analysis was.

2 A. I recall doing such analyses. One example is the
3 spreadsheet that we were just looking at earlier from 2021,
4 where one of the questions is whether -- what the various ways
5 to reduce risk are.

6 Q. Do you recall ever trying to do a calculation -- one
7 second.

8 We are going to stay in 2021, but just for this
9 question let me move to September 2022, Ms. Ellison.

10 Do you ever recall trying to do a calculation of what
11 the costs would be of not hedging in Alameda?

12 A. Yes, I do.

13 Q. What do you remember about that?

14 A. I remember that my calculation ended up suggesting that we
15 should sell several billion dollars to hedge, but it was fairly
16 sensitive to various parameters and there were a lot of things
17 I was uncertain about.

18 Q. In connection with that analysis, did you ever look at what
19 the probability per month would be of Alameda suffering losses
20 depending on what happened to its NAV?

21 A. Yes, I think I did.

22 Q. What do you remember about that?

23 A. I think I recall looking at historical crypto volatility to
24 determine the probability of some sort of specific down move
25 per month and then comparing that to Alameda's overall crypto

1 position in various scenarios, whether we hedged or not.

2 Q. Did you consider what might happen in that scenario to the
3 NAV if Alameda lost \$5 billion?

4 A. I don't remember if that was one of the specific scenarios.

5 Q. Did you consider what would happen if Alameda lost \$10
6 billion?

7 A. I don't remember.

8 Q. Let's move to 2022, Ms. Ellison.

9 A. OK.

10 THE COURT: I thought we were just in September 2022.

11 MR. COHEN: We were back and forth, but here we are.

12 Q. I think you told us yesterday that in about May something
13 called UST fell below a dollar.

14 Do you recall that?

15 A. I don't recall mentioning that.

16 Q. Do you recall giving testimony about Terra and Luna
17 yesterday?

18 A. Yes. I recall mentioning that the coin Luna went down a
19 lot in May of 2022.

20 Q. Did you ever hear of the term -- of the token UST?

21 A. Yes.

22 Q. What was that?

23 A. It was an algorithmic stablecoin that was related to Luna.

24 Q. When Luna went down, did it also fall?

25 A. Yes, it did.

1 Q. Did Alameda own UST?

2 A. Yes, we did.

3 Q. And it owned it before it went down in price, correct?

4 A. That's right.

5 Q. Did Alameda end up taking a loss on the UST?

6 A. Yes, we did.

7 Q. How much?

8 A. I think it was ballpark of \$100 million.

9 Q. What was your understanding of why Alameda took that loss?

10 A. I'm sorry. I don't know what you mean.

11 Q. Well, as the CEO of Alameda, did you have occasion to
12 review what had happened in connection with the UST investment?

13 A. Yes, I did.

14 Q. What did you conclude?

15 A. I concluded that it had been a bad idea, a mistake at the
16 time to own UST.

17 Q. Did you look at whether or not Alameda should have sold it
18 at any point in time?

19 A. Yes. After the fact I came to believe that Alameda should
20 have sold it. Maybe that's an easy thing to say in retrospect.

21 Q. It's always easier in hindsight.

22 MS. SASSOON: Your Honor, we move to strike that.

23 THE COURT: Strike Mr. Cohen's remark, however true it
24 may be.

25 MR. COHEN: At least something I said.

1 I lost my place. Hold on.

2 Can we call up Government Exhibit 25B in evidence.

3 Q. I think you testified yesterday that 25B were some of your
4 notes that you made about Alameda, correct?

5 A. Yes, that's right.

6 Q. And the first page we are looking at listed work
7 priorities.

8 A. Um-hum.

9 Q. Do you recall approximately when these notes were from?

10 A. Yeah. Sorry. Could you zoom out?

11 Yeah. I think this is from the fall of 2022.

12 Q. Could it have been August of 2022?

13 A. Yeah, it might have been August.

14 Q. At the top you listed work priorities, correct?

15 A. That's right.

16 Q. What did that refer to?

17 A. That referred to things I thought were important in my job.

18 Q. The first item you listed was hedging getting more capital.

19 Do you see that?

20 A. Yes.

21 Q. What did that refer to?

22 A. So hedging referred to ways to reduce Alameda's risk by
23 selling assets that were correlated with Alameda's portfolio,
24 and getting more capital referred to ways to raise more money,
25 whether it was by getting loans or selling equity for FTX.

1 Q. And this is from, we will call it, August, September of
2 2022, correct?

3 A. Yes, I believe so.

4 Q. Prior to that time, in the period of 2022 and before that,
5 had Alameda hedged against the crypto market?

6 A. We had hedged some.

7 Q. Do you recall having a discussion with Sam about your
8 hedging prior to August, September?

9 A. Yeah. I recall having various discussions with him about
10 hedging over time.

11 Q. And what was the discussion?

12 MS. SASSOON: Objection, form. She said various
13 discussions over time.

14 THE COURT: Sustained as to form.

15 MR. COHEN: Let me break it down.

16 Q. I want to focus on discussions on hedging in the period
17 from, let's call it, January 2022 to the date of this document.

18 A. Yes. Sorry. What about them?

19 Q. You said you had a number of conversations with him about
20 hedging. Were any in that time period?

21 A. Yes.

22 Q. How many?

23 A. I don't remember.

24 Q. What was the gist of those conversations?

25 A. Earlier in the year we had some conversations about whether

1 Alameda should hedge our positions more. Sam suggested that we
2 might want to sell stocks or more specifically NASDAQ futures
3 to hedge our long exposure, and I was more skeptical of that
4 idea, and we didn't end up doing anything. Then later in the
5 year we had more conversations and started to sell more NASDAQ
6 futures.

7 Q. Just for everyone's benefit, what is a long exposure?

8 A. That means that we owned a lot of cryptocurrency. So if
9 the crypto market went down, we would lose a lot of money.

10 Q. One way to try to offset that might be to buy hedges.

11 A. Yeah. I guess to put on hedges. In this case we were
12 selling instruments.

13 Q. Do you recall ever speaking with Sam and Gary together
14 about hedging in that period? By speaking, I mean in a chat.

15 THE COURT: Which period are we talking about?

16 MR. COHEN: From January to August 2022.

17 A. Nothing comes to mind.

18 Q. Now, is it fair to say that, starting in September, you did
19 put on some hedges with respect to the crypto market moving
20 down?

21 A. In September, we put on several billion dollars of hedges
22 in NASDAQ futures.

23 Q. Did you also put on hedges in Bitcoin?

24 A. Yes, we did sell some amount of Bitcoin and I think
25 Ethereum, those smaller amounts.

1 Q. Let me move to a new topic, Ms. Ellison.

2 I believe you testified, I think it was yesterday,
3 about the period in June of 2022. I think you said it was June
4 13 when you learned about a bug relating to the fiat@ account.

5 Do you recall that?

6 A. I don't think I said it was on June 13 that I learned about
7 this bug. My recollection is that I learned about it earlier,
8 maybe in May, but June 13 I was aware of the bug.

9 Q. Fair enough. OK.

10 MR. COHEN: Can we call up GX-64, please.

11 Q. Just to remind everyone, what is GX-64, Ms. Ellison?

12 A. This was one of the update documents that I would write
13 about Alameda and send to Sam.

14 MR. COHEN: Can we go, Brian, to the bottom of the
15 page, the last paragraph. Can we call that out, pull that up.

16 Q. It says: A lot of expensive trading bugs.

17 Do you see that, Ms. Ellison?

18 A. Yes, I do.

19 Q. Then there is I think about -- you don't have to highlight
20 them, Brian, but my count, eight different examples.

21 Do you see that?

22 A. Yes. I agree.

23 Q. What does that relate to?

24 A. Those were various bugs that caused Alameda to lose money
25 around the end of 2021.

1 Q. So these were different bugs in the system?

2 A. Yes, that's right.

3 Q. And going to the next page, I meant to show it to you, I
4 apologize, so we can be complete.

5 MR. COHEN: Go to the very top, Brian, the first two
6 bullet points.

7 Q. The first entry says: Commonalities in trading bugs.

8 Do you see that?

9 A. Yes.

10 Q. What did that refer to?

11 A. Those referred to what I saw was common factors in how
12 these bugs were able to happen.

13 Q. So there had been at least eight bugs and it related to not
14 having enough trading coverage, for example?

15 A. Yeah. The common factors that I saw were not having enough
16 traders on and having recently hired a lot of new people who
17 were making mistakes as they were still learning our systems.

18 Q. Going to the next bullet point, fixes, were these your
19 ideas on how to try to keep these bugs from happening?

20 A. Yeah. These were ideas that I and others had.

21 MR. COHEN: While we are on this document, we might as
22 well not to put it back up again.

23 Can you go, Brian, to the second-to-last page.

24 Brian, call out the paragraph called limiting factors
25 in scaling.

1 Q. Take a moment and look at that for a minute, Ms. Ellison.

2 That way, we won't have to come back to it.

3 A. Um-hum.

4 Q. What did you mean by the phrase limited factors in scaling?

5 A. By limiting factors in scaling, I meant those were things
6 that were preventing Alameda from doing as well and making as
7 much money as we could.

8 Q. The first one you put down was called management and
9 vision.

10 You see that?

11 A. Yes.

12 Q. What do those entries refer to?

13 A. In that I was saying I thought the biggest factor was that
14 Trabucco and I weren't as good managers or leaders as we could
15 be, and we weren't pushing other -- pushing employees to make
16 new things or do better in the way that I wished we were.

17 Q. Then the next item was about the pros and cons of being in
18 different locations, is that correct?

19 A. Yes, that's right.

20 Q. The last item was your thoughts on the trading team.

21 A. Yes, that's right.

22 MR. COHEN: We can take that down.

23 Q. Now, coming back to the bug we have been discussing from
24 June 2022, how did you first learn about it?

25 A. I learned about it in a meeting with Sam, Gary, and Nishad.

1 This was an in-person meeting in the Alameda Bahamas office.
2 We came into this meeting to discuss Alameda's capital
3 situation because at the time I believed Alameda's NAV to be
4 negative or at least close to negative, that we were insolvent,
5 and I wanted to discuss what to do about the situation, whether
6 we would need to declare bankruptcy. But Gary came into this
7 meeting and said, oh, by the way, there is a bug in Alameda's
8 fiat liability, so your NAV numbers are actually off by several
9 billion dollars.

10 Q. When did you first become concerned that Alameda might be
11 insolvent?

12 A. I think this was in around May of 2022, when the crypto
13 market was going down.

14 Q. Is this what led to meeting with Gary, Sam, and Nishad?

15 A. Yes, that's right.

16 Q. Now, during this period in June, did you have other
17 meetings with just Gary and Nishad?

18 MS. SASSOON: Your Honor, objection to this period in
19 June.

20 Q. We will just say June.

21 A. None that come to mind.

22 Q. Did you have any Signal or other Slack communications with
23 Gary and Nishad about the bug?

24 A. Yeah. I think we had some Signal communications in the
25 chat that we shared with Sam.

1 Q. I'm asking now, ma'am, a different question, whether you
2 had Signal or Slack communications with Gary and Nishad that
3 Sam was not on.

4 A. Not that I recall.

5 Q. You don't recall that.

6 A. No.

7 Q. Now, you just told us that Gary took a look at this and
8 concluded that there had been a bug in the system, correct?

9 MS. SASSOON: Objection, form.

10 THE COURT: Sustained.

11 Q. Go over what Gary told you.

12 A. He said that he had found a bug in the calculation of
13 Alameda's fiat liabilities. That meant that our current
14 numbers were off by several billion dollars.

15 Q. And when the account was adjusted for the impact of the
16 bug, did that have an impact on whether or not Alameda was
17 solvent, in your view?

18 A. It made our NAV significantly positive.

19 Q. The NAV was significantly positive; it wasn't solvent?

20 A. I think that depends on market conditions and whether we
21 could realistically sell our assets.

22 Q. What was your reaction when Gary told you this?

23 A. At first, I was a bit skeptical and confused about how such
24 a large bug could have happened and no one had noticed or
25 caught it before now. But once I became convinced that it was

1 real, I was quite relieved.

2 Q. So you had not known about the bug previous to this
3 sequence you just told us about?

4 A. That's right.

5 Q. I think you told us one of your concerns -- withdrawn. Let
6 me start again.

7 After the bug was discovered, what happened in terms
8 of going forward?

9 A. There was a period of time where we were aware of the bug,
10 but it hadn't been fixed yet, so I tried to adjust for it in my
11 balance sheet calculations, and then eventually the bug was
12 fixed.

13 Q. What about the accounting in relation to the bug, what
14 happened to that?

15 A. Can you specify what you mean by that?

16 Q. Sure. After the bug was discovered, there had to be
17 another reconciliation of the fiat@ account, correct?

18 A. Yes, that's right.

19 Q. To your knowledge, did that happen?

20 A. Yes, it did.

21 Q. Do you know when that happened?

22 A. No.

23 Q. Moving to a period after the bug, did you ever come to a
24 view about whether the accounting for the fiat bug was in a
25 better situation than it had been before?

1 A. Yes. After the bug had been fixed, I believe that our
2 accounting was in a better situation.

3 MR. COHEN: Your Honor, I am about to start another
4 topic. This might be a good time for our lunch break.

5 THE COURT: OK. We will come back at 20 minutes to 2,
6 please.

7 (Luncheon recess)

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1 AFTERNOON SESSION

2 1:44 p.m.

3 (In open court; jury present)

4 THE COURT: Okay. The defendant and the jurors all
5 are present, as they have been throughout.

6 THE DEPUTY CLERK: Please be seated.

7 THE COURT: You may continue, Mr. Cohen.

8 MR. COHEN: Thank you, your Honor.

9 CROSS-EXAMINATION CONTINUED

10 BY MR. COHEN:

11 Q. Good afternoon.

12 A. Good afternoon.

13 Q. I want to move to another topic, Ms. Ellison.

14 Yesterday you testified about a period, I believe you
15 said it was beginning in June, when you became concerned that
16 lenders might recall their loans. Do you recall that?

17 A. Yes, that's right.

18 Q. And I believe you testified that one of the things you
19 started to do was to create balance sheets in which you made
20 calculations as to Alameda's assets. Do you recall that?

21 A. I mean, it was part of my practice to create balance sheets
22 before that, but I created more than usual in June.

23 Q. And one of your concerns as you were doing this was,
24 according to your calculations, Alameda did not have enough
25 liquid assets to repay all its lenders, correct?

1 A. Yes, that's right.

2 Q. Okay. And in that analysis did you take into account
3 Alameda's illiquid assets?

4 A. I—I put those on the balance sheet as well.

5 Q. And did you take a view about how long it would take to
6 sell those assets?

7 A. Yeah, I had the view that it would take certainly longer to
8 sell the assets than, you know, the few days in which we had to
9 repay loans once they were recalled.

10 Q. Okay. Now I think—well, let me ask it this way. When
11 did—to your memory, ma'am, when did the lenders first recall
12 the loans?

13 A. The first ones that I recall were around the beginning or
14 middle of June.

15 Q. And is it fair to say that those recalls continued through
16 July and August?

17 A. Yes, I believe there continued to be some in July and
18 August.

19 Q. Okay. In your memory what was the whole period of the
20 recalls?

21 A. I—well, there were further recalls in November as well.

22 Q. Okay. We'll get to those, but prior to November.

23 A. I don't remember when the last recall was prior to
24 November.

25 Q. Okay. And I believe you testified that ultimately—well,

1 rephrase.

2 You testified that the loans were repaid by drawing on
3 the Alameda line of credit, correct?

4 A. Yes, I did.

5 Q. Okay. Now is it fair to say that when Alameda drew on its
6 line of credit, the amount of the borrowing on the line of
7 credit would go up?

8 A. Yes, that's right.

9 Q. Okay. How many—how much was repaid in the loans during
10 this June, July, August period?

11 A. I think it was in the range of 5 to \$10 billion.

12 Q. And that would be reflected in a 5 to \$10 billion increase
13 in the line of credit?

14 A. No. I think I testified that drawing on the line of credit
15 was one of the ways in which Alameda repaid its lenders, but we
16 also used other liquid assets as well.

17 Q. And do you recall the amount of the loans that were
18 recalled just in the June period?

19 A. I think maybe ballpark of \$5 billion.

20 Q. In June. It wasn't less than that.

21 A. I'm not sure if it was less than that.

22 Q. Okay. Now one thing that was happening, if I understand
23 this correctly, was the value of cryptocurrencies was going
24 down, correct?

25 A. Yes, that's right.

1 Q. And a lot of the loans were in cryptocurrencies, correct?

2 A. Yes, that's right.

3 Q. Did that have an impact on the value of the loans?

4 A. Yes, it caused the value of the loans to go down somewhat,
5 though a lot of the loans were in US dollars as well.

6 Q. So, but if Alameda had a loan in cryptocurrency and the
7 value of that cryptocurrency went down, then the value of the
8 loan would go down.

9 A. That's correct.

10 Q. Okay. Now in your experience as the CEO of Alameda, have
11 you ever heard of the term rolling over a loan?

12 A. Yeah. That referred to, when the term of a loan ended,
13 taking out a new loan with similar terms.

14 Q. Were some of the loans you've just been talking about in
15 fact rolled over?

16 A. I don't specifically remember rolling over any loans during
17 this time period. I do remember there were I think a few loans
18 for small size, like new loans, that we did get in the summer
19 and fall of 2022.

20 Q. So you don't remember one way or the other whether any of
21 the existing loans were rolled over.

22 A. That's right.

23 Q. Okay. And the loans that we're talking about from the
24 June, July period, those were repaid, correct?

25 A. Yes, that's right.

1 Q. Okay. In your experience in Alameda as the CEO, did you
2 ever—withdrawn.

3 Did you ever have occasion to renegotiate a loan?

4 A. Yes, we did sometimes.

5 Q. What does that mean?

6 A. That means to ask for different terms on the loan.

7 Q. For example, putting out the date that the loan might be
8 due?

9 A. Yeah, or asking for a different interest rate or something
10 like that.

11 Q. Okay. Fair enough.

12 Now you didn't do that with respect to the loans in
13 June that we've been talking about, June and July.

14 A. I don't recall doing that, no.

15 Q. Now you gave testimony yesterday about an exchange you'd
16 had with Matt Ballensweig of Genesis. Do you recall that?

17 A. Yup.

18 MR. COHEN: Okay. If we could pull up Government
19 Exhibit 1649, please.

20 Q. And that's the chain where you were having a discussion
21 with Mr. Ballensweig about recalling—about Genesis recalling
22 the loan.

23 A. This looks like our discussion about us sending a balance
24 sheet to Genesis.

25 Q. Fair enough. I was thinking of the one before that.

1 So this is on June 18th; is that correct?

2 A. That's right.

3 Q. Okay. And Mr. Ballensweig is asking you for a balance
4 sheet, correct?

5 A. Yes, he is.

6 MR. COHEN: Okay. If we could go to the second page,
7 Brian.

8 Q. Okay. If you look at the last entry, Mr. Ballensweig says,
9 "basic works--really trying to get a sense of overall equity
10 and liquid capital (non locked)." What did you understand that
11 to refer to?

12 A. Overall equity refers to the net asset value of Alameda;
13 liquid capital refers to their liquid assets, things that could
14 be sold easily; and by basic works, I understood him to mean
15 that he didn't need me to put anything together that was formal
16 or took a lot of effort and he would prefer to get it faster.

17 Q. Faster, more informal.

18 A. Yes, that's right.

19 Q. About overall equity and liquid capital.

20 A. Yeah.

21 MR. COHEN: Okay. Now can we pull up Government
22 Exhibit 44, please.

23 Q. Okay. Now I promise you we're not going to go through this
24 whole thing again, but I just want to understand something.

25 You testified yesterday that this was a spreadsheet

1 that you shared with Mr. Bankman-Fried; is that correct?

2 A. Yes, I did.

3 Q. Okay. And again, what was your reason for sharing it with
4 him?

5 A. He suggested that I should put together some alternative
6 presentations of our balance sheet and run them by him.

7 Q. And as I understand it, these are seven different versions
8 of the balance sheet?

9 A. Yes, or maybe eight, including the main tab.

10 Q. Right. Because main would be its own, right?

11 A. Mm-hmm.

12 Q. Okay. Which was the one you ended up sending to
13 Mr. Ballensweig?

14 A. Alt 7.

15 Q. Now did you discuss—

16 THE COURT: Just so the record is clear, I want to
17 make sure the reporter got Alt, A-L-T, as opposed to all,
18 A-L-L.

19 MR. COHEN: Thank you, your Honor.

20 THE COURT: Thanks.

21 Q. Did you discuss each of these balance sheets with
22 Mr. Bankman-Fried?

23 A. I don't remember if I discussed all of them with him. I
24 know we discussed at least some.

25 Q. You don't remember whether you discussed the pros and cons

1 of each of them with him.

2 A. I don't remember if we discussed the pros and cons of each
3 one, just that we discussed the pros and cons of some.

4 Q. Now you told us yesterday that one of the distinguishing
5 factors was that some versions had a category called Exchange
6 Borrows.

7 MR. COHEN: If we could call up—are we on Alt 7?
8 Excuse me. Not on Alt 7, Alt—I believe it's Alt 1.

9 Right.

10 Q. Okay. And I believe you told us that referred to borrows
11 that Alameda had made from the FTX exchange.

12 A. That's right.

13 Q. Okay. This was—by the way, this was a balance sheet that
14 you—series of balance sheets that you sent to
15 Mr. Bankman-Fried.

16 A. That's right.

17 Q. Just the two of you had access to them?

18 A. Yes.

19 Q. Just the two of you spoke about them.

20 A. Yes, that's right.

21 Q. But you told us you felt the need to put them into a code
22 by using the phrase "Exchange Borrows"; is that correct?

23 A. Yeah. I mean, I wouldn't consider "Exchange Borrows" that
24 much of a code, but it's a little more—a little less direct
25 than saying "FTX Borrows."

1 Q. But not really—

2 MS. SASSOON: I would ask that the witness be allowed
3 to finish her answer.

4 THE COURT: Had you finished?

5 THE WITNESS: Yes, I think I've finished now.

6 Q. And on Alt 1, the other provision that you spent some time
7 about was under—row 14, Brian—related-party loans.

8 A. Mm-hmm.

9 Q. And that, I believe—you'll tell me if I'm wrong—related
10 to the loans that had been made to Mr. Bankman-Fried and Gary
11 and so forth, correct?

12 A. That's right.

13 Q. These were loans made by Alameda to the founders and other
14 individuals.

15 A. And other entities, yes.

16 Q. Okay. Now your concern about Alt 7 and some of the other
17 balance sheets was that it didn't include exchange borrows and
18 related-party loans.

19 A. Yes, that's right.

20 Q. Okay. Because in fact, the NAV was the same on all of
21 them.

22 A. That's right.

23 Q. So the overall equity shown was the same.

24 A. Yes, that's right.

25 Q. And I believe you told us one of your concerns about the

1 exchange borrows was that these reflected loans from FTX
2 exchange that might themselves be in illiquid assets; is that
3 correct?

4 A. No, I don't recall that.

5 Q. Let me rephrase. I'm sorry. I didn't mean to cut you off.
6 Finish your answer.

7 A. Sorry. I just said, "No, I don't recall that." Yeah,
8 rephrasing would be helpful.

9 Q. Then let me rephrase.

10 What were your concerns about the exchange borrows
11 category?

12 A. My concerns were (1) that it reflected that Alameda had a
13 high level of risk because these were funds that FTX customers
14 could withdraw at any time and Alameda would need to repay the
15 assets to FTX; and (2) that it reflected poorly on FTX and
16 would make FTX customers concerned about the safety of putting
17 their funds on FTX.

18 Q. And was part of the level of risk you were considering that
19 the assets—some of them, anyway—had been put in illiquid
20 investments?

21 A. Yes, that's right, that the assets Alameda had borrowed had
22 been invested in illiquid investments.

23 Q. And would it have been a factor in your analysis if some of
24 those had instead been put into things like Bitcoin?

25 A. Yeah.

1 Q. Now just to complete that, Bitcoin being a more liquid
2 cryptocurrency?

3 MS. SASSOON: Objection, 401, 403.

4 THE COURT: Overruled.

5 MR. COHEN: I'll move on, your Honor.

6 Q. Now the concern you had—let me just do it this way.

7 What was your concern about the related-party loans?

8 A. My concerns were that they had been invested in illiquid
9 assets, meaning that they weren't loans that Alameda could get
10 back easily, and that it—the fact that the number was so large
11 might make it look to lenders as if Alameda was giving or
12 funneling money to FTX executives.

13 Q. And again, one factor that you would have considered would
14 be if they were not in illiquid investments, correct?

15 A. Yes, that's right.

16 Q. Okay. And so your concern was not about the total NAV,
17 correct?

18 A. That's right.

19 MR. COHEN: All right. We can take that one down.

20 Q. After the June and July loans were paid back, we came into
21 August. I believe you told us earlier today that you would do
22 midyear reviews of Alameda; is that correct?

23 A. Yes, we had a twice-a-year review process.

24 Q. And did you do one in August of 2022? Excuse me. July,
25 August?

1 A. What do you mean exactly by did I do one?

2 Q. Let me rephrase.

3 Do you recall preparing an Alameda 2022 overview in
4 July of 2022?

5 A. I recall writing a Google Doc around that time to share
6 with Alameda employees about what had been going on in Alameda,
7 if that's what you're referring to.

8 Q. Okay. I think it is.

9 Okay. Now what was your view as of that period as to
10 how Alameda had done so far during the year?

11 A. I thought it had done very badly and was now in a very bad
12 position. I thought that we had lost billions of dollars on
13 our positions and that we had borrowed money from FTX customers
14 that we were currently unable to pay back.

15 Q. Isn't it fair to say that you indicated in that document
16 you thought Alameda had executed really well in 2022?

17 MS. SASSOON: Objection, form.

18 THE COURT: No, I'll allow the question.

19 A. Yeah, I recall giving a much more positive take in that
20 document than my true opinion of how Alameda was doing. It was
21 a—a document that was written for Alameda employees and so
22 partly I wanted to help keep their morale up, partly I did
23 think that Alameda employees had executed well over the past
24 six months and that the problems in Alameda were coming from
25 the management decision-making level.

1 Q. Was your purpose to keep their morale up?

2 A. That was one of my purposes.

3 Q. Were you also misleading them?

4 A. Yeah, I'd say I was misleading them about my true feelings
5 about the state of Alameda in this document.

6 MR. COHEN: Can we call up GX 25, please.

7 MS. SASSOON: I just want to clarify because this is
8 not in evidence.

9 THE COURT: What's to clarify?

10 MS. SASSOON: That it's being pulled up only for the
11 witness.

12 THE COURT: Yes. Thank you.

13 MR. COHEN: I'm sorry. Can we instead pull up 25B,
14 Government Exhibit.

15 Brian, can you—well, before we get to the pages. . .

16 BY MR. COHEN:

17 Q. Again, this was one of the Google Docs you prepared about
18 Alameda's business, correct?

19 A. Yes, this was a part of one of my personal to-do list
20 documents.

21 Q. Okay. And I believe you said this was prepared around
22 August of 2022; is that correct?

23 A. Yes, I said August or fall.

24 MR. COHEN: Okay. Can we now go to the last page,
25 please.

1 And right above the blackout portion, can you pull
2 that up, Brian. Thank you.

3 Q. You told us yesterday you made a list about things Sam is
4 freaking out about. This was in August or fall of 2022. The
5 first entry was hedging; is that correct?

6 A. That's right.

7 Q. And does that relate to the conversation we had earlier
8 before the break about hedging?

9 A. Yes, that's right.

10 Q. Okay. There is also—if you look down five bullets,
11 there's something called "Raising from MBS." Do you see that?

12 A. Yes.

13 Q. What did that refer to?

14 A. That referred to selling FTX equity to Mohammed bin Salman,
15 a Saudi prince, to raise money.

16 Q. Do you know if Mr. Bankman-Fried had been planning to go to
17 the Middle East?

18 A. Yes, I did.

19 Q. Okay. What did you know about that?

20 A. He told me that he went to the Middle East and tried to
21 raise funds there, but it didn't sound like he had had success.
22 He also told me that he wanted to—he had met some people from
23 Telegram there and wanted to make a large investment in
24 Telegram.

25 Q. Let me back up. Did the topic of Mr. Bankman-Fried

1 attending an investors conference in the Middle East ever come
2 up?

3 A. I don't recall hearing specifically about an investors
4 conference.

5 Q. Okay. Now if you look at the two bullet points below that,
6 there's something called Alameda/Modulo relationship. Do you
7 see that?

8 A. Yeah, Alameda/Modulo relationship.

9 Q. Modulo. Excuse me. What does that relate to, Ms. Ellison?

10 A. That relates to the hedge fund called Modulo that Alameda
11 had invested in and Sam had said on a few occasions and written
12 Google Docs that he thought we should—Alameda should do a
13 better job of working together with Modulo.

14 Q. Okay. And Modulo was a trading firm?

15 A. Yes, that's right.

16 Q. It was similar in structure to Alameda?

17 A. I don't know if I would say it was that similar. It had a
18 hedge fund structure as opposed to Alameda's proprietary
19 trading firm structure. And it was much smaller; it only had
20 about four people.

21 Q. Did you view Modulo as a competitor to Alameda?

22 A. Yeah, I did, in some ways.

23 Q. What ways?

24 A. I think there was some level of competition over hiring. I
25 also thought there might be some amount of competition over

1 trading. I didn't really know how much because I didn't know
2 what types of trading strategies they were doing.

3 Q. Was there also a concern that capital might be sent to
4 Modulo instead of Alameda?

5 A. Yes, that's right. That's another way in which they were
6 somewhat competitive.

7 Q. Is it fair to say that you would prefer that Alameda
8 receive capital over Modulo?

9 A. I mean, I thought that it made more sense to keep capital
10 in Alameda than invested in Modulo.

11 Q. Who were the people who ran Modulo?

12 A. Lily Zhang and Duncan Rheingans-Yoo.

13 Q. And please answer this yes or no. Did you have any
14 personal competition with them?

15 A. Yeah.

16 Q. And as between them, you wanted to succeed if it meant at
17 their expense, correct?

18 A. Sorry. Can you repeat the question.

19 Q. If it came down to you succeeding—you meaning Alameda—at
20 their expense, you wanted to succeed, correct?

21 A. I mean, I think it depends on how much it was to their
22 expense. If it—if the question is would I rather have a
23 dollar in Alameda or in Modulo, I would prefer it to be in
24 Alameda.

25 Q. Didn't part of you want to crush them?

1 A. Yeah. I remember having feelings like that at some point.

2 MR. COHEN: We can take that down.

3 Q. Do you recall earlier today and yesterday we talked about
4 venture investments? Do you recall that?

5 A. That's right.

6 Q. And those were investments that Alameda had made in
7 different kinds of ventures.

8 A. Yes, that's right.

9 Q. Okay. Do you recall an investment in a company called
10 Robinhood?

11 A. Yes, I do.

12 Q. Okay. How did that investment work, if you remember?

13 A. Sam said that he thought Robinhood was a good value and
14 that he wanted Alameda to buy it. We did buy many shares over
15 a period of time and eventually, before having to disclose
16 those purchases, transferred them to another entity in a
17 different name.

18 Q. Okay. So the shares were purchased by Alameda, correct?

19 A. Yes, that's right.

20 Q. But they were placed in a different entity.

21 A. That's right.

22 Q. Do you remember the name of that entity?

23 A. I think it was Emergent Fidelity Technologies.

24 Q. Okay. And who controlled Emergent?

25 A. Sam.

1 Q. Okay. Did you have a view about whether or not Emergent
2 would lend those shares to Alameda if it needed them?

3 A. Yes, I thought it would.

4 Q. Okay. Did you have a view about whether Sam would lend or
5 provide other assets he owned to Alameda if necessary?

6 MS. SASSOON: Objection.

7 THE COURT: Sustained.

8 Q. All right. Let me move to—I might come back to that, but
9 let me move to another topic now.

10 Let me call your attention to the first week of
11 November 2022. Okay?

12 A. Mm-hmm.

13 Q. Do you recall that on November 2nd, an article came out in
14 CoinDesk?

15 A. Yes.

16 Q. Do you recall you were shown parts of that article
17 yesterday?

18 A. Yes. Or actually—sorry—I don't recall being shown the
19 CoinDesk article yesterday, but—

20 Q. Okay. Your understanding, what was the article about, in
21 general?

22 A. The article was about Alameda's balance sheet.

23 Q. And somebody had leaked Alameda's balance sheet to
24 CoinDesk?

25 A. That's right.

1 Q. What was your response upon learning of that?

2 A. I was concerned that this would cause negative market
3 sentiment about Alameda. I considered whether to give a
4 comment for the article, but Sam, I, and others in a group chat
5 decided not to.

6 Q. Now around the time this article came out, did you forward
7 certain balance sheets to Mr. Bankman-Fried?

8 A. Yeah, I think I did.

9 MR. COHEN: Okay. Can we pull up Government
10 Exhibit 10, please.

11 Q. Was this one of the balance sheets you forwarded to him
12 around the time of the CoinDesk article?

13 MS. SASSOON: Objection to the time frame.

14 THE COURT: Sustained. Be more specific, please.

15 Q. Do you remember, Ms. Ellison, when you forwarded this to
16 Mr. Bankman-Fried?

17 A. I don't for certain. There are other—I know there are a
18 few balance sheets around this time period that look similar.

19 MR. COHEN: Let's pull up Government Exhibit 11 and
20 see if that helps you at all.

21 Q. And looking at that, does that help you remember when you
22 forwarded it to Mr. Bankman-Fried?

23 THE COURT: Sustained as to form. Does looking at
24 this refresh her recollection as to when she forwarded exactly
25 what to the defendant? This or the last one?

1 MR. COHEN: This one, GX 11.

2 THE COURT: Did you forward GX 11 to the defendant?

3 THE WITNESS: I remember sharing it with him at some
4 point.

5 THE COURT: Okay. Now ask your question, please.

6 BY MR. COHEN:

7 Q. To follow up on his Honor's question, does this refresh
8 your recollection about when you forwarded it to him?

9 MS. SASSOON: Objection.

10 A. No.

11 MS. SASSOON: The witness hasn't said anything that
12 requires refreshing of her recollection.

13 MR. COHEN: Can we have nonspeaking objections,
14 please.

15 MS. SASSOON: Form.

16 THE COURT: Sustained.

17 Q. Now when the CoinDesk article first came out, do you
18 remember what your reaction was, Ms. Ellison?

19 A. Yeah. As I think I've said, I was—

20 MS. SASSOON: Objection, your Honor. This was asked
21 on direct, it's been asked on cross.

22 THE COURT: It was asked just a couple of minutes ago.
23 Sustained. Asked and answered.

24 MR. COHEN: Okay.

25 Q. Let's move forward to November 6th, okay?

1 A. Okay.

2 Q. All right. Now I think you testified that you ended up
3 putting up a tweet in response to the CoinDesk article,
4 correct?

5 A. Yes, I did.

6 MR. COHEN: Can we look at GX 875.

7 Q. And this is the tweet that you put up?

8 A. Yes, it is.

9 Q. Okay. I just want to go look at a couple pieces there.

10 At the bottom, it said that—the last line, Brian, the
11 last paragraph—"given the tightening in the crypto credit
12 space," and the next line.

13 "We've returned most of our loans by now." By now
14 being November 6th. Had Alameda returned most of its loans by
15 then?

16 A. No. We had returned most of our third-party loans, but to
17 do so we had taken out new loans from FTX.

18 Q. So it had returned most of its third-party loans, correct?

19 A. That's right.

20 Q. Going up to the paragraph on top of that.

21 MR. COHEN: If you could highlight that, Brian.

22 Q. It says, "we obviously had hedges that aren't listed."

23 A. Mm-hmm.

24 Q. Did Alameda in fact have hedges that were not listed on the
25 balance sheet?

1 A. Yes, we did.

2 Q. Okay. And going up to the very top, it says that "we have
3 greater than \$10 billion of assets that are not reflected
4 there," there being the balance sheet. In fact, did Alameda
5 have greater than 10 billion not reflected on the balance
6 sheet?

7 A. Alameda did not; Sam personally did.

8 Q. Okay. And FTX did.

9 A. If you're considering FTX equity as an asset—

10 Q. Yes.

11 A. —then yes, it—I mean, there was—Sam owned greater than
12 \$10 billion of FTX equity.

13 MR. COHEN: Okay. We can take that down.

14 Q. Now if we can move forward during the week, there came a
15 time that—well, let me back up.

16 Just to refresh everyone, who was CZ?

17 A. The CEO of Binance.

18 Q. And Binance was the largest crypto exchange?

19 A. That's right.

20 Q. Okay. There came a time that he put up a tweet with regard
21 to FTT. Do you recall that?

22 A. Yes, I do.

23 MR. COHEN: Can we pull up Government Exhibit 874,
24 please.

25 Q. So in this exhibit, CZ is saying that Binance is planning

1 to liquidate its remaining FTT; is that correct?

2 A. Uh-huh, yes, that's right.

3 Q. Okay. And what was your reaction, or your response to
4 that?

5 A. I was very concerned. I thought that this would cause the
6 price of FTT to go down a lot and cause a lot of increased
7 worry about the safety of assets on FTX and likely cause a lot
8 of customers to withdraw from FTX.

9 Q. Did you end up putting up a tweet responding to that?

10 A. Yes, I did.

11 MR. COHEN: Okay. Can we put that one up. Can we put
12 up GX 876.

13 Q. This was the tweet you put up in response to CZ's tweet,
14 correct?

15 A. That's right.

16 Q. Okay. And you said that "Alameda would happily buy all of
17 your FTT for \$22."

18 A. Yes, I did.

19 Q. Okay. Now \$22 was the market price of FTT, correct?

20 A. I don't remember what the exact price was around the time,
21 but I think it was somewhere around \$22.

22 Q. All right. In fact, 22 had been the six-month low; is that
23 correct?

24 A. I don't remember.

25 Q. Now did you really think that CZ was planning to buy

1 these—sell these shares?

2 MS. SASSOON: Objection.

3 THE COURT: Ground?

4 MS. SASSOON: Calls for speculation about CZ's plans.

5 THE COURT: Why is it relevant, Mr. Cohen?

6 MR. COHEN: It's relevant to the response to the
7 tweet, your Honor.

8 THE COURT: Sustained.

9 BY MR. COHEN:

10 Q. Did you have any discussions with Mr. Bankman-Fried about
11 how to respond to the tweet?

12 A. Yes, we did.

13 Q. Okay. Did those discussions include the topic of whether
14 CZ was really going to sell?

15 A. I don't recall. I know it did include the topic of CZ's
16 motivations in sending the tweet.

17 Q. Okay. Well, tell us what you remember about that.

18 A. We—we both agreed that his motivations were most likely to
19 try to hurt Alameda and FTX even if it was at the expense of
20 getting a better price for his FTT.

21 Q. Okay. Now let's move forward—you can take that down—to
22 later in the week, and take a look at GX 21.

23 Ms. Ellison, what was the—what did GX 21 relate to?

24 A. This is a Google Doc or a document that Sam wrote about his
25 plans to raise money for FTX.

1 Q. And I want to focus on the first page, items 1 through 14.

2 MR. COHEN: At the top, Brian.

3 A. Mm-hmm.

4 Q. Just the first page.

5 What was your understanding of what they referred to?

6 A. My understanding was that these were people that Sam or
7 others were planning to ask about making an emergency
8 investment into FTX.

9 Q. So these were potential sources of capital?

10 A. Yes, that's right.

11 Q. To keep FTX going as an ongoing business.

12 A. That's right.

13 Q. Were you asked to contact anyone?

14 A. Yes, Sam asked me to contact Dustin Moskovitz.

15 Q. That would be the person—where was he?

16 A. I don't know where he was at the time.

17 Q. And also, if you look at No. 3, you were asked to contact
18 Genesis.

19 A. Yes, I do recall Sam asking me to talk to Genesis.

20 Q. Do you recall—yes or no—whether you contacted Genesis?

21 A. I was talking a lot to Genesis during this time period, but
22 I—I don't recall if I brought up the issue of them investing
23 in FTX. They were already, you know, trying to recall their
24 loans from us.

25 Q. What about Dustin?

1 A. Yeah, I did talk to him. Or sorry. Sorry. I talked to
2 one of his representatives. I didn't talk to him directly.

3 Q. About the topic of raising capital.

4 A. Yes, that's right.

5 MR. COHEN: All right. We can take that down.

6 Q. Now you also testified that you participated in something
7 you called an all hands meeting on November 9th. Do you recall
8 that?

9 A. Yes, I do.

10 Q. And those kinds of meetings were held on a regular basis;
11 is that correct?

12 A. They were typically held every two weeks.

13 Q. At Alameda.

14 A. Yes, that's right.

15 Q. Who participated in those meetings?

16 A. All the employees at Alameda.

17 Q. Okay. Where was Alameda's offices at the time?

18 A. Our main offices were in the Bahamas and in Hong Kong.

19 Q. And where were you when this meeting took place?

20 A. I was in Hong Kong.

21 Q. Now prior to the meeting did you have any conversations
22 with Mr. Bankman-Fried or others?

23 MS. SASSOON: Objection.

24 THE COURT: It's a little broad.

25 Q. Did you have any conversations with Mr. Bankman-Fried about

1 what to discuss at the meeting?

2 A. Yes, I did.

3 Q. What do you recollect about that?

4 MS. SASSOON: Objection, hearsay.

5 MR. COHEN: Let's pull up Government Exhibit 414A in
6 evidence.

7 Q. Now, Ms. Ellison, if you could just—let's call your
8 attention to the top in blue. You say, "thinking about what to
9 tell people at Alameda all hands. Right now I'm thinking a
10 vibe of 'Alameda is probably going to wind down, if you don't
11 want to stay or want to take some time off no pressure, if you
12 do want to help with stuff like making sure our lenders get
13 repaid it's super appreciated.'" And then you write, "does it
14 seem right?"

15 MR. COHEN: You can put it to normal size, Brian.

16 Q. What did you mean by that?

17 A. What I meant was I was thinking about what to say at this
18 meeting. A lot of the employees had been asking me what was
19 going on, or what the implications were for them, and I was
20 asking whether it made sense to express this to them that
21 Alameda was going to wind down and that they shouldn't feel
22 pressured to stay and continue working.

23 Q. Was your goal to get them to stay?

24 A. No. I was hoping that some might stay, but I think if my
25 goal had been to get them to stay, I would have told them to

1 stay. I was trying to be honest and help them do whatever was
2 in their best interest.

3 Q. What was your goal going into this meeting?

4 A. My goal was to inform Alameda employees what had been going
5 on and what the implications for them were.

6 Q. And looking at the response from Mr. Bankman-Fried at the
7 bottom, he says, "maybe something about there being a future of
8 some sort for those who are excited but that you can't know for
9 sure what it is." What was your understanding as to that,
10 Ms. Ellison?

11 A. My understanding was that Sam was suggesting maybe he would
12 start a new company or maybe Alameda would continue in some
13 form and that he might want to hire Alameda employees for that.

14 Q. Now did the meeting take place?

15 A. Yes, it did.

16 Q. Now please answer my next question just by topic, not by
17 what was said. Do you recall the topics you covered?

18 A. Yes.

19 Q. Can you tell us.

20 A. I recall telling employees how Alameda and FTX had gotten
21 into that financial—into our financial situation, and I recall
22 telling people that Alameda was likely going to wind down and
23 they didn't need to keep working.

24 Q. Did the topic—yes or no: Did the topic—

25 THE COURT: Excuse me. Had you finished your answer?

1 THE WITNESS: Yeah, those were the only topics that
2 come to mind for the moment.

3 MR. COHEN: I'm sorry. I thought she had finished. I
4 apologize.

5 THE COURT: Yes, of course you did. And she had.

6 BY MR. COHEN:

7 Q. Did the topic of Alameda's accounting come up at all, yes
8 or no?

9 A. I don't specifically remember.

10 Q. Did the topic of the pointer system come up at all, yes or
11 no?

12 A. I don't remember.

13 Q. Did the topic of Alameda's interactions with its lenders
14 come up, yes or no?

15 A. Yeah.

16 Q. Now what happened after the meeting?

17 A. Sorry. Can you be more specific.

18 Q. Sure. I think that's a fair point. A lot of things
19 happened.

20 What happened in regard to the meeting? Did you
21 discuss it with anyone afterward?

22 A. Yes, I—I think I told—I mentioned in this small group
23 chat on Signal that I had had the meeting and conveyed these
24 things to the employees and that I thought it had gone well.

25 Q. Now in your view in this meeting were you revealing

1 wrongdoing to the employees?

2 A. Yes, I was.

3 Q. But you were also asking them to stay at the company.

4 A. I don't remember if I asked them to stay at the company. I
5 said that it would be appreciated if they could help as we
6 wound down and returned capital to our lenders.

7 Q. Even after you told them about wrongdoing.

8 A. Yes, that's right.

9 MR. COHEN: Your Honor, may I have a moment.

10 THE COURT: Yes.

11 MR. COHEN: I have nothing further.

12 THE COURT: All right. Thank you.

13 Any redirect?

14 MS. SASSOON: Yes, your Honor.

15 REDIRECT EXAMINATION

16 BY MS. SASSOON:

17 Q. Good afternoon, Ms. Ellison.

18 A. Good afternoon.

19 Q. I'd like to pick up on the subject of this all hands
20 meeting in November. At that meeting what, if anything, did
21 you explain to Alameda's employees about why there was a
22 shortfall in FTX customer funds?

23 A. I explained that Alameda had made billions of dollars of
24 venture investments and had bought back FTX equity from Binance
25 using open-term loans and that when the loans had been

1 recalled, we had to use or we did use FTX customer funds to
2 repay them, which had caused the shortfall.

3 Q. Were you asked any follow-up questions by Alameda employees
4 at this meeting?

5 A. Yeah, I was asked many follow-ups.

6 Q. And were you asked any questions related to who was
7 involved in this wrongdoing that you described?

8 A. Yes, I was.

9 Q. And did you answer that question?

10 A. Yes, I said that Sam, Gary, Nishad, and I had been aware of
11 the situation and the decision to repay loans with customer
12 funds was Sam's.

13 Q. Do you recall in that meeting saying that "The decision was
14 Sam's, I guess"?

15 MR. COHEN: Objection. Beyond the scope.

16 THE COURT: I'm sorry. I can't hear you.

17 MR. COHEN: I don't have my microphone.

18 THE COURT: Whoever is speaking.

19 MR. COHEN: Sorry. I need my microphone. Objection,
20 beyond the scope.

21 MS. SASSOON: She was asked about this meeting, your
22 Honor.

23 THE COURT: Yes, indeed. Overruled.

24 BY MS. SASSOON:

25 Q. Do you recall at this meeting saying the decision had been

1 "Sam's, I guess"?

2 A. Yeah, I do.

3 Q. And why did you say "Sam's, I guess"?

4 A. It was a—the words I guess were a vocal tick. I felt sort
5 of uncomfortable. I hadn't gone into the meeting intending to
6 cast blame on anyone, but I also wanted to be honest and open
7 in answering my employee's questions.

8 Q. And I believe you were asked this on cross-examination, but
9 to be clear, did this meeting take place before you learned of
10 any government investigation into wrongdoing?

11 A. Yeah, it did.

12 Q. Now were you aware of anyone recording this meeting while
13 it was taking place?

14 A. No, I was not.

15 Q. Have you been played or heard any recording of this
16 meeting?

17 A. No, though I've heard that a recording was made
18 subsequently.

19 Q. And so is your testimony sitting here today based on your
20 best recollection of that meeting?

21 A. Yes, that's right.

22 Q. You were asked on cross-examination about telling the
23 defendant that the meeting went well afterwards?

24 A. That's right.

25 Q. Why, if you admitted in this meeting to wrongdoing, did you

1 describe the meeting as having gone well?

2 A. Because employees seemed, I mean, upset about the
3 wrongdoing but they seemed grateful that I had been open and
4 honest with them, and I felt good that I had disclosed this to
5 employees.

6 Q. You were asked by Mr. Cohen about an earlier document to
7 Alameda employees from months or maybe even a year earlier that
8 you described as misleading Alameda employees about Alameda's
9 positive situation. Do you recall those questions?

10 A. Yes, I do.

11 Q. And if at back in that time you had been misleading your
12 employees, why did you come clean at this meeting, in November?

13 MR. COHEN: Objection.

14 THE COURT: Sustained.

15 Q. Why, if as you testified you had made misleading statements
16 to your employees in the past, why at this meeting did you, as
17 you described it, disclose wrongdoing?

18 A. Yeah, I mean, I didn't—I never liked misleading my
19 employees. I felt really bad about it, but I felt sort of
20 trapped in the summer of 2022, because I was worried that if I
21 revealed Alameda's actual financial situation to anyone,
22 including our employees, that the news would get out and that
23 people would withdraw their funds from FTX, causing Alameda and
24 FTX to collapse. By the time of this all hands
25 November—meeting in November, it had already happened, so I

1 felt free to be honest with employees at that point, as, I
2 mean, I had wanted to before but felt like I couldn't.

3 Q. You were asked some questions on cross-examination about
4 the different attitudes you and the defendant had about risk.
5 Do you recall that?

6 A. Yeah.

7 Q. And you were asked about the defendant's decision to start
8 FTX, which you had disagreed with. Do you recall that?

9 A. Yeah.

10 Q. And I believe Mr. Cohen asked you if in hindsight you
11 viewed the risks that he took there as correct. Do you
12 remember that?

13 A. Yeah.

14 Q. What about in 2022? Do you view the risks that were taken
15 in 2022 by the defendant as correct?

16 A. No, I think they were terrible mistakes.

17 Q. You were asked some questions about the defendant's
18 absences from Alameda in 2020. Do you recall that?

19 A. Yes, I do.

20 Q. How did that compare to the defendant's level of engagement
21 in Alameda from May of 2022 onward?

22 A. In May of 2022, he started becoming much more engaged in
23 Alameda than he had been for the past months. The fact that we
24 were losing a lot of money naturally made him much more, you
25 know, concerned and wanting to keep closer track of what was

1 going on.

2 MS. SASSOON: Mr. Bianco, can you pull up Government
3 Exhibit 64.

4 Q. Ms. Ellison, you were shown this document a number of times
5 on cross-examination. Is this an update document you sent to
6 the defendant in late 2021?

7 A. Yes, it is.

8 MS. SASSOON: And if we could just focus on "Notable
9 Idiosyncratic P&L Stuff," the third black bullet, and highlight
10 that section. Zoom in on that section.

11 Q. Can you just remind us what "Notable Idiosyncratic P&L
12 Stuff" refers to.

13 MR. COHEN: Objection. Beyond the scope.

14 MS. SASSOON: Your Honor, this document was pulled up
15 numerous times on cross.

16 MR. COHEN: Not that section.

17 THE COURT: Just give me a moment.

18 MS. SASSOON: To the extent it's relevant, I plan to
19 ask about the fifth bullet, the fifth white bullet.

20 And your Honor, there's another basis beyond just this
21 document being shown that the door was opened to this on cross.

22 THE COURT: Please give me a moment.

23 What's the other basis?

24 MS. SASSOON: Ms. Ellison was asked about her guilty
25 plea to investor fraud, and this bullet pertains to the

1 defrauding investors.

2 THE COURT: Overruled.

3 BY MS. SASSOON:

4 Q. Ms. Ellison, I'd like to direct your attention to the fifth
5 bullet that says "negative 850m from BTMX thing." What does
6 that refer to?

7 A. That refers to losses that FTX sustained and then passed on
8 to Alameda in early 2021 from a malfunctioning in the FTX
9 margin system.

10 Q. And what, if anything, did the defendant say to you about
11 transferring that loss to Alameda?

12 A. He said that he didn't want the loss on FTX's books, that
13 it would look bad to investors.

14 MS. SASSOON: You can take that down.

15 Q. On cross-examination Mr. Cohen asked you a question related
16 to a \$65 billion line of credit for Alameda. Do you recall
17 that?

18 A. Yeah.

19 Q. During your time at Alameda did anyone ever tell you that
20 Alameda had a \$65 billion line of credit with FTX?

21 A. Not that I can recall.

22 Q. Did you specifically request or authorize a \$65 billion
23 line of credit for Alameda?

24 A. No.

25 Q. You were asked some questions about Government Exhibit 44.

1 MS. SASSOON: Mr. Bianco, if you could please pull up
2 that exhibit and display the main tab alongside the Alt 7 tab.

3 Q. And like Mr. Cohen, I'm not going to go through this whole
4 spreadsheet again.

5 Mr. Cohen asked you about the total NAV on this
6 spreadsheet. Do you recall that?

7 A. Yeah.

8 Q. How did the total assets and total liabilities on the main
9 tab and Alt 7 compare?

10 A. They were quite different. On the main tab there's
11 \$21 billion of assets and 15 billion of liabilities; on the Alt
12 7 tab, there is 16.5 billion of assets and 10 billion of
13 liabilities.

14 Q. And what effect, if any, did that have on the appearance of
15 Alameda's NAV, and the strength of that NAV?

16 A. It—having the assets and the liabilities lower makes
17 Alameda look like it's in a less risky position than it
18 actually is.

19 Q. And why is that, even if the NAV is 6 billion on both?

20 MR. COHEN: Objection. Asked and answered.

21 THE COURT: Overruled.

22 A. Because the—having—having more loans and then having the
23 assets that were borrowing invested in illiquid investments
24 makes it harder for Alameda to repay those loans if they're
25 called.

1 MS. SASSOON: We can take that down.

2 Q. You were asked some questions about CZ potentially trying
3 to harm FTX in November.

4 Do you recall that?

5 A. Yeah.

6 Q. In your view, did FTX collapse because of a tweet from CZ?

7 A. I wouldn't say that was the main reason, but I think it
8 contributed to the situation.

9 Q. What would you say was the main reason?

10 A. I would say the main reason was the fact that Alameda had
11 borrowed over \$10 billion of FTX customer funds that it wasn't
12 able to repay.

13 Q. Since the events of mid-November 2022, have you spoken with
14 the defendant?

15 A. No, not since mid-November 2022.

16 Q. What about with Gary Wang?

17 A. No.

18 Q. What about with Nishad Singh?

19 A. No.

20 Q. You were asked some questions about not resigning from
21 Alameda.

22 Do you remember that?

23 A. Yeah.

24 Q. Did you consider resigning in the summer or fall of 2022?

25 A. Yeah, I did.

1 Q. Ms. Ellison, why didn't you resign?

2 A. I told Sam that I wanted to quit, and he told me that I
3 couldn't, that I was too important to keep at Alameda, and he
4 thought I needed to stay at Alameda.

5 Q. After he told you that, why didn't you resign?

6 A. Because I trusted his opinion, and I didn't want FTX and
7 Alameda to collapse. If he thought that my resigning might
8 cause that, then I didn't want to do that.

9 MS. SASSOON: No further questions.

10 THE COURT: Thank you.

11 Any recross?

12 MR. COHEN: No, your Honor.

13 THE COURT: The witness is excused. Thank you.

14 (Witness excused)

15 THE COURT: Why don't we break until 3:00, and then we
16 will proceed with another witness.

17 I'm sorry, counsel.

18 MS. KUDLA: Your Honor, we may want to address a
19 couple of issues during the break.

20 THE COURT: Five after 3, folks.

21 (Jury not present)

22 THE COURT: Counsel.

23 MS. KUDLA: Your Honor, for the next witness the
24 government intends to offer a limited number of clips from the
25 all-hands meeting that was recorded in reference on

1 cross-examination, and I believe we had raised this in our
2 motion *in limine* and provided two bases for the admission of
3 those clips, pursuant to 801(d)(2)(D) as a statement of an
4 agent and also 801(d)(2)(E) as a statement of a coconspirator.
5 At the time your Honor deferred ruling on that until you could
6 hear more further trial testimony.

7 We now believe that the record supports three
8 independent and equal bases for admission of these clips, the
9 two that I have just mentioned, and now that Ms. Ellison has
10 cross-examined specifically as well, under 801(d)(1)(B) as a
11 prior consistent statement. She has testified today that she
12 learned about the investigation after the all-hands meeting.

13 In light of that, on November 9, the time that she
14 talked to the employees, she discussed the situation and who
15 was involved and named the people who were aware of the
16 individuals who had knowledge of Alameda borrowing FTX customer
17 deposits to repay its loans.

18 Now, your Honor, in the transcript, as a statement of
19 an agent there has been ample evidence --

20 THE COURT: First of all, could you tell me whether it
21 is only Ms. Ellison who speaks on these clips or whether there
22 are other speakers?

23 MS. KUDLA: Your Honor, in almost -- there are six
24 clips. In five of the six clips there are people asking
25 Ms. Ellison questions, and then she responds to those

1 questions.

2 THE COURT: Presumably, you're offering the questions
3 not for the truth of anything contained in the question, but to
4 demonstrate the questions she was asked so as to give meaning
5 to her answer.

6 MS. KUDLA: That is correct, your Honor.

7 THE COURT: What about the sixth?

8 MS. KUDLA: The sixth, she had begun the meeting to
9 tell the employees what the situation was and why there was an
10 issue and a solvency crisis at Alameda. It was part of the
11 remarks that she just talked about about why she was providing
12 a sense of common reassurance to the Alameda employees.

13 THE COURT: Let me hear from the other side.

14 MR. EVERDELL: Thank you, your Honor.

15 I think on the agency point the comments made at the
16 meeting by Ms. Ellison were beyond the scope of the agency. In
17 fact, we know exactly what her agency scope was because that
18 prior group chat, small group chat messaging where she talks to
19 Mr. Bankman-Fried about what she plans to say at the meeting,
20 she tells them -- this is Government's Exhibit 414A, which is
21 already in evidence -- she says: I'm thinking about what to
22 tell people at the Alameda all hands. Right now I am thinking
23 that Alameda --

24 THE COURT: You spoke to fast for me to understand.

25 MR. EVERDELL: I'm sorry, your Honor.

1 Maybe we could bring it up on the screen too so you
2 can see it.

3 If we can just pull up Government Exhibit 414A.

4 THE COURT: Go ahead.

5 MR. EVERDELL: This is the small group chat where the
6 top messages is what she is telling Sam her anticipated remarks
7 are going to be at this meeting. She says: This is what I'm
8 thinking about, what to tell the people at Alameda at the all
9 hands. Right now I am thinking about a vibe of Alameda
10 probably is going to wind down. If you don't want to stay or
11 wanted to take some time off, no pressure. If you wanted to
12 help with stuff like make sure lenders get repaid, super
13 appreciated. Does that seem right? He does respond: He says:
14 Maybe something also about the future of some sort for those
15 who are excited, but can't know for sure.

16 What she tells Mr. Bankman-Fried ahead of the meeting
17 is, this is what I am going to say. I am just going to say,
18 Alameda is probably going to be winding down. Love you to stay
19 if you could, and it would be greatly appreciated if you could.
20 Sam says OK. Maybe you can add: There might be a future here.
21 That's what the scope of the agency is. That's at least what
22 Sam says. I understand what you are going to say, and here is
23 my understanding as well. But they don't talk at all about
24 whether she is going to divulge anything about who did what,
25 about customer funds and this sort of thing.

1 This is not within the scope of the agency. To the
2 extent an agency existed here, she went well beyond the scope
3 of that agency in making comments. I Think she testified to
4 that just now herself.

5 THE COURT: Who is the principal in the agency
6 relationship here?

7 MR. EVERDELL: I think that the government is claiming
8 that she is acting as an agent of my client's. I suppose the
9 government is claiming that she is acting -- that my client is
10 the principal and she is acting on behalf of him, as an agent
11 of him. I think they are going to have to articulate what the
12 basis of the agency is.

13 MS. KUDLA: Your Honor, in order for this exception to
14 apply, there has to be the existence of an agency relationship,
15 the statement was made during the course of the relationship,
16 and it relates to the scope.

17 And here what we have is, we have the existence of an
18 agency relationship. The principal here is Mr. Bankman-Fried,
19 and his agent is Ms. Ellison. She has stated in the testimony
20 that although she handled day-to-day decisions for any major
21 decision, she would always run them by Sam, and she would
22 always ultimately always defer to Sam if he thought that
23 Alameda should do something.

24 Specifically with respect to this all-hands meeting,
25 she said, with that, she consulted the defendant's input

1 because she generally sought his input on important decisions
2 at Alameda, and she thought like what to tell Alameda employees
3 about what was happening was one of those important decisions.

4 The other important thing about this rule is that she
5 just has to have the authority to take the action with which
6 the statements relate. It does not have to be authorized by
7 the principal itself.

8 And here Mr. Bankman-Fried, as Mr. Everdell has
9 acknowledged, was aware that she was going to have this meeting
10 with her employees. She has testified that this is a biweekly
11 Alameda employee meeting and that it was going to happen. She
12 was going to address all employees. He did not seek to remove
13 her as CEO at that time. He did not seek to prevent her from
14 addressing the group in the scope of her employment as CEO to
15 address these employees. Instead, he provided input.

16 So at that point in time, when she was addressing
17 these employees about what was going on, she was doing so
18 within the scope of her employment at Alameda, as it has been
19 described in the testimony.

20 THE COURT: Why isn't Alameda the principal?

21 MS. KUDLA: The defendant owns Alameda.

22 THE COURT: I understand that, of course, but it was a
23 corporation. Yes? It is a corporation, I guess.

24 MS. KUDLA: Your Honor, there has been ample testimony
25 that --

1 THE COURT: He owned 90 percent of it. I understand
2 that.

3 MS. KUDLA: Your Honor, under *United States v. Kelly*,
4 forms signed by one of the business partners in the course of a
5 business is admissible against another partner showing that
6 Mr. Bankman-Fried, in the action of being the owner of Alameda,
7 is, in effect, also the principal here.

8 THE COURT: Let me ask Mr. Everdell to go to your
9 second point, 801(d)(1)(B).

10 MR. EVERDELL: Sorry. The prior consistent statement,
11 your Honor?

12 THE COURT: Yes.

13 MR. EVERDELL: There, your Honor, I think this just
14 proves too much. It is too general.

15 I think what the government's theory is is that
16 because Ms. Ellison later divulged information to the
17 government, right, about Mr. Bankman-Fried, that anything she
18 says prior to when she had that motivation to cooperate,
19 anything that she said about Sam or anybody else is therefore a
20 prior consistent statement and then it can be admitted. I
21 think that's way too broad a reading --

22 THE COURT: Is the defense conceding that what she
23 told the government and what she has testified to here in court
24 about what she said at that meeting is true?

25 MR. EVERDELL: No, your Honor.

1 THE COURT: Of course not.

2 You have spent the last day and a half doing your
3 level best -- and I'm not criticizing. I understand it's your
4 job. You should have been doing it -- trying to impugn her
5 credibility. You did that in the opening statement. You are
6 going to do it in closing. Why isn't the fact that she said
7 the same thing before there was even a government investigation
8 admissible as a prior consistent statement?

9 MR. EVERDELL: I think my point is only, what is the
10 same thing. It seems like what they are saying is that any
11 statement she makes --

12 THE COURT: They are not saying any statement. They
13 are saying the specific things she told them about what
14 happened and who made the decision about what happened is --
15 are the relevant prior statements. What's wrong with that
16 analysis?

17 MR. EVERDELL: Understood, your Honor. There are
18 other statements in here that are really going to go beyond
19 just who did what in the clips that they are seeking to play.

20 THE COURT: What are they?

21 MS. KUDLA: Your Honor, you have a transcript binder
22 too which may assist.

23 THE COURT: I have enough binders here to go into
24 business.

25 Transcript binder. This is these transcripts, yes?

1 MS. KUDLA: Correct. These are the clips that the
2 government intends to play, government Exhibits 433A through F.

3 What you will notice here is that these clips are
4 limited to very specific ways that Alameda had -- describing
5 Alameda's borrowing of FTX customer deposits to repay the
6 loans. It explains that that means of misappropriation was not
7 through the spot-margin program, which has been alluded to by
8 the defense, it goes to the fact of what Alameda used those
9 customer deposits for, and then it goes to who knew that
10 Alameda was using FTX customer deposits.

11 THE COURT: Let's handle this piece of it in the
12 following way. We are going to have a recess in a minute or
13 two.

14 If there is anything in here, Mr. Everdell, that you
15 think is not a prior consistent statement on the theory that I
16 just articulated to you, I'd like to know what it is when I
17 come back.

18 MR. EVERDELL: Yes, your Honor.

19 The other thing is, we have our own clips that we
20 might like to add as well, if the Court is inclined to allow
21 these in.

22 THE COURT: That's a rule-of-completeness issue and it
23 is a separate issue, and I don't know what they might be, and I
24 can't rule on that in the abstract.

25 MR. EVERDELL: Yes.

1 THE COURT: What about 801(d)(2)(E)?

2 MR. EVERDELL: Your Honor, on that --

3 THE COURT: I'd like to hear from Ms. Kudla on that
4 first. I'll come back to you. I promise.

5 MS. KUDLA: Your Honor, I'll circle back on our
6 objections to the rule of completeness. But focusing on --

7 THE COURT: Don't do that yet. I can only do one
8 thing at a time.

9 MS. KUDLA: I am going to focus right now on
10 801(d)(2)(E) for statements in furtherance of the conspiracy by
11 a coconspirator.

12 The evidence at trial has already established that
13 Mr. Bankman-Fried wanted to keep Alameda afloat, wanted to keep
14 it going. One of the ways that that was occurring was by
15 keeping Alameda employees at Alameda in processing customer
16 withdrawals at that time.

17 We have evidence in the record talking about the fact
18 that this was not the first occasion that had occurred in
19 Alameda. Ms. Ellison testified that when she began her
20 employment in 2018, she found out that there was a similar
21 incident. Investors had left. Half of the employees had left.
22 By not telling her that, she accepted employment. She
23 continued to work at Alameda.

24 Now we are in 2022. We have testimony from Gary Wang
25 saying, on November 12, that the defendant instructed him to

1 transfer the remaining customer assets to the Bahamian
2 authorities because, quote, they seemed friendly and seemed
3 willing to let him stay in control of the company.

4 THE COURT: I remember that testimony.

5 MS. KUDLA: Evidencing that Mr. Bankman-Fried's intent
6 was to keep Alameda going.

7 And the statements that we see in Government Exhibit
8 414 is the single chat with Ms. Ellison and the defendant where
9 he responds that she should add that there may be a future
10 opportunity of some sort for those who are excited, and
11 Ms. Ellison just testified that it would be helpful to have
12 Alameda employees help wind down the company or -- and she also
13 during this meeting referenced the points made by the defendant
14 in this very text.

15 I think this goes to the fact that it is in fact
16 coconspirator statements being used in furtherance of the
17 conspiracy, which is to keep Alameda afloat while there are
18 opportunities to ensure that potentially the Binance deal goes
19 through, that the customers get paid back, which would lessen
20 the chance of an investigation or anything else.

21 THE COURT: Mr. Everdell.

22 MR. EVERDELL: Your Honor, I think there is an
23 inherent inconsistency in that theory, which is, she is talking
24 to a room full of people who are not alleged to be
25 coconspirators.

1 If all want to do in furtherance of the conspiracy, to
2 further the conspiracy, is to try to keep employees there and
3 working so that maybe the company can survive if the Binance
4 deal goes through, the last thing you are going to do is start
5 divulging things about who knew what and when about the crime
6 that you allegedly committed.

7 It would be enough to simply say what
8 Mr. Bankman-Fried said in the text, which is, we want you all
9 to stay. There may be a future here. We would like you guys
10 to stay if you like. If you want to argue that is in
11 furtherance of the conspiracy to keep people working, so the
12 company doesn't collapse in the meantime, OK. But everything
13 else about these sort -- the government is going to
14 characterize this as an admission. It is certainly not in
15 furtherance of the conspiracy because you wouldn't do that in
16 front of people who you didn't think were part of it.

17 I don't see how any of those statements would be under
18 801(d)(2)(E) as coconspirators.

19 THE COURT: I am going to take it at least as a prior
20 consistent statement.

21 When I come back, I want to know any part of it
22 specifically that Mr. Everdell claims is not a prior consistent
23 statement, as we discussed a few minutes ago. I would give a
24 limiting instruction if I take it on that basis.

25 MR. EVERDELL: Understood, your Honor.

1 THE COURT: If you can agree on what that instruction
2 ought to say, so much the better, but it's not my first rodeo.

3 MR. EVERDELL: Do you want the clips that the defense
4 would propose as well?

5 THE COURT: No. I am not up to the rule of
6 completeness.

7 MR. EVERDELL: Understood.

8 THE COURT: I'll see you in ten minutes.

9 (Recess)

10 THE COURT: Rule of completeness.

11 MR. EVERDELL: Yes, your Honor.

12 THE COURT: The defense has handed up Defendant's
13 Exhibit 415A-T and 415B-T for identification.

14 MR. EVERDELL: Yes, your Honor. Those are provided by
15 the government.

16 THE COURT: I appreciate that.

17 Can you tell me where in the sequence by reference to
18 the government exhibits that I've been given these would
19 supposedly be relevant?

20 MR. EVERDELL: These fall at the end of the meeting.
21 But I will -- for A, these relate to the portions of the
22 government's clips that refer to the open-term loans, which
23 are -- there are several. For example, their first clip, which
24 starts on page 15 of the transcript, talks about, on 15, line
25 14 and 15 --

1 THE COURT: You're losing me. Where?

2 MR. EVERDELL: Government Exhibit 433A, which is their
3 first clip.

4 THE COURT: Where?

5 MR. EVERDELL: It's page 15, line 14 and 15.

6 THE COURT: I think we are not communicating.

7 I am looking in the first clip at page 1. Is that the
8 page I am supposed to be looking at?

9 MR. EVERDELL: Your Honor, if it's the clip that
10 starts OK, let's get started --

11 THE COURT: Yeah.

12 MR. EVERDELL: That's the clip. If you go down a few
13 lines, I don't know if you have the line numbers on the side,
14 but my line number --

15 THE COURT: I do.

16 MR. EVERDELL: 14 and 15. Where it says: Alameda was
17 kind of borrowing a bunch of money via open-term loans and use
18 that to make various illiquid investments.

19 THE COURT: Yup.

20 MR. EVERDELL: That's one.

21 There are other references, I can try to find them for
22 you as well, where they talk about these open-term loans. But
23 there is some general discussion in a few of the clips about
24 the open-term loans and the nature of the repayment of the
25 open-term loans.

1 Your Honor, our clip, which is the first of the two
2 clips, talks about -- it's Ms. Ellison talking about how the
3 loans were obtained.

4 You can see on our exhibit, Defendant's Exhibit
5 415A-T, there is a question posed: How is Alameda able to get
6 all of those loans made? How were we able to get that much
7 money? And the response is: I don't know. Do you ever read
8 about like Celsius or Three Arrows or whatever, like the crypto
9 lending space is kind of wild for a long time. People have a
10 lot of money. Didn't really like to read your balance sheet.
11 Just lent you a lot of money.

12 THE COURT: What's the government's position on that?

13 MS. KUDLA: Your Honor, Rule 106 is not a mechanism to
14 basically bypass the hearsay rules on self-serving testimony,
15 and that's what this is here. All of the clips that the
16 government is introducing are firsthand knowledge from
17 Ms. Ellison about Alameda's actions.

18 Here in this, which occurs an hour later from --
19 approximately an hour later from the first statements that you
20 see in 433A, Ms. Ellison is being asked about the mindset of
21 other crypto lenders. She is being asked to opine about their
22 mindset, which is directly in conflict with your Honor's motion
23 *in limine* ruling that the idea of the gullibility or negligence
24 of the victims is simply not relevant to criminal intent here.

25 This does not complete in any way the clips that the

1 government is choosing to put into evidence, and it's simply
2 intended to go through to lenders such as Celsius or Three
3 Arrows Capital, what they would have been looking at when
4 lending money to Alameda. That's, you know, not within the
5 clips that we are admitting.

6 THE COURT: What about 415B, Mr. Everdell?

7 MR. EVERDELL: Yes, your Honor.

8 So this is really more of -- it goes to all the clips
9 as a whole because it's more about the amount of Ellison's
10 state of mind or her emotion at the time.

11 This clip is on the next page. It starts at line 19,
12 where she posed the question: I am sure this is not that fun
13 for you, but certainly appreciate how open you've been. And
14 her response is: Thanks. I mean, it was kind of fun. I don't
15 know. Then the response to that is: OK then. Never mind.
16 She sort of giggles at this and laughs a bit, chuckles almost.

17 I think, independent of being a rule of completeness
18 issue -- the clips that the government plans to play, I think,
19 they intend to argue from it that this is a sober, unburdening
20 and admission by Ms. Ellison of what she had done.

21 This clip tends to show that she has a very different
22 emotional state and reaction to what she is telling the people
23 at the meeting and that it is not some confession on her part
24 but that she has a different emotional reaction.

25 On that front, your Honor, I think it's also

1 admissible separately under 8033 to show the emotional state of
2 the declarant.

3 THE COURT: If that's true, it would be something that
4 would arise on your case, if there is one.

5 The second argument doesn't cut it.

6 I'll take it on the first basis, but -- I don't want
7 to get these pieces of papers mixed up. But I am not going to
8 take 415A. It's not rule of completeness material. And even
9 if it was, it wouldn't be admissible because it's just wild
10 speculation.

11 That's where we are.

12 MR. EVERDELL: Sorry, your Honor. Just so I'm clear,
13 neither of the two clips are coming in.

14 THE COURT: No. The second one, 415B-T, I'll let you
15 play at the end of whenever the government plays its clips.

16 MR. EVERDELL: Right. On a matter of logistics, I
17 assume the government is going to be playing their clips in a
18 row. Ours actually follows at the end of the transcript.

19 THE COURT: That's what I understood. Then you will
20 get a chance to play 415B-T.

21 MS. KUDLA: Your Honor, can we address 415B.

22 The government's position is that if this is being
23 admitted to show Ms. Ellison's then existing mental state, she
24 was on cross-examination for six hours. They clearly could
25 have asked her about that. Now you are going to have a witness

1 who cannot comment -- they can comment on her demeanor during
2 the meeting, but they certainly cannot comment on her mental
3 state. If they were going to elicit this, they should have
4 done it on cross-examination.

5 THE COURT: That's probably right. But it is very
6 rare that a judge has the privilege of trying a case with so
7 many really smart and accomplished lawyers, and an argument can
8 be made for almost anything. That doesn't mean they are all
9 necessarily right.

10 But 415B-T just doesn't matter in this case, in my
11 humble opinion. It doesn't matter because -- this is only my
12 take on what I heard today and only the tiniest part of it.
13 The witness testified at length, it was the worst week of her
14 wife, and she said it was the worst day of her life and never
15 had she felt so relieved in her life. If she chuckled or said
16 fun, there are plenty of explanations of that.

17 All things considered, I am going to give the
18 defendant the benefit of the doubt on that excerpt.

19 MR. EVERDELL: Thank you, your Honor.

20 Just on logistics then, do we play it when the
21 government plays its clips --

22 THE COURT: The government is going to play six clips.

23 MS. KUDLA: Correct, your Honor.

24 THE COURT: You have told me sequentially your clip
25 comes way after that.

1 MR. EVERDELL: That's correct, your Honor.

2 THE COURT: You will get to play it after they play
3 their sixth clip. OK.

4 MR. EVERDELL: Yes, Judge.

5 THE COURT: Are these clips going to come all
6 together?

7 MS. KUDLA: No, your Honor. They will be done in
8 sequential fashion, and I'll go one by one.

9 THE COURT: The next witness is going to be who?

10 MS. KUDLA: Christian Drappi.

11 (Jury present)

12 THE COURT: The jurors and the defendant all are
13 present, as they have been throughout.

14 Call your next witness.

15 MS. KUDLA: The government calls Christian Drappi.

16 THE COURT: Before you begin, let me just say to the
17 jury, sorry for the longer intermission, but it will yield
18 dividends in time saved later this afternoon and overall.

19 CHRISTIAN DRAPPI,

20 called as a witness by the government,

21 having been duly sworn, testified as follows:

22 THE COURT: You may proceed.

23 MS. KUDLA: Thank you, your Honor.

24 DIRECT EXAMINATION

25 BY MS. KUDLA:

1 Q. Good afternoon, Mr. Drappi.

2 A. Good afternoon.

3 Q. Where did you work a year ago?

4 A. Alameda Research.

5 Q. When did you start working at Alameda?

6 A. May 31, 2021.

7 Q. What Alameda office locations did you work at?

8 A. Hong Kong, the Bahamas, and San Francisco.

9 Q. What was your job there?

10 A. I was a software engineer.

11 Q. What do you do as a software engineer?

12 A. Write code to support Alameda's trading.

13 Q. Now, who owned Alameda?

14 A. For the most part, Sam Bankman-Fried, he owned the
15 majority.

16 Q. What were the main categories of Alameda employees,
17 Mr. Drappi?

18 A. There were software engineers, like myself, there were
19 traders, and then there were settlers and operations people.

20 Q. So you told us what software engineers do. Just briefly,
21 what do traders do?

22 A. Traders are there to monitor Alameda's trading activity and
23 to set the models for how we would trade different
24 cryptocurrencies.

25 Q. What did settlers do?

1 A. They were responsible for moving around capital.

2 Q. Now, as a software engineer, did you have any
3 communications with Alameda traders?

4 A. Yes. Every day.

5 Q. And why did you need to communicate with traders
6 frequently?

7 A. They helped decide what I should be working on.

8 Q. So let's focus for a moment on how you communicated with
9 your Alameda colleagues. What were the most common forms of
10 communication amongst Alameda employees?

11 A. For one, a lot of it was face to face; second, there was a
12 teleconferencing that existed between the Hong Kong office and
13 the Bahamas office; third, we all used Slack; and, fourth, we
14 all used Signal.

15 Q. Now, when you first started at Alameda in late May 2021,
16 what was the defendant's title there?

17 A. CEO of Alameda Research and CEO of FTX.

18 Q. Did the defendant's title at Alameda Research ever change?

19 A. Yes.

20 Q. Approximately when did that occur?

21 A. This is in the third quarter of 2021.

22 Q. And who, if anyone, was appointed CEO of Alameda at that
23 time?

24 A. Caroline Ellison and John Samuel Trabucco were appointed
25 co-CEOs of Alameda Research.

1 Q. Mr. Drappi, did the defendant announce these co-CEO
2 appointments publicly?

3 A. Yes.

4 MS. KUDLA: The government offers Government Exhibit
5 828, pursuant to the stipulation 2001.

6 THE COURT: Received.

7 (Government Exhibit 828 received in evidence)

8 MR. EVERDELL: No objection.

9 THE COURT: Did you say objection?

10 MR. EVERDELL: I said no objection, your Honor.

11 THE COURT: Thank you.

12 MS. KUDLA: Your Honor, may we publish to the jury?

13 THE COURT: Yes.

14 Q. Mr. Drappi, who tweeted this message?

15 A. Sam Bankman-Fried.

16 Q. What is the date of this message?

17 A. August 3, 2021.

18 Q. The tweet reads: 1. Long overdue in bringing titles in
19 line with what reality has been for a while. Congratulations
20 to some of the most impressive people I know: @alamedatrabucco
21 and @carolinecapital, the CEOs of Alameda Research, and
22 nateparke@cto.

23 Who is @carolinecapital?

24 A. Caroline Ellison.

25 Q. Who is @alamedatrabucco?

1 A. John Samuel Trabucco.

2 Q. Who is Nate Parke?

3 A. Nathaniel Parke is my boss.

4 Q. Who did Ms. Ellison and Mr. Trabucco report to?

5 A. Sam Bankman-Fried.

6 MR. EVERDELL: Your Honor, can we get a time frame.

7 Q. After they were appointed co-CEOs, who did Ms. Ellison and
8 Mr. Trabucco report to?

9 MR. EVERDELL: Objection. Foundation.

10 THE COURT: Sustained.

11 Q. Mr. Drappi, do you have any knowledge of who Ms. Ellison
12 and Mr. Trabucco reported to after they were appointed co-CEOS
13 of Alameda?

14 A. Yes.

15 MR. EVERDELL: Objection.

16 THE COURT: I'm sorry. I couldn't hear you.

17 MR. EVERDELL: I said objection.

18 THE COURT: Overruled.

19 Q. You said that you did have knowledge.

20 Mr. Drappi, who did they report to?

21 A. Sam Bankman-Fried.

22 THE COURT: Sir, the next question is, how did you
23 gain whatever knowledge you have?

24 THE WITNESS: This was common knowledge in the firm,
25 often conversations I would just hear about this.

1 MR. EVERDELL: Objection.

2 THE COURT: I am going to strike the witness' answer:
3 Sam Bankman-Fried.

4 Counsel, *tempus fugit*. I don't know why we are doing
5 this.

6 MS. KUDLA: The government offers at this time
7 Government Exhibit 849, pursuant to stipulation 2001.

8 THE COURT: Received.

9 (Government Exhibit 849 received in evidence)

10 MS. KUDLA: May we publish to the jury?

11 THE COURT: Yes.

12 Q. Mr. Drappi, do you see the middle tweet with someone with
13 the user name bennetttomlin@mstdnsocial?

14 A. Yes.

15 Q. Mr. bennetttomlin@mstdnsocial states: Hey, @sbfftx, I just
16 wanted to inform you that your hedge fund seems to be invested
17 in a scheme that is transparently going to falter again.

18 Do you see that tweet?

19 MR. EVERDELL: Your Honor, if we could clarify that
20 these comments are not being offered for the truth.

21 THE COURT: Yes, that's correct.

22 The jury is not to consider the statement by Mr.
23 Tomlin for the truth, just for the fact that it was said in
24 order to set up the reply.

25 Q. Did the defendant ever reply to that tweet?

1 A. Yes.

2 Q. What's the date of his response?

3 A. May 28, 2022.

4 Q. Mr. Drappi, what was the defendant's response in May 2022
5 in point 1?

6 A. I don't run Alameda anymore. You should ask them.

7 Q. Now, at that point in time how long had you been working at
8 Alameda?

9 A. Had been about a year.

10 Q. Based on your employment at Alameda in your communication
11 with Alameda employees, was that statement that
12 Mr. Bankman-Fried didn't run Alameda anymore true?

13 A. Yes.

14 MR. EVERDELL: Objection.

15 THE COURT: Sustained, at least in that form.

16 Q. Mr. Drappi, in the course of your employment, did you
17 observe interactions with Alameda employees?

18 A. Yes.

19 Q. Did you ever observe Mr. Bankman-Fried personally while you
20 were working at Alameda?

21 A. Yes.

22 Q. And did he ever work in the same office location as you?

23 A. Yes.

24 Q. And what office locations were those?

25 A. In Hong Kong we shared the same exact office. He in fact

1 worked maybe 40 feet from where I was for a period of one to
2 two months. In the Bahamas, Alameda -- most of my time in the
3 Bahamas, Alameda was in one small building and directly across
4 the street was FTX's main office.

5 Q. Outside of work did you ever interact with
6 Mr. Bankman-Fried?

7 A. Yes.

8 Q. How?

9 A. Various social events. We spent a lot of time in
10 particular on the paddle courts, which is a game like tennis.

11 Q. Based on your employment at Alameda and your day-to-day
12 interactions and then also your knowledge of Mr. Bankman-Fried
13 in social activities outside of the work, in what ways, looking
14 at this tweet, I don't run Alameda, in what ways, if any, was
15 that not true?

16 MR. EVERDELL: Objection. It's also cumulative, your
17 Honor.

18 THE COURT: It's cumulative why?

19 MR. EVERDELL: It is getting to the point your Honor
20 made before, which is --

21 THE COURT: I am not going to say it in front of the
22 jury.

23 MR. EVERDELL: I will say it's a foundation objection
24 to start with.

25 THE COURT: Counsel, come here.

1 (Continued on next page)

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1 (At sidebar)

2 THE COURT: You both get A plus in evidence law, but
3 this is a colossal waste of time. There is absolutely no doubt
4 he owned the company. Ellison, the ostensible co-CEO or CEO,
5 runs all these decisions through him. He was obviously the
6 boss. What are we wasting this time for?

7 MS. KUDLA: Your Honor, the employee is a low-level
8 employee, and even from his level of employment he could see,
9 based on this day-to-day --

10 THE COURT: So what. So what.

11 MS. SASSOON: Your Honor, this is a misrep. The tweet
12 is him saying --

13 THE COURT: Of course it is. It's a misrep, no matter
14 what this guy says.

15 MS. SASSOON: They don't seem to be conceding that
16 these are misreps.

17 MR. EVERDELL: I don't concede that this witness has
18 the basis to be able to make this statement. That's all, your
19 Honor.

20 THE COURT: If you want to play this out this way,
21 fine. I will let you run evidence for introducing introductory
22 trial lawyers, but this is a joke.

23 MR. EVERDELL: I understand, your Honor. I am not
24 trying to waste time.

25 MS. KUDLA: Your Honor, we are only making very

1 limited points here that even in his low-level position, the
2 minimal things that he saw that he observed with Sam
3 Bankman-Fried providing direction.

4 THE COURT: Why don't you ask him that.

5 MS. KUDLA: I am getting to that point. It will only
6 take about ten minutes.

7 THE COURT: Some people don't have ten minutes left to
8 live.

9 MS. KUDLA: Fair.

10 MS. SASSOON: Your Honor, we can't assume that the
11 jury credits everything a cooperating witness says. It's
12 appropriate to corroborate the cooperator and to establish --

13 THE COURT: If your case rises and falls on whether
14 this guy believed that Sam Bankman-Fried was running the show,
15 you've got troubles. Could we move along. There doubtless are
16 things he saw perhaps. I say doubtless. I wasn't there.

17 MS. KUDLA: That's fine, your Honor.

18 (Continued on next page)
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1 (In open court)

2 MS. KUDLA: We can take Government Exhibit 849 down
3 for a moment.

4 Q. Mr. Drappi, I want to focus on your employment. During
5 your employment at Alameda, including your interactions with
6 the defendant, were there any ever ways that the defendant
7 remained involved in Alameda's management and operation after
8 he had stepped down as CEO?

9 A. Yes.

10 Q. And what are some of the general categories that you
11 observed that in your employment?

12 A. He maintained direct communication with Alameda employees,
13 he weighed in on a number of large trades, and he still had
14 access to Alameda data.

15 Q. Let's take those one at a time. You said that he remained
16 in communication with Alameda employees. How did he do that?

17 A. Mainly through Signal chats.

18 Q. And then the next category of information that you had
19 mentioned was that he had access to Alameda trading data. What
20 type of Alameda trading data did the defendant have access to?

21 A. He had access to both Alameda's internal user interface
22 that all traders would use, and he also had access to back-end
23 data as well.

24 Q. When you say Alameda's internal user interface, was there a
25 name for that?

1 A. Yes. It was called pointer.

2 Q. How did you know that the defendant had access to pointer?

3 A. So there was one moment where the defendant asked me to
4 regrant him access after an office IP address changed.

5 Q. Did pointer have any type of log-in credentials?

6 A. Yes.

7 Q. As a software engineer, did you have the ability to view
8 what Alameda employees had log-in privileges?

9 A. Yes.

10 Q. During the course of your employment from 2021 until later,
11 did the defendant always have access to Alameda pointer?

12 A. Yes.

13 Q. Did FTX employees have access to Alameda pointer data?

14 A. Very few of them did.

15 Q. Now, you also mentioned that Mr. Drappi, the third example
16 was that he provided direction on Alameda trading decisions.
17 Did I hear you correctly?

18 A. Yes.

19 Q. So you were a software engineer. How do you know that the
20 defendant provided Alameda trading direction?

21 A. Every single day I spoke to Alameda traders.

22 Q. And were these the Alameda traders that were responsible in
23 the scope of their duty for executing trades?

24 A. Yes.

25 Q. So focusing on 2022 as the time period, did you ever learn

1 that there were trades taken as a result of the defendant's
2 direction?

3 A. Yes.

4 Q. And what is an example of a trade that you learned was
5 taken at the direction of the defendant?

6 A. There was one trade that was posted about in Alameda's
7 Slack channel that involved selling Japanese bonds and buying
8 the currency. I might have reversed the directions. It was
9 posted about and afterwards it became clear -- I talked to the
10 author, the poster.

11 MR. EVERDELL: Objection. Hearsay.

12 THE COURT: Ms. Kudla.

13 (Continued on next page)

1 BY MS. KUDLA:

2 Q. Mr. Drappi, who did you talk to about this specific trade?

3 A. Ben Xie.

4 Q. And who is Ben Xie?

5 A. Ben Xie was a senior trader at Alameda Research.

6 Q. And did you ever ask Mr. Xie about this Japanese bond
7 trade?

8 A. I believe in the comments of the post or in real life. I
9 can't remember which. But we had talked about it.

10 Q. What, if anything, did Mr. Xie say with respect to why
11 Alameda was executing this trade?

12 MR. EVERDELL: Objection.

13 THE COURT: Overruled.

14 A. He said it was—Sam wanted to do it.

15 Q. Was there ever any other occasion in 2022 when you learned
16 that a Alameda trade was taken at the defendant's direction?

17 A. Yes, there was one other.

18 Q. And what was that at the time?

19 A. There was a moment where Alameda wanted to sell a bunch of
20 their NASDAQ—the NASDAQ index, and the idea behind that was to
21 hedge its exposure to crypto.

22 Q. And Mr. Drappi, how did you learn about this NASDAQ trade?

23 A. Ben Xie was the one who led the trading, and also Ben Xie
24 was the person who said that Sam was the one who wanted to do
25 this.

1 Q. Now, Mr. Drappi, let's move forward now to November 2022.

2 Did there come a time in November 2022 when you learned about
3 an increase in customer withdrawals at FTX?

4 A. Yes.

5 Q. And what Alameda office location were you working at at
6 that time?

7 A. I was in the new Hong Kong office in Wan Chai.

8 Q. During this time period how, if at all, were you working to
9 respond to these increased customer withdrawals?

10 A. I was working on modifying some of our code to send more
11 capital in an automated way to FTX, helping our settlement team
12 to sell.

13 Q. Did there ever come a point in time where you stopped
14 making these efforts to assist processing withdrawals?

15 A. Yes, there did.

16 Q. And where were you when that happened?

17 A. I was in the Hong Kong office, seated at my desk.

18 Q. Was this in the daytime or in the evening?

19 A. It was around 11 p.m. Hong Kong time, night.

20 Q. Was anyone else present with you at the office?

21 A. Yes. Tony Qian was an Alameda trader seated directly
22 behind me; Caroline Ellison was present, she was seated to
23 Tony's right; and David Nyeste, also another trader who was
24 there as well.

25 MR. EVERDELL: Your Honor, do we have a date for this?

1 THE COURT: November of 2022.

2 MR. EVERDELL: Any more specific?

3 THE WITNESS: November 8th. I believe it's 11 p.m.

4 THE COURT: Can counsel agree on what time and date
5 that was in the Bahamas?

6 MS. KUDLA: Your Honor, I believe the witness has said
7 he was in the Hong Kong office. And I'll clarify date and
8 time.

9 THE COURT: Yes, I know he was in the Hong Kong
10 office. That's exactly why I made the request.

11 MS. KUDLA: Oh.

12 BY MS. KUDLA:

13 Q. Mr. Drappi, do you know what time that was in the Bahamas?
14 And if you don't know, that's okay.

15 THE COURT: And what date.

16 Q. And what date.

17 A. I'm certain it was a Tuesday. I'm pretty sure that Tuesday
18 was November 8th. Bahamas is a 12-hour or 13-hour time
19 difference. I think it was 12. But we can look at calendars,
20 I guess.

21 THE COURT: So was it November 8th in Hong Kong or
22 November 8th in the Bahamas?

23 THE WITNESS: It was November 8th both, or both times,
24 or both—

25 THE COURT: Both places.

1 THE WITNESS: Yeah.

2 BY MS. KUDLA:

3 Q. And to be clear, Mr. Drappi, where were you?

4 A. I was in Hong Kong.

5 Q. And to orient us, you had just mentioned a number of names
6 of the people who were at the Hong Kong office with you. Did
7 this include all Alameda employees or just a handful?

8 A. No, just the people that worked nights.

9 Q. Now what was the first thing that caused you to stop
10 working, Mr. Drappi, that night?

11 A. Tony kind of said something that was along the lines of
12 like, *What's this? Are you seeing this?* You know, some
13 expletive, kind of, you know—

14 Q. And what did Mr. Qian refer to when he said, *Are you seeing*
15 *this?*

16 A. He referred to a post on Twitter.

17 Q. And what did that Twitter post say?

18 A. Twitter was a post by Sam Bankman-Fried saying something
19 like—

20 MR. EVERDELL: Objection. Hearsay.

21 MS. KUDLA: Your Honor, it's being offered for the
22 effect on the listener.

23 THE COURT: All right. On that limited basis.

24 Q. What did the tweet say?

25 A. *Our first investors are now our last, and Binance is buying*

1 FTX, with maybe another sentence in there.

2 Q. What was your reaction that Binance was being—was
3 purchasing FTX, as tweeted by Mr. Bankman-Fried?

4 A. I was utterly shocked.

5 Q. What happened at the Hong Kong office that night after this
6 news was announced?

7 A. Well, when Tony said that, he said it out loud, but he also
8 really said it as a question to Caroline, to be like, what,
9 what's going on? And she replied that there was—

10 MR. EVERDELL: Objection, hearsay.

11 MS. KUDLA: Your Honor, this goes to the exact
12 arguments that we had made before. It's being offered under
13 801(d)(2)(D) and also 801(d)(2)(E) and 801(d)(1)(B) as a prior
14 consistent statement.

15 THE COURT: Run through the numerical soup for me,
16 please.

17 MS. KUDLA: Yes, your Honor. First, under
18 801(d)(1)(B).

19 THE COURT: B as in banana?

20 MS. KUDLA: Correct. Prior consistent statement with
21 a declarant's testimony—

22 THE COURT: That's (d) as in some other kind of fruit.

23 MS. KUDLA: No. 801(d) as in dog, not a fruit. And
24 then B as in—

25 THE COURT: All right. (d)(1)(B). Is that what you

1 said?

2 MS. KUDLA: Correct. As a prior consistent statement.

3 THE COURT: And this is a statement by Ms. Ellison?

4 MS. KUDLA: Correct. And there also are alternative
5 bases under 801(d)(2)—

6 THE COURT: I will take it, and if there's a request
7 for a limiting instruction, I'll consider it later.

8 BY MS. KUDLA:

9 Q. At that time, Mr. Drappi, what did Ms. Ellison say?

10 A. She said that FTX had a shortfall of user funds and that
11 this was caused by Alameda borrowing user funds from FTX to
12 repay its prior loans, and it had used those prior loans to
13 make illiquid investments in various different ventures and
14 just companies, basically.

15 Q. Prior to Ms. Ellison's statement that night—

16 THE COURT: Okay. Now I'm ready to give the limiting
17 instruction right now.

18 MR. EVERDELL: Thank you, your Honor.

19 MS. KUDLA: Your Honor?

20 THE COURT: Yes.

21 MS. KUDLA: May we be heard at sidebar regarding a
22 limiting instruction?

23 THE COURT: All right.

24

25

1 (At the sidebar)

2 THE COURT: Okay.

3 MS. KUDLA: Your Honor, the government does not
4 believe that a limiting instruction is necessary. Under the
5 2014 amendments, this rule was modified as a prior consistent
6 statement to be added as substantive evidence, and therefore,
7 it's also under the nonhearsay, so it should be admitted for
8 all purposes without a limiting instruction.

9 THE COURT: Here's the instruction I'm going to give,
10 from the Third Circuit model instructions.

11 I perhaps was ill advised in using the word
12 "limiting."

13 MS. KUDLA: Yes.

14 MR. EVERDELL: Thank you.

15 (Continued on next page)

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1 (In open court)

2 THE COURT: Okay. Folks, you have just heard evidence
3 that Ms. Ellison, long before this trial and, according to her
4 testimony, before she had any awareness of any government
5 investigation, if indeed there was any, on November the 8th of
6 2022, made statements that were the same or similar to what she
7 said here on the witness stand. You may consider evidence of
8 that statement in deciding the facts of this case.

9 In addition, the evidence may help you decide whether
10 you believe Ms. Ellison's testimony. If she said essentially
11 the same thing before trial and before awareness of anything
12 that would give her a motive to give a false account, that may
13 be reason for you to believe her trial testimony on the same
14 subject.

15 Now this is going to come up this afternoon and maybe
16 tomorrow morning repeatedly, with Ms. Ellison and maybe others,
17 so on those occasions I may give you a very shorthand reference
18 to what I've just said, and we will all know what I'm talking
19 about, I trust. And if counsel disagree, at that time we all
20 know that they will quickly let me know that they disagree.

21 So we'll go on.

22 BY MS. KUDLA:

23 Q. Mr. Drappi, going back to the night of November 8th at the
24 Hong Kong office, prior to that evening and Ms. Ellison's
25 statement that Alameda had borrowed FTX customer deposits to

1 repay its loan, had you had any knowledge of that before?

2 A. No.

3 Q. And what was your reaction to learning this information?

4 A. I was utterly shocked.

5 Q. Now that evening, Mr. Drappi, did Ms. Ellison say who did
6 have prior knowledge about Alameda's borrowing?

7 A. Not that evening.

8 Q. Did there come another time when Ms. Ellison addressed all
9 Alameda employees about this issue?

10 A. There did, yes.

11 Q. And when did that occur?

12 A. The very next night, about exactly 24 hours later.

13 Q. And to be specific then, the very next night would be what
14 date?

15 A. Wednesday, November 9th, around 11 p.m.

16 Q. And is this Hong Kong time?

17 A. Hong Kong time, yes.

18 Q. All right. Now where—how did she address all Alameda
19 employees?

20 A. We had what was called an all hands meeting that just so
21 happened to be scheduled every other Wednesday, and this was
22 every other Wednesday. And we all sat in a circle. She sat on
23 a beanbag that was kind of on one edge of the circle, and, you
24 know, most of us were on a couch that was like in a half-circle
25 shape couch.

1 Q. How many people were there?

2 A. About 15 people that were physically present in the Hong
3 Kong office.

4 Q. And Mr. Drappi, who, if anyone, led that meeting?

5 A. Caroline Ellison led the meeting.

6 Q. And did anyone ask questions during the meeting?

7 A. Yes, several.

8 Q. And who, if anyone, was responding to those questions?

9 A. Caroline.

10 Q. And where were you in relationship to Ms. Ellison during
11 the meeting?

12 A. I was seated fairly, fairly close to her; like I could see
13 her completely. I was, you know—to my left there was one
14 person and then to that person's left was her.

15 Q. Were you in a position that allowed you to see Ms. Ellison
16 as she spoke?

17 A. Yes.

18 Q. And were you also in a position that allowed you to see
19 others who were present?

20 A. I could see every person that was in the meeting.

21 Q. Now during this all hands meeting did Ms. Ellison say who
22 knew Alameda used FTX customer deposits to repay its loans?

23 A. She did say that, yes.

24 Q. Who did she say knew?

25 A. Sam Bankman-Fried, Gary Wang, Nishad Singh, and herself.

1 Q. Mr. Drappi, was this all hands meeting audio recorded?

2 A. It was.

3 Q. And who recorded the meeting?

4 A. Rick Best.

5 Q. And who's Rick Best?

6 A. He's an Alameda trader that joined three days prior to this
7 all going down.

8 Q. Were you aware that Mr. Best was recording?

9 A. I was not aware.

10 Q. And did Mr. Best announce during the meeting that he was
11 recording it?

12 A. He did not.

13 Q. During the meeting where was Mr. Best located in
14 relationship to Ms. Ellison?

15 A. He was directly to Ms. Ellison's right, which is also to my
16 left.

17 Q. And Mr. Drappi, did you ever obtain a copy of this
18 recording?

19 A. I did.

20 Q. And how did you get that copy?

21 A. Rick sent it to me.

22 Q. Did you provide the recording to the government through
23 your attorney?

24 A. Yes.

25 Q. And Mr. Drappi, in front of you there should be a binder,

1 and if you open that binder, in the inside jacket there should
2 be a CD. Do you see that?

3 A. Yes.

4 Q. And that CD, it's marked Government Exhibits 433A through
5 F. Do you see that?

6 A. Mm-hmm.

7 Q. Okay. And prior to your testimony here today have you
8 reviewed Government Exhibit's 433A through F?

9 A. Yes.

10 Q. What are they?

11 A. They are audio clips of this all hands meeting.

12 Q. And are they accurate audio clips?

13 A. Yes.

14 Q. Now also in that same binder—

15 MS. KUDLA: Well, the government offers Government
16 Exhibits 433A through F at this time.

17 THE COURT: Received.

18 (Government's Exhibits 433A through 433F received in
19 evidence)

20 THE COURT: And—well, we'll get to it later. Go
21 ahead.

22 BY MS. KUDLA:

23 Q. And Mr. Drappi, in front of you there's a binder with
24 exhibits labeled 433-T with subparts A through F. Do you see
25 those?

1 A. Yes.

2 Q. What are those?

3 A. These are transcripts of the exact audio.

4 Q. And have you reviewed these transcripts prior to your
5 testimony here today?

6 A. Yes, I have.

7 Q. And do these transcripts accurately transcribe the audio
8 recordings in Government Exhibits 433A through F?

9 A. Yes, they do.

10 MS. KUDLA: Now, your Honor, the jurors have under
11 their seat a binder containing the transcripts of Government
12 Exhibits 433-T-A through F. So with your Honor's permission,
13 they may read along.

14 THE COURT: You're offering them?

15 MS. KUDLA: Yes, we are, your Honor.

16 THE COURT: Received.

17 (Government's Exhibits 433A-T through 433F-T received
18 in evidence)

19 THE COURT: Now, members of the jury, the evidence of
20 what was said at the meeting in part are the recordings, the
21 excerpted recordings, the sound. The transcripts are simply as
22 aids to your following the audio. And in the event that your
23 hearing of the sound leads you to believe that what was
24 actually said is at some variance with the transcript, it's the
25 sound recording that counts, not the transcript. You consider

1 the sound recording. This, of course, comes up all the time in
2 cases in which tons of evidence are in foreign languages where
3 there are translations, but the instruction is appropriate here
4 as well.

5 Further, I will instruct you that these excerpts
6 contain recordings of things that Ms. Ellison said, which are
7 all subject to the instruction I just gave you a few minutes
8 ago about what happened on the night of November 8th, and in
9 some cases, you will hear other voices saying things or asking
10 questions. Those other voices are evidence of what those
11 people said but not for the truth of what they said. It's so
12 that you can understand what Ms. Ellison said as a result of
13 whatever was said to her.

14 Okay. Let's go.

15 MS. KUDLA: All right. Your Honor, may we please
16 publish Government Exhibit 433A to the jury, and it's
17 Tab 433A-T.

18 (Audio played)

19 BY MS. KUDLA:

20 Q. So Mr. Drappi, let's start with the basics. Who was
21 speaking on that recording?

22 A. Caroline Ellison.

23 Q. And when Ms. Ellison said that there was "FUD" about the
24 FTX shortfall caused by Alameda borrowing using FTX user
25 deposits, what does the term "FUD" mean?

1 A. It's an acronym that stands for fear, uncertainty, and
2 doubt, and it's often used in the crypto world when, you know,
3 people are saying that about you.

4 Q. Now how would you describe Ms. Ellison's demeanor as she
5 addressed the group?

6 A. She was sunken, you know, kind of slouching, you know, did
7 not display confident body language.

8 Q. After Ms. Ellison's initial remarks to the group did anyone
9 ask questions?

10 A. Yes.

11 MS. KUDLA: Can we please now publish Government
12 Exhibit 433-B.

13 (Audio played)

14 Q. Who asked Ms. Ellison whether there was a plan for Alameda
15 to pay back FTX customers?

16 A. I did.

17 Q. And did Ms. Ellison's response that FTX was trying to raise
18 money from investors to fill this hole caused by borrowing
19 concern you in any way?

20 A. Yes.

21 Q. Why did that concern you?

22 A. Generally when a company raises money, it's about, you
23 know, an exciting, you know, future growth and not to fill a
24 hole in a balance sheet.

25 Q. At this time, Mr. Drappi—

1 MS. KUDLA: Well, can we please play, publish
2 Government Exhibit 433C.

3 (Audio played)

4 Q. Who asked Ms. Ellison if Alameda's loan on FTX was
5 collateralized through the spot margin book?

6 A. I did.

7 Q. And is there any difference, Mr. Drappi, between a spot
8 margin book and the borrow/lend program?

9 A. No, they're synonyms.

10 Q. So when Ms. Ellison responded that it was not through the
11 normal spot margin, you replied, "That seems pretty bad." What
12 did you mean by that?

13 MR. EVERDELL: Objection.

14 THE COURT: Sustained.

15 Q. You responded to Ms. Ellison. What did you respond?

16 A. I said, oh—

17 MR. EVERDELL: Objection. The transcript speaks for
18 itself, your Honor.

19 THE COURT: Sustained.

20 Q. Mr. Drappi, did you have any concerns when Ms. Ellison said
21 that it was not through the spot margin—

22 MR. EVERDELL: Objection, relevance.

23 THE COURT: Sustained.

24 MS. KUDLA: Can we please publish Government
25 Exhibit 433D now.

1 (Audio played)

2 Q. In Government Exhibit 433D, Ms. Ellison had laughed. Did
3 Ms. Ellison appear to be having a good time at the meeting,
4 based on your observation?

5 MR. EVERDELL: Objection.

6 THE COURT: Overruled.

7 A. No. I would characterize that as nervous laughter.

8 Q. At this point in time how long had you known Ms. Ellison?

9 A. About a year and a half.

10 Q. How frequently had you been able to observe Ms. Ellison
11 over that year and a half?

12 A. On average, six days out of seven per week.

13 Q. And was it common—you characterize it as a nervous laugh.
14 Was that something common to Ms. Ellison, based on your
15 relationship?

16 A. Yeah, that was quite often.

17 MS. KUDLA: Can we please publish Government
18 Exhibit 433E.

19 (Audio played)

20 Q. Mr. Drappi, when you first asked Ms. Ellison who was aware
21 about this issue, did she identify any names?

22 A. No. She dodged the question the first time.

23 Q. You then used the term "YOLO" when you asked again who was
24 explicitly aware about this. What does the term "YOLO" mean?

25 A. It's an acronym for "you only live once."

1 Q. What did you mean when you said, "I'm sure this wasn't like
2 a YOLO thing"?

3 A. When you do a YOLO thing, it's something that's spontaneous
4 and not premeditated, and I wanted to have Ms. Ellison confirm
5 that indeed, you know, they had meetings about this and there
6 was a deliberate decision, as I suspected it would be.

7 MS. KUDLA: Now can we please publish Government
8 Exhibit 433F.

9 (Audio played)

10 Q. Who asked Ms. Ellison whose decision it was to use FTX user
11 deposits?

12 A. Diana Ma.

13 Q. And is there a reason that that question is so faint on the
14 audio recording?

15 A. Yes. There are two. Most importantly, she was seated
16 pretty far away from the recording; and second, she's just a
17 naturally very soft-spoken person.

18 Q. When Ms. Ellison said that FTX had always allowed Alameda
19 and only Alameda to borrow FTX user funds, who owned FTX,
20 Mr. Drappi?

21 A. Sam Bankman-Fried owned FTX.

22 Q. After the all hands meeting did you continue to work for
23 Alameda?

24 A. No. I resigned within 24 hours.

25 MS. KUDLA: Your Honor, no further questions.

1 THE COURT: Mr. Everdell?

2 CROSS EXAMINATION

3 BY MR. EVERDELL:

4 Q. Good afternoon, Mr. Drappi.

5 A. Good afternoon.

6 Q. You were asked a few questions on your direct examination
7 about the pointer system, correct?

8 A. Correct.

9 Q. Okay. I think you testified that that is Alameda's
10 database?

11 A. It's Alameda's internal tool for a lot of things.

12 Q. Okay. Well, there's a lot of data that's on pointer; is
13 that right?

14 A. Yes.

15 Q. Okay. For example, data about Alameda's trades, right?

16 MS. KUDLA: Objection.

17 THE COURT: Ground?

18 MS. KUDLA: It goes beyond the scope.

19 THE COURT: Not so far. Overruled.

20 A. Could you repeat the question.

21 Q. It had, for example, data about Alameda's trades that it
22 was making?

23 A. Yes.

24 Q. It had data about transfers that Alameda makes from one
25 exchange to another?

1 A. Yes.

2 Q. And you said that Sam Bankman-Fried had access to this
3 database, right?

4 A. Yes.

5 Q. But you, sitting here today, don't know the data that he
6 was accessing, right?

7 A. No.

8 Q. Okay. You said that others—

9 THE COURT: No, it's not right or no, he didn't have
10 access, he didn't access it, or nobody accessed it?

11 THE WITNESS: I know he requested access. For me, I
12 wasn't watching him when he accessed it.

13 Q. Right. So you know he requested access, but you don't know
14 what data he was looking at.

15 A. No.

16 Q. Okay. You also requested—or you also I believe testified
17 that there were others at FTX who had access to the pointer
18 system, correct?

19 MS. KUDLA: Objection. Mischaracterizes his
20 testimony.

21 THE COURT: Sustained.

22 Q. I believe that you said he wasn't the only one, Sam wasn't
23 the only one that had access to the pointer system?

24 MS. KUDLA: Objection, vague.

25 THE COURT: Well, there's nothing vague about it.

1 Answer the question if you can, Mr. Drappi.

2 MS. KUDLA: Objection, your Honor. He has not
3 identified what entity, FTX or Alameda.

4 Q. I believe you testified, Mr. —

5 THE COURT: Fair point. Fair point. Sustained. Try
6 again.

7 Q. I believe you testified, Mr. Drappi, that Sam was not the
8 only one at FTX who had access to the pointer data system.

9 MS. KUDLA: Objection. Mischaracterizes his
10 testimony.

11 THE COURT: Do you remember, Mr. Drappi, saying that,
12 in this courtroom this afternoon?

13 THE WITNESS: To me?

14 THE COURT: Yes.

15 THE WITNESS: Oh, yeah. I could just resay what I
16 said before. Yeah, there were very few people at FTX. I think
17 I could even list you who I think had access.

18 BY MR. EVERDELL:

19 Q. Okay. There were others who had access. So who else had
20 access?

21 A. To my knowledge, Gary Wang, Nishad Singh, and potentially
22 Ryan Salame.

23 Q. Okay. Now let me ask you a little bit just about the
24 November time frame that we were discussing, okay?

25 All right. I believe you testified a bit about prior

1 to the all hands meeting there was an occurrence on

2 November 8th, 11 p.m. time, Hong Kong time, right?

3 A. Yes.

4 Q. Okay. And you were in the Alameda offices in Hong Kong at
5 that time?

6 A. Yes.

7 Q. All right. And you said Caroline was there as well, right?

8 A. She was, yes.

9 Q. Okay. And this is when she came out—this is the day that
10 it was announced that Binance was going to be acquiring FTX,
11 right?

12 A. Yes.

13 Q. Okay. And you said that she made a statement, or she came
14 out and made a statement to the people that were there, right?

15 A. Yes.

16 Q. Okay. So you were there, you said. Who else was there?

17 A. Tony Qian, David Nyeste, Caroline, and then there might
18 have been a few people on the settlement team, but they were on
19 a different row and so they weren't in my direct eyesight.

20 Q. So Caroline, David Nyeste, and Tony, right? Yourself?

21 That's four. Did I get that right? And then the settlement
22 team, how many of those were there?

23 A. They weren't in direct eyesight so I don't actually—I
24 couldn't actually tell you who was there, who wasn't.

25 Q. Okay. But did Ms. Ellison make her comments addressed to

1 the whole floor?

2 A. Really just to us. Like, Alameda had its own row, and it
3 was clearly meant for the people in Alameda's row to hear.

4 Q. Okay. It was meant for you all to hear, right?

5 A. Yes, she addressed us.

6 Q. Okay. And you said that this came as a shock to you,
7 right?

8 A. Yes.

9 Q. Okay. The fact that Binance was going to be buying FTX.

10 A. Absolutely, yeah.

11 Q. Okay. Why did that come as a shock to you?

12 A. In the, you know, first sense, it was a shock to me that
13 FTX was going to be acquired by anyone; and on top of that,
14 Binance being the acquirer was like the least, you know—the
15 thing I'd expect the least. This was essentially a rival.

16 Q. It was—I'm sorry. I didn't mean to interrupt. It was
17 FTX's main competitor, wasn't it?

18 A. I think there were a few other competitors out there, but
19 Binance was certainly the leader in cryptocurrency exchanges.

20 Q. Okay. One moment.

21 Okay. Now let me just jump ahead to the next day, all
22 right? So this is now November 9th, correct?

23 A. Yes, that's the next day.

24 Q. And this is when you said there was an all hands meeting,
25 right?

1 A. Yes.

2 Q. Okay. And you were still in the Hong Kong office, right?

3 A. Yes.

4 Q. This was a regularly scheduled meeting?

5 A. Every other Wednesday, and this happened to be that every
6 other Wednesday.

7 Q. Okay. And you said that Ms. Ellison came out and gave her
8 comments about what was happening, right?

9 A. Yeah.

10 Q. And that's some of the recordings we heard, right?

11 A. Yes.

12 Q. All right. I think you said that there were approximately
13 15 people present; is that right?

14 A. Yeah, approximately.

15 Q. Okay. Were those just the people that were physically
16 present in the room?

17 A. Yes, that was just physically present in the room. We had
18 also teleconferenced in maybe any teammate who could join.

19 Q. Okay. So others were joining remotely.

20 A. Yes.

21 Q. And about how many people were joining remotely?

22 A. I—I couldn't see on the laptop, but I do know the screen
23 was basically filled out, so I would approximate at 10. I
24 mean, the company really only had 30, so you have a maximum
25 there.

1 Q. Okay. So close to the 30 employees that were—or roughly
2 30 that were employed by Alameda were there.

3 A. Yeah, close to it.

4 Q. Okay. All right. And you had commented on Ms. Ellison's
5 demeanor as she delivered her remarks?

6 A. Yes.

7 Q. Now isn't it true that you thought she was speaking
8 matter-of-factly when she delivered the remarks?

9 A. Yeah, for the majority of it, I think she was speaking
10 matter-of-factly.

11 Q. Okay. Now after Ms. Ellison spoke—well, no. I'll take
12 this—we heard a number of clips of the audio from that
13 meeting, right?

14 A. Yes.

15 Q. They were played here. Okay. And I just want to play one
16 more clip for you, Mr. Drappi, all right?

17 MR. EVERDELL: If we could cue up Defense Exhibit 415A
18 and—sorry. B. I take it back. 415B. And the transcript
19 associated with that is 415B-T. And we could put that—we
20 offer those in evidence, your Honor.

21 MS. KUDLA: No objection.

22 THE COURT: They are received on the same basis that I
23 received the other recording and transcripts, and I take it
24 counsel have agreed that this was recorded on the same
25 occasion, later than the ones you heard earlier; is that right?

1 MS. KUDLA: Agreed, your Honor.

2 THE COURT: Mr. Everdell, it's agreed that this was
3 recorded on the same occasion only later than the others, yes?

4 MR. EVERDELL: That's correct, your Honor. Same
5 occasion, later in the meeting.

6 (Defendant's Exhibits 415B and 415B-T received in
7 evidence)

8 MR. EVERDELL: All right. Go ahead and play it.

9 (Audio played)

10 MR. EVERDELL: All right. I have no further
11 questions, your Honor.

12 THE COURT: Thank you.

13 Anything else, Ms. Kudla?

14 MS. KUDLA: No, your Honor.

15 THE COURT: Okay. Thank you.

16 Mr. Drappi, you are through and excused.

17 (Witness excused)

18 THE COURT: Do we have another witness? And if so,
19 are we ready to go on that?

20 MR. ROOS: We do, and we have eight minutes, and I can
21 do part of the direct.

22 THE COURT: Okay.

23 MR. ROOS: The government calls Zac Prince.

24 (Witness sworn)

25 THE DEPUTY CLERK: Thank you. Please be seated.

1 Please state your name and spell your first and last
2 names for the record.

3 THE WITNESS: Sure. My name is Zac Prince. Z-A-C,
4 P-R-I-N-C-E.

5 THE COURT: You may proceed, Mr. Roos.

6 MR. ROOS: Thank you, your Honor.

7 ZAC PRINCE,

8 called as a witness by the Government,

9 having been duly sworn, testified as follows:

10 DIRECT EXAMINATION

11 BY MR. ROOS:

12 Q. Good afternoon, Mr. Prince. Where are you from?

13 A. I'm originally from San Antonio, Texas.

14 Q. Where are you living now?

15 A. I live in Brooklyn.

16 Q. When did you move to the New York City area?

17 A. I moved to New York City in February of 2010, after
18 finishing college.

19 Q. Why did you move to New York?

20 A. I had a job offer at a technology startup that was
21 attractive and wanted to live in New York City.

22 Q. Did there come a time where you started a company of your
23 own called BlockFi?

24 A. Yes, I founded BlockFi in the fall of 2017.

25 Q. What was BlockFi?

1 A. BlockFi was a crypto lending platform was how we were most
2 commonly thought of. Our first product was a product that
3 enabled people to borrow dollars with their Bitcoin as
4 collateral, and after launching that first product, we expanded
5 into some other products and lines of business, but broad
6 strokes, we were a crypto lending platform.

7 Q. So by that, people could borrow cryptocurrency?

8 A. Correct. So we had—we had different products for
9 different types of clients. Specifically, we had products for
10 what we called retail clients, which could be normal people or
11 also businesses in some cases but smaller businesses, and then
12 we had products for institutional clients. On the retail side,
13 the only lending that we did was lending dollars with
14 cryptocurrency as collateral; on the institutional side, our
15 institutional clients could also borrow cryptocurrency in
16 addition to being able to borrow dollars. So they could borrow
17 Bitcoin and have a loan denominated in Bitcoin, whereas on the
18 retail side, it was just borrowing dollars, with Bitcoin as
19 collateral.

20 Q. So if BlockFi was lending out cryptocurrency, where was it
21 getting the cryptocurrency from?

22 A. When we were lending out cryptocurrency, that was always
23 coming from products that we had where clients would hold their
24 cryptocurrency on our platform in exchange for interest, so the
25 most popular product we had in this regard was the called the

1 BlockFi interest account. That product offered, you know,
2 various interest rates at various times that folks could earn
3 if they held cryptocurrency in that product. For lending out
4 cash, we at times used the company's equity, at times used debt
5 from institutional credit investors, and also funds from those
6 interest-bearing products that we had on the platform.

7 Q. So you mentioned customers who lent out money for interest.
8 Who were some of those customers?

9 A. Sure. So on the, you know, on the retail side of our
10 platform, I think at our—at our peak we had around 650,000
11 clients that had funds in a—in a BlockFi account. The vast
12 majority of those were individuals, and they could have
13 accounts ranging from, you know, on the low end, tens or
14 hundreds of dollars in value, up to, on the high end, tens of
15 millions of dollars in value. So it could be just a, you know,
16 kind of normal everyday investor investing a couple thousand
17 dollars or it could be a rather affluent individual or family
18 office or small business holding, you know, significant capital
19 on our platform.

20 Q. Did BlockFi tell its customers it was lending out their
21 money for interest?

22 A. Absolutely. This is something that we were very clear
23 about. Everyone knew us as a crypto lending platform. The
24 whole idea was that the way we were able to offer people
25 interest on the funds they were holding on our platform was

1 that we were going to do something with those funds to generate
2 that interest and specifically what we were going to do was
3 lend those funds out to borrowers, and this was clear in our
4 marketing, in our—in our terms of service, and, you know,
5 podcasts that I went on, everywhere. It was very well known
6 and described.

7 Q. Now in terms of the parties that BlockFi was lending to,
8 what types of people or entities was BlockFi lending to?

9 A. So as I said earlier, you know, on the retail side of our
10 platform, folks could borrow cash with cryptocurrency as
11 collateral. So that, you know, that ranged—that had a very
12 similar range in terms of the types of borrowers as the types
13 of folks who were holding funds on the platform. It could be,
14 you know, relatively small investor up to a, you know, larger
15 investor or medium-sized business. On the institutional side
16 of our platform, we worked with different types of clients.
17 The most common was trading firms. The trading firms could
18 either be traditional trading firms, so, you know, firms like a
19 Jane Street or a Susquehanna that you might be familiar with in
20 traditional financial markets. They could also be
21 cryptocurrency-specific trading firms. In addition to trading
22 firms, we worked with hedge funds, we worked with different
23 types of corporates in the cryptocurrency world, so exchanges
24 or Bitcoin miners, for example. So on the institutional side
25 of the platform, there's a broader range of the types of—of

1 businesses that we would lend to.

2 Q. Did you ever lend to a trading firm called Alameda?

3 A. Yes, we did.

4 Q. When did you start lending to Alameda?

5 A. The relationship with Alameda I believe started in the
6 first half of 2021, or maybe there were a few small
7 transactions towards the end of 2020, but, you know, first half
8 of 2021, roughly.

9 Q. And we'll come back to that.

10 Did there come a time when BlockFi stopped lending to
11 Alameda?

12 A. Well, there—there came a time that we called back all of
13 the open-term loans that we had to Alameda, which was in June
14 of 2022, and, you know, also a lot of things were terminated as
15 a result of the FTX-Alameda bankruptcy and then subsequently
16 our bankruptcy, but yes, there was a point in time in the
17 summer of 2022 where the loans we had out to Alameda were all
18 called back.

19 Q. So focusing on the bankruptcy, at the time of—or when was
20 the Alameda-FTX bankruptcy that you're referring to?

21 A. Early November of 2022.

22 Q. At that point in time how much money had BlockFi lent out
23 to Alameda?

24 A. At that point in time, when they filed for bankruptcy, the
25 principal outstanding, you know, the amount that they owed us

1 was around \$650 million worth of value. A week before that it
2 had been a little higher than that, 800 million, but there had
3 been some payments, you know, in that week leading up to their
4 filing, but \$650 million was the amount that Alameda owed us at
5 the time of their filing.

6 Q. So just to be clear, when they filed their bankruptcy, was
7 that paid, had that been paid back to BlockFi, as a lender?

8 A. No. No, that was the—the outstanding balance that to date
9 has still not been paid.

10 Q. And then just one more question before we break, if that's
11 okay with your Honor. What happened to BlockFi after that?

12 A. As a result of FTX and Alameda's bankruptcy, because of our
13 lending to Alameda but also some exposure we had to the FTX
14 platform, BlockFi was forced into—into bankruptcy, and so the
15 clients on our platform have, you know, currently, in any of
16 the interest-earning products, an uncertain outcome in terms
17 of, you know, how much of the funds that they had on our
18 platform they will see back. Our shareholders—

19 MR. COHEN: Objection, your Honor.

20 THE COURT: What's the objection?

21 MR. COHEN: Speculative and beyond the question.

22 THE WITNESS: I'm sorry.

23 THE COURT: The question was: "What happened to
24 BlockFi after that?" The answer—

25 MR. ROOS: I think he was describing—

1 THE COURT: Just a moment.

2 MR. ROOS: Yes.

3 THE COURT: The answer began: "As a result of FTX and
4 Alameda's bankruptcy, because of our lending to Alameda but
5 also some exposure we had to the FTX platform, BlockFi was
6 forced into bankruptcy." That you may consider. Everything he
7 said after that is stricken and is to be disregarded.

8 And this is where we will stop for the day.

9 MR. ROOS: Thank you, your Honor.

10 MR. COHEN: Thank you, your Honor.

11 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Anything else we need to do this evening?

4 MR. RAYMOND: Your Honor, I just wanted to flag one
5 point. Over the lunch break, we received a letter from defense
6 counsel, filed on ECF.

7 THE COURT: Yes.

8 MR. RAYMOND: So our intention is to file a brief
9 response, hopefully well before midnight, but no promises.

10 THE COURT: Not before midnight. Before 8:00, or
11 tomorrow, because I'm not going to read it after 8:00.

12 MR. RAYMOND: Thank you, your Honor.

13 MR. ROOS: Judge, if it's okay, we'll just file it
14 tomorrow, unless there's some sort of urgency from the defense
15 perspective.

16 THE COURT: That's fine with me.

17 MR. COHEN: Yes, that's fine.

18 THE COURT: I can't hear you, Mr. Cohen.

19 MR. COHEN: I was agreeing, your Honor.

20 THE COURT: Okay. Good.

21 MR. COHEN: A rare point of agreeance.

22 THE COURT: No, that's not true. You guys work
23 together reasonably well. I have no complaints.

24 We might break a little short of 1:00 tomorrow, but
25 not much.

1 MR. ROOS: Okay. Your Honor, we have this witness and
2 then two other witnesses. The last one is a law enforcement
3 witness so won't be a problem holding him over to the following
4 week if your Honor either wants to stop after the second
5 witness or just get the first witness, get that one started.

6 THE COURT: We'll see where we are.

7 MS. SASSOON: Your Honor, just for planning purposes,
8 can we leave it at those witnesses or do you want us to have
9 people on deck? It might involve some travel, and if you're
10 considering ending early—

11 THE COURT: I'm not thinking about more than 15 or 20
12 minutes.

13 MS. SASSOON: Okay.

14 THE COURT: Okay. Thank you.

15 THE DEPUTY CLERK: All rise.

16 (Adjourned to October 13, 2023, at 9:30 a.m.)
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849	.1125
433A through 433F	.1145
433A-T through 433F-T	.1146

DEFENDANT EXHIBITS

Exhibit No.	Received
155	.1000
1616	.1013
415B and 415B-T	.1159

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA,

v.

22 CR 673 (LAK)

SAMUEL BANKMAN-FRIED,

Defendant.

Trial

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New York, N.Y.
October 13, 2023
9:26 a.m.

Before:

HON. LEWIS A. KAPLAN,

District Judge

APPEARANCES

DAMIAN WILLIAMS

United States Attorney for the
Southern District of New York

BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

THANE REHN

Assistant United States Attorneys

COHEN & GRESSER, LLP

Attorneys for Defendant

BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

DAVID F. LISNER

Also Present:

Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

Grant Bianco, USAO Paralegal Specialist

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(In the robing room)

THE COURT: Okay. I wanted to raise with you, Mr. Cohen, whether the Marshals are in fact getting your client over here early in the morning as I ordered them to do, and whether you're availing yourself of that or not, or whether it's too much or too little.

MR. COHEN: We are, your Honor. We saw him this morning. I think we've seen him every day that he was available because he's not available after weekends because we have the opportunity to see him in the MDC, which we've also been doing.

Now I know this isn't fully within your Honor's control, but we've had serious issues continuing with his medication. He has ADHD. He has other conditions as well, which I haven't burdened the Court with. He really cannot focus without his medication. They give him one dose at 4 in the morning when they wake him up to come to court. It wears off in about three hours. So by the time we see him in the cell block or we see him before your Honor, it's already worn off. They refuse to give him another dose at lunchtime. So he spends the entire court day without medication that is specifically designed to help him focus. And he gets his next dose when he gets back, and last night he got back at 9:00 at night.

THE COURT: He surely does not look unfocused to me in

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1 the courtroom. But obviously I'm not professionally qualified.

2 MR. COHEN: I'm not either, your Honor. I can only go
3 by what my client tells me, and obviously not knowing before
4 this, so—

5 THE COURT: Have you been in touch with Mr. Bork at
6 the Bureau of Prisons as I asked?

7 MR. COHEN: Every day.

8 THE COURT: So what's the story about giving him the
9 dose? I mean—

10 MR. COHEN: As I understand it, we even offered that
11 we would bring it and give it to him at lunchtime, if the
12 Marshals would permit us. One of the—well, two things. As I
13 understand it, the Bureau of Prisons is not willing to do it at
14 lunchtime because the dose is considered a narcotic substance
15 and they don't want one of the Marshals transporting it
16 or—that's what I understand. But I'm not purporting to speak
17 for the Bureau of Prisons. I know they have their rules, but
18 that's what we've heard from them. So it puts us and our
19 client in just a very difficult position. So your Honor is
20 asking, so that's why I'm—

21 THE COURT: I'm sorry. I couldn't hear.

22 MR. COHEN: Your Honor is asking, so that's why I'm—

23 THE COURT: Well, yes, and I will either speak
24 directly to Bork or have someone do it and see whether that
25 condition can be changed, if indeed that's a condition.

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1 What does the government have?

2 MR. ROOS: So, your Honor, we're aware of the issue.
3 One of our colleagues, Danielle Kudla, has been dealing with
4 the MDC directly. Our understanding—my understanding in
5 speaking with her this morning—I'll also suggest I just go get
6 her in a moment—is that the MDC is going to put him on an
7 extended tablet or dose of ADHD, one of those sort of—

8 THE COURT: ADHD is the malady, not the drug.

9 MR. ROOS: Adderall. Sorry. One of those extended
10 release, but if it's okay with your Honor, I'll go get her,
11 since she's the one speaking with the MDC.

12 THE COURT: Sure.

13 MR. COHEN: And I should say, your Honor, we are not
14 faulting the efforts of the prosecution team. We know they've
15 been trying also. It's just not happening.

16 THE COURT: Look, I know that both sides have been
17 doing their level best about everything in this matter, and I
18 have no doubts about that.

19 (Pause)

20 THE COURT: Good morning, Ms. Kudla.

21 MS. KUDLA: Good morning, your Honor.

22 THE COURT: What's going on with the Bureau of Prisons
23 in relation to the Adderall?

24 MS. KUDLA: Yeah. So I spoke with—I've been in
25 communication with the BOP frequently to try and find a

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1 solution that allows Mr. Bankman-Fried to get his Adderall
2 added dose during the day. I spoke to Sophie Papapetru at the
3 BOP this morning at 8 a.m. She said that the BOP has worked it
4 all the way up the chain. They have approved an extended dose
5 release. They've ensured—

6 THE COURT: Extended-release dose.

7 MS. KUDLA: Extended-release dose. They've modified
8 the schedule of a BOP employee to ensure that they can
9 administer this dose at 6 a.m. before he arrives at court and
10 that the dose will be administered to him and the extended
11 release would go for approximately 12 hours, which would then
12 provide the Adderall up until about 6 p.m., and that they have
13 ordered this and they're hoping to have it for him for the
14 first dose available on Monday. That is the easiest way for
15 the BOP to comply with how they administer controlled
16 substances, and their regulations on that, and allow
17 Mr. Bankman-Fried to ensure that he has his medication during
18 the trial.

19 THE COURT: Okay. Please report to me on Monday
20 whether it's happened.

21 MS. KUDLA: I will. I'm going to keep in touch with
22 her.

23 (Continued)

24 (Pages 1175-1176 SEALED by order of the Court)

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1 MS. KUDLA: Your Honor, one point on the Adderall that
2 I think would be important for the record. I asked BOP, they
3 confirmed that they spoke with Mr. Bankman-Fried about the
4 extended-release dose, and he's the one who consented to it.
5 They said that they go through the defendant, not the
6 attorneys, because it's related to medical procedures. So I
7 wanted the Court just to be aware of that.

8 THE COURT: That last part is not part of the sealed
9 transcript.

10 MR. COHEN: And I don't know whether this has to be on
11 the record. It's just a logistical question, your Honor.
12 Judge Garaufis has asked me to come to chambers by 1:30 today,
13 so would it be possible for us to break at 12:30 or 12—

14 THE COURT: Yes, yes.

15 Okay. Thank you.

16 (Continued on next page)

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Prince - Direct

1 (In open court; jury present)

2 THE COURT: The jurors and the defendant are present,
3 as they have been throughout.

4 Mr. Prince, you're still under hold.

5 Mr. Roos, you may proceed.

6 MR. ROOS: Thank you, your Honor.

7 ZAC PRINCE, resumed.

8 DIRECT EXAMINATION CONTINUED

9 BY MR. ROOS:

10 Q. Mr. Prince, when we left off yesterday, you were describing
11 the lending aspects of BlockFi's business, and I wanted to ask
12 you, just picking up there, in the course of your work running
13 a lending—crypto lender, did you ever deal with cryptocurrency
14 exchanges?

15 A. Yes, we did.

16 Q. How would you deal with cryptocurrency exchanges?

17 A. I would say in two primary ways. So we had some
18 cryptocurrency exchanges that were borrowers that would, you
19 know, borrow assets from BlockFi, and we also used
20 cryptocurrency exchanges to place trades, effectively trades
21 that were on behalf of our clients because we had a trading
22 product that was available to our clients and then we needed to
23 reproduce those trades on an exchange on behalf of our clients.
24 So lending to exchanges and also trading on them.

25 Q. Can you explain what that trading product was that BlockFi

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Prince - Direct

1 had.

2 A. Sure. So essentially on our retail platform, users could
3 buy and sell cryptocurrencies. BlockFi was not an exchange,
4 though, we—which basically meant that we weren't matching
5 buyers and sellers. We were more like a—a broker or an
6 intermediary, so we would add a little bit of a spread to the
7 price of the cryptocurrency that someone was looking to buy or
8 sell. After the user placed the trade in our app, that trade
9 was done, and then on the back end of that, we would place a
10 similar trade offsetting the user's trade on a cryptocurrency
11 exchange.

12 Q. And so just to be clear, what's the difference between
13 BlockFi as a lender and a cryptocurrency exchange?

14 A. Well, I think there's a few things. So certainly the, you
15 know, the key function that crypto lenders played in the market
16 was very different than what exchanges played in the market.
17 So crypto lenders were, you know, primarily providing a lending
18 function, providing debt capital to different market
19 participants, providing yield to, you know, other market
20 participants who wanted to earn yield, whereas an exchange,
21 their primary purpose is to match buyers and sellers and, you
22 know, find accurate clearing prices for the—for the different
23 currencies that were being traded. There was also a very
24 important distinction in terms of how assets that were
25 deposited with either a cryptocurrency lending platform or an

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Prince - Direct

1 exchange were understood to be treated, based on—

2 MR. COHEN: Objection. Move to strike.

3 THE COURT: Why?

4 MR. COHEN: Your Honor, this is the subject of our
5 letter to the Court yesterday. Might we be heard at the
6 sidebar?

7 THE COURT: Yes.

8 (Continued on next page)

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Prince - Direct

1 (At the sidebar)

2 MR. COHEN: Your Honor, I believe where this answer is
3 going and where the rest of this is going is an effort to get
4 an opinion from the witness, who's here as a fact witness,
5 about how he believes crypto exchanges should operate. He just
6 said that BlockFi was not a crypto exchange. I don't have a
7 problem with them asking about BlockFi's practices as to its
8 own business, which counsel did ask, but now we're getting into
9 an effort to, to use a legal word, shimmy, to expert—

10 THE COURT: I'm sorry?

11 MR. COHEN: Shimmy.

12 THE COURT: Shimmy?

13 MR. COHEN: Yeah, shimmy over to expert testimony,
14 where he's not been offered as an expert, no pretrial
15 disclosures have been made. This was the subject of our letter
16 yesterday. I didn't think this would be dealt with until the
17 Court had ruled on it, but here we are. So we would object to
18 Mr. Prince giving testimony about how he thinks a crypto
19 exchange should or should not have operated with regard to
20 customer assets, or otherwise.

21 MR. ROOS: So if I understand the objection correctly,
22 it's a 701 objection, which is a lay opinion objection, and
23 there are several reasons—

24 MR. COHEN: Before you—it's also a relevance and 403
25 objection.

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Prince - Direct

1 MR. ROOS: Yeah. So I'll take each of them in turn.
2 The witness, before giving this answer, testified that he runs
3 a cryptocurrency lender and that as a cryptocurrency lender,
4 they dealt with numerous—

5 THE COURT: Keep your voice down, please.

6 MR. ROOS: Sorry. They dealt with numerous
7 cryptocurrency exchanges, including as a customer on those
8 exchanges, and as a—including as a lender on those exchanges.
9 He testified yesterday that they deposited similar assets on
10 the FTX, so he is the equivalent of a customer. And the
11 question is, is he allowed, based on that foundation, to
12 testify about what his understanding was of how assets were
13 going to be treated. And I think there's two for our purposes
14 here. One is the obvious one, which is that in a trial about
15 fraud, defrauding customers, lenders, those witnesses should be
16 permitted to testify about what their understandings were. It
17 goes to the issues of misappropriation, it goes to the issues
18 of misrepresentation. Second, it's relevant, helpful for the
19 jury to understand what the difference is between a
20 cryptocurrency lender, which is a business of lending out
21 assets, versus cryptocurrency exchange, which may not. They of
22 course can cross-examine on those topics.

23 Taking up the 701 objection, the rule for 701 is not
24 that any type of opinion is impermissible. It's that it has to
25 be grounded in their perceptions. This is something he

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1 certainly observed because he dealt with it directly. It's not
2 the subject of scientific or technical testimony. That's in
3 fact one of the arguments we made in excluding experts is that
4 you do not need expert testimony on these questions.

5 And I don't see the 403 reason here. It's totally
6 permissible. There's nothing prejudicial about that.

7 MR. COHEN: Taking up the 403 point, having this
8 witness speculate about how he thinks an exchange he didn't run
9 in a field where he didn't run an exchange should or should not
10 have worked is substantially prejudicial, given the other
11 witnesses that the government has already called on this topic.

12 THE COURT: Why is it different from asking an
13 automobile mechanic, what's the difference between a car and a
14 truck?

15 MR. COHEN: Because that's not really—your Honor,
16 with respect, that's not really what he's doing. He's asking
17 an automobile mechanic, how should General Motors be run?

18 THE COURT: But that wasn't the question. The
19 question was: What's the distinction between an exchange and a
20 lender?

21 MR. COHEN: Right. And he started to answer that and
22 I didn't say anything, and then he moved on to where they're
23 going, which is this back-door expert testimony about how
24 crypto exchanges should or should not be run.

25 THE COURT: It seems to me that's the subject of

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Prince - Direct

1 cross.

2 MR. COHEN: Well, your Honor, we would object to it
3 being introduced in the first place.

4 THE COURT: I understand. But you are entitled on
5 cross to find out what the basis of his testimony was and to
6 challenge whether he's in a position to make a general
7 statement like that.

8 MR. COHEN: Well, your Honor has our position, and I
9 don't want to belabor it.

10 THE COURT: Yes, I understand. Okay. Let's go.

11 (Continued on next page)

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Prince - Direct

1 (In open court)

2 THE COURT: The testimony stands, and Mr. Prince, if
3 you remember where you were, you can complete your answer. And
4 if not, Mr. Roos will take care of it.

5 A. I remember where I was. I was starting to talk about the
6 second important distinction between cryptocurrency lenders and
7 cryptocurrency exchanges, which was in how the market and
8 customers understood what would happen with assets that they
9 placed on those platforms.

10 THE COURT: Well, let's start with how you understood.

11 THE WITNESS: Sure.

12 A. So on crypto lending platforms, generally there was a
13 interest rate that was being earned when you held assets there,
14 and there was an understanding that the reason you were earning
15 that interest rate was because the lending platform was going
16 to take those funds and further lend them on. And there were
17 generally words that describe this; in BlockFi's terms of
18 service there were words that very clearly described this; in
19 our marketing materials there were words that very clearly
20 described this. We will lend, relend, pledge, rehypothecate,
21 which is a fancy legal word that means relend assets that
22 you're given. Contrast that to cryptocurrency exchanges,
23 where—

24 THE COURT: Let's focus on contrast it to
25 cryptocurrency exchanges with which you dealt.

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Prince - Direct

1 THE WITNESS: Sure.

2 A. Contrast that with cryptocurrency exchanges with which I
3 dealt personally or BlockFi dealt with. The expectation—

4 MR. COHEN: With which he dealt personally, your
5 Honor.

6 MR. ROOS: Well, he is the CEO of BlockFi, so I think
7 it's appropriate.

8 MR. COHEN: There's no foundation.

9 THE COURT: I think another question and you might be
10 there, Mr. Roos, okay?

11 BY MR. ROOS:

12 Q. So before you answer what your understanding of how
13 cryptocurrency exchanges with which you dealt treated assets,
14 let me just ask you: As the CEO of BlockFi, were you involved
15 in decisions about lending and where to deposit assets?

16 A. Yes, absolutely.

17 Q. And did you oversee aspects of BlockFi depositing assets
18 with cryptocurrency exchanges?

19 A. Yes, I was heavily involved in those decisions.

20 Q. So then based on all of that work at BlockFi, what was your
21 understanding of how cryptocurrency exchanges dealt with
22 customer assets? And I'm referring to the exchanges to which
23 you dealt with directly, not generally the overall market.

24 A. Sure. To put it simply, the assets stayed within the
25 exchange environment. They weren't re-lent on or taken off of

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Prince - Direct

1 the exchange to be used by some—by some third party. They
2 stayed within the—whatever the custodial setup was of the
3 exchange.

4 Q. What do you mean—I just want to ask about a few terms.
5 You said the term "custodial setup." What is that?

6 A. It's, you know, whatever—whatever technical or, you know,
7 security infrastructure the exchange had to hold the assets
8 that the users had deposited and keep them safe.

9 Q. And you used the word a few moments ago "rehypothecate,"
10 which I think you said was a fancy legal term. What does
11 rehypothecate mean?

12 A. Rehypothecation effectively means you're taking collateral
13 from one party and then using that collateral to make a loan to
14 another party. And I was using the term to describe, you know,
15 crypto lending platforms. So crypto lending platforms, BlockFi
16 was very clearly doing rehypothecation and disclosing that we
17 were doing rehypothecation.

18 Q. Now when it came to making loans, what was BlockFi's
19 process in deciding whether to lend to a particular borrower?

20 A. Sure. So we had a couple of, you know—going back to what
21 I was talking about yesterday, a couple different kind of loan
22 products. We had our retail-facing loan products and our
23 institutional-facing loan products. In both cases there were,
24 you know, steps that borrowers had to go through before they
25 could take a loan with us. On the retail side, the steps were

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Prince - Direct

1 basically that they had to go through what was called our
2 KYC—which stands for "know your customer"—checks; they had to
3 sign the loan agreement; and they had to transfer the
4 collateral that they were posting for the loan on to the
5 BlockFi platform. And on the retail side of our platform, all
6 borrowers accessed loans at effectively the exact same terms.
7 On the institutional side of our platform, there was a bit more
8 customization available to the borrowers, and there was a—an
9 even more thorough underwriting and diligence process that went
10 into how we evaluated counterparties that we would essentially
11 work with as borrowers on the institutional side. So there was
12 "know your customer"—KYC—checks, those are generally more
13 thorough for businesses, because you have to look at the
14 identities of anyone who's an owner of the company greater than
15 a certain percentage, but we also did diligence around what
16 type of business, you know, the potential institutional
17 borrower was, what the financial health of that business was,
18 and we would, you know, try to underwrite any and all financial
19 documents that we could get our hands on from the institutional
20 clients. We also would at times, depending on the nature of
21 their business, do some security or technology underwriting of
22 their business. And then our risk management team developed
23 very robust policies and procedures that, based on our
24 underwriting, would categorize institutional, potential
25 institutional clients into different risk tier buckets, and

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Prince - Direct

1 then those risk tier buckets kind of dictated under what terms
2 we would be able to lend to that institutional borrower if they
3 were approved onto the platform; so at what collateral levels,
4 at what interest rates, etc.

5 Q. Let me just ask you a few follow-ups.

6 You mentioned the word "diligence." What did you mean
7 by that?

8 A. "Due diligence" is a common term used to describe—I mean,
9 it's effectively kind of like research to—to make an informed
10 decision about, you know, whether you should do something, and
11 sometimes you might use the word "due diligence" to describe
12 the work you're doing to decide if an investment is one you
13 should make. In our case, the due diligence we were doing was
14 to try and make an informed decision around whether we should
15 be lending to a certain counterparty or not and under what
16 terms we would be comfortable lending to them.

17 Q. Now did BlockFi ever do due diligence and then decide not
18 to borrow or not to lend to a customer?

19 A. Yes, absolutely.

20 Q. When you were doing due diligence—and I think you
21 mentioned financial due diligence—of an institutional
22 customer, what kinds of financial research were you doing?

23 A. So we, you know, we had—we would ask for effectively any
24 and all financial information that the potential borrower was
25 willing to share with us. In some cases the information that

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Prince - Direct

1 they were comfortable sharing would be relatively limited, so,
2 for example, a net asset value statement that would just
3 describe for, you know, for a fund, for example, how many
4 assets were in the fund. In other cases we received audited
5 financials, which could be income statements and balance
6 sheets, and then everything, you know, kind of in between, so
7 unaudited financials would be in between those two things, but
8 you know, financial—financial reporting, financial—financial
9 documents that showed the health of the business.

10 Q. And just on those terms, when you said like a NAV
11 statement, what were you referring to?

12 A. NAV stands for net asset value. And it's a common—it's a
13 common document that's produced by asset managers or funds,
14 where they're saying, you know, here's how many assets we have
15 in our fund vehicle.

16 Q. And you also mentioned audited financials. What were you
17 referring to there?

18 A. So, you know, audited financials refers to financials that
19 are produced and verified by a third-party accounting firm.

20 Q. In 2022, how many employees did BlockFi have doing this
21 type of research and due diligence?

22 A. I mean, across our, you know, risk management, compliance,
23 and security teams, depending on, you know, what point in time
24 in 2022, probably between a hundred and 200 people, and these
25 were, you know, generally folks that they came from

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Prince - Direct

1 sophisticated financial industry backgrounds, so, you know,
2 think folks who worked at large banks doing similar roles or
3 large asset management companies doing similar roles before
4 they joined BlockFi.

5 Q. Did BlockFi ever approve loans without doing any due
6 diligence?

7 A. No.

8 Q. Now in terms of lending, what involvement did you have in
9 making lending decisions?

10 A. So our lending decision-making process, especially for
11 institutional loans, became relatively, you know, robust and
12 sophisticated over time. So there were, you know, risk
13 management policies and procedures that, you know, that were
14 governed at the board level. We had a board—we had a board
15 audit and risk committee that I was, you know, that I was a
16 part of, as CEO. Beneath that we had an executive investment
17 and lending committee that I was also a part of, and then we
18 had, you know, teams of people underneath the executive part of
19 the org who had certain levels of permissions to, you know,
20 make new loans that fit within the frameworks that had already
21 been approved. But I was heavily involved across, you know,
22 kind of every layer of that matrix of decision-making for
23 lending.

24 Q. And in terms of the types of loans that BlockFi made, did
25 BlockFi make different types of loans to institutional

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Prince - Direct

1 customers?

2 A. Sure. I mean, different types of loans, certainly versus
3 the retail side of the platform I mentioned yesterday, on the
4 institutional side of the platform we also would make loans
5 denominated in cryptocurrency, so you could have a loan that
6 was denominated in Bitcoin or denominated in Ethereum.
7 Additionally, we had a, you know, variety of structures in
8 which we would lend to institutional clients based on our view
9 of their counterparty risk or creditworthiness. So to give a
10 simple example, let's take, you know, the best potential
11 financial firm that we could potentially face. Maybe that's
12 BlackRock or something. And we would potentially lend them a
13 certain amount of money without them needing to post collateral
14 back to us. Contrast that with, you know, a counterparty where
15 we weren't—they weren't in as strong of a financial position.
16 We might require them to post collateral. And we would charge
17 different interest rates, we would have different, you know,
18 terms in the agreement around how fast margin calls needed to
19 be met or how fast loans could be called back. So there were a
20 number of different variables that—that were managed on
21 individual loans and at the counterparty level.

22 Q. So a few follow-ups. What's collateral, as you're using
23 it?

24 A. Collateral is—it's something that a borrower would post
25 as, you know, security for a loan. So like a simple example of

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Prince - Direct

1 collateral would be when you get a mortgage on a house, the
2 house is, you know, acting as collateral for the loan and
3 protection for the bank. In a scenario where you don't pay the
4 loan, the bank can take the house.

5 So in cryptocurrency land, we were taking collateral
6 in the form of cryptocurrency. So someone could, you know,
7 give us one Bitcoin worth, just to use small numbers, \$10,000.
8 We make them a \$5,000 loan. If they don't pay off the \$5,000
9 loan, we had the ability to sell their Bitcoin to make sure we
10 got paid back.

11 Q. You also used the word, or the phrase "margin call." What
12 were you referring to there?

13 A. So let's stick with that same example. You've got one
14 Bitcoin, Bitcoin is worth \$10,000. We made a \$5,000 loan, with
15 that one Bitcoin as collateral. There would be in the loan
16 agreement preset margin call levels. So if that Bitcoin that
17 was worth \$10,000 when we started the loan declined in value
18 and was worth, just for illustrative purposes, let's say
19 \$7,000, that might be the trigger level at which in the loan
20 agreement we would issue a margin call. And what the margin
21 call does is it says to the borrower, you need to either post
22 additional collateral, pay down some of your loan, or run the
23 risk of us needing to liquidate some of your collateral in
24 order to pay off the loan because that—that is us managing our
25 risk.

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Prince - Direct

1 And this term "margin call" folks might be familiar
2 with from just like a traditional stock brokerage account. You
3 know, if you—if you buy stocks and then you use margin from
4 the broker, they have a similar type of function, where if the
5 value of the stocks that you purchase goes down, you could get
6 a margin call and potentially have your securities liquidated
7 if you don't take action.

8 Q. Now I think you mentioned terms. Did BlockFi have—why
9 don't you describe what sort of terms existed for institutional
10 customer borrowers.

11 A. Sure. I mean, just as a baseline, these were, you know,
12 very robust loan agreements. I don't know off the top of my
13 head how many pages our loan agreements were in 2022, but it
14 was, you know, probably more than 30 or 40 pages. I mean,
15 these were, you know, robust legal documents.

16 Q. Let me—I'm sorry. I think my question wasn't clear. In
17 terms of the length of the loan or—

18 A. Oh, okay.

19 Q. Did BlockFi have open-term or closed-term loans?

20 A. Yeah, sorry about that. Understood. The majority of the
21 loans that we made on the institutional side of our platform
22 were what we referred to as open term, which meant that either
23 the lender—BlockFi—or the borrower could elect to end the
24 loan with relatively short notice—generally, you know, two to
25 five business days' notice. We did also make some loans that

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Prince - Direct

1 went out to—on the institutional side. The longest I think we
2 ever did was a two-year term, which would mean, you know, the
3 borrower is able to keep the loan out for a full two years
4 before the lender would have the ability to ask for repayment.
5 But the vast majority of the loans that we did were on an
6 open-term structure, which meant that either side could end the
7 loan with just a few days' notice.

8 Q. Now did BlockFi have any offices in New York?

9 A. We did.

10 Q. Where?

11 A. We—we had three different offices in New York. The first
12 was at 86 Chambers Street in Tribeca; and then subsequently we
13 had two different offices in the Financial District at 115
14 Broadway and 150 Broadway.

15 Q. Where did you work, principally?

16 A. Principally out of those offices.

17 Q. So switching topics, I want to talk about Alameda Research.
18 Did BlockFi lend money to Alameda Research?

19 A. Yes, we did.

20 Q. Do you know when BlockFi started lending to Alameda?

21 A. I don't know the exact date, but it was either towards the
22 end of 2020 or first half of 2021.

23 Q. And during that time period how much money was BlockFi
24 lending out across the company, not just to Alameda?

25 A. High single-digit billions. You know, if we're talking

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Prince - Direct

1 early 2021, I think the, you know—depending on the day, the
2 principal outstanding of the overall lending that BlockFi was
3 doing was probably between 5 and \$10 billion.

4 Q. So to give us a sense, that being the total lending, how
5 much of that was Alameda getting when it first started out with
6 BlockFi?

7 A. When it first started, you know, like a lot of our
8 institutional borrowers, they were relatively small
9 relative—they were small relative to that overall amount of
10 lending that we were doing. So, you know, initially probably
11 10 to 15 million—10 to \$50 million for the first, you know,
12 three or six months of the relationship.

13 Q. Did there ever come a time when Alameda reached out to
14 BlockFi about increasing its lending?

15 A. Yes.

16 Q. Do you remember approximately when that was?

17 A. Approximately, you know, Q2 or Q3 of 2021.

18 Q. How did the request first come in?

19 THE COURT: Excuse me. I think everybody knows, but
20 please, Mr. Prince, tell the jury what you mean by Q2 and Q3.

21 THE WITNESS: Oh, sure. Sorry. The second quarter or
22 third quarter. So second quarter would be like April, May,
23 June; third quarter would be July, August, September.

24 Q. Thank you.

25 How did the request from Alameda for more borrowing

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1 first come in?

2 A. Yes. So, you know, initially the relationship was started,
3 and the request for more borrowing was coming in through our
4 APAC team, which stands for the Asia-Pacific region. So we had
5 a team in Singapore, and our MD there was the individual on our
6 team responsible for managing the Alameda relationship at the
7 time.

8 THE COURT: And I'm reasonably confident MD doesn't
9 stand for medical doctor. Could you tell the jury what it
10 stands for.

11 THE WITNESS: Yeah. MD stands for managing director.
12 So he was—you know, the managing director was basically like
13 the head of our Asia-Pacific office and the lead person
14 responsible for managing relationships with the institutional
15 clients that we had in that region.

16 BY MR. ROOS:

17 Q. So focusing on the period that you mentioned for us
18 earlier, the second or third quarter of 2021, was there ever a
19 time when you spoke to Sam Bankman-Fried?

20 A. Yes. So the, you know, the request had come in for them to
21 borrow more, and there was a suggestion made at some point
22 that, you know, it would be a good idea for the CEOs of each of
23 the respective companies, myself and Sam, to have a call
24 together, which we—which we set up.

25 Q. What do you remember of the conversation?

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1 A. My memory of the conversation is that it was, you know,
2 very similar to a lot of calls that I had done like this
3 before. So, you know, Sam and I each did five- to ten-minute
4 introductions of our, you know, respective companies, there was
5 a, you know, discussion around Alameda's desire to borrow more,
6 and a discussion around, you know, whether there were any other
7 ideas of things that our—that our firms could potentially do
8 together.

9 Q. After—sometime after that conversation did BlockFi ever
10 start lending more money to Alameda?

11 A. We did. So in the, you know, back half of 2021 and first
12 half of 2022, our lending to Alameda increased significantly.

13 Q. Now did Alameda ever provide audited financials to BlockFi?

14 A. No.

15 Q. In terms of the financial information you got, what kind of
16 financial information did Alameda provide to BlockFi, if any?

17 A. I think the—the primary thing that they provided that, you
18 know, our team reviewed regularly was unaudited balance sheet
19 statements, which we received on I think a regular quarterly
20 basis, roughly, you know, once a quarter. They also provided
21 information at one point around cryptocurrency wallets. There
22 was an exercise our risk management team did to verify, you
23 know, cryptocurrency wallet information that they had given us.
24 And then there were numerous conversations that were had
25 between our risk management team and representatives of

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1 Alameda.

2 Q. As part of these loans, to what extent did BlockFi get
3 collateral?

4 A. I think for—for every loan, if not almost every loan that
5 BlockFi made to Alameda, that we had collateralization
6 requirements, so there would be some—some form of collateral
7 posted. The most common and largest type of collateral that
8 they posted was FTT, but they also at times posted other
9 cryptocurrencies as collateral.

10 Q. Can you describe how, if at all, the amount of lending
11 BlockFi was doing to Alameda changed from, say, May 2021 to May
12 2022.

13 A. Yeah. It increased substantially by a factor of, you know,
14 roughly 10X or a little more. So in May of '21, we were
15 probably lending them, like I said earlier, around 50 million;
16 maybe a little more or less than 50 million. By May of 2022,
17 the lending had increased to, you know, a principal outstanding
18 balance of a little over a billion. I think it was around
19 1.1 billion.

20 Q. What, if anything, did Alameda do to make BlockFi feel
21 confident lending a billion dollars?

22 A. Well, the, you know, the information that they provided to
23 our team, financial statements and other information that we
24 relied on in evaluating their risk as a counterparty; they also
25 posted significant amounts of collateral and, you know,

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1 throughout that time period, adhered to all the terms in the
2 lending agreements like, you know, like we would expect a good
3 borrower to do. They made their interest payments on time; if
4 there were ever margin calls, they met them.

5 Q. Now moving ahead to May 2022, were there any changes to the
6 strength of the cryptocurrency market during that period?

7 A. Yeah. In May and—May and June of 2022, the cryptocurrency
8 market was experiencing downward volatility. The prices of
9 major cryptocurrencies were declining. There were, you know, a
10 few notable failures or blowups of cryptocurrency firms.
11 Initially there was a—a firm called—or a cryptocurrency
12 called Luna. The Terra Luna ecosystem blew up. Subsequently a
13 hedge fund—

14 THE COURT: What do you mean by Terra Luna ecosystem,
15 please?

16 THE WITNESS: Yeah. So Luna was a—was a
17 cryptocurrency. And think of like Bitcoin or Ethereum. Call
18 it a competitor to Bitcoin or Ethereum. Terra was a—it was
19 like a—what we call a stablecoin in cryptocurrency land. It's
20 another cryptocurrency trying to mimic the value of a dollar.
21 And each of these had their own kind of blockchain protocols
22 and they were connected to each other. One of the mechanisms
23 that was used to try and keep the coin that was supposed to
24 mimic a dollar at a value of a dollar was the other
25 cryptocurrency Luna. And this—that whole concept came

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1 crashing down. The dollar coin became not worth a dollar, the
2 Luna coin, you know, declined in price dramatically as well.

3 BY MR. ROOS:

4 Q. And what effect, if any, did these changes to the
5 cryptocurrency market in May 2022 have on BlockFi?

6 A. So Three—Three Arrows Capital was a—a kind of trading
7 firm or hedge fund that was also a borrower at BlockFi. They
8 defaulted on loans that they had with us in late May or early
9 June of 2022. So we had a very large collateral liquidation
10 process with them and ultimately, at the end of that process,
11 were sitting on—were sitting on some losses.

12 I'm not sure if I'm supposed to go into June of 2022.

13 Q. Let me stop you there. I'll ask another question.

14 So after that, were there any additional changes in
15 the cryptocurrency market that affected BlockFi's lending?

16 A. Sure. Well, the—the, you know, bigger than Three Arrows,
17 what had a big impact on us at that time is that two of the
18 other top cryptocurrency lending platforms, Voyager and
19 Celsius, paused their platforms, and ultimately both of them
20 filed for bankruptcy. But they, you know, they paused the
21 ability of consumers to be able to withdraw money from—from
22 their platform. So you can imagine what, you know, what effect
23 that had on—on BlockFi if you have a couple of crypto lending
24 platforms shutting—shutting their doors. You know, we were
25 experiencing the highest level of withdrawals that we had—that

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1 we had ever experienced in our—in our history as a company.

2 So consumer confidence in cryptocurrency lending platforms and,
3 you know, the broader cryptocurrency market was not in a great
4 spot at that time.

5 Q. So in light of those withdrawals on BlockFi, how, if at
6 all, did that affect the lending BlockFi was doing?

7 A. We—so, you know, if you think about our model, when folks
8 are holding funds on our platform to earn interest, we're then
9 lending that out to borrowers over here. If the folks that
10 were holding the funds go to withdraw their assets, we have to
11 close out the loans with the—with the firms that were
12 borrowing. And so, you know, in June of 2022, I believe we
13 called back, you know, essentially every single open-term loan
14 that we had on our—on our platforms. This was, you know,
15 billions of dollars in withdrawals from consumers and then
16 loans that were called back so that we could meet those
17 withdrawals.

18 Q. Did that include loans to Alameda?

19 A. It did.

20 Q. And when did you start calling back loans from Alameda?

21 A. I don't know the exact date, but it would have been last
22 week of May or first two weeks of June of 2022.

23 Q. And how was it that BlockFi was able to call these loans
24 back on such a short basis?

25 A. Because the structure of the loans was that they were, you

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1 know, open-term loans, so we had the right as the lender to
2 terminate the loan with, you know, a few days' notice.

3 Q. Did Alameda repay the loans?

4 A. Yes, in full.

5 Q. Now around this time did BlockFi enter into an agreement to
6 potentially sell itself to FTX?

7 A. Yes. In the—in the back half of June—

8 MR. COHEN: Objection. Could we have clarity by which
9 FTX entity we're talking about.

10 THE COURT: Sure.

11 MR. ROOS: Sure.

12 Q. Which FTX entity are we talking about?

13 A. It was the FTX.US entity, which I'm not a hundred percent
14 certain about this, but I think it—I think the FTX.US entity
15 had a corporate name of like WRS. I could have that wrong.
16 But it was—FTX.US was the, you know, counterparty that we did
17 that transaction with.

18 Q. I think you were in the middle of giving an answer about
19 this agreement to sell. So I'll pick back up there.

20 How did it come about that you were potentially going
21 to sell to one of the FTX entities?

22 A. Sure. So, you know, we—given the market volatility and
23 the action—the activity that we were seeing on our platform
24 and a, you know, hyperawareness that for a business like ours,
25 consumer sentiment and confidence was—was, you know, really

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1 important for the health of our platform, we decided that if we
2 could bring additional capital into the business to help with
3 that consumer confidence, that would be a valuable thing. And
4 so we ran a, you know, a process talking to potential
5 investors, and ultimately a deal that was presented to us by
6 FTX was, you know, the deal that BlockFi determined was best to
7 proceed with. And the deal that we did had two parts. There
8 was a \$400 million credit facility that was junior to BlockFi
9 client funds in the capital stack and then an option for—

10 THE COURT: Would you explain what you meant by that.

11 THE WITNESS: Sure. So junior in the capital stack
12 would mean they get paid back after. So in a scenario where
13 something, you know, bad happened to BlockFi and it had to file
14 for bankruptcy, if BlockFi owes \$10 to people but there's only
15 \$5 there, and the clients had \$5 but then we had this \$5 loan,
16 the \$5 would go to the clients, not to the loan. That's what
17 being junior means. It's the order of repayment within a
18 capital structure.

19 THE COURT: So the \$400 million credit facility, in
20 simple terms, was a proposed loan from some FTX entity to
21 BlockFi, which would be subordinate to BlockFi customer funds,
22 yes?

23 THE WITNESS: Yes.

24 THE COURT: Okay.

25 MR. ROOS: Thank you.

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1 BY MR. ROOS:

2 Q. And then what was the other aspect?

3 A. The other aspect of the transaction was a option to acquire
4 BlockFi for a price of between 15 to \$240 million, based on
5 certain performance targets, and the way that part of the
6 agreement was structured was FTX had the ability to fully
7 acquire BlockFi starting, you know—the first time they could
8 fully acquire BlockFi was one year after we entered into the
9 transaction. So the transaction was finalized in early July
10 and FTX had the option to acquire BlockFi for the first time in
11 July of 2023. And the orientation that, you know, BlockFi had,
12 based on our understanding of the deal, is that, you know, that
13 was going to be exercised at the, you know, at the first
14 window.

15 Q. So just to be clear about a few things, was the option ever
16 exercised?

17 A. No.

18 Q. So did FTX end up ever acquiring BlockFi?

19 A. No.

20 Q. Okay. Now during the period we're talking about, the
21 summer of 2022, you had, however, reached this agreement with
22 FTX, right?

23 A. Yes.

24 Q. Okay. So did that agreement with FTX influence the lending
25 decisions BlockFi was making with respect to Alameda?

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1 A. I wouldn't say that there was a—I wouldn't say that there
2 was like a quantitative, you know, direct association between
3 the two things, but it was another qualitative data point that,
4 you know, our team had around the, you know, capital and
5 actions of the FTX enterprise as a—as a market participant.
6 So—

7 Q. Let me just ask you a follow-up question about that.

8 To be clear, were you extending loans to Alameda you
9 otherwise wouldn't have because of the sale, because of the
10 deal with FTX?

11 A. No.

12 MR. COHEN: Objection. Leading.

13 THE COURT: Sustained.

14 Q. What, if at all, did the potential deal with FTX do with
15 respect to your decision to extend loans to Alameda you might
16 not otherwise?

17 MR. COHEN: Same objection.

18 THE COURT: Overruled.

19 A. There weren't—there wasn't anything that we, you know,
20 changed fundamentally in terms of our risk management policies
21 and procedures or the way that we were classifying Alameda as a
22 borrower and the types of loans that we would make to them post
23 that transaction versus before.

24 Q. Okay. Did there come a time in 2022 when BlockFi began
25 making new loans to Alameda?

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1 A. Yes. So, you know, after this transaction completed and
2 our platform kind of stabilized and the withdrawals, you know,
3 returned to kind of normal levels, we did start lending, we did
4 start making new loans to Alameda.

5 Q. And what new loans—in what months were new loans made in
6 2022?

7 A. I believe it started maybe at the end of August—or
8 sorry—maybe at the end of July but more likely probably in the
9 August or September time frame is when we started making the
10 new loans to Alameda.

11 Q. And to what extent did loans continue into 2022?

12 A. They continued, you know, up through early November of
13 2022.

14 Q. How much in new loans did BlockFi lend Alameda during this
15 period of approximately July to November 2022?

16 A. Roughly 800—between roughly 800 or 850 million worth of
17 new loans.

18 Q. With the changes to the cryptocurrency market, did BlockFi
19 get any new financial information from Alameda?

20 A. Yes, we received, you know, updated quarterly balance
21 sheets.

22 Q. And from your review of those updated quarterly balance
23 sheets, how did Alameda's financial position appear?

24 A. It appeared strong. I mean, in the balance sheets that we
25 had, they, you know, they had assets that were greater than

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1 liabilities of many billions of—of dollars.

2 Q. Let's take a look at a balance sheet.

3 MR. ROOS: Can we please—well, this is in evidence so
4 we show everyone, Government Exhibit 419.

5 Q. And do you recognize this, Mr. Prince?

6 A. Yes, this is the Q2 balance sheet that Alameda provided to
7 BlockFi.

8 Q. And when you say Q2, what period does that refer to?

9 A. Yes. So Q2 refers to April, May, June, and generally we
10 would receive quarterly statements from counterparties, you
11 know, a few weeks after the end of the quarter, so we would get
12 the Q2 balance sheet from a counterparty, you know, sometime in
13 early July, for example.

14 Q. Okay. So generally speaking—let's start with the asset
15 portion of this balance sheet. Generally speaking, what does
16 BlockFi look for when it examines a potential borrower's
17 assets?

18 A. Looking at the size and composition of the—of the asset
19 base.

20 Q. So when you say composition, what are you referring to?

21 A. What are the—what are the actual, you know, assets, is it
22 cash, is it cryptocurrency, is it other things.

23 Q. Are you familiar with the term "liquid asset"?

24 A. Yes.

25 Q. And are you familiar with the term "illiquid asset"?

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1 A. Yes.

2 Q. What's the difference?

3 A. A liquid asset is one that you can, you know—there's an
4 active market for that you can sell, and an illiquid asset
5 would be something that there's not an active market for and
6 it's—and it's harder to sell.

7 Q. And how, if at all, does the makeup of liquid and illiquid
8 assets matter to BlockFi?

9 A. I would say it's definitely something that—that our team
10 would take into account in its evaluation of—of the assets
11 that a counterparty had.

12 Q. Why is that?

13 A. To—to help understand, you know, to—to have as fulsome of
14 an understanding as—as we could have about how liquid a
15 portfolio was and therefore a counterparty's ability to either
16 post collateral or pay down a loan. These types of things were
17 informed by how many assets they had and what those assets
18 were.

19 Q. Now let's look at the bottom of the balance sheet. Where
20 it says Liabilities, what did you understand that to refer to?

21 A. So liabilities are—are generally things that companies,
22 you know, are going to need to pay for, so loans are
23 liabilities, tax bills are liabilities, so liabilities are
24 generally things that a business, you know, needs to—needs to
25 pay.

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1 Q. And then do you see the bolded words Retained Earnings?

2 A. Yes.

3 Q. What did you understand that to relate to?

4 A. This is, you know, kind of like a—kind of like a net asset
5 value, but it's, you know, assets minus liabilities, what's
6 the, you know, what's the equity of the entity after accounting
7 for all the liabilities that it has against the assets.

8 MR. ROOS: If we can zoom out.

9 Q. And upon receiving this, what was your view as to whether
10 Alameda remained a good candidate for lending?

11 A. That they were still a good candidate for lending and were
12 well capitalized.

13 Q. Why is that?

14 A. If you look at the retained earnings line, they have 6
15 point—can't tell if it's a 6 or an 8, but north of 6 billion,
16 north of 6 billion in, you know, retained earnings or north of
17 6 billion of assets even after accounting for all of their
18 liabilities.

19 MR. ROOS: And let's zoom in on the Assets portion.

20 Q. What about the Assets portion made you think that Alameda
21 remained a good candidate for lending?

22 A. I mean, largely that the quantum of assets, you know, over
23 14—over 14 billion of—of assets with, you know, a significant
24 portion of that, I mean, over 130 million of just cash and cash
25 equivalents. I mean, this was a—based on this balance sheet,

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1 my view was that this was a well-capitalized entity.

2 Q. Let's look at the Liabilities section.

3 Do you see where it says Loans?

4 A. Yes.

5 Q. What did you understand those loans to be?

6 A. We—I understood those loans to be loans from BlockFi and
7 other crypto lending firms.

8 Q. And what was that understanding based on?

9 A. Based on conversations that—that BlockFi had had with
10 representatives of Alameda, that, you know, for—for a period
11 of time we were told that we were, you know, their—their
12 smallest lender and that our—

13 MR. COHEN: Objection.

14 THE WITNESS: Oh, sorry.

15 THE COURT: Yeah, let's hold it right there and ask
16 another question, Mr. Roos.

17 MR. ROOS: Okay.

18 BY MR. ROOS:

19 Q. You said things you were told. Did you ever speak to the
20 defendant about this?

21 A. Other than that—other than that conversation that, you
22 know, Sam and I were both on in mid-2021, I don't know that Sam
23 and I ever had direct conversations about that Loans line item
24 or what comprised the rest of it.

25 Q. Okay. And what about individuals at Alameda?

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1 A. Absolutely. So I spoke to Caroline Ellison about it; there
2 was a gentleman at Alameda named Richard Chang, who, you know,
3 had very frequent conversations with members of the BlockFi
4 team.

5 MR. ROOS: Now we can take this whole balance sheet
6 down.

7 And can we publish Government Exhibit 418, which is in
8 evidence, and zoom in on the top.

9 Q. Do you recognize this as another balance sheet from
10 Alameda?

11 A. Yes, I do. It's the Q3 2022 Alameda balance sheet that we
12 received.

13 (Continued on next page)
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Prince - Direct

1 Q. So what period is Q3?

2 A. July, August, September.

3 Q. So typically when you get a balance sheet for a quarter,
4 when in the quarter do you get that balance sheet?

5 A. Usually, shortly after the quarter ends.

6 Q. So it reflects the three months that are in that quarter?

7 A. That's right. It's like the end -- at the end of the third
8 quarter this was -- this was the balance sheet. This was the
9 financial condition --

10 THE COURT: Just to be clear, a balance sheet gives
11 the financial condition of the entity as of a specific date in
12 time, in this case June 30, 2022, as opposed to a
13 profit-and-loss statement which gives profit and loss for a
14 longer period. Isn't that correct?

15 THE WITNESS: Yes.

16 THE COURT: Thank you.

17 Q. And so for the 2022 Q3 balance sheet what approximate date
18 is that for?

19 A. It's the third quarter. So July -- end of September. I
20 would think it would be as of 9/30 or whatever the last day of
21 September is.

22 Q. Let's look at the liability section. Do you see where it
23 says loans?

24 A. Yes.

25 Q. What were you told by people at Alameda regarding what

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Prince - Direct

1 these loans were?

2 A. Same as for Q2, that they were loans from other crypto
3 lenders.

4 MR. ROOS: We can take this down.

5 Q. In addition to looking at the balance sheets for Q2 and Q3,
6 did BlockFi undertake any additional analysis of Alameda's
7 financials?

8 A. As I said earlier, there were -- I know there were
9 exercises where the BlockFi team received information about
10 specific cryptocurrency wallets from Alameda. There were
11 conversations we had with them where information was shared
12 more about the composition of some of the specific line items.
13 I think those are the --

14 Q. Earlier in your testimony you talked about BlockFi's risk
15 team and due diligence team. To what extent did they evaluate
16 these numbers on the balance sheet?

17 A. They evaluated them fulsome. This was probably the primary
18 thing we were relying on -- our team was relying on and
19 evaluating to understand the financial health of Alameda as a
20 counterparty.

21 Q. Let me ask you about a term. What is stress testing?

22 A. Stress testing is taking some piece of data and then
23 saying, you know, if a certain scenario were to happen what
24 impact on this data would that scenario have. So in a
25 financial context our team would run stress tests on all kinds

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1 of things. We would stress test what would happen to our loan
2 portfolio if Bitcoin declined by a certain amount at a certain
3 period of time. There was a time where we did stress tests
4 specifically on Alameda's balance sheet for certain scenarios.

5 MR. ROOS: Can we please now show the witness what has
6 been marked for identification as Government Exhibit 417.

7 Q. Mr. Prince, what type of document are we looking at?

8 A. This is a credit memo. So credit memos were frequently
9 produced by our risk management team. They were basically
10 analyses of certain scenarios, sometimes with recommendations,
11 but the scenario could be, there is a new potential borrower,
12 we have just completed our underwriting, here is what that
13 looks like, or the scenario could be, the quarterly review of a
14 certain borrower or it could be a market-related review that
15 they conducted, and then these credit memos would be sent
16 around so that they were socialized and understood by key
17 decision makers and executives within the company, myself
18 included.

19 Q. Let's go to the last page of this. Just yes or no, does
20 this depict a stress-testing scenario like the one you
21 testified about?

22 A. Yes.

23 Q. Were credit memos and stress testing something you just did
24 for Alameda Research or was it a regular part of BlockFi's
25 business operations?

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1 A. Regular part of our business operations.

2 Q. Were credit memos like this made and maintained as part of
3 those business operations?

4 A. Yes.

5 MR. ROOS: The government offers 417.

6 MR. COHEN: No objection.

7 THE COURT: Received.

8 (Government Exhibit 417 received in evidence)

9 MR. ROOS: We can publish this to the jury.

10 Why don't we go back to the first page.

11 Q. Just at a high level, now that the jury can see it, what
12 kind of document is this?

13 A. Credit memo.

14 Q. This is the credit memo you were just testifying about?

15 A. Yes.

16 MR. ROOS: Why don't we look at the last page of this
17 document.

18 Q. Mr. Prince, can you describe what we are looking at here.

19 A. Sure. This is in the -- in the second column, underneath
20 the green where it says consolidated in green, these are the
21 exact same numbers as the Q3 balance sheet from Alameda. So
22 it's the Q3 balance sheet from Alameda. Then in the subsequent
23 columns, the subsequent three columns, our risk team was
24 applying a stress scenario. On the far right column there are
25 some notes about what they were stressing and what their

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1 understanding was of the composition of certain line items on
2 the balance sheet.

3 What they were stressing here was FTT, which was that
4 primary collateral type that we received from Alameda, Serum,
5 and Solana. They were stressing those coins going down in
6 price.

7 So the first column in blue is a 35 percent down
8 stress test, the next column in yellow is a 50 percent down
9 stress test, and then the final column is stressed a hundred
10 percent, which is saying, if FTT just went to zero, what then
11 happens to the balance sheet of Alameda.

12 Q. Just to orient us, the different colors refer to different
13 scenarios of stressing cryptocurrencies, is that right?

14 A. That's right. Then you can see, when that color appears
15 further down in the column, it's because the numbers changed
16 based on the stress scenario from the original balance sheet,
17 which is in the first column.

18 Q. When you say stress, I'll just use an example from what you
19 said. When you say stressing FTT, what does that mean?

20 A. Running a scenario where the price of FTT declined by a
21 certain amount.

22 THE COURT: Let's see if we can get this in plainer
23 terms for the sake of understanding.

24 The collateral you had for these loans that you had
25 made to Alameda was cryptocurrency that Alameda basically

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1 pledged, not in a technical sense, but basically pledged to
2 secure the repayment of the money you lent them, right?

3 THE WITNESS: Yes.

4 THE COURT: And what you were looking at is what
5 happens to the collateral that secures repayment of our loan if
6 the quoted market value of the cryptocurrency that Alameda held
7 drops, right?

8 THE WITNESS: If I may, your Honor, you said we were
9 looking at what happens to the collateral. What we were
10 looking at was what happens to the overall Alameda balance
11 sheet if the collateral has specific price declines.

12 THE COURT: Fair point.

13 It's as if you had a car loan and the bank had
14 extended a car loan and, all of a sudden -- of course the car
15 is security for repayment of the loan. They can come and
16 repossess it, right?

17 THE WITNESS: Yes.

18 THE COURT: And, all of a sudden, the bottom falls out
19 of the market for used cars for some reason. You are looking
20 at that kind of situation. It's a what-if analysis. Yes?

21 THE WITNESS: Yes.

22 THE COURT: Thank you.

23 MR. ROOS: Thank you, your Honor.

24 Q. Looking at the conclusions from these various scenarios,
25 let's look at the worst-case scenario, the stress on 100

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1 percent. What color is that in?

2 A. That's in red.

3 Q. And what was BlockFi's conclusion about Alameda's balance
4 sheet in that worst-case scenario?

5 A. Our conclusion was basically that they would still have --
6 even in a scenario where FTT went to zero and Serum went to
7 zero, they would still have positive equity to the tune of 638
8 million and change. They would still be solvent. They would
9 still have much more assets than liability, 600 million, 638
10 million more assets than liability.

11 Q. We may need to zoom out for this, but under that scenario
12 what assets would Alameda still have?

13 A. Well, if you look at the top of that row, the line items
14 that still have numbers next to them, just calling out one of
15 the biggest ones, crypto held, which is the second line
16 underneath current assets, crypto held, which was represented
17 to us to be 50 percent stablecoins, 50 percent BTC and ETH.
18 They would still have 4.1 billion of assets there. And then
19 all the other assets that have corresponding numbers next to
20 them in that column are the assets that they would still have.

21 Q. So in calculating then in this stress 100 percent scenario,
22 the retained earnings, what was your understanding the loan
23 number was?

24 A. That number there is taking 8.316 billion of total assets
25 minus 7.677 of total liabilities.

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1 Q. Now, if the loan number was higher, how would have affected
2 that scenario?

3 A. It depends on how much higher. If it were -- it depends on
4 how much higher.

5 Q. Let's say if it was \$5 billion higher.

6 A. If it were \$5 billion higher, then this would show negative
7 equity in quite a few scenarios, which would be very different
8 than positive equity, and it would certainly have an impact on
9 our lending decisions.

10 Q. So if Alameda had additional liabilities that were not on
11 its balance sheet, would that have affected BlockFi's lending
12 decisions?

13 A. If they were of a material size, absolutely.

14 Q. What do you mean by that?

15 A. I mean just, if they were -- call it like material
16 percentage, let's say like greater than 5 percent of the
17 overall size of the balance sheet here, then surely it would
18 have -- it would absolutely have an impact.

19 Q. If the loan number was double where it was, so say 14
20 billion --

21 MR. COHEN: Objection.

22 THE COURT: I have not heard the question yet.

23 MR. COHEN: Sorry, your Honor.

24 Q. How, if at all, would a loan number that was double have
25 affected your lending decision?

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1 MR. COHEN: Objection.

2 THE COURT: Overruled.

3 A. We probably wouldn't have lent to them at all because I
4 think even without doing a stress test, if they had twice as
5 many loans as what's represented here, they might be insolvent.

6 Q. Now, when BlockFi made loans to Alameda in July through
7 November, was it aware of any borrowing Alameda was doing from
8 FTX?

9 A. No.

10 Q. Had you known that Alameda was borrowing from FTX, would
11 that have affected your lending decision?

12 MR. COHEN: Objection.

13 THE COURT: What's the objection?

14 MR. COHEN: Calls for speculation.

15 THE COURT: Rephrase the question.

16 Q. You just testified that you were unaware of any borrowing
17 from FTX.

18 THE COURT: By Alameda. Is that the question?

19 Q. By Alameda. Is that right?

20 A. Correct.

21 Q. Had borrowing by Alameda from FTX been listed on the
22 balance sheet, how would that have affected you?

23 THE COURT: If at all.

24 Q. If at all.

25 A. Again, it depends on the quantum, but I think that -- I

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1 think there would have been a lot of questions about why that
2 was happening and under what structure it was happening. And
3 depending on the answers to those questions, it could have
4 potentially made us completely unwilling to lend to Alameda.

5 Q. At the time BlockFi made these loans from July through
6 November of 2022, was it aware of any loans that Alameda had
7 made to Sam Bankman-Fried or other FTX or Alameda executives?

8 MR. COHEN: Same objection.

9 Q. It's a yes-or-no question.

10 THE COURT: Overruled.

11 A. No.

12 Q. How, if at all, would have loans to FTX or Alameda
13 executives affected your lending decision?

14 A. Similar answer. It would depend on the quantum of the
15 loans and it would depend on Alameda's responses to the
16 questions that our team surely would have had. But BlockFi's
17 business went through a lot of things where we were under a
18 microscope, whether it was a regulatory microscope or
19 otherwise, so we were very familiar with rules and extra
20 attention that existed around any type of dealings between a
21 company and the company's insiders and how that's not a
22 generally accepted activity. I think that scenario that you
23 proposed would have given us a lot of pause at a much smaller
24 dollar number because it's just a really hard thing to explain
25 a good reason for that to happen.

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1 Q. How, if at all, would have Alameda's assets being less
2 liquid affected BlockFi's lending position?

3 A. Hard to say. It depends on the specific asset and the
4 quantum, but it was something that we took into account in
5 making the decisions of whether or not to lend and then under
6 what terms. We wanted to see -- we could be comfortable
7 lending to someone that had a lot of illiquid assets if we were
8 comfortable that the size of lending we were doing to them was
9 at a level where they would be able to continue posting more
10 collateral and we were confident in that asset long term.

11 The converse could also be true if it was a very, very
12 illiquid asset that we weren't confident we could sell under
13 any scenario. It really just depends on the details.

14 Q. At any time did BlockFi know that Alameda -- withdrawn.

15 Did you ever know that Alameda was using, if at all,
16 customer money?

17 A. No, absolutely not.

18 Q. How, if at all, would that information have affected your
19 lending decision?

20 A. I think we wouldn't have worked with them because that's
21 not something that's appropriate.

22 Q. Changing topics, was BlockFi a customer of FTX?

23 A. Yes. BlockFi used the FTX platform to store some of the
24 assets that were posted to us as collateral by Alameda.
25 Specifically, a portion of the FTT that we received as

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1 collateral for loans that we were making to Alameda we held on
2 FTX. We also placed funds on FTX that we used for trading for
3 that client trading scenario that I talked about earlier. FTX
4 was an exchange where we -- FTX was an exchange where we traded
5 cryptocurrencies.

6 Q. Just to break down your answer, can you explain to us how
7 it was that you had Alameda's collateral on FTX? What does
8 that mean?

9 A. So using small numbers here, BlockFi is making a loan to
10 Alameda. We are lending them one dollar. They are giving us
11 \$2 worth of FTT. There were periods of time, including in the
12 second half of 2022, where our storage method for some of those
13 to FTT that Alameda had given us as collateral was to hold it
14 in the BlockFi account on the FTX exchange.

15 Q. I just want to be clear about how collateral works in these
16 contexts.

17 A. Alameda would send the collateral to us. The way that
18 works is, BlockFi provides a cryptocurrency wallet address to
19 the Alameda team. The Alameda team would then send the tokens
20 to that address. Once they were there, the BlockFi team would
21 move a portion of them to the FTX exchange where BlockFi had an
22 account and there were different wallet addresses associated
23 with that account. So you have two transactions that show up
24 on the Blockchain, one with the coins coming from Alameda to
25 BlockFi and then another with a portion of the coins going from

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1 BlockFi to FTX.

2 Q. So BlockFi would actually get the collateral?

3 A. Yes.

4 Q. The second part of your answer related to putting customer
5 funds on FTX. What were you referring to?

6 A. We would place cash or stablecoins in various
7 cryptocurrencies on FTX so that we had currency there to be
8 able to place the trades that we needed to make effectively on
9 behalf of our customers for our trading product.

10 Q. How much money did BlockFi have on FTX on behalf of its
11 customers in the period of June through November 2022,
12 approximately?

13 A. Approximately \$350 million worth of assets in our FTX
14 account.

15 Q. When BlockFi deposited money on FTX on behalf of its
16 customers, what were its expectations about how those funds
17 would be used by FTX, if at all?

18 A. That they would only be used for the purposes of affecting
19 trades that BlockFi made on the FTX exchange, not that they
20 would ever be rehypothecated or anything like that. They would
21 just stay at the exchange and be available for us to trade.

22 Q. Jumping ahead to 2022, at that time approximately how much
23 in loans did BlockFi have out to Alameda?

24 A. I'm sorry. What period of time, did you say?

25 Q. Focusing on November 2022.

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1 A. November 2022, at the very beginning of November of 2022,
2 our loans to Alameda were between 800 and 850 million in total
3 value. At the time of FTX's bankruptcy filing, in
4 mid-November, about 150 million had been paid back, so it was
5 around 650 million.

6 Q. We will get to that.

7 I want to ask you, though, starting sort of the
8 beginning of November of 2022, what sort of collateral did
9 BlockFi have for its outstanding loans?

10 A. Primarily FTT, but we also had some Solana.

11 Q. Now, did there come a time in November 2022, and this can
12 be yes or no, when the value of FTT began to drop?

13 A. Yes.

14 Q. When that started happening what, if anything, did BlockFi
15 do?

16 A. Same thing we always do. So we, in accordance with the
17 loan agreement, based on certain price levels, issued margin
18 calls, and initially it was a couple of margin calls that were
19 met. Subsequently, we also sought to recall the loans in the
20 open-term loans.

21 Q. Just to be clear, did Alameda repay some of its loans?

22 A. Some, yes.

23 Q. Approximately how much?

24 A. Roughly 150 million was repaid.

25 Q. Did Alameda repay all of its loans in November 2022?

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1 A. No. There were still approximately \$650 million worth of
2 loans that were outstanding.

3 Q. Did Alameda ever post or offer to post additional
4 collateral?

5 A. Yes.

6 Q. And what did Alameda offer to post?

7 A. I believe it was more FTT. I believe they in fact, in
8 November, did once, or maybe twice, through the process of
9 receiving margin calls, post additional FTT. In the second
10 week of November, they also posted Robinhood, shares of
11 Robinhood stock and shares of Grayscale trust shares.

12 It's kind of like a cryptocurrency vehicle that you
13 can trade in a brokerage account, in a traditional brokerage
14 account.

15 Q. You mentioned that Alameda and FTX declared bankruptcy at
16 some point. At that time how much did BlockFi have on the FTX
17 exchange on behalf of its customers?

18 A. I mean the total amount that we have is roughly 350
19 million. It's hard to say exactly. I don't know off the top
20 of my head exactly what amount of that was customer funds
21 versus collateral that they had posted.

22 Q. I just want to be clear about this. What was the total
23 amount of money that BlockFi had either loaned to Alameda or
24 had on the FTX exchange that was not returned?

25 A. A little over a billion dollars worth.

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1 Q. What was the breakdown of, on the FTX exchange versus had
2 been lent to Alameda?

3 A. About 650 million lent to Alameda, about 350 million on the
4 FTX exchange.

5 Q. Yesterday, right before we broke, you testified that after
6 FTX and Alameda declared bankruptcy, BlockFi declared
7 bankruptcy. Can you explain why BlockFi had to declare
8 bankruptcy?

9 A. Sure. I mean, once it became clear that repayment of the
10 Alameda loans and being able to access the funds that we had on
11 FTX was impaired, once it became clear that that was not going
12 to be possible, our view of the financial health of BlockFi's
13 business was such that we needed to declare bankruptcy.

14 MR. ROOS: No further questions.

15 THE COURT: All right. We will take 15 minutes.

16 For your information, ladies and gentlemen, we are
17 going to break at 12:30 today.

18 (Recess)

19 THE COURT: OK, folks. Let's go. Get the witness,
20 please.

21 Defendant and the jurors are all present, as has been
22 true throughout.

23 Cross-examination, Mr. Cohen.

24 MR. COHEN: Thank you, your Honor.

25 CROSS-EXAMINATION

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Prince - Cross

1 BY MR. COHEN:

2 Q. Good morning, Mr. Prince.

3 A. Good morning.

4 Q. Please answer this question yes or no, if you can. Do you
5 recall earlier today, in responses to questions from counsel,
6 you gave some testimony about your views of how crypto
7 exchanges operate?

8 A. Yes.

9 Q. Now, is it fair to say, sir, that you have never been the
10 CEO of a crypto exchange?

11 A. Correct, I have never been the CEO of a crypto exchange.

12 Q. You have never run a crypto exchange?

13 A. No. We had a trading product at BlockFi, but we were not
14 an exchange.

15 Q. During your time running BlockFi, about how many crypto
16 exchanges were there in the marketplace?

17 A. I don't know an exact number, but probably between 50 and a
18 hundred that mattered. But total number of crypto exchanges,
19 it could have been much higher than that.

20 Q. So 50 to a hundred that mattered, correct?

21 A. Directionally speaking.

22 Q. In giving the testimony you did about crypto exchanges, I
23 take it you didn't review the inner workings of those 50 to a
24 hundred crypto exchanges?

25 A. Certainly not of every single one of them.

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Prince - Cross

1 Q. You didn't review their customer agreements?

2 A. Just to be clear, for exchanges that we worked with,
3 reviews were done.

4 Q. Did you review the customer agreements for FTX?

5 A. Our team certainly did. I learned about them through our
6 team.

7 Q. Let's break this down. By customer agreements you mean the
8 terms of service?

9 A. Yes. And any other agreements that were entered into
10 between BlockFi and exchanges.

11 Q. Fair enough. So any agreement that governed the commercial
12 relationship between BlockFi and FTX, correct?

13 MR. ROOS: Objection to the characterization of the
14 relationship.

15 THE COURT: Sustained.

16 Q. And you said that your team reviewed the FTX terms of
17 service, is that correct?

18 A. Yes. I mean, lawyers or compliance people on our team,
19 either internal counsel or external counsel, would have
20 reviewed terms of service, full review of terms of service for
21 any platform that we worked with.

22 Q. What were the names of the lawyers who did this review?

23 THE COURT: If lawyers did the review and if you know.

24 A. I couldn't say exactly which lawyer for which exchange
25 specifically, but our general counsel is Jonathan Mayers. He

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Prince - Cross

1 had three deputy general counsels, and then they had teams
2 beneath them.

3 Q. Without running down the whole teams, what were the names.
4 Of the deputies?

5 A. Alice Lu, Ross Kirschner, and Usec Rho.

6 Q. Were they based in New York with you, Mr. Prince?

7 A. Yes.

8 Q. Now, yesterday you testified about a product that BlockFi
9 had called an interest-only account. Do you recall that, sir?

10 A. Yes. The BlockFi interest account, which we frequently
11 referred to as a BIA.

12 Q. Briefly, can you just explain how that account worked
13 again.

14 A. Sure. So the BlockFi interest account had published rates
15 on our website, which were interest rates or yields that folks
16 who held funds in the BlockFi interest account could earn. The
17 interest that they earned was paid out to their account on a
18 monthly basis. And the way that BlockFi generated the interest
19 that we were paying to folks who held funds in those accounts
20 was by lending the assets that were placed into the BlockFi
21 interest accounts.

22 Q. When customers wanted to join that or have an account like
23 that, they would enter into a customer agreement with BlockFi?

24 A. Yes.

25 Q. And that agreement would define the terms of the

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Prince - Cross

1 relationship?

2 A. That's correct.

3 Q. Now, I believe you testified, sir, that BlockFi began to
4 make loans to Alameda in around the middle of 2021, is that
5 correct?

6 A. I believe what I said was that I think the first loans that
7 BlockFi made to Alameda occurred sometime towards the tail end
8 of 2020 or the first half of 2021, sometime in that window.

9 Q. And you described the process that your team went through.
10 I think you called it a due diligence process, is that correct?

11 A. Yeah. We would refer to it as our underwriting process or
12 counterparty onboarding process, and that process included us
13 doing due diligence on the counterparty.

14 Q. That would involve reviewing factors that BlockFi thought
15 were important to the decision making, correct?

16 A. Yes.

17 MR. COHEN: Can we call up Defendant's 816 for
18 identification for the witness only.

19 Q. I think you also testified earlier today that BlockFi had a
20 practice of creating credit memos. You recall that, sir?

21 A. Yes.

22 Q. Could you take a moment and look through Defendant's
23 Exhibit 816, please. Just tell me when you are done.

24 A. I'm done.

25 Q. This is a credit memo dated August 13, 2021, correct?

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Prince - Cross

1 A. Correct.

2 Q. It relates to Alameda Research as a counterparty?

3 A. Correct.

4 Q. And this was the sort of memo that the members of your
5 credit team would prepare for you and the other members of the
6 executive committee to consider in coming to your loan-making
7 decisions, correct?

8 A. Correct.

9 Q. And this was prepared by your credit team, correct?

10 A. Yes. The credit team was a group that was within the risk
11 management team. If I say risk management team, I'm also
12 talking about the credit team, which was a subgroup --

13 Q. Got it. And it was prepared at or near the time of the
14 conversation with your credit team, correct?

15 THE COURT: I'm sorry. At or near the time of what
16 conversation?

17 MR. COHEN: Let me withdraw. I'll get to the
18 conversation.

19 Q. This credit memo was prepared in the course of BlockFi's
20 regularly conducted business activity, correct?

21 A. Yes.

22 Q. And it was BlockFi's regular practice to make such memos,
23 correct?

24 A. Yes.

25 MR. COHEN: We offer DX-816, your Honor.

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Prince - Cross

1 MR. ROOS: No objection, provided the info about
2 Alameda and provided by Alameda is not for its truth.

3 THE COURT: Do you have a problem with that?

4 MR. COHEN: That's fine, your Honor.

5 THE COURT: It is received save that the information
6 attributed to Alameda is not something you can consider for the
7 truth of what's said.

8 (Defendant's Exhibit 816 received in evidence)

9 MR. COHEN: Can we publish it to the jury, your Honor?

10 THE COURT: Yes.

11 Q. Mr. Prince, this memo was prepared at a time when you and
12 your team were considering whether to increase the amount of
13 loans to Alameda, correct?

14 A. Yes. I mean, underneath the request, the first bullet is
15 that the sales team, that refers to our institutional sales
16 team, they are requesting capacity to borrow more in general,
17 potentially up to 1 billion gross over collateralized by
18 FTT/SOL/SRM.

19 Q. You had not made a decision yet, and you and your team were
20 considering these factors, correct?

21 A. We had already -- at this point in time, if you look at the
22 next bullet, we had already started lending to Alameda, but,
23 yes, there was -- we were having discussions and going through
24 a decision-making process for whether or not to increase that
25 lending and, if we were to increase it, at what terms.

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Prince - Cross

1 Q. If you can take a look, sir, at the next page.

2 MR. COHEN: And call out, Brian, the stress scenarios
3 methodology box.

4 Q. What does that refer to, Mr. Prince? What does stress
5 scenarios methodology refer to?

6 A. It's our risk team describing the way they think about
7 certain stress scenarios for whatever they are writing the
8 credit memo about. So depending on what the credit memo is
9 about, they would -- they could have different stress
10 scenarios, if certain things were -- if certain things were to
11 occur that would make the loan riskier, what would those be,
12 and then they would try to analyze scenarios.

13 Q. Just going through different scenarios, correct?

14 A. Sure. Based on what they thought would create potential
15 risk for the loans.

16 Q. You can go down to the fourth bullet point that's titled FTT
17 liquidity. You see that, sir?

18 A. I see it.

19 Q. Is it fair to say that in 2021, August 2021, one of the
20 forms of collateral that Alameda would be posting for the loan
21 was FTT?

22 A. Yes.

23 Q. And to remind everyone, what was FTT?

24 A. FTT was the FTX exchange token. So my understanding and
25 our team's understanding of the FTT token was that it was -- I

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1 think somewhere else on this doc that we have up here it talks
2 it being an equity-like instrument. And the reason that the
3 team would have said that is that the way the FTT token -- the
4 way we understood the FTT token to work was that a portion of
5 the profits made, that the FTX exchange made, would be used to
6 buy FTT tokens on the open market, and that model of exchanged
7 profits buying the token was something that was not unfamiliar
8 in the cryptocurrency market more broadly at the time because
9 of a different exchange. Binance had a token, BNB, which was
10 designed directionally the same way, and BNB had been one of
11 the best performing -- if we go back to this point in time,
12 2021, BNB I think had performed better than even Bitcoin over
13 the last one-year period.

14 Q. So it was a fairly common structure in the market to have
15 these tokens.

16 A. I don't know that I would necessarily describe it as fairly
17 common because out of a hundred exchanges, I don't think more
18 than necessarily half would have this setup. But it wasn't --
19 we weren't unfamiliar with the concept because there was
20 already an example of another token that had this type of model
21 and done well.

22 Q. Got it. The other example being BNB, the Binance token?

23 A. Yes.

24 Q. Is it fair to say that at this time, in August of 2021, you
25 considered FTT to be one of the top 10 percent of

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Prince - Cross

1 cryptocurrency that could be offered on a platform or lent
2 against?

3 A. Just so I understand, when you say considered to be top 10
4 percent, what are you -- top 10 percent, like by market cap?

5 Q. Top 10 percent in value.

6 A. Top 10 percent in market value?

7 Q. Security.

8 THE COURT: Which is the question you were trying to
9 have him answer?

10 MR. COHEN: Let me try again, your Honor. Thank you.

11 Q. From the point of view of a lender evaluating collateral,
12 is it fair to say that, in 2021, August, you viewed FTT as one
13 of the top 10 percent of cryptocurrencies as a form of
14 collateral?

15 A. I wouldn't say with certainty that I viewed it as within
16 the top 10 percent, but it was reputable.

17 MR. COHEN: Could we pull up, please, 3571-001 and go
18 to page 5.

19 MR. ROOS: Objection. Foundation.

20 MR. COHEN: Don't put it up yet. I'm sorry.

21 THE COURT: What was the number you said, counsel?

22 MR. COHEN: Your Honor, it's --

23 THE COURT: Tell me the number again.

24 MR. COHEN: It's 3571-001 at page 5.

25 THE COURT: Do you have a question to ask?

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1 MR. COHEN: I do, your Honor.

2 Q. Mr. Prince, do you recall being interviewed by prosecutors
3 in this case?

4 A. Yes.

5 Q. Do you recall being interviewed in July of 2023, this past
6 July?

7 A. Yes.

8 Q. Do you recall being asked your view of FTT as a form of
9 collateral?

10 A. Yes. I know that was something that was discussed.

11 Q. And saying you considered it in the top 10 percent?

12 A. The way I remember referring to top 10 and FTT in that
13 conversation and others that I've had is that I think there was
14 a point in time where FTT was a top 10 cryptocurrency by market
15 cap. And maybe I would have said top 10 percent, but I wasn't
16 trying to be -- I am not trying to be -- I am not trying to say
17 it's not a legitimate currency, but my memory was that I said
18 at some point FTT was even in the top 10 cryptocurrencies by
19 market cap.

20 Q. Fair enough.

21 THE COURT: Would you tell the jury what market cap
22 is?

23 THE WITNESS: Sure. So market cap is like total
24 value. It's a term that comes from the stock market.

25 If Amazon is a company that's worth \$800 billion, that

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1 means their enterprise value, their market cap is 800 billion.
2 In the cryptocurrency market there was a ranking of the
3 different cryptocurrencies by market cap, and the way you
4 calculated market cap was by taking the price of the coin that
5 it was trading at times the total number of coins in existence,
6 and then you have the market cap. And there were numerous
7 websites where you could go and see a ranking of the different
8 cryptocurrencies by market cap. Generally, Bitcoin is number
9 one, it's got the largest market cap, and then the subsequent
10 positions move around a bit.

11 Q. And FTT, in your view, had a high market cap?

12 A. High -- it was one of the top cryptocurrencies for sure.

13 Q. Now, let's go back to DX-816. Continuing on the next page,
14 the next page, the same -- go back, Brian. I'm sorry. The
15 stress scenarios methodology.

16 If you look at the last bullet point, it says
17 wrong-way risk. You see that, Mr. Prince?

18 A. Yes.

19 Q. Can you explain to the jury what wrong-way risk meant in
20 connection with the lending?

21 A. Sure. So wrong-way risk -- I'll try and use an example
22 from the real world to make it simple. Wrong-way risk is a
23 term that is used in risk management parlance to describe
24 getting a type of collateral from a borrower whose performance
25 has an impact on the type of collateral.

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1 And the easiest example to think of for this is like
2 making a loan to Apple, the company Apple, and taking their
3 stock as collateral. That transaction would present wrong-way
4 risk because you're lending to Apple and you are taking their
5 stock as collateral. A type of collateral that Apple could
6 post that would not present wrong-way risk would be if they
7 posted U.S. Government bonds. If Apple gave you treasuries as
8 collateral for a loan, that would not present wrong-way risk
9 because how Apple does isn't going to have an impact on how
10 U.S. treasuries do in a super correlated nature.

11 What the risk team is highlighting here is that they
12 believed that there was wrong-way risk present here. It says
13 Alameda enters into a default and all lenders start liquidating
14 FTT collateral. We think it's possible that FTT could drop 60
15 to 75 percent in a day.

16 Q. Sort of in laymen's terms, the wrong-way risk was that FTT
17 was correlated with FTX. If something happened to FTX, it
18 could affect FTT.

19 A. Correct.

20 Q. That was something you and your team were considering in
21 August of 2021.

22 A. Yes.

23 MR. COHEN: Can we go back to the first page.

24 Q. Under request, if you could give us a translation of how
25 much more the sales team -- how much more is being considered

NADMBAN2

Prince - Cross

1 for borrowing by Alameda.

2 A. Sure. It's saying that the sales team is requesting, which
3 would have been -- which would mean that they were getting that
4 request from the client. Internally the sales team is bringing
5 a request that's coming from the client to borrow potentially
6 up to 1 billion gross, which means like total gross lending of
7 1 billion. The current exposure, which is the second bullet,
8 is 114 million gross.

9 At the time that this credit memo was produced, we had
10 lent \$114 million gross to Alameda and the composition of that
11 is the third bullet. We had lent them \$50 million worth of
12 USDC, \$43 million worth of Ethereum, and \$20 million worth of
13 Bitcoin. And against that, next bullet, they had posted 179
14 million of collateral, 135 million of that collateral was FTT,
15 35 million of the collateral was SOL, 5 million of USD, and 2.7
16 million of USDT.

17 Q. Got it. Thank you, sir.

18 What that meant is, they were looking to borrow up to
19 a billion dollars, correct?

20 A. Yes. They wanted to increase the borrow.

21 Q. They had already borrowed 114 million.

22 A. Correct.

23 Q. And against that 114 million Alameda had put up collateral
24 of 179 million, correct?

25 A. Correct.

NADMBAN2

Prince - Cross

1 Q. Did you ever hear the term overcollateralized?

2 A. Yes.

3 Q. What does that mean?

4 A. It means that the amount of collateral that's posted is
5 larger than the loan amount.

6 Q. And here your credit team and you were considering that
7 this \$114 million loan was overcollateralized.

8 A. Yes.

9 Q. And \$135 million of that was being collateralized by the
10 FTT.

11 A. That's correct.

12 MR. COHEN: Now, if we could continue on in this
13 document and proceed to the third page in.

14 Q. Now, if you see at the bottom there is something called
15 consolidated balance sheet, 2021.

16 MR. COHEN: Can we pull up the whole document. It
17 continues onto the next page, Brian.

18 Q. Now, Mr. Prince, you mentioned earlier that one of the
19 items that you and your team would consider would be balance
20 sheets, correct?

21 A. Yes.

22 Q. And sometimes companies had audited financial statements,
23 correct?

24 A. Yes. We frequently received audited financials from -- I
25 mentioned earlier we worked with traditional trading firms and

NADMBAN2

Prince - Cross

1 then crypto-specific trading firms. The traditional firms
2 often had audited balance sheets. Crypto firms, it was much
3 less common to have audited balance sheets because of issues
4 with getting audits as a cryptocurrency firm.

5 Q. Just to be clear, some of the balance sheets you received
6 from crypto firms were what is called unaudited balance sheets.

7 A. I would say the majority of balance sheets that we received
8 from cryptocurrency firms were unaudited.

9 Q. It was up to you and your team to decide whether or not you
10 wanted to consider that information, correct?

11 A. We always considered the information, and we always relied
12 on the information that we were given by counterparties as
13 being truthful and accurate.

14 Q. Let me ask a better question. If you decided we only want
15 to consider making loans to companies who have audited
16 financial statements, you could have done that, correct?

17 MR. ROOS: Objection.

18 THE COURT: Overruled. It's obvious. Answer, please.

19 A. Yeah. If within the risk policies and procedures of
20 BlockFi, if a decision was made that we would only lend to
21 companies -- it is possible that a decision could have been
22 made that we would only lend to companies with audited
23 financials, sure.

24 Q. Now, continuing on with this balance sheet that we are
25 looking at, this is about one page long, one and a half pages?

NADMBAN2

Prince - Cross

1 A. Yes.

2 Q. And what was on the table was whether or not to increase
3 the borrowing amount from 114 million to as high as a billion
4 dollars, correct?

5 A. That was one of the bullets on the first page.

6 Q. And if you see here, sir, at the bottom of the second page
7 there is an entry called retained earnings.

8 Do you see that, at the very bottom?

9 A. Yes.

10 Q. And in your world is retained earnings synonymous with net
11 asset value?

12 A. For me personally, as a nonaccountant and I guess a
13 bigger-picture thinker in most scenarios, I think of them as
14 roughly the same, but I'm also aware that they are not
15 precisely the same if I were an accountant.

16 Q. I'm not holding you to a technical definition. I want to
17 get your understanding.

18 Going back to the first page, Mr. Prince, there is a
19 heading called assets.

20 Do you see that, sir?

21 A. Yes.

22 Q. And underneath the heading current asset it lists cash and
23 cash equivalents. I think that is easy enough to understand.
24 Then it lists crypto held, about \$3.2 billion of crypto held.

25 What was your understanding of that?

NADMBAN2

Prince - Cross

1 A. I'm not sure, off the top of my head, what my understanding
2 was of it at the point in time that we received this balance
3 sheet, but there is a four there, so I would imagine there is a
4 footnote somewhere.

5 (Continued on next page)

NAD1BAN3

Prince - Cross

1 MR. COHEN: Why don't we put up the 4, Brian.

2 A. Yeah, so it says "an immaterial amount of locked tokens
3 from various yield farming projects are held in this balance,
4 determined to be too small to break into a line item."

5 Q. So is it fair to say that was a summary of cryptocurrencies
6 held by Alameda with the caveat about footnote 4, which you
7 pointed out?

8 A. Yeah, I mean, they were representing it as crypto, you
9 know, the crypto—crypto held.

10 Q. Right. It wasn't broken out for you on this balance sheet.

11 A. Well, there were some cryptocurrencies that were broken
12 out, but I think—the assumption is, looking at this, that any
13 cryptocurrency that was not broken out on a subsequent line
14 item would have been included in the Crypto Held line item.

15 Q. And if you'd wanted that broken out, you could have
16 certainly asked for it.

17 A. Yeah, and there were times, you know, where our team did
18 ask and received information or, you know, representations
19 about what constituted certain line items.

20 Q. Okay. And continuing under Assets, at the bottom there's
21 something called Unlocked FTT. Can you explain to us what that
22 was.

23 A. So there's a—there's a concept with cryptocurrencies where
24 they can either be locked or unlocked. So think of it—an
25 example from the traditional world would be, let's say you go

NAD1BAN3

Prince - Cross

1 work at a company and that company, as part of the compensation
2 that they offer to employees, grants some shares or, you know,
3 equity in the company. Most of the time when you receive that
4 equity in the company, it has a vesting agreement or some type
5 of structure where you get, you know, a certain amount of the
6 equity after you've worked at the company for a year, a certain
7 amount after two years, etc. This locked and unlocked concept
8 in crypto was—was similar to that. So, you know, protocols
9 would give their employees tokens or, you know, use tokens to
10 pay for services that the cryptocurrency protocol was using,
11 and sometimes those tokens that they were giving out to
12 employees or others would be locked, which basically meant that
13 the receiver of them was not going to be able to access or sell
14 them until the end of that locked period of time. So what
15 unlocked would mean here is that these were tokens that were
16 not subject to any restrictions and that they were free to be
17 sold or otherwise utilized.

18 Q. Okay. Thank you, Mr. Prince.

19 MR. COHEN: If we could bring up the pages of the
20 balance sheet side by side.

21 THE COURT: I'm sorry. Let's clarify that. Back up,
22 please.

23 MR. COHEN: Yeah.

24 THE COURT: And how would that relate to the Crypto
25 Held line with the \$3 billion figure on it?

NAD1BAN3

Prince - Cross

1 THE WITNESS: Well—well, my—so these—where it
2 says—

3 THE COURT: If you know.

4 THE WITNESS: My understanding, you know, just based
5 on what we've looked at right now, is that the line items below
6 Crypto Held are calling out specific cryptocurrencies, and
7 they're reflecting unlocked amounts. Crypto Held is a line
8 item for any other cryptocurrency that's an asset of Alameda
9 that is not listed with its own line, and then the footnote 4
10 was making a representation that basically the vast majority,
11 almost the entirety of this Crypto Held line item was unlocked
12 tokens, because if I'm remembering our reading of—of
13 bullet—of footnote 4, it said there's a de minimis amount of
14 locked tokens in this Crypto Held line.

15 BY MR. COHEN:

16 Q. And just to sort of maybe simplify it, unlocked FTT could
17 be traded, locked FTT was still not able to be traded, correct?

18 A. Correct, that's my understanding.

19 Q. And if you could look at the next page under Long-Term
20 Assets, the balance sheet highlights in line 2, Locked FTT.

21 A. Correct.

22 MR. COHEN: Okay. Now if we could go to the next
23 page, please.

24 The one after that.

25 Okay. Just that one, Brian. If you could pull up

NAD1BAN3

Prince - Cross

1 "Summary of underwriting challenges - for exception approval."

2 Let's just go to that line.

3 BY MR. COHEN:

4 Q. What did that line mean, sir, "Summary of underwriting
5 challenges - for exception approval"?

6 A. Sure. So what that meant was that for the folks writing
7 this report, they did not—they were not able to approve,
8 under—at their level of authority, within our risk management
9 policies and procedures, they were not able to approve this
10 transaction. It also probably meant that there wasn't a clear
11 box that the transaction fit into in our risk framework at the
12 time, so there would be this exception process, and what the
13 exception process basically meant is that the executive team
14 and oftentimes also the board risk committee would look at
15 certain scenarios and they would look at the scenario and say,
16 okay, is this something we should do or not do, and to the
17 extent that a scenario that came up for exception approval
18 happened multiple times, sometimes decisions would be made to
19 adjust our overarching risk framework to increase certain types
20 of activity or decrease certain types of activity.

21 Q. Okay. So when an exception approval was included, that
22 meant the credit team doing the sort of on-the-ground work
23 couldn't say "yea" or "nay" to the loan, correct?

24 A. That's one of the reasons, yes.

25 Q. And it had to go up the chain of command.

NAD1BAN3

Prince - Cross

1 A. Correct.

2 Q. Ultimately to the executive committee, I believe you said?

3 A. Well, ultimately exceptions would go all the way up to
4 the—we had a committee that was called BARC. It stood for
5 Board Audit and Risk Committee. And that was a board level
6 committee.

7 Q. And you were a member of that committee.

8 A. I think—I was certainly always at the meetings. Depending
9 on the time frame, I think there were times where I was an
10 official member and times where I was just like an attending
11 observer, but—

12 Q. Fair enough. As CEO—

13 A. I was always there and I always had a voice.

14 Q. As CEO of BlockFi, did you have input into the decision
15 about whether to increase the credit line, the credit limit
16 here?

17 A. Absolutely.

18 Q. Okay. Now you see in the next bullet points the credit
19 team has laid out what it viewed as the underwriting
20 challenges, correct?

21 A. Yes.

22 Q. And I think we've talked about these so I'll just hit them
23 briefly.

24 1 is that there were unaudited financials.

25 2, that—well, I'll come back to 2.

NAD1BAN3

Prince - Cross

1 3, that there was wrong way risk, which you've already
2 talked about.

3 And 4, we have—well, let me ask, 4, volatile
4 collateral, can you explain that, Mr. Prince.

5 A. Sure. Volatile collateral, I mean, volatility is a term
6 used to refer to how much the price of a—of an asset, you
7 know, moves. So an asset that is volatile, you know, goes up
8 or down in price in larger percentages than an asset that is,
9 you know, less volatile.

10 Q. And that's what we've been talking about with respect to
11 FTT, correct?

12 A. Yeah. I mean, in general, cryptocurrency—I would say the
13 cryptocurrency asset class as a whole was a—is a volatile
14 asset class.

15 Q. And there's a fifth bullet point on the next page. I
16 wanted to make sure I showed you the whole thing, but I don't
17 think we have to spend a lot of time on this. This is illiquid
18 tokens. Sir, this is what we've just been talking about,
19 correct?

20 A. Yeah. Just to—just to read it for folks, "FTT/SRM
21 collateral is illiquid relative to major coins. FTT ADV
22 roughly 60 million on each of Binance and FTX." That means FTT
23 is the coin, ADV is the average daily volume, so what they're
24 saying here is that FTT is trading roughly 60 million per day
25 on Binance and FTX, while trading can support only 25 million

NAD1BAN3

Prince - Cross

1 per day. And the reason they would say that is, you know, the
2 certain asset trades a certain amount on an exchange per day,
3 and you're just one buyer or seller of that asset. You never
4 want to assume that you can have all of that volume for
5 yourself. You're only going to be able to get a portion of it.
6 Q. Okay.

7 THE COURT: Going back for a minute to volatility,
8 Mr. Prince, the concept of volatility includes not only the
9 magnitude of fluctuation of price but also the magnitude of
10 fluctuation of price per unit, time; in other words, it implies
11 it goes up or down quickly.

12 THE WITNESS: Yes, I believe that's—that's exactly
13 correct, your Honor. It's price, price and, you know, the time
14 component of how fast is it moving.

15 THE COURT: Okay. Let's go on.

16 BY MR. COHEN:

17 Q. To his Honor's point, how fast it could move over a given
18 period of time, correct?

19 A. Yeah.

20 Q. Okay. Okay. Going back to the prior page, pick up the one
21 bullet we missed, it says, over credit limit. Do you see that,
22 sir, under summary of underwriting challenges?

23 MR. COHEN: Could we call that up, Brian.

24 Q. Just, can you briefly explain to us what that refers to.

25 A. Sure. So, you know, a credit limit—a credit limit was

NAD1BAN3

Prince - Cross

1 a—an amount of exposure that within our risk framework BlockFi
2 was willing to take to a certain category, you know, certain
3 classification of counterparty at a—at a point in time. So,
4 you know, if a counterparty was Tier 1—just using super simple
5 examples, if they were Tier 1, we might have a credit exposure
6 of a hundred million; if they were Tier 3, which was a
7 lower-credit-quality tier, we would have a lower credit
8 exposure maximum of maybe 10 million. Not saying those are the
9 actual numbers, but—

10 Q. No, I understand, sir. And here, for the loan under
11 consideration, what was the tier you were looking at?

12 A. So what it says here is, "Our current limit for crypto
13 native funds Tier 1C is 45 million. A proxy for crypto native
14 exchanges is 100 million limit. [Note: Underwriting hasn't
15 done a credit assessment of FTX yet, as FTX is not a borrower
16 themselves.]"

17 One thing I would just point out here, if I may, about
18 how this exposure works, the amount of exposure, you know—when
19 BlockFi is talking about exposure, the amount of exposure it
20 has could be an amount of exposure where we don't have any
21 collateral, and in that case it's really easy to calculate. If
22 we lent someone \$50 million and they didn't give us any
23 collateral, our exposure is \$50 million. The calculation of
24 how much exposure we had when someone was posting collateral
25 was a bit more complex of an exercise. So if we lent someone

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Prince - Cross

1 \$50 million and they gave us a hundred million dollars of
2 collateral, you could say, oh, well, our exposure is 0. The
3 loan is overcollateralized. But our risk team, you know—a lot
4 of what you're seeing here is that they would do analyses to
5 try and estimate some level of exposure even in scenarios where
6 the loans were overcollateralized, and so—

7 Q. And again, this was all part of summarizing for you and the
8 board the reasons to consider going over making an exception
9 and going higher in the amount loaned, correct?

10 A. Yeah. I mean, I think they're—they're raising this and
11 saying this is something that could be—that should be
12 considered for exception approval.

13 MR. COHEN: All right. We can pull that one down.

14 Let's take a look now at Defendant's Exhibit 817 for
15 identification, just for the witness.

16 MR. ROOS: No objection, provided it has the same
17 limitation.

18 THE COURT: Are you offering it?

19 MR. COHEN: I would like to.

20 THE COURT: It's received on the same basis as the
21 last one—in other words, not for the truth of anything
22 attributed to anyone other than BlockFi.

23 MR. COHEN: Can we publish it to the jury, your Honor.

24 THE COURT: Yes.

25 (Defendant's Exhibit 817 received in evidence)

NAD1BAN3

Prince - Cross

1 BY MR. COHEN:

2 Q. All right. Now, Mr. Prince, this is a credit memo from,
3 about two weeks later, on August 31, 2021. Do you see that,
4 sir?

5 A. Yes.

6 MR. COHEN: Okay. We can drop that, Brian.

7 Q. And can you translate for us what the request is that is
8 being asked of BlockFi.

9 A. Sure. So this request is for a 10K so 10,000 Bitcoin loan,
10 which at the time was worth roughly 470 million, with
11 110 percent FTT/SRM collateral with a 100 percent margin call
12 level, no liquidation trigger, open term.

13 Next bullet, our current exposure was that we had lent
14 them 267 million of gross, so the—here's why I brought up the
15 exposure. You start to see a little bit of a nuance. Our
16 gross exposure was 267 million but 0 net, which means the
17 267 million of lending was overcollateralized. That
18 267 million was 200 million of USDC, 45 million of ETH, and
19 21 million of BTC.

20 I can keep going if you want.

21 Q. No. Just for our purposes, is it fair to say, sir, that as
22 of the period between the 15th and the 31st—I didn't want to
23 interrupt you—BlockFi has now loaned 267 million to Alameda,
24 correct?

25 A. Yes. So we—we've increased from the other credit memo

NAD1BAN3

Prince - Cross

1 that I just looked at.

2 Q. And now this credit memo is considering the request to make
3 a further loan, correct?

4 A. Correct.

5 Q. Up to the \$1 billion limit we were talking about in
6 connection with the last memo.

7 A. Well, this specific request is asking for a new loan of
8 approximately 470 million and the current loan size was 267, so
9 it doesn't get you all the way up to a billion, but you're at
10 730 million.

11 Q. Even I can follow that math.

12 Okay. So it's asking for an additional 470 million,
13 sir.

14 MR. COHEN: If you could go to the last page, Brian.

15 And go to the bottom, pull out "Summary of
16 underwriting challenges."

17 Q. Now we don't need to go through them again. Is it fair to
18 say, Mr. Prince, these are the same challenges that the team
19 had flagged for you and the board the previous, you know—about
20 two weeks earlier?

21 A. Yeah. Without reading it word for word, it looks like it's
22 the same ones.

23 Q. Okay. And then go up to the top of this document. It says
24 Approval Challenges/Recommendations. Do you see that, sir?

25 A. I do.

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Prince - Cross

1 MR. COHEN: And if you—Brian, if you could highlight
2 the first two sentences.

3 Q. "Credit team recommends not to approve this trade because
4 it increases our exposure to FTT collateral which is already
5 very significant (we hold 367 million FTT collateral). We do
6 not recommend increasing our composure to FTT collateral." Do
7 you see that, Mr. Prince?

8 A. I see that.

9 Q. So the team is telling you and other executives, their
10 recommendation is not to go forward.

11 A. A part of the risk management team that produced this memo
12 was saying that. I wouldn't—that wasn't the whole team's
13 view, but the authors of this, that was their view, at the
14 time.

15 Q. The authors of this credit memo, that was their view.

16 A. Correct.

17 Q. That's the view they took of the risk of increasing a loan,
18 correct?

19 A. Correct.

20 MR. ROOS: Objection. Asked and answered.

21 Q. Now did in fact the loan get made?

22 A. This loan; no, this loan did not get made.

23 Q. Did additional loans get made above the 267 amount?

24 A. Additional loans were made, but I think there's—there's
25 two important things about those that I'd like to highlight, if

NAD1BAN3

Prince - Cross

1 I can.

2 Q. Sure.

3 A. One is that if we go to the—back to the beginning of this
4 doc, the, you know, the request that's being discussed in this
5 credit memo is with 110 percent collateralization level. So if
6 we lent them a hundred dollars, they would post 110 worth of
7 collateral. The incremental loans that got made were at much
8 higher collateral levels than that. So the amount of
9 collateral that we required them to post as we were increasing
10 the lending was substantially higher than what's talked about
11 in this credit memo.

12 Q. Fair enough. From the time—

13 A. Additionally—

14 Q. I'm sorry.

15 A. —the other point I wanted to make was that the loans at
16 this time that were made were all paid back, in June of 2022.

17 Q. Mr. Prince, is it fair to say that from time to time the
18 credit team would take a different view of risk than you might,
19 or the executive committee might?

20 A. Yeah, I think it's—that's—that's fair to say. It's also
21 fair to say that it—I think you're—I think you're not running
22 a good risk organization if you don't facilitate—if you don't
23 have disagreements. If you're not having any disagreements,
24 then people aren't talking about things. So, you know, there
25 were times where people had different views at all different

NAD1BAN3

Prince - Cross

1 levels of the decision matrix, and those views were, you know,
2 discussed and evaluated and decisions were made.

3 Q. So you could form different business judgments, correct?

4 A. Sure.

5 Q. And you and the executive committee could decide as a
6 matter of business judgment that these loans were worth
7 continuing with even if the credit team had reservations?

8 A. Yes.

9 Q. And that's what happened here.

10 A. No. I already—I already told you what happened here.
11 What happened here is, this credit memo is—is for a loan with
12 110 percent collateral. That loan was not made.

13 Q. But—and I don't want to belabor this—later loans were
14 made, correct?

15 A. Yes, but this, you know—you're showing me a credit memo
16 where they're saying "we recommend not making this loan," and
17 I'm telling you we did not make this loan.

18 MR. COHEN: Now we can take this one down, Brian.

19 Can we call up Defense Exhibit 815 for identification,
20 just for the witness.

21 Q. Before you look at it, let me just ask you a few questions,
22 Mr. Prince.

23 MR. ROOS: If it's helpful, no objection.

24 MR. COHEN: Okay, fine.

25 THE COURT: It's received.

NAD1BAN3

Prince - Cross

1 MR. COHEN: Thank you.

2 (Defendant's Exhibit 815 received in evidence)

3 Q. So Mr. Prince, is this the amended and restated master loan
4 agreement dated January 26, 2022, between BlockFi International
5 and Alameda Research?

6 A. Based on what I'm seeing, I believe it is.

7 Q. Okay. If you're not comfortable and you want to go through
8 it, we can let you go through it, sir.

9 A. I mean—

10 Q. I can give you a hard—a hard copy if that would be easier.

11 A. Assuming this is, you know, the loan agreement that was
12 provided through to, you know, in discovery by our legal teams,
13 then yes, I'm comfortable saying.

14 Q. And if we could turn—well, before I do that, can you
15 explain to the jury what a master loan agreement is.

16 A. Sure. So we would frequently enter into master loan
17 agreements with institutional counterparties, and the master
18 loan agreement would be like a—like an overarching agreement
19 that would govern all of the subsequent transactions which
20 could typically be done with much shorter agreements. So you'd
21 have this master loan agreement, which was a universal
22 agreement, and then let's say an institutional counterparty
23 did, you know, ten loans throughout the course of the year;
24 each of those subsequent loans would have, you know, either a,
25 like a one-page term sheet that got signed or a trade confirm

NAD1BAN3

Prince - Cross

1 or something else, but it basically was a master agreement that
2 enabled you to do ongoing transactions with a counterparty
3 with—without having to do a big agreement every time you
4 wanted to do one incremental loan.

5 Q. Right. So the idea was if you had a counterparty, a
6 borrower who you thought you might do a number of loans with,
7 you didn't have to do a new agreement every time.

8 A. That's right.

9 Q. Can you take a look, Mr. Prince, at page—

10 MR. COHEN: Brian, 92485.

11 Q. Okay. And you see it's signed for BlockFi international by
12 David Olsson. Who was he?

13 A. David Olsson was a senior vice president on our
14 institutional—our institutional client coverage team.

15 Q. Okay. And it was signed for Alameda by Caroline Ellison as
16 co-CEO. Do you see that, sir?

17 A. Yes, I see that.

18 Q. Okay. Now if we could turn to page 92462.

19 MR. COHEN: And if you could call out, under Loan
20 Procedure, Brian, the paragraph underneath that that begins,
21 "Unless parties agree." Or you could bring the whole thing up
22 through the subbubble. Keep going below. Yeah.

23 Q. And just very quickly, Mr. Prince, is this a summary of the
24 process you were just describing for taking down individual
25 loans?

NAD1BAN3

Prince - Cross

1 A. Yeah. I mean, it seems like this—without having read this
2 whole thing, the—this is the section of the agreement where
3 it's talking about the procedure for getting a new loan within
4 the master loan agreement.

5 Q. So BlockFi would discuss with Alameda what type of loan it
6 was going to be—the amount it was going to be for?

7 THE COURT: Mr. Cohen, the witness just said he hadn't
8 read the whole thing.

9 MR. COHEN: Sorry, your Honor.

10 THE COURT: And the jury has the document. So let's
11 move along.

12 MR. COHEN: Okay. Okay.

13 Then I think we might move along from this document.
14 All right. Let's take it down.

15 Okay. Now I don't think we need a document to do
16 this.

17 BY MR. COHEN:

18 Q. Mr. Prince, do you recall giving testimony about the period
19 in November 2022 and the relationship between BlockFi and
20 Alameda?

21 A. I assume you're referring to like testimony here?

22 Q. Yeah, today.

23 A. Yeah, I do.

24 Q. Okay. And I want to narrow it. Do you recall you talked
25 to us earlier this morning about an entity called Robinhood?

NAD1BAN3

Prince - Cross

1 A. Yeah, I mentioned that in November there was a—a pledge,
2 additional pledges of collateral to BlockFi and that part of
3 that additional collateral that was pledged in November
4 included Robinhood shares.

5 Q. So this was additional collateral that Alameda was pledging
6 to BlockFi to secure its loan, correct?

7 A. Correct.

8 Q. Did you know who owned the Robinhood shares?

9 A. I'm not—I'm not sure, you know, I—I don't believe that I,
10 at the time that the Robinhood shares were pledged, understood
11 some of the nuance that I've now become aware of in terms of
12 what entity the Robinhood shares were held in. That being
13 said—

14 Q. I'm interested in your recollection at the time, sir.

15 A. My recollection at the time was that Alameda was posting
16 shares to secure the loans that BlockFi had made to it.

17 Q. Okay. And that was being done by Caroline Ellison as CEO
18 of Alameda at the time?

19 A. At—my understanding was that it was, you know, Caroline
20 who signed the doc but at Sam's instruction, so I was messaging
21 and emailing with Sam at the time.

22 Q. And however that went down, those Robinhood shares were
23 part of what was being put out as collateral for Alameda,
24 correct?

25 MR. ROOS: Asked and answered.

NAD1BAN3

Prince - Cross

1 THE COURT: Sustained.

2 Q. Now Mr. Prince, you testified that there came a time, I
3 think it was in the summer of 2022, that BlockFi ended up
4 receiving a loan from FTX.US. Do you recall that?

5 A. Yes.

6 Q. Okay. And I think you said that what had happened was
7 there was stress in the market, correct?

8 A. Yes.

9 Q. Other lenders, like Voyager, Genesis, were having problems?

10 MR. ROOS: Objection. Cumulative. This is the
11 direct.

12 THE COURT: Sustained.

13 Q. Tell us why BlockFi reached out to FTX and ultimately got
14 the—FTX.US and ultimately got the loan.

15 MR. ROOS: Same objection.

16 THE COURT: You're just repeating. You're asking him
17 to repeat, right?

18 MR. COHEN: Well, I have a question that I think I
19 need to ask this so I can set up the question, your Honor.

20 THE COURT: Go ahead.

21 A. BlockFi made—BlockFi made the decision that we were
22 interested in bringing additional capital into the business,
23 and that we thought if there was an option to do that, that
24 that would be the right thing to do for the business. So, you
25 know, we ran—we ran a process where we reached out to

NAD1BAN3

Prince - Cross

1 investors, you know, other crypto firms to see what capital we
2 could potentially raise and at what terms.

3 Q. Were you concerned at the time, Mr. Prince, that BlockFi
4 might go bankrupt?

5 A. I think that—I think that the range of my concerns as CEO
6 of BlockFi pretty much always included everything from, you
7 know, complete failure to extreme success, and part of the job
8 of CEO I think is to be evaluating decisions that you're making
9 within the context of the spectrum of things that could happen
10 to a company.

11 Q. But you had no specific concern in the summer of 2022 that
12 you might go bankrupt.

13 A. Well, we certainly had—we certainly had a lot of eyes,
14 very capable, professionals inside and outside the firm that
15 were looking at the company's position, and there was never,
16 you know—we always viewed the business as being solvent and
17 operational, and in fact, throughout that period of time, we
18 operated the same as we had in less volatile market times.

19 Q. So you operated, you continued to pay your debts, you
20 considered to have positive assets, correct?

21 A. That's correct.

22 Q. But you felt the need to take in this capital, correct?

23 A. I don't know that I would use the word "need," but we
24 decided that it was better for the business to do this
25 transaction than for the business to not do the transaction.

NAD1BAN3

Prince - Redirect

1 Q. And you looked at various options, correct?

2 A. Yes, we evaluated other options.

3 Q. And you felt that the 400 million being offered by FTX.US
4 was the best option.

5 A. We looked at the entirety of it, of the transaction. So
6 there was a loan component to the transaction and there was a
7 acquisition component to the transaction.

8 MR. COHEN: One moment.

9 Mr. Prince, I just want to thank you for your time.
10 We have nothing further.

11 THE COURT: Thank you.

12 Any redirect?

13 MR. ROOS: I think just one or two questions.

14 Could we pull up Defense Exhibit 816. And we can flip
15 through this to the page where it mentions wrong way risk.

16 REDIRECT EXAMINATION

17 BY MR. ROOS:

18 Q. And Mr. Prince, you were asked a question on
19 cross-examination about wrong way risk with respect to FTX. I
20 just want to be clear. Did this memo here refer to wrong way
21 risk about FTX or about Alameda or something else?

22 A. Well, you know, what it's saying is that the loan—making a
23 loan to Alameda with FTT collateral, in our—in our team's
24 view, presented a wrong way risk. That transaction had wrong
25 way risk associated with it.

NAD1BAN3

Prince - Redirect

1 Q. And transaction with Alameda or FTX?

2 A. Well, what we were contemplating here was loans to Alameda.

3 Q. Okay. And you testified about overcollateralized loans.

4 Why would you overcollateralize a loan that involved FTT?

5 A. Well, you're always—in general, when you're taking
6 collateral for a loan, you're trying to reduce your risk
7 associated with that loan, and so the more collateral you take,
8 the less risk you have, generally speaking.

9 Q. And you were asked some questions about risk at the end of
10 cross-examination, including about your bankruptcy risk in the
11 summer of 2022. Why did you go into bankruptcy in November
12 2022?

13 MR. COHEN: Objection.

14 THE COURT: What's the objection?

15 MR. COHEN: It relates to the prior motion practice in
16 the case, your Honor.

17 MR. ROOS: I'm asking about his bankruptcy.

18 THE COURT: I don't understand what that's all about.
19 Is there something else you want to say?

20 MR. COHEN: No. Just, it was briefed before. I don't
21 think we need to discuss it again.

22 THE COURT: Well, I don't think it was briefed before.
23 Overruled.

24 THE WITNESS: I'm sorry, Nick. Could you say the
25 question again, please.

NAD1BAN3

Prince - Recross

1 MR. ROOS: Sure.

2 BY MR. ROOS:

3 Q. The end of the question was: Why did you go into
4 bankruptcy in November 2022?

5 A. Sure. Well, I mean, the—once—once our view became that
6 the Alameda loans and assets that we had at FTX weren't going
7 to be either repaid or accessible, then we did not have a view
8 that the business was solvent and therefore we engaged with
9 professionals and proceeded towards a bankruptcy filing.

10 MR. ROOS: No further questions.

11 THE COURT: Thank you.

12 Anything else, Mr. Cohen?

13 MR. COHEN: Yes, your Honor.

14 RECROSS EXAMINATION

15 BY MR. COHEN:

16 Q. Mr. Prince, are you saying that the sole reason BlockFi
17 went into bankruptcy was the Alameda loans?

18 A. I don't—I mean, let me try and say it a different way. I
19 just want to be careful with—with language. If—I don't think
20 BlockFi would have filed for bankruptcy in November of 2022 if
21 the Alameda loans were still in good standing and the funds we
22 had at FTX were accessible. I do not think, in a scenario
23 where those two things were not impaired, that the company
24 would have needed to file for bankruptcy.

25 Q. But it might have had to file later, correct?

NAD1BAN3

Prince - Recross

1 MR. ROOS: Objection. Calls for speculation.

2 THE COURT: Sustained.

3 MR. COHEN: That's all I have.

4 THE COURT: Thank you.

5 Mr. Roos, anything else?

6 MR. ROOS: No, your Honor. Thank you.

7 THE COURT: Mr. Prince, thank you. You're excused.

8 (Witness excused)

9 THE COURT: Members of the jury, have a great weekend.

10 9:30, Monday morning.

11 Counsel, remain for a minute, please.

12 (Continued on next page)

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NAD1BAN3

1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Who are the witnesses to follow next week?

4 MR. ROOS: So because we didn't get to two today, we
5 have to figure out a revised order, but I'll give your Honor
6 the next seven or eight.

7 So the two that were supposed to be today, Dekel and
8 Busick, and then Nishad Singh, Ramnik Arora, Delaney Ornelas
9 Tareq Morad.

10 THE COURT: After Ramnik Arora, who were the two?

11 MR. ROOS: Delaney Ornelas.

12 THE COURT: That's—

13 MR. ROOS: Delaney is the first name.

14 THE COURT: Okay. Thanks.

15 MR. ROOS: And Ornelas is the last name.

16 THE COURT: Okay.

17 MR. ROOS: And Tareq, T-A-R-E-Q, Morad, M-O-R-A-D.

18 THE COURT: Okay. And in broad strokes, some, of
19 course, I recognize. I recognize Nishad Singh, I recognize
20 Arora. Who are the rest of them?

21 MR. ROOS: Sure. So Delaney Ornelas was an Alameda
22 employee involved in banking; Tareq Morad and Dekel, who was
23 supposed to be on today, are both FTX customers; Busick is an
24 FBI agent who would testify about historical cell site
25 analysis.

NAD1BAN3

1 THE COURT: Okay. When does the government expect to
2 rest?

3 MR. ROOS: So I think, your Honor, that we still
4 remain on the pace that Ms. Sassoon advised you of a few days
5 ago. I think the vast majority of the government's case will
6 conclude next week. There are I think maybe two or three folks
7 that we have set for the 26th. I think there's a real
8 possibility that right after our break we would put those folks
9 on and rest. So sort of in the middle of our short week, our
10 two-day week.

11 THE COURT: Right. I understand. Okay.

12 MR. ROOS: So I would just say, for defense planning
13 purposes, I think it's possible that the defense case would
14 begin, if there is one, as soon as, say, afternoon of that
15 Thursday, the 26th.

16 THE COURT: Okay.

17 MR. COHEN: Your Honor, for planning purposes, could
18 we know the order of the witnesses that counsel just
19 identified.

20 MR. ROOS: Yes. We will let them—we'll give them a
21 list of everyone we think for next week and we'll also give
22 them at least the beginning of that order so they can plan for
23 Monday and Tuesday.

24 THE COURT: Okay. Anything else we need to do today?

25 MR. ROOS: There's one thing, your Honor, which is, I

NAD1BAN3

1 think there may be some disputes over the admissibility of a
2 few things or lines of cross over the first few witnesses. I
3 think the parties are going to try to work those out, but we
4 may have to put a letter in to your Honor. We'll try not to
5 burden you with more than one.

6 I think in terms of the—one of the witnesses who was
7 going to go today, Ms. Kudla has an issue she just wanted to
8 raise.

9 MS. KUDLA: Your Honor, there are just a few minor
10 evidentiary issues that, if we can handle them now, it would
11 make on Monday the efficiency go very smoothly, so if there's
12 any exhibits that have to be changed, we do them now over the
13 weekend and we can get the witness on and no sidebars.

14 THE COURT: Well, let's see if we can do it in five
15 minutes.

16 MS. KUDLA: And your Honor, I think it will be helpful
17 if you had the witness binder with some of the exhibits.

18 THE COURT: Thank you.

19 MS. KUDLA: So your Honor, these exhibits relate to
20 Rich Busick, who's a cell site analyst, and I'll allow
21 Mr. Everdell to raise the objections to the exhibits that he
22 would like to raise.

23 MR. EVERDELL: Thank you, your Honor.

24 So my understanding, your Honor, is that these emails
25 and invites that are government exhibits, the ones in your

NAD1BAN3

1 binder, they relate to the cell site analysis. I believe the
2 government is going to try to show that on the dates of the
3 emails and of the calendar invites, that they relate to when
4 the defendant's cellphone is in New York and having phone calls
5 I guess for purposes of venue. However, I think some of
6 them—I have relevancy and hearsay objections to a few of them.
7 Not to the first few, but Government's 282—282, 287, and 290,
8 291, I think you should consider those first.

9 Starting with 282, this appears to be a calendar
10 invite for an invitation, it looks like, for a photo shoot for
11 a *Forbes* story on September 9th of 2021. Don't see how this is
12 relevant to the issues in the case. Some of these others I
13 understand, because they are meetings with investors or
14 meetings with other people, but this one, I don't necessarily
15 see the relevance of this one.

16 THE COURT: Ms. Kudla, quickly.

17 MS. KUDLA: Your Honor, the *Forbes* article is already
18 in evidence, and it's been presented as evidence of the
19 defendant's public image that he was cultivating. And it's
20 part of the marketing and revenue for FTX.

21 THE COURT: Yes. But if you've got the magazine in
22 already, why do you need an email inviting him to show up for
23 the photograph?

24 MS. KUDLA: Your Honor, that occurred here in New
25 York. These are related to venue. These are all public events

NAD1BAN3

1 that occurred in Manhattan.

2 THE COURT: Okay. That will come in. Unless you're
3 conceding venue.

4 MR. EVERDELL: Oh, we're not, your Honor.

5 THE COURT: Okay.

6 MR. EVERDELL: Your Honor, 287, this one is the invite
7 for dinner with the Mayor. Don't see how that's relevant for
8 the case.

9 THE COURT: Same thing, right?

10 MS. KUDLA: Same thing, and he also publicly tweeted
11 about that in Government Exhibit 873.

12 THE COURT: Same ruling.

13 MR. EVERDELL: I believe we have an agreement on
14 290—is that correct?—with the government, that can come out?

15 MS. KUDLA: That is correct, yes. 290 is correct.

16 THE COURT: What do you mean it's correct?

17 MS. KUDLA: Your Honor, we have an agreement. The
18 government is removing—

19 THE COURT: Okay. So we're crossing that off the
20 list.

21 MS. KUDLA: It's 289, Mr. Everdell, that we have the
22 agreement on.

23 MR. EVERDELL: I'm sorry.

24 THE COURT: So somebody please tell me whether we
25 still have a dispute over 290 or not.

NAD1BAN3

1 MS. KUDLA: Over 290, the answer is up to
2 Mr. Everdell. That relates to an investor meeting.

3 MR. EVERDELL: Got it. That was FTX.US related?

4 MS. KUDLA: It's 289, Mr. Everdell.

5 THE COURT: Okay. We're not doing this now. You work
6 it out.

7 Okay. Thank you.

8 THE DEPUTY CLERK: All rise.

9 (Adjourned to October 16, 2023, at 9:30 a.m.)
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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

-----x

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

-----x

7
8 New York, N.Y.
9 October 16, 2023
10 9:40 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
17 Southern District of New York

18 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present)

2 THE COURT: Good morning.

3 Before we get the jury, one or two things.

4 As counsel all know, it is quite common to request
5 proposed jury instructions in advance of trial. It was done
6 here. That gave me a chance to consider them and it gave
7 counsel an opportunity to react to one another's proposals. In
8 one of the innumerable letters in which I have been favored,
9 somebody suggested more proposed jury instructions. I think it
10 was the defense.

11 Any further proposed jury instructions I would like to
12 have by the close of business on Thursday, and any response to
13 them by the close of business the following Tuesday.

14 My job includes giving instructions that fit the case,
15 regardless of what counsel does or does not request, and I will
16 continue to do my job.

17 I think we are ready.

18 MR. ROOS: Judge, there are just two very brief
19 matters.

20 THE COURT: How did I guess.

21 MS. SASSOON: Just quickly, outside the subway this
22 morning I encountered a lost juror or juror who appeared to
23 plainly be turned around and lost, and I did not help her and
24 would appreciate the instruction that the lawyers are not being
25 rude or inconsiderate if they are not allowed to talk to the

1 jury.

2 THE COURT: I will do that.

3 Mr. Roos is still up.

4 MR. ROOS: The other thing, your Honor, is, the second
5 witness today is Nishad Singh.

6 As your Honor knows, the parties had pretrial briefing
7 on the admissibility of evidence of violation of the Federal
8 Election Campaign Act or campaign finance laws, whether it was
9 direct evidence or 404(b), and I wanted to put on the record
10 that, in advance of Mr. Singh's testimony -- and as your Honor
11 I am sure recalls, Mr. Singh pled guilty to a campaign finance
12 offense or a conspiracy count -- in advance of his testimony we
13 engaged defense counsel on the question of whether we can reach
14 an agreement as to not basically offering his plea to that and
15 then testimony around that; in other words, an agreement that
16 nobody will bring up the campaign -- the violation of the
17 campaign finance law, and they declined.

18 THE COURT: And therefore you would like me to do
19 what?

20 MR. ROOS: Nothing. I think it is relevant to the
21 record in terms of the 404(b) issue that was briefed
22 previously, so I just wanted to put this on the record now.

23 THE COURT: Is there any dispute about the facts,
24 Mr. Cohen?

25 MR. COHEN: No. We will be asking for a 404(b)

1 limiting instruction at the appropriate time.

2 THE COURT: OK.

3 Let's get the jury.

4 MR. COHEN: Your Honor, before the jury comes in, if
5 we may be heard very quickly at the sidebar.

6 (Continued on next page)

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1 (At sidebar)

2 THE COURT: I hope you're aware that I've been advised
3 that people in the gallery can read what's said at the sidebar
4 on the screens on your table.

5 MR. COHEN: Very quickly, your Honor, just to update
6 the Court on the conversation that we were having, my client
7 advised that he did not receive the extended dose of Adderall
8 this morning.

9 THE COURT: I last week told you that if there were
10 any problems or questions, you were to be in touch with
11 Mr. Bork in Washington, and your letter said you were trying
12 unsuccessfully to reach somebody else in Brooklyn.

13 MR. COHEN: We were trying to reach --

14 THE COURT: The deputy general counsel at the MDC.
15 Maybe it's not surprising you didn't connect.

16 MR. EVERDELL: Your Honor, that is Mr. Bork who we
17 have been trying to reach. That's the number we have been
18 given for him.

19 THE COURT: He has got Washington numbers.

20 MR. EVERDELL: Your Honor, the one I was trying to get
21 in touch with, Ken Bork, gave me the email that I've been
22 using, the BRO email.

23 THE COURT: I'm misinformed. I have a call in to him
24 too.

25 One minute. One of you get in touch with Gitner and

1 tell him what's going on.

2 MS. KUDLA: He has been informed, your Honor, so that
3 process --

4 THE COURT: He is the head of the criminal division,
5 as you know, and I gather he is overseeing this Bureau of
6 Prisons issue.

7 (Continued on next page)

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1 (In open court)

2 THE COURT: Might as well bring in the witness.

3 MR. RAYMOND: Yes, your Honor. The government calls
4 Tareq Morad.

5 (Jury present)

6 THE COURT: The jurors are all present, as is the
7 defendant, as has been the case throughout.

8 Who don't you recall your witness, for the sake of the
9 record, with the jury present.

10 MR. RAYMOND: Yes, your Honor.

11 The government calls Tareq Morad.

12 TAREQ MORAD,

13 called as a witness by the government,

14 having been duly sworn, testified as follows:

15 THE COURT: You may proceed, Mr. Raymond.

16 MR. RAYMOND: Thank you, your Honor.

17 DIRECT EXAMINATION

18 BY MR. RAYMOND:

19 Q. Mr. Morad, where do you live?

20 A. I live in Calgary, Alberta, Canada.

21 Q. And what do you do for a living.

22 A. I'm a hotel owner and operator.

23 Q. Have you ever bought or sold cryptocurrency?

24 A. Yes, I have.

25 Q. Did you ever buy or sell cryptocurrency on FTX.com?

1 A. Yes, I did.

2 Q. How did you first learn about FTX?

3 A. Primarily through media. I follow cryptocurrency space as
4 a whole and news related to economy, investments, and things
5 like that, and FTX was a very hot topic for quite sometime.

6 Q. When did you first learn about FTX?

7 A. I would say around 2019ish, 2019, 2020.

8 Q. What did you learn about FTX when you first learned about
9 it?

10 A. FTX was making a lot of highlights for their advancements
11 of the space, their use of good technology and trading
12 platform. They made some efforts towards legislation of the
13 crypto industry. I learned a lot of their -- their CEO was
14 making a lot of headlines at that time, the founder of the
15 company. Just the typical news related to the platform.

16 Q. Did you learn who the CEO was?

17 A. Yes, at this.

18 Q. Who was it?

19 A. Sam Bankman-Fried.

20 Q. From the sources you reviewed, what, if anything, did you
21 learn about Sam Bankman-Fried?

22 A. At the time he was quite revered in the industry. He was
23 revolutionizing it in ways with use of his technology and
24 platform, again, very revered in the space, came highly
25 regarded. He was spoken about through many prominent figures.

1 He did a lot of media, podcasting, interviews, that kind of
2 thing.

3 Q. Did you ever follow Mr. Bankman-Fried on Twitter?

4 A. Yes, I did.

5 Q. After learning about FTX, did you ever create an account
6 there?

7 A. Yes, I did.

8 Q. About when was this?

9 A. Roughly, April 2021.

10 Q. Once you opened your account, did you fund it?

11 A. Yes, I did.

12 MR. RAYMOND: Ms. Cotto, can you publish Government
13 Exhibit 590, which is already in evidence.

14 Q. Mr. Morad, do you recognize Government Exhibit 590?

15 A. Yes, I do.

16 Q. What is it?

17 A. That is the landing page where it's giving you options of
18 how to fund your FTX account.

19 Q. Did you see this when you were on FTX?

20 A. Yes, I did.

21 Q. And how did you fund your FTX account?

22 A. I chose the wire transfer method.

23 MR. RAYMOND: Ms. Cotto, can you take this down and
24 can you pull up Government Exhibit 568, which is already in
25 evidence.

1 Q. Mr. Morad, do you recognize Government Exhibit 568?

2 A. Yes, I do.

3 Q. What is Government Exhibit 568?

4 A. Those are the instructions on how to send a money wire to
5 FTX, as described on their website.

6 Q. Do you see where it says where to send the money
7 beneficiary?

8 A. Yes, I do.

9 Q. What entity is listed as the beneficiary named?

10 A. North Dimension Inc.

11 Q. Before you reviewed this page, before Mr. Morad, had you
12 ever heard of North Dimension Inc.?

13 A. No, never.

14 Q. Did you know whether North Dimension was connected to FTX
15 in any way?

16 A. I did not. I presumed.

17 MR. RAYMOND: Ms. Cotto, can you pull that down and
18 show the witness what's been marked for identification as
19 Government Exhibit 540.

20 Q. Mr. Morad, do you recognize Government Exhibit 540?

21 A. Yes, I do.

22 Q. What is it?

23 A. That is a copy of a completed wire transfer that I made
24 from my personal account to FTX.

25 MR. RAYMOND: Your Honor the government offers

1 Government Exhibit 540.

2 MR. LISNER: No objection.

3 THE COURT: Received.

4 (Government Exhibit 540 received in evidence)

5 MR. RAYMOND: Your Honor, may we publish it to the
6 jury?

7 THE COURT: You may.

8 MR. RAYMOND: Thank you.

9 Ms. Cotto, can you publish.

10 Ms. Cotto, can you expand under destination bank.

11 Q. Mr. Morad, can you read what bank the destination bank was.

12 A. Yes. I'll just read the whole thing in its entirety. Bank
13 identifier, SIVGUS66. Silvergate Bank, 4250 Executive Square,
14 floor 3, La Jolla, California. Routing code: ABA. Routing
15 number and in the United States.

16 MR. RAYMOND: Ms. Cotto, can you take this down and
17 can you expand beneficiary.

18 Q. Mr. Morad, do you see what the beneficiary listed is? You
19 don't have to read out the address.

20 A. Yes, I do. North Dimension Inc.

21 MR. RAYMOND: Finally, Ms. Cotto, can you go back and
22 expand correspondent charges.

23 Q. Mr. Morad, can you read this section?

24 A. Correspondent charges to be paid by beneficiary.

25 Intermediate bank. Bank identifier: PNBPU3NNYC. Wells Fargo

1 Bank, NA, 30 Hudson Yards, international operations, New York,
2 New York, United States.

3 MR. RAYMOND: Ms. Cotto, could you take this part down
4 and take down the document.

5 Q. Mr. Morad, after you opened and funded your FTX account,
6 did you trade on FTX?

7 A. Yes, I did.

8 Q. What products if any, did you trade on FTX?

9 A. Typically, from U.S. dollar to Bitcoin, Ethereum, and a
10 number of other cryptocurrencies, XRP, Solana, and a few
11 others.

12 Q. In total, how much did you fund your account?

13 A. Say roughly about 500,000 U.S. dollars.

14 Q. When you funded your account, did you observe the balance
15 on the FTX website?

16 A. Yes, I did.

17 Q. Once the funds were there, what, if anything, did you do
18 with them?

19 A. So I would transfer currency, hard currency, to my account,
20 and then I would make transactions from U.S. dollar to the
21 product of choice, coin, or token. So I would trade U.S.
22 dollar to Bitcoin and sometimes Bitcoin to other trading pairs,
23 so just the standard stuff that you do.

24 Q. Mr. Morad, did you ever withdraw funds from your FTX
25 account?

1 A. No, I do not believe I did withdraw anything,
2 unfortunately.

3 Q. Was the ability to control when you were able to withdraw
4 funds important to you?

5 A. Very much so.

6 Q. Why?

7 A. It's my money. I think like a wallet. If you have money
8 in your wallet, you presume you can take it out and use it at
9 any time. I presumed that the balances that were listed there
10 was my money that I had available to withdraw, trade, or do
11 whatever it was of my choice. So I considered it a wallet,
12 like a wallet in your pocket.

13 Q. Mr. Morad, were you aware of a program on FTX that allowed
14 customers to lend out their assets?

15 A. No, I wasn't.

16 Q. Did you ever agree to any such program?

17 A. No, I didn't.

18 Q. When you deposited money into your FTX account, do you
19 expect anyone other than yourself would use your funds?

20 A. No, I did not.

21 Q. Did you expect that anyone would borrow or lend out your
22 money?

23 A. No, I did not.

24 Q. What did you understand FTX was doing with the funds you
25 had transferred to the --

1 A. Holding it for me, for the ability to use as I wished,
2 whether that was to trade or withdraw or buy.

3 Q. If FTX was borrowing your deposits, would you have
4 considered that important information to know?

5 A. Yes, definitely.

6 Q. Why?

7 A. That would be a different level of exposure, and I think
8 that it would just be my rights to know if someone was using my
9 money for anything other than what I was aware of. So that
10 would be very, very important to know.

11 Q. Mr. Morad, between when you opened your FTX account in 2021
12 and October 2022, did you see anything else about FTX in the
13 news?

14 A. Lots. FTX was all over the news in the entire period, yes.

15 Q. Did you see anything else about Mr. Bankman-Fried?

16 A. Yes. A lot. He was on the cover of magazines, again very
17 prominent in the space. If you read about crypto or you are
18 following it, it's his name often appeared.

19 MR. RAYMOND: Ms. Cotto, can you publish Government
20 Exhibit 1471, which is already in evidence.

21 Q. Mr. Morad, do you recognize this?

22 A. Yes, I do.

23 Q. What is it?

24 A. That is Forbes magazine with Sam Bankman-Fried on the
25 cover.

1 Q. What, if anything, did you conclude about FTX after you saw
2 this cover?

3 A. This cover and many other things led me to believe, as many
4 others did, much more prominent figures in the space than
5 myself.

6 MR. EVERDELL: Objection, your Honor. Getting into
7 hearsay.

8 THE COURT: Yes. The question is, what did you
9 conclude? Let's focus on what you concluded after you saw the
10 cover.

11 THE WITNESS: Sure.

12 I concluded that Mr. Bankman-Fried, a very successful
13 legitimate businessman and entrepreneur revolutionizing the
14 cryptocurrency space.

15 Q. Mr. Morad, I would like to turn your attention to November
16 2022. About how much in U.S. dollar denomination did you have
17 on FTX as of November 1, 2022?

18 A. It would have to be in the range of about 250 to \$280,000.

19 Q. Did there come a point in November 2022 when you learned
20 that FTX was receiving increased customer withdrawal requests?

21 A. Yes.

22 Q. How did you learn that?

23 A. Again, through the media that I followed, YouTube
24 primarily. Just tweets that they have been experiencing
25 increased withdrawals due to -- I believe at that time they

1 said it was balance sheet information that became public and
2 people were a little bit worried about their ability to access
3 all their funds and that they were experiencing -- that many
4 people were withdrawing funds from the platform.

5 Q. Were you following Mr. Bankman-Fried's Twitter feed at this
6 point in time?

7 A. Yes, I was.

8 Q. And do you recall reading any tweets Mr. Bankman-Fried
9 posted to Twitter around that time?

10 A. Yes, I do.

11 Q. Do you recall what they said?

12 A. One in specific was not to worry, all the funds were there
13 and all withdrawals would be covered by FTX.

14 Q. What, if anything, did you conclude after reviewing that
15 tweet and others like it by Mr. Bankman-Fried?

16 A. I was very relieved, happy to hear from the leader of the
17 company to know and reassuring and knowing that the money was
18 there and it was just rumors.

19 Q. Right after you saw that tweet, did you try and withdraw
20 funds from FTX?

21 A. No, I did not.

22 Q. Did there later come a time where you did try to withdraw
23 your funds from FTX?

24 A. Yes. The following day.

25 Q. Were you able to successfully withdraw your funds when you

1 tried?

2 A. No. It did not process or go through.

3 MR. RAYMOND: Ms. Cotto, can you show for the witness
4 what's been marked for identification as Government Exhibit
5 539.

6 Q. Mr. Morad, do you recognize Government Exhibit 539?

7 A. Yes, I do.

8 Q. What is it?

9 A. That is a screenshot I took at one time -- I put the date
10 there myself, November 10, 2022 at 1:19 p.m. It was when I
11 came across that banner across the top there. I wanted to make
12 sure that I had evidence or proof that I did have money on the
13 platform in case it wasn't functioning anymore or whichever.
14 It was a screenshot I took.

15 MR. RAYMOND: Your Honor, the government offers
16 Government Exhibit 539.

17 MR. LISNER: No objection to the document, except we
18 would request to redact the material that Mr. Morad added to
19 the document, which is the date in red.

20 MR. RAYMOND: Your Honor, I don't know the basis for
21 that. The witness has explained the source of it.

22 THE COURT: The request is denied. The document is
23 received in evidence.

24 (Government Exhibit 539 received in evidence)

25 MR. RAYMOND: Ms. Cotto, can you publish. Thank you.

1 Q. Mr. Morad, was this after you had attempted to withdraw
2 your funds?

3 A. Yes, it is.

4 Q. And can you describe how much funds in U.S. dollar
5 denominated were in your account as of that day?

6 A. \$257,948.53.

7 MR. RAYMOND: Ms. Cotto, can you go to the second page
8 of this document.

9 Q. Mr. Morad, did you have holdings in Bitcoin on FTX at that
10 time?

11 A. Yes, I did.

12 Q. Did you have holdings in Ethereum at that time?

13 A. Yes, I did.

14 Q. Mr. Morad, since November 10, 2022, have you been able to
15 withdraw the funds from FTX?

16 A. No, I haven't.

17 MR. RAYMOND: No further questions, your Honor.

18 THE COURT: Thank you.

19 Cross-examination.

20 CROSS-EXAMINATION

21 BY MR. LISNER:

22 Q. Good afternoon, Mr. Morad.

23 A. Good morning.

24 Q. Just a few questions and a couple of clarifications.

25 You were located in Canada when you opened your FTX

1 account?

2 A. Yes, I was.

3 Q. And you always accessed it from outside of the U.S.?

4 A. Yes, I did.

5 Q. Before you began using FTX, you had accounts on other
6 crypto exchanges, correct?

7 A. That is correct.

8 Q. Do you recall what exchanges those were?

9 A. Binance, Coinsquare, Bittrex. I believe I had an account
10 open with Poloniex. So I had a number of different platforms
11 that I was using prior.

12 Q. Is it fair to say that you opened your FTX account because
13 FTX offered additional products and cryptocurrencies that
14 weren't available on those exchanges?

15 A. Yes, that's one of the reasons, yes.

16 Q. Now, you testified that you never sought to withdraw funds
17 prior to November. Have you ever heard of anyone else being
18 unable to withdraw funds prior to November 2022?

19 MR. RAYMOND: Objection, your Honor.

20 THE COURT: I am not sure I understand the question.
21 What's the objection?

22 MR. RAYMOND: Hearsay for one, your Honor.

23 THE COURT: Sustained.

24 Q. One clarification. You mentioned that, I believe, you
25 deposited approximately 500,000 in U.S. dollars, never made any

1 withdrawals and, at the end, in November, you had approximately
2 257,000 left, correct?

3 A. Correct.

4 Q. Was the decline from 500 to 250, was that the result of the
5 market decline?

6 A. Yes, it was.

7 Q. You never read FTX's terms of service, true?

8 A. True.

9 Q. And you testified that you expected FTX would maintain your
10 assets on the exchange without lending them out, is that right?

11 A. Yes, that is correct.

12 Q. And that understanding wasn't based on anything that you
13 have heard or read from FTX, true?

14 A. I can't say that's -- how that understanding developed, I
15 am not sure.

16 Q. Sitting here today, you can't recall any statement?

17 A. The statement that was on Twitter the day of, that all
18 withdrawals would be covered, so that is primarily meaning that
19 your money is there. So I am just trying to think if prior to
20 that I heard anything. But that would led me to conclude, for
21 one, that the money was there that I deposited.

22 Q. So other than that statement, you can't recall anything?

23 A. Not particularly, no.

24 Q. You have never had contact with Mr. Bankman-Fried, correct?

25 A. No, I have not.

1 MR. LISNER: No further questions.

2 THE COURT: Anything else, Mr. Raymond?

3 MR. RAYMOND: No further questions, your Honor.

4 THE COURT: I have one or two.

5 Were the terms of service ever provided to you by FTX
6 or anybody else?

7 THE WITNESS: When you open your account, I believe,
8 like anything, any website, you can agree to the terms of
9 service but they are not there, so you have to click, I
10 believe, to read them, to the best of my recollection.

11 THE COURT: Did you click to read them?

12 THE WITNESS: No, I did not.

13 THE COURT: Did you click even to see how long they
14 were?

15 THE WITNESS: No, I did not.

16 THE COURT: Thank you.

17 Any other questions in light of mine?

18 MR. RAYMOND: Your Honor, can I just ask very briefly
19 one more question?

20 THE COURT: Yes.

21 REDIRECT EXAMINATION

22 BY MR. RAYMOND:

23 Q. Mr. Morad, following up on what Judge Kaplan asked, do you
24 recall when you were asked to look at the terms of service or
25 when you were provided the opportunity to look at the terms of

1 service?

2 A. I believe when I signed up to open the account.

3 Q. And that was, I think you testified, in about March or
4 April 2021?

5 A. As close as I recall, March, 31, April 1ish, 2021.

6 MR. RAYMOND: No further questions, your Honor.

7 THE COURT: Thank you, Mr. Raymond.

8 Mr. Lisner.

9 MR. LISNER: Nothing from the defense, your Honor.

10 THE COURT: Thank you.

11 You are excused. Thank you.

12 (Witness excused)

13 THE COURT: Next witness, please.

14 MR. ROOS: Thank you, your Honor. The government
15 calls Nishad Singh.

16 NISHAD SINGH,

17 called as a witness by the government,

18 having been duly sworn, testified as follows:

19 THE COURT: You may proceed, Mr. Roos.

20 MR. ROOS: Thank you, your Honor.

21 DIRECT EXAMINATION

22 BY MR. ROOS:

23 Q. Mr. Singh, where were you working last year?

24 A. At FTX.

25 Q. What was your job at FTX?

1 A. I was the head of engineering.

2 Q. Did you commit financial crimes while at FTX?

3 A. I did.

4 Q. What crimes did you commit while working at the company?

5 A. I defrauded customers, investors, I participated in money
6 laundering, and I violated campaign finance laws.

7 Q. Did you commit those crimes on your own or with others?

8 A. With others.

9 Q. Who?

10 A. Sam Bankman-Fried, Gary Wang, Caroline Ellison, Ryan
11 Salame.

12 Q. Who did you defraud?

13 A. FTX customers and investors.

14 Q. How were those customers and investors defrauded?

15 A. For the customers, their money was being spent and they
16 didn't know it. For the investors, they were -- they weren't
17 told of the large hole and were given financials that were
18 doctored.

19 Q. And what was your role in the fraud against FTX's customers
20 that you committed with the defendant?

21 A. In September of 2022, I learned of the hole. And even
22 after that, implicitly and explicitly, I green-lit transactions
23 that I knew must have been digging the hole deeper and
24 therefore coming from customer funds.

25 Q. When you are using the word the hole, what are you

1 referring to?

2 A. Like the large deficit in funds that FTX should have had on
3 hand to supply customer withdrawals.

4 Q. How large was that hole?

5 A. I'm sure it varied over time. When I learned of it in
6 September, my belief is that it was \$8 billion.

7 Q. Just yes or no, did there come a time you learned what
8 happened with some of the customer money?

9 A. Yes. September 2022.

10 Q. Two questions on that.

11 First, how did you learn what happened with the money?

12 A. From conversations with Sam, Gary, and Caroline.

13 Q. So what did you learn what happened with the money?

14 A. I learned that there was a hole that was enormous and that
15 it had been spent and lost by Alameda, and I knew that it was
16 \$8 billion in size. So the last \$8 billion of spend had
17 necessarily come from customers. That spend included things
18 like real estate investments, VC investments, campaign
19 donations, and speculative events in trading.

20 Q. You used the word VC. What does that mean?

21 A. Venture capital. Alameda acted as a venture capital firm
22 in this crypto space.

23 Q. And what is venture capital exactly? Can you give us an
24 example?

25 A. Yeah. Maybe one summary is that it's the practice of

1 investing money in other companies hoping for returns.

2 Q. Now, you mentioned you committed --

3 THE COURT: Excuse me. Is that any different from
4 buying stock in Apple today or in Google today or in General
5 Motors today? Is venture capital any different from that?

6 THE WITNESS: One distinction is, I think often
7 venture capital is done with private equity, so you are not
8 buying something that's publicly traded.

9 THE COURT: Go ahead.

10 Q. You mentioned you committed financial crimes at FTX.

11 Have you pled guilty to those crimes?

12 A. I have.

13 Q. Are you testifying here today under a cooperation
14 agreement?

15 A. Yes.

16 Q. We will talk about all of that a little further. I want to
17 take a step back and ask you about your background.

18 Where did you grow up?

19 A. The bay area in California.

20 Q. Where did you go to high school?

21 A. Crystal Springs Uplands School.

22 Q. When did you first meet the defendant, Sam Bankman-Fried?

23 A. I think in my sophomore or junior year of high school.

24 Q. Were you friends in high school?

25 A. I wasn't friends with Sam, but I was close friends with his

1 younger brother, Gabe.

2 Q. After high school, did you go to college?

3 A. Yes.

4 Q. And where did you go to college?

5 A. UC Berkeley.

6 Q. What did you study at UC Berkeley?

7 A. Electrical engineering and computer science.

8 Q. What did you do after college?

9 A. I briefly worked at Facebook.

10 Q. Did there come a time you started working with the
11 defendant?

12 A. Yes.

13 Q. Approximately when was that?

14 A. Late 2017.

15 Q. And where did you start working with him?

16 A. Alameda Research.

17 Q. Who ran Alameda Research at that point in time?

18 A. Sam and Gary.

19 Q. And what was Sam Bankman-Fried's job at Alameda Research at
20 the time?

21 A. He was the CEO, the head trader, and founder.

22 Q. What about Gary Wang's job?

23 A. Gary was the CTO and a founder.

24 Q. What was your position at Alameda Research?

25 A. I was a software engineer.

1 Q. So were you a manager in any way?

2 A. Not initially.

3 Q. And what did you do as a software engineer at Alameda
4 Research?

5 A. I wrote code that improved or built out trading systems for
6 the traders to use.

7 Q. While working at Alameda, did you meet someone named
8 Caroline Ellison?

9 A. Yes.

10 Q. What was her job at Alameda?

11 A. She was a trader.

12 Q. Now, did there come a time where you changed jobs?

13 A. Yes.

14 Q. Where did you start working?

15 A. At FTX.

16 Q. When was that?

17 A. It was in mid 2019.

18 Q. What was your initial job at FTX?

19 A. Similar. Software engineer.

20 Q. So what kind of things did you do at FTX as a software
21 engineer?

22 A. It was pretty similar to what I did in Alameda in that I
23 was coding at Sam and Gary's direction, this time not to build
24 out trading systems, but instead to build out the site for
25 other customers to trade on.

1 Q. You just mentioned Gary Wang. What was his job at FTX?

2 A. Gary was the CTO.

3 Q. What is CTO stand for?

4 A. Chief technology officer.

5 Q. Now, how, if at all, was your job similar to Gary Wang's
6 job at FTX?

7 A. It was similar in that we both wrote code.

8 Q. Did one of you supervise the other, or were you equals?

9 A. We weren't equals. Gary supervised me. On every technical
10 decision of importance I would either get direction from him or
11 advice or leave it to him.

12 Q. You mentioned coding. Did the defendant do any coding at
13 FTX?

14 A. He did not code himself, but he was very involved in the
15 coding process.

16 Q. Can you explain what you mean by that.

17 A. Yeah. There is the act of writing code and then there is
18 the act of designing it and thinking about it and architecting
19 it. Sam did not write the code, but he did a lot of the rest
20 of that stuff. He was really involved in the sort of minutia
21 of the architecture of FTX.

22 Q. Let me ask you a follow-up question on that.

23 First, the writing of code, what do you mean by that?
24 What is the writing of code?

25 A. Yeah. It looks like you are typing out words like you

1 might in a Word document, only it's in a non-English language,
2 like Python or JavaScript.

3 Q. Then you said the architecture of the code --

4 THE COURT: Slow down, please.

5 Please tell the jury what those various terms you just
6 used mean.

7 THE WITNESS: Python is a programming language in
8 which you can express logic for a computer to execute.
9 JavaScript is a different programming language.

10 Q. Thank you.

11 You also mentioned the defendant's involvement in the
12 architecture of the code. What were you referring to?

13 A. Sam directed a lot of these specifics of how the code
14 should run and what it should be doing. As an example, Sam
15 designed all the rules for the margin system and the
16 liquidation engine, and Gary implemented them.

17 THE COURT: You better tell us what those things are.

18 THE WITNESS: Yeah. The margin and liquidation
19 systems are -- they were core to FTX. They were the things
20 that considered users' balances and decided how much they could
21 trade with them, when they should be closed out to prevent
22 losses, and, in general, how assets were considered on the
23 system.

24 THE COURT: Proceed.

25 MR. ROOS: Thank you, your Honor.

1 Q. Who were the founders, by the way, of FTX?

2 A. Sam and Gary were.

3 Q. And were they equals at the company?

4 A. No.

5 Q. Were there parts of the business -- sorry. Just to follow
6 up, you said no to whether they were equals. Can you explain
7 the relationship dynamic.

8 A. Yes. Gary took instruction from Sam. Gary was in charge
9 of all of the code and the technical systems, and Sam
10 frequently deferred to him on those topics. But on business
11 decisions or on -- almost anything on technical, meetings with
12 investors, any sort of public statements, managing other
13 departments, legal, Sam was in charge.

14 Q. Were there parts of the business that you observed the
15 defendant being involved in that Mr. Wang was not involved
16 with?

17 A. Yes.

18 Q. And what were those parts?

19 A. Marketing, raising from investors, sort of running a lot of
20 Alameda's trading, things like endorsement deals, high-level
21 business decisions.

22 Q. What do you mean by raising?

23 A. Selling FTX equity to investors.

24 Q. And you mentioned earlier in your testimony venture
25 capital, or VC. How, if at all, were either Gary or Sam

1 Bankman-Fried involved in that?

2 A. I don't think that Gary was involved, but I'm not sure
3 because I wasn't in those meetings myself. I know Sam was very
4 involved in VC investing.

5 Q. How do you know that?

6 A. From conversations with Sam about it.

7 Q. Now, who did you report to at FTX?

8 A. Sam and Gary and in various projects other people, but
9 primarily Sam and Gary.

10 Q. Did that ever change over time?

11 A. No.

12 Q. Were there aspects of the business you observed the
13 defendant involved in that you yourself were not involved in?

14 A. Yes.

15 Q. Which?

16 A. A bunch of the ones I had mentioned about -- that Gary
17 wasn't involved in but Sam was: Marketing, raising, making
18 public statements, legal decisions, high-level business
19 decisions.

20 Q. Focusing on your role and responsibilities at FTX, how, if
21 at all, did those change over time?

22 A. In 2020, I started managing other engineers and growing out
23 the team, other junior engineers, not Gary. And as a part of
24 that I became more involved in management discussions going
25 forward.

1 Q. Did you ever live with the defendant?

2 A. I did.

3 Q. Where and when?

4 A. Starting in December of 2021, I lived with him in Albany,
5 which is a luxury resort in the Bahamas.

6 Q. Where in Albany did you live with him?

7 A. In the Orchid 6 penthouse.

8 Q. How would you describe your relationship with the defendant
9 over time?

10 A. I have always been intimidated by Sam.

11 MR. COHEN: Objecting. Move to strike.

12 THE COURT: Ground.

13 MR. COHEN: Calls for speculation.

14 THE COURT: Overruled.

15 Q. How would you describe your relationship with the defendant
16 over time?

17 A. Sam is a formidable character, brilliant, so I had a lot of
18 admiration and respect for him. Over time I think a lot of
19 that eroded, and I grew distrustful.

20 Q. When you worked at FTX, did you own equity in the company?

21 A. I did.

22 Q. Approximately how much?

23 A. Around 6 or 7 percent.

24 Q. On paper, how wealthy did that make you?

25 A. I was a billionaire.

1 Q. You testified that you were not one of FTX's founders. Who
2 gave you this valuable stake in FTX?

3 A. Sam and the lawyers did.

4 Q. And how did your stake compare to the defendant's?

5 A. It was smaller than Sam's.

6 Q. How about to Gary Wang's stake?

7 A. Smaller than Gary's.

8 Q. Were you aware of anyone besides Sam Bankman-Fried and Gary
9 Wang who had a larger stake than you and worked at FTX?

10 A. None others.

11 Q. What's your understanding of why you were awarded such a
12 large -- relatively large stake in the company?

13 A. In 2020, I asked to not be paid bonuses anymore and instead
14 have equity. It's a lot more efficient for long-term
15 donations. Sam agreed.

16 Q. In addition to owning FTX stock, did you get a salary?

17 A. Yes.

18 Q. And what was your annual salary?

19 A. \$200,000.

20 Q. Did you receive any bonuses?

21 A. I did until 2020.

22 Q. How much were those bonuses that you did receive?

23 A. On the order of a million dollars.

24 Q. In addition to the salary, the bonuses, the stock, were you
25 ever given any loans by the company?

1 A. I was.

2 Q. Were those loans for personal uses or corporate uses or
3 both?

4 A. Both.

5 Q. We will circle back to that in a bit.

6 While you were working at FTX, did you ever use any
7 form of money from the exchange, so stock, cryptocurrency,
8 loans to make large purchases or payments?

9 A. Yes. I made a large investment, I made many donations, and
10 I gave gifts to friends and family.

11 Q. When you started working at FTX, did you continue to work
12 at Alameda?

13 A. Yes.

14 Q. Until what point?

15 A. I am not sure exactly when, but I think sometime early or
16 mid 2020.

17 Q. Just to be clear, as of early or mid 2020, did you stop
18 working at Alameda?

19 A. Right, yes.

20 Q. And you only worked at FTX at that point?

21 A. Correct.

22 Q. By 2022, were you working at Alameda Research at all?

23 A. Not at all.

24 Q. Who was in charge of Alameda at that point?

25 A. Nominally, Caroline Ellison and Sam Trabucco. Ultimately,

1 Sam Bankman-Fried.

2 Q. What do you mean by nominally?

3 A. Trabucco and Caroline had been named the co-CEOs of
4 Alameda. My understanding is that in the end Sam held a lot of
5 the final say.

6 Q. That year, so 2022, what observations if any, did you make
7 about the defendant's involvement in Alameda?

8 A. There were a lot of things. Sam had a six-monitor setup,
9 two tall, three wide. In his middle top monitor I saw a
10 spreadsheet pretty frequently there that had Alameda's trading
11 positions.

12 Sam also sometimes had the pointer balances page open.
13 Pointer is like the Alameda trading UI. So this would have
14 displayed all of Alameda's balances on different exchanges and
15 their loans and such as far as that system tracked.

16 Sam also, as far as I understand, unilaterally,
17 without going through Caroline or Sam Trabucco, spent a lot of
18 Alameda's money with the layers effectuating loans through
19 people like me to get them into FTX US or making investments
20 from Alameda Research ventures.

21 I'm sorry. This answer is long. I know.

22 He referenced to me that he had threatened to fire
23 various people at Alameda, including Caroline, implying that he
24 held that power as well.

25 (Continued on next page)

1 BY MR. ROOS:

2 Q. You used the term UI when talking about the pointer page
3 with balances. What does UI mean?

4 A. User interface. It's like the website that you'd use.

5 Q. You mentioned the defendant's spending at Alameda. How
6 would you describe the defendant's approach to spending?

7 A. Excessive.

8 Q. What do you mean by that?

9 MR. COHEN: Objection. Can we have a foundation, your
10 Honor.

11 THE COURT: Sustained.

12 Q. So, Mr. Singh, did you, in 2022, observe spending by the
13 defendant?

14 A. Yes.

15 Q. Did you have conversations with the defendant about his
16 spending?

17 A. Many.

18 Q. In the course of those conversations—we'll start at a high
19 level—did you ever express a view as to his approach to
20 spending?

21 A. Many times.

22 Q. How would you describe your view of the defendant's
23 approach to spending?

24 A. I often learned about large incidents of spend after the
25 fact and got conflicting reports of how much was spent or who

1 was in charge. I'd frequently go to Sam and express that I
2 thought that, you know—my complaints varied by the instance,
3 but that the spend was too large or that it didn't make
4 sense—in essence, a bad business decision—and I also would
5 express that I felt kind of embarrassed and ashamed of how—how
6 much it all wreaked of excess and flashiness. It didn't align
7 with what I thought we were building a company for.

8 Q. What was the defendant's reaction, if any, when you
9 expressed disagreement with spending?

10 A. Also varied by the instance. Most cases I just didn't get
11 a response. In some cases Sam would correctly state that I
12 didn't have sufficient context to evaluate the spending
13 decisions but Sam did because he was sort of out and
14 interacting with the people that were targets of it. I'd hear
15 that, you know, my opinions had already been factored in and if
16 they, you know—he would—I didn't need to continue sharing
17 them. In one instance, with other people around in the office,
18 when I thought we had been fleeced for \$20 million, Sam got
19 visibly mad at me and said—he said that it was, you know,
20 people like me sowing seeds of doubt in the company decisions
21 that were the real insidious problem here. It was pretty
22 humiliating.

23 Q. Now I want to talk more specifically about the spending
24 that was happening in late 2021 and 2022.

25 Let's just start by category. You mentioned venture

1 spending. What are you referring to?

2 A. Venture investments made by Sam and Ramnik and others.

3 Q. And then besides the venture spending, what were some of
4 the other categories of spending that you observed in late 2021
5 and early 2022?

6 A. There was large amounts of spending on real estate and
7 endorsement deals, things like deals with celebrities or
8 stadiums.

9 Q. Okay. Let's start by talking about venture spending.

10 MR. ROOS: And pursuant to stipulation S2003, the
11 government offers Government Exhibit 14A, which, according to
12 the stipulation, is a spreadsheet titled Venture Deals, dated
13 June 17, 2022.

14 THE COURT: Stipulation Exhibit S2003 and Government
15 Exhibit 14A are received.

16 (Government's Exhibits S2003 14A received in evidence)

17 MR. ROOS: May we publish it?

18 THE COURT: You may.

19 BY MR. ROOS:

20 Q. Now, Mr. Singh, do you see a spreadsheet on your screen?

21 A. I do.

22 Q. And are you familiar with some of the—do you see the
23 column that says A on it?

24 A. Mm-hmm, yes.

25 Q. Do you see below it project names?

1 A. Yes.

2 Q. Are you familiar with some of the project names listed on
3 this spreadsheet?

4 A. Yes, some of them.

5 Q. And why don't we, I guess—are you able to see the project
6 names fully?

7 A. Some are a little cut off, but I can see most of them.

8 Q. Okay. So starting with the top of the sheet, do you see in
9 column A2 and A3, Genesis Digital Assets?

10 A. Yes.

11 Q. And do you see the—in column E, what the category of that
12 is?

13 A. Yes. Mining.

14 Q. So are you familiar with an investment in Genesis or a
15 mining company?

16 A. Yeah. I don't—yes. I don't recognize the name Genesis
17 Digital Assets, but I know that Sam, Ramnik, and Ryan Salame
18 visited Kazakhstan sometime in late 2021 or early 2022 to look
19 into making a deal with a mining firm there, and I heard later
20 in 2022 from Ramnik that they had spent a billion dollars on
21 it.

22 THE COURT: Let me just interpose another dumb
23 question. When I was your age, mining basically referred to
24 digging in the ground for gold and coal and stuff like that.
25 That's not what you're talking about, is it?

1 THE WITNESS: Almost in some ways, but no, not
2 exactly.

3 THE COURT: Well, would you explain what you were
4 talking about.

5 THE WITNESS: Yeah. Cryptocurrencies—proof-of-work
6 cryptocurrencies relied on a large amount of compute being
7 spent to solve problems, and there are big rewards, like in
8 Bitcoin, in the case of the Bitcoin chain, for doing so.
9 Mining is the activity of throwing a bunch of compute at those
10 problems to get Bitcoin.

11 THE COURT: Well, I'm sure that's the best I'm going
12 to get. I'm not sure how it's going to help me, but the jury
13 is smarter than I am, and we'll go on.

14 MR. ROOS: I'm tempted to take a shot here.

15 THE COURT: Feel free.

16 BY MR. ROOS:

17 Q. Mr. Singh, so at a very high level, what is a crypto mining
18 company making?

19 A. It doesn't really produce physical goods. It instead has a
20 bunch of computers that try to solve problems. Those problems,
21 when solved, are used to bundle together a bunch of
22 transactions on a blockchain, making them official, and making
23 them part of the chain.

24 And so the service they provide is—is sort of
25 verifying and making official transactions that other people

1 have proposed, and their reward is that the chain natively
2 gives them a Bitcoin—it's one or some number of them—every
3 time they do so.

4 THE COURT: And please forgive me if we've done this
5 before, but tell everybody what a blockchain is.

6 THE WITNESS: It's an electronic database that
7 tracks—it tracks a lot of transactions, but doesn't live in
8 one place; it lives in a distributed manner across many
9 people's computers.

10 BY MR. ROOS:

11 Q. And you mentioned an amount. Take a look at column F at
12 the top. Do you see the two transaction amounts at the top
13 there?

14 A. Yes.

15 Q. And what's their total together for Genesis?

16 A. 150—sorry—1,050,000,000.

17 Q. And how does that compare to the amount you had heard had
18 been spent on the mining company?

19 A. I'd heard 1 billion, so it's pretty close.

20 Q. Now take a look at column K, and the first two lines there
21 under Investment Entity. And what is the investment entity
22 listed for this Genesis Digital Assets investment?

23 A. Alameda Research LLC.

24 Q. What, if any, involvement did the defendant have in
25 acquiring or investing in the mining company you heard about?

1 A. I think he was calling the shots there. He went to go
2 visit them for multiple days. That's a pretty extreme sort of
3 sacrifice in Sam's calendar.

4 THE COURT: How do you know that?

5 THE WITNESS: I don't know that he was the one to pull
6 the trigger on the investment. I do know that Sam was in
7 general the one making the final decision on investments and
8 investment team decisions as a whole.

9 THE COURT: And how do you know that?

10 THE WITNESS: Conversations with Sam and Ramnik and
11 overhearing their process.

12 THE COURT: Proceed.

13 MR. ROOS: Thank you, your Honor.

14 BY MR. ROOS:

15 Q. Let's take a look at row 4 here on the spreadsheet. Do you
16 see a payment to a project name called Anthropic and the
17 investment amount of \$499,999,900?

18 A. Yes.

19 Q. Are you familiar with Anthropic?

20 A. Yes, I am.

21 Q. What is it?

22 A. It's an AI company focused on AI safety.

23 Q. Do you know what the almost \$500 million to Anthropic was
24 for?

25 A. I know what we were told it was for. It was compute.

1 Q. What do you mean by that?

2 MR. COHEN: Objection, hearsay.

3 Q. Who told you that?

4 A. Dario Amodei—I don't know if I'm getting the pronunciation
5 right—who runs Anthropic.

6 THE COURT: Sustained.

7 Q. Just at a high level, not how the funds would be used, but
8 why was money being sent to—withdrawn.

9 To what extent, if at all, was this an investment or
10 acquisition of Anthropic?

11 A. It was an investment.

12 MR. COHEN: Objection, foundation.

13 THE COURT: Answer stricken. You can lay a
14 foundation, if you can.

15 Q. Did you have conversations with the defendant about a
16 payment to Anthropic?

17 A. I did.

18 Q. And what did you understand the payment was for?

19 THE COURT: Let's start with what was said.

20 Q. What did the defendant say to you?

21 A. That we were going to invest \$500 million in Anthropic.

22 Q. Okay. And what involvement, if any, did the defendant have
23 in the Anthropic investment?

24 A. Extreme amount of involvement. I was in the Hong Kong
25 office—

1 MR. COHEN: Objection.

2 THE COURT: What's the objection?

3 MR. COHEN: Foundation.

4 THE COURT: Yes. Mr. Roos.

5 Q. Did you observe the defendant having any involvement in
6 Anthropic?

7 A. Yes.

8 Q. —in the Anthropic investment?

9 A. Yes.

10 Q. Did you have conversations with the defendant about the
11 Anthropic investment?

12 A. Yes.

13 Q. Based on your conversations and your observations, what, if
14 any, involvement did the defendant have in the Anthropic
15 investment?

16 A. He set it up and decided on it.

17 Q. What entity does the spreadsheet say was the investment
18 entity for these Anthropic investments?

19 A. Alameda Research Ventures LLC.

20 Q. Take a look at row 7. And do you see in row 7 the project
21 name is K5?

22 A. Yes.

23 Q. Do you see the investment amount is \$200 million?

24 A. Yes.

25 Q. And do you see on the spreadsheet in column C who it says

1 the lead is on this investment?

2 A. Sam Bankman-Fried.

3 Q. Okay. Now who ran K5?

4 A. Michael Kives and Bryan Baum.

5 Q. Do you know—just yes or no: Do you know whether or not
6 the defendant ever met Michael Kives and Bryan Baum?

7 A. I do. Yes, he did.

8 Q. And—

9 THE COURT: How do you know that?

10 THE WITNESS: I saw them meeting.

11 THE COURT: Thank you.

12 Q. And did you ever speak to the defendant about meeting
13 Michael Kives and Bryan Baum?

14 A. Yes.

15 Q. And what, if anything, did he say to you about that?

16 A. He was very impressed with their—their level of connection
17 to influential celebrities and entrepreneurs. He thought it
18 would be useful for FTX to leverage those connections.

19 Q. Are you familiar with a document about why FTX should
20 partner with K5?

21 A. Yes.

22 MR. ROOS: Pursuant to stipulation S2003, the
23 government offers Exhibit 42, which, according to the
24 stipulation, is a document titled K5 Relationships and
25 Marketing, dated February 15, 2022.

1 THE COURT: It's received.

2 (Government's Exhibit 42 received in evidence)

3 MR. ROOS: May we publish?

4 THE COURT: You may.

5 MR. ROOS: And can we zoom in on the first, let's say,
6 third of this first page.

7 BY MR. ROOS:

8 Q. Mr. Singh, have you seen this document before?

9 A. Yes, I have.

10 Q. What was the context of you seeing it?

11 A. Sam sent this to a group of a bunch of people in some form
12 of leadership at FTX. I think it was in the Signal chat called
13 hashtag meetings.

14 Q. And what, if anything, did he say about the document?

15 A. I don't know—I can't remember anything he said about the
16 document. I just know what the document says.

17 Q. Now—

18 THE COURT: Excuse me. Was this sent to you as part
19 of this leadership group or did you come to see it some other
20 way?

21 THE WITNESS: I was in that group, so it was sent to
22 me.

23 THE COURT: Thank you.

24 Mr. Roos, please. I don't want to have to do this
25 every time.

1 MR. ROOS: Thank you, your Honor.

2 BY MR. ROOS:

3 Q. Let's start at the top of the document. It says, "In LA
4 last weekend, I met with Michael Kives and his firm, K5."

5 At around the time did you have any conversations with
6 the defendant about meeting with Michael Kives and his firm K5?

7 A. Yes.

8 Q. And what, if anything, did he say?

9 A. Sam said that he had gone to a post- or pre-Super Bowl
10 party in LA and that he had met the most impressive collection
11 of people he ever had in one location and that that dinner
12 party in which he met them was organized by the two folks at
13 K5.

14 Q. Now the document says, "In attendance at the dinner at his
15 house were," and lists a bunch of names. Do you see that?

16 A. Yes.

17 Q. Do you recall the defendant telling you about the dinner?

18 A. Yes.

19 Q. And now with this list of names of people who were at the
20 dinner, if you recognize a person or people on the list, can
21 you say who they are.

22 A. Sure. I can go through them now?

23 Q. Please.

24 A. Hilary Clinton. She was a presidential candidate.

25 MR. COHEN: Stipulated.

1 THE COURT: Thank you, Mr. Cohen.

2 MR. ROOS: Your Honor, can the witness proceed.

3 THE COURT: The witness can proceed.

4 A. Doug Emhoff, who is Kamala Harris's husband; Katy Perry is
5 a singer; Orlando Bloom is an actor; Kate Hudson I believe is
6 an actress; Leonardo DiCaprio is an actor; Jeff Bezos ran
7 Amazon. I don't know No. 8. I don't know No. 11. Kendall and
8 Kris Jenner, I honestly could not tell you what they do.

9 MR. ROOS: Okay. We can zoom out.

10 Q. Now part way down the page, do you see the heading that
11 says "They want with us"?

12 MR. ROOS: Can we zoom in on that section.

13 Q. And No. 6 says, "Maybe us to invest in them or some stuff,
14 idk." What is "idk"?

15 A. "I don't know."

16 MR. ROOS: If we could zoom out on this part. And can
17 we zoom in on the part that says, "We get from them."

18 Q. It says, "We can get from them essentially infinite
19 connections. I think that if we asked them to arrange a dinner
20 with us, Elon, Obama, Rihanna and Zuckerberg in a month, they
21 would probably succeed."

22 Did you have any conversations with the defendant
23 about getting connections through Michael Kives or K5?

24 A. Yes.

25 Q. And what, if anything, did the defendant say to you about

1 the purpose of getting connections?

2 A. That it would be extremely valuable for FTX's and his own
3 reputation and influence.

4 Q. The second number here says, "Potential endorsement deals";
5 the third says, "Potential unpaid partnerships with
6 celebrities"; the fourth says, "Working together on electoral
7 politics." What, if anything, did the defendant say to you
8 about why those things mattered?

9 A. I think he said that these are all areas in which
10 increasing FTX's influence would help propel its success, that
11 endorsement deals and celebrities can promote FTX. I don't
12 recall explicitly talking about the relationship between K5 and
13 electoral politics.

14 MR. ROOS: Now let's zoom out from here and go to the
15 next page.

16 And can we zoom in on the last paragraph.

17 Q. And do you see the second sentence that says, In particular
18 I think it's something of a one-stop shop for relationships
19 that we should utilize, and can supersede a lot of other things
20 we have"?

21 A. I see that.

22 Q. Besides writing that document, did you ever—did the
23 defendant ever say anything to you in substance similar to
24 this?

25 MR. COHEN: Objection, form.

1 THE COURT: Sustained, form.

2 Q. What, if anything—well, let me just ask: Yes or no, did
3 you have any other communications with the defendant about a
4 one-stop shop for relationships?

5 A. Yes.

6 Q. And what, if anything, did the defendant say to you about
7 that?

8 A. I recall him using that exact phrase, that it would be
9 extremely convenient to not have to manage many of the
10 relationship brokers but just this one.

11 MR. ROOS: We can take this down.

12 Q. After you received this document, just yes or no, did the
13 defendant spend any more time with Michael Kives and Bryan
14 Baum?

15 MR. COHEN: Objection, foundation.

16 MR. ROOS: I'm just asking yes or no, and I'm going to
17 lay the foundation.

18 THE COURT: Well, then the question is problematic.
19 It's leading, so let's—

20 MR. ROOS: Okay. I'll rephrase.

21 BY MR. ROOS:

22 Q. Mr. Singh, what, if anything, did you observe about the
23 defendant's interactions with Bryan Baum or Michael Kives after
24 you received this document?

25 THE COURT: If anything. Or you've got the "if

1 anything." Sorry.

2 A. I physically saw them meeting multiple times in the Bahamas
3 penthouse, and I'd heard from Sam that they had gone on—I
4 believe they'd gone on some trips together. Sorry. I knew
5 they'd gone on some trips together. I can't remember if it was
6 before or after this document.

7 Q. Okay. Showing you now what's marked for identification as
8 Government Exhibit 1451. Do you recognize people in this
9 photo?

10 A. I do.

11 Q. Government offers—well, let me just ask you: Who do you
12 recognize, for starters?

13 A. Katy Perry is on the far left; Orlando Bloom is to her
14 immediate right; Michael Kives to Orlando Bloom's
15 immediate—he's the man to his immediate right; Sam is
16 immediately to Michael Kives's right; and I don't recognize
17 anyone else.

18 MR. ROOS: Government offers 1451.

19 THE COURT: Received.

20 (Government's Exhibit 1451 received in evidence)

21 MR. ROOS: Can we publish it.

22 THE COURT: Yes.

23 Q. Mr. Singh, now that the jury can see it, can you point out
24 the individuals that you just identified.

25 A. As in like go through the same process?

1 Q. Yes.

2 A. Sure. Katy Perry is on the far left in the green;
3 immediately to her right is Orlando Bloom with the hat; the man
4 immediately to his right is Michael Kives; and then Sam is
5 immediately to Michael Kives's right.

6 Q. Now what, if any, conversations did you have with the
7 defendant about investing in K5?

8 A. Sam sent a—like a term sheet of a Google Docs to me and
9 Gary one night after meeting with Bryan Baum in the Bahamas
10 penthouse.

11 Q. After receiving that term sheet what, if anything, did you
12 discuss?

13 A. I was pretty shocked. It laid out hundreds of millions of
14 dollars of bonuses to Michael Kives and Bryan Baum and proposed
15 up to a billion dollars long term of capital to give to their
16 VC firm. Surprising given that in the previous—by my
17 understanding till this point was that investments—

18 MR. COHEN: Objection.

19 THE COURT: Sustained.

20 MR. ROOS: I'm sorry. To which part? To his
21 understanding up to this point?

22 THE COURT: "Surprising given that."

23 MR. ROOS: Okay. Thank you, your Honor.

24 BY MR. ROOS:

25 Q. Had you had any conversations with the defendant prior to

1 this point about the nature of the investment?

2 A. I talked with him about the possibility of investment. The
3 sizes and the actual nature of them, not—I don't think we
4 talked about those.

5 Q. After you received this term sheet what, if anything, did
6 you say to the defendant?

7 A. The first thing I asked was: *Is this a done deal? Can we*
8 *go back on this?*

9 Q. What, if anything, did he say?

10 A. He said: *It's basically done. It's not in stone, but*
11 *consider it done.*

12 Q. Did you have—did you speak further after that?

13 A. Yeah. I was very concerned that a move like this was
14 highly expensive and maybe not worth it on its own right. I
15 was concerned that K5 was value extracted and that they would
16 share—

17 MR. COHEN: Objection.

18 THE COURT: Strike the answer. You can re-put the
19 question.

20 Q. So what, if anything—after the point you testified up to,
21 what, if anything, did you discuss with the defendant?

22 A. I was worried that partnering with K5 and giving them this
23 much money would be really toxic to FTX and Alameda culture;
24 that every day I was actively trying to espouse—I felt we all
25 were—that politicking and social climbing was not going to be

1 rewarded, and here we were rewarding people in exorbitant
2 amounts.

3 MR. COHEN: Same objection.

4 THE COURT: Sir, is that something you thought or is
5 that something you both thought and said to the defendant?

6 THE WITNESS: Thought and said.

7 THE COURT: Thank you.

8 Let's go on.

9 BY MR. ROOS:

10 Q. So after you said that to the defendant, how, if at all,
11 did he respond?

12 A. I think I said a few more things and then he responded.

13 Q. What else did you say to the defendant?

14 A. I asked that if we must go through with this that it not
15 interact with FTX lest it mess up FTX's culture and that that
16 meant that Sam would be the person interacting with them, not
17 FTX people, and that it would be Sam's money and not FTX money.

18 MR. ROOS: Could we please put back up Government
19 Exhibit 14A.

20 And can we look at column K of row 7.

21 Q. And what investment entity does the spreadsheet say was
22 used for K5?

23 A. Alameda Research Ventures LLC.

24 Q. Now do you see on this spreadsheet in row 10 a project name
25 called Dave Inc.?

1 A. Yes.

2 Q. Do you know what Dave Inc. is?

3 A. It's a neobank.

4 Q. What's a neobank?

5 A. It's like a bank that exists primarily online, doesn't have
6 brick-and-mortar stores, I believe.

7 MR. ROOS: We can take that down.

8 Q. Besides the venture investments, what other spending was
9 happening in the first quarter of 2022?

10 A. There was spending on endorsement deals and real estate.

11 MR. ROOS: So pursuant to stipulation S2003, the
12 government offers Exhibit 343, which, according to stipulation,
13 is a spreadsheet dated March 23, 2022, called Sponsorships
14 Full.

15 THE COURT: 343 is received.

16 (Government's Exhibit 343 received in evidence)

17 MR. ROOS: May we publish?

18 THE COURT: You may.

19 BY MR. ROOS:

20 Q. Mr. Singh, are you familiar with this spreadsheet?

21 A. Yes.

22 Q. And just as a category, what is listed on it?

23 A. Sponsorship deals and how much they cost.

24 Q. Okay. Starting at the top, do you see the numbers 1a, 1b,
25 and 1c?

1 A. Yes.

2 Q. And what are—what is the Miami-Dade FTX Arena?

3 A. The Miami Heat NBA stadium that was renamed FTX Arena.

4 Q. And did FTX have a sponsorship agreement with them?

5 A. Yes.

6 MR. ROOS: Can we show the witness Government
7 Exhibit 1478.

8 Q. Do you recognize this?

9 A. This is that arena.

10 MR. ROOS: Government offers 1478.

11 THE COURT: It's received.

12 (Government's Exhibit 1478 received in evidence)

13 MR. ROOS: May we publish it.

14 THE COURT: You may.

15 Q. Mr. Singh, what are we looking at?

16 A. This is the Miami Heat stadium that was renamed to FTX
17 Arena.

18 Q. And do you know what team plays at the Miami Heat stadium?

19 A. Miami Heat.

20 Q. What's that?

21 A. It's an NBA team.

22 MR. ROOS: Let's put back up Government Exhibit 343,
23 please.

24 Q. How much did the Miami Heat arena sponsorship cost?

25 A. Summing the first three numerical values in column O, it's

1 \$205 million.

2 Q. No. 2 on this list, which is row 8, says MLB. Was there an
3 MLB endorsement?

4 A. Yes.

5 Q. What does MLB stand for?

6 A. I think Major League Baseball.

7 Q. What was the total deal amount?

8 A. I don't know if rows 9 and 10 contribute, but around
9 \$150 million.

10 Q. Do you see—let's look down to row 14 and 15. And do you
11 know who Steph Curry is?

12 A. Yes, a great basketball player.

13 Q. And did FTX have any sort of arrangement with Steph Curry?

14 A. Yes.

15 Q. What?

16 A. I actually don't know the full nature of that.

17 Q. Okay. What was the total deal size listed on this
18 spreadsheet?

19 A. According to this—

20 MR. COHEN: Is he just reading this? Is there a basis
21 beyond that?

22 THE COURT: Yes. Let's find out.

23 Q. Mr. Singh, at the time this was happening, as these
24 endorsements were happening, were you familiar with some of the
25 endorsements and their amounts?

1 A. I mostly learned about them after their—after the fact and
2 certainly learned about the amounts after the fact.

3 Q. And just to be clear, when you say after the fact, when are
4 you referring to?

5 A. After the payment had been made, the deals had been agreed
6 on.

7 Q. But when in 2022 or 2023?

8 A. Like late 2022. I saw—I saw—this sheet was shown to me
9 by Jayesh in late October or early November 2022.

10 Q. Who is Jayesh?

11 A. Jayesh Peswami was the head of finance for FTX.

12 Q. Okay. And what were those circumstances of him sending
13 this to you?

14 A. He came over to my desk and he asked me about a topic
15 called goodwill, which he explained was something like the net
16 present value of future expected growth of an entity, and he
17 wanted to know what a reasonable number for Blockfolio's
18 goodwill will be. We talked about user growth. To
19 substantiate user growth, he showed me how much was being spent
20 on endorsements, which, in theory, lead to user growth.

21 Q. So you've seen this spreadsheet before?

22 A. Yes, I'd seen it before, at that time.

23 Q. Just a few others.

24 Row 21 says Riot LCS. Do you know what that's a
25 reference to?

1 A. Riot is the company that makes League of Legends. LCS is
2 the competitive league that they run.

3 Q. What, if any, relationship did of this with FTX?

4 A. This is an endorsement deal with FTX.

5 Q. Can we look at row 9. I'm sorry. Not row 9. If we look
6 at No. 9a on the list.

7 Are you familiar with Tom Brady and Gisele Bündchen?

8 A. Yes.

9 Q. And who are they?

10 A. Tom Brady is a great quarterback; Gisele Bündchen is a
11 model and philanthropist.

12 Q. What, if any, relationship were you aware of at the time
13 between Tom Brady and Gisele Bündchen and FTX?

14 A. I knew there was some form of—there were a couple things.
15 There was some form of endorsement deal. I also know that FTX
16 was coordinating on some philanthropic efforts with Gisele.

17 Q. Let's look at No. 27 on this list.

18 And do you see the name Larry David?

19 A. Yes.

20 Q. Who is that?

21 A. He wrote *Seinfeld*.

22 Q. Okay. And do you know what the sponsorship was for?

23 A. This was for his role in the Super Bowl ad.

24 Q. Now let's look at line 72.

25 And what was the total deal amount?

1 A. 1.13 billion.

2 MR. ROOS: We can take that down.

3 Q. You mentioned that money in late 2021 and 2022 was being
4 spent on real estate.

5 THE COURT: Before we get into the real estate
6 business, we'll maybe take our morning break. Fifteen minutes,
7 please.

8 THE DEPUTY CLERK: All rise. Would the jury please
9 come this way.

10 (Recess)

11 (In open court; jury present)

12 THE COURT: And folks, forgive me for one minute.

13 Just let me see Mr. Cohen and Mr. Roos at the sidebar.

14 (Continued on next page)

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1 (At the sidebar)

2 THE COURT: During the recess, I just received an
3 automatic email saying that Mr. Bork is on extended leave.

4 MR. COHEN: Oh.

5 THE COURT: And in case of need, call Adam Johnson,
6 and here's the number. I'm certainly not going to put it on
7 the record.

8 MR. COHEN: Thank you, your Honor.

9 THE COURT: Do you have it?

10 MR. ROOS: Yes, we have it.

11 THE COURT: Okay.

12 (Continued on next page)

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1 (In open court)

2 THE COURT: Okay. Let's proceed.

3 BY MR. ROOS:

4 Q. Mr. Singh, before we broke, I'd asked you about real
5 estate. And why don't we just—

6 MR. ROOS: Pursuant to stipulation S2003, the
7 government offers Exhibit 3, which, according to the
8 stipulation, is a spreadsheet called FTX PHL Properties 2021,
9 Leased and Purchased.

10 THE COURT: Received.

11 (Government's Exhibit 3 received in evidence)

12 MR. ROOS: May we publish it?

13 THE COURT: You may.

14 BY MR. ROOS:

15 Q. Mr. Singh, do you see in column A a list of properties by
16 address?

17 A. Yes.

18 Q. Okay. Are you familiar with any of the properties listed
19 in this spreadsheet?

20 A. A handful of them.

21 Q. Which do you recognize?

22 A. There's Albany Lot No. 44 Conch Shack, I recognize that; I
23 think I visited some of the ones in rows 3, 4, and 5 that say
24 Charles at the end; on row 8, Gemini Unit 1D was one of Sam's
25 apartments; on row 12, the Orchid penthouse was Sam's apartment

1 that I and Sam and some eight others lived in.

2 MR. ROOS: Could we scroll down.

3 A. I recognize some of these One Cable Beach ones. I see that
4 there are five and I only know of three, and I don't know which
5 is which, but I know there were three, at least three
6 apartments purchased at One Cable Beach under my and Sam's and
7 Gary's name.

8 Q. Do you recognize any of the other ones?

9 A. Two others. Old Fort Bay, lots 5A and 5B. I'm not
10 certain, but I know that Joe Bankman lived in one home in Old
11 Fort Bay, and this might be the one.

12 And then on row 35, the Veridian Corporate Center
13 No. 23, that was part of the FTX office.

14 MR. ROOS: Could we scroll back up to the top.

15 Q. I just want to clarify, in row 8 it says Albany Building 9,
16 unit 1D. Is that one of the properties you just identified the
17 defendant lived in?

18 A. Yeah.

19 Q. And so I want to be clear. You testified earlier that you
20 lived with the defendant. Did you live in that property?

21 A. No. I lived in the Orchid penthouse in row 12. Sam moved
22 at some point to Gemini 1D.

23 MR. ROOS: Could we publish Government Exhibit 1542,
24 which is in evidence.

25 THE COURT: Yes.

1 Q. What's this?

2 A. This is that—the penthouse that me, Sam, and others lived
3 in.

4 Q. Who else lived there?

5 A. There were I think eight others. I can—I can list them?

6 Q. Okay.

7 A. Claire Watanabe, my girlfriend; Adam Yedidia and Andrea
8 Lincoln; Leila Clark; Duncan Rheingans-Yoo; Caroline Ellison;
9 Sam.

10 Q. What, if any, conversations did you have with the defendant
11 about purchasing real estate in 2021 or 2022?

12 A. We had a couple conversations. I can describe them.

13 Q. Let me ask you more specifically then, what, if any,
14 conversations did you have with the defendant generally about
15 spending on real estate?

16 A. I had one conversation with him while I was still in Hong
17 Kong, where he was talking to a group of people that I was in.
18 He praised Dan Friedberg and Ryan Salame's real estate
19 purchases freely.

20 Q. And what, if any, conversations did you have with the
21 defendant about purchasing the penthouse apartment that's
22 depicted on the screen?

23 A. That group I mentioned, we wanted to live together, so we
24 were searching for a place, we'd landed on one a fair bit less
25 expensive; we went—some group went to go see this apartment.

1 Sam really liked this one. Sam's a fan of views. And there
2 was substantial disagreement about if we should go with it, in
3 part because it was really expensive, in part because it's just
4 super ostentatious. At one point I talked to Sam and expressed
5 that discomfort. Sam said that he would pay \$100 million for
6 the drama to just be done with and go away, which I took as a
7 pretty clear sign that I should shut up and we should move
8 forward with this.

9 (Continued on next page)

1 MR. ROOS: Now, we can take this down.

2 Q. Focusing on the period of late 2021 and early 2022, at that
3 time what did you believe the state of Alameda's finances were?

4 A. I thought it was fantastically wealthy.

5 Q. Just to be clear, what, if any, direct involvement in
6 Alameda's finances did you have at that point?

7 A. None.

8 Q. Did there come a time in 2022 when there was a change to
9 the cryptocurrency market?

10 A. Yes.

11 Q. What happened?

12 A. Are you referring to the crash in May?

13 Q. Let me ask you about that. What, if any, crash in
14 cryptocurrency prices happened in May?

15 A. Luna and UST, an associated stablecoin, had some
16 algorithmic failure and it crashed and, with it, brought down a
17 bunch of other crypto prices.

18 Q. Around that time what, if any, conversations did you have
19 with the defendant about the availability?

20 THE COURT: I'm sorry. Can we just back up.

21 What's an algorithmic failure?

22 THE WITNESS: It's a failure in this case in the
23 financial design of those two tokens and their interactions. I
24 suppose the algorithm itself operated as expected. It was just
25 not robust.

1 THE COURT: What is the algorithm supposed to do?

2 THE WITNESS: I don't actually remember the mechanics
3 of how Luna and UST were supposed to work that well. Something
4 about its design led to an interaction in which their price was
5 driven to near zero.

6 THE COURT: All right. We will take it from there.

7 MR. ROOS: Thank you, your Honor.

8 Q. Around this time, what, if any, conversations did you have
9 with the defendant about the availability of money?

10 A. That night that the crash happened, I was in the Chicago
11 office, maybe 1, 2 a.m., or something like that. I was walking
12 to get a snack from the pantry, and I was beckoned into a room
13 with Ramnik Arora and Tristan Yver. Forgive me. This is not a
14 conversation with Sam. I can skip ahead.

15 Q. I'll ask you the question again. What, if any,
16 conversations did you have with the defendant about the
17 availability of money after the change in the cryptocurrency
18 market?

19 A. Sometime in the weeks to months following this crash, there
20 were meetings held inside my room inside the penthouse in which
21 the topic of needing more collateral or needing more capital,
22 rather, came up. There was a lot of mention of the lending
23 market drying out.

24 MR. COHEN: Can we have a foundation, your Honor?

25 MR. ROOS: No problem.

1 THE COURT: Go ahead.

2 Q. You mentioned meetings in your room. For starters, are you
3 referring to the penthouse?

4 A. Yes.

5 Q. And who were in some of these meetings?

6 A. Always Sam, me, Gary, Caroline, Ramnik. Often Constance,
7 Adam, Claire, Can Sun, Brett Harrison.

8 Q. To pick up on your answer, what was the topic of some of
9 these meetings?

10 A. For some of these meetings -- but forgive me, I don't
11 remember who all exactly was in it, but I know for certain Sam,
12 Caroline, myself, Gary, Ramnik -- that the topic was how to
13 address the fact that the capital markets -- that the lending
14 markets are drying up and that capital is harder to come by.
15 Alameda had taken out large loans from third-party lenders, and
16 presumably it was getting harder to source new loans or to keep
17 a hold of the old loans in this new marketing regime.

18 Q. Let me ask you a few follow-up questions.

19 So you said capital. What are you referring to?

20 A. Lent funds for trading or other purposes.

21 Q. You mentioned lending twice. Who was lending in this
22 context?

23 A. Third-party crypto lenders. Genesis is a name that comes
24 to mind here.

25 Q. What's a third-party crypto lender?

1 A. It's a firm that's in the business of lending money to, in
2 this case, trading firms and just collecting interest on it.

3 Q. What, if anything, did the defendant say in these
4 conversations?

5 A. A number of things. Sam acknowledged and agreed that
6 capital was short. He talked about the need for capital.
7 There were a lot of acquisitions he wanted to make. There was
8 a discussion about if raising would be viable.

9 THE COURT: What does raising mean in this context,
10 please?

11 THE WITNESS: Thanks. Raising money for FTX by
12 selling its equity.

13 THE COURT: Thank you.

14 Q. You mentioned a few things: Borrowing, raising. Was there
15 anything else in your answer about what he raised in the
16 conversations?

17 A. There were specifics along those lines. For example,
18 Ramnik and Sam, I don't remember which proposed it at first,
19 but both talked about it a lot, discussed the idea of acquiring
20 large lending -- large sources of capital that may or may not
21 have been lending to customers of the business, groups like
22 Celsius, Voyager, BlockFi, in part to bail out the space and in
23 part to make Alameda have access to more funds to borrow.

24 Q. You have mentioned the name Ramnik a few times. What was
25 his role at FTX?

1 A. His title was head of product, but he primarily worked on
2 other matters. He headed up, along with Sam, BC investments
3 and raising from FTX investors as in selling FTX equity.

4 Q. Focusing on the same time period, what, if anything, did
5 the defendant say about the availability of money to be
6 borrowed?

7 A. That it was quickly drying up.

8 Q. Now, I want to turn your attention to June of 2022. Did
9 there ever come a time where you were involved in a project
10 relating to Alameda's balances?

11 A. Yes.

12 Q. When was this, approximately?

13 A. Mid June 2022.

14 Q. Who did you work with on the project?

15 A. Caroline, Sam, and Gary.

16 Q. Can you describe what the project was at a high level.

17 A. Yeah. Caroline sent over a Google Doc that had -- it
18 reflected Alameda's system's records of what they had in
19 balances on FTX. It was extremely negative. She asked if this
20 was correct.

21 Q. Now, were you working at FTX at this time?

22 A. Yes.

23 Q. And what, if any, role did you have at Alameda Research as
24 of June 2022?

25 A. I was friends with them socially, but I didn't have a role.

1 I wasn't working there.

2 Q. How did working on this project fit into your overall
3 responsibilities at FTX, if at all?

4 A. It was pretty anomalous. It was regular for me. I didn't
5 have any hesitation about jumping on things that needed help.
6 If it was something that was for Alameda that related to FTX,
7 that was fine, but I had not considered Alameda finances until
8 this point.

9 Q. What, if any, involvement had you had at looking at
10 Alameda's balances prior to June 2022?

11 A. None that I recall.

12 Q. Why were you involved in this project to calculate
13 Alameda's balances?

14 A. I don't know what Caroline was thinking when she messaged
15 the group with me, but insofar as this is a project that relies
16 looking at FTX, the database there, and confirming if the data
17 that they are streaming to their system is valid, I had comfort
18 in those technical systems.

19 Q. You mentioned that Caroline Ellison circulated a
20 spreadsheet. What, if anything, did the defendant say before
21 receiving it?

22 A. I distinctly remember --

23 MR. COHEN: Objection.

24 THE COURT: What is the objection?

25 MR. COHEN: No foundation.

1 THE COURT: I thought I heard it, but, Mr. Roos, won't
2 hurt to hear it again.

3 Q. Just to be clear, who was the spreadsheet circulated to?

4 A. At the very least, myself, Gary, and Sam.

5 Q. And what, if anything, did the defendant say about the
6 spreadsheet?

7 A. Sam said this can't be right. There has got to be an
8 error. Let's dig into it.

9 Q. After that, who, if anyone, dug into it?

10 A. Gary and I did. I asked Gary how I could help because I
11 wasn't sure what the areas of uncertainty might be. Gary asked
12 that I find and search for all the accounts in the FTX database
13 that are either Alameda's or ultimately Sam is responsible for,
14 so Sam mortally owns, and to list them and list the dollar
15 value of their holdings. I made an attempt at that. I
16 think -- Gary thought it was not a great attempt, so he took
17 his own stab at it. I deleted my page and we went with Gary's.

18 MR. ROOS: Let's take a look at Government Exhibit 50,
19 which is in evidence, and, according to the stipulation, S2003,
20 it is a June 13, 2022 spreadsheet called Alameda balances by
21 FTX sup.

22 THE COURT: And the exhibit number again, please?

23 MR. ROOS: Government Exhibit 50, which is in
24 evidence.

25 THE COURT: Thank you.

1 Q. Just briefly starting on sheet 1, what is this sheet?

2 A. This is the sheet that -- that Caroline sent that shows
3 Alameda systems' understanding of their balances in all of
4 these FTX accounts.

5 Q. Let me just take a background question of what we are
6 looking at here.

7 What kind of document or file is this?

8 A. I recall this being a Google Doc.

9 Q. What kind of document do you recognize is on the screen?

10 A. Do you mind rephrasing that?

11 Q. I'm wondering what was the format in which you received
12 this information?

13 A. I received it in Google Docs form, Google Sheets.

14 Q. What's Google Sheets?

15 A. It's a cloud-based version of Microsoft Excel.

16 Q. Did it resemble what we are looking at here?

17 A. Yeah, very closely. Had all the same contents.

18 Q. So what was this first sheet, sheet 1?

19 A. This is the sheet that I first saw when Caroline sent us
20 the document, so presumably the one that Caroline wrote.

21 MR. ROOS: Let's now look at sheet 2.

22 Q. What's this sheet?

23 A. This is the sheet that Gary made with his attempt at the
24 technical exercise that I described.

25 Q. Let me ask you a few questions about what we are seeing

1 here.

2 The first column, A, says, in the first row, ID, and
3 then there are a bunch of numbers below it.

4 What does that column refer to?

5 A. These are the IDs of those accounts in the FTX database.

6 Q. What do you mean, the IDs of accounts in the FTX database?

7 A. Many objects in FTX's database had numbers associated with
8 them and uniquely identified them. Those are called IDs
9 colloquially. These are those identifying numbers for the
10 accounts table.

11 Q. What's listed in column B on the spreadsheet?

12 A. The user name of those accounts. This is another column in
13 the accounts table.

14 Q. What's listed in column C?

15 A. I didn't generate this, but I generated my version of it
16 and I know what Gary told me to generate there. So inferring
17 that he did the same thing or assuming he did, this is the
18 dollar value of the holdings in each of those accounts.

19 Q. So let me ask you about a few of the accounts here. You
20 testified that the defendant said that the initial balance that
21 Caroline Ellison calculated was wrong. Was it?

22 A. Yes.

23 Q. Why was that balance figure wrong?

24 A. There were many reasons it was wrong. The one that had the
25 biggest effect, I believe, is that fiat@FTX.com, which

1 represented the total amount that was in bank accounts to be
2 custodied of customer fiat, that calculation, the system that
3 had been updating that number had a bug such that the
4 obligation that Alameda had was overstated by nearly \$8
5 billion.

6 Q. Let's break down your answer.

7 Starting with the basics, what do you mean when you
8 say fiat deposits?

9 A. FTX supported customers sending traditional currencies.
10 That's what I meant by fiat, things like dollars, euros, GBP.

11 Q. How were those fiat deposits recorded at FTX?

12 A. In a number of ways. One of these systems involved in
13 tracking them interacted with fiat@FTX.com's balances in that a
14 deposit sent to a bank account was credited to a customer on
15 the FTX system by, in effect, transferring from them in the
16 sort of a technical system from the fiat@FTX.com account.

17 Q. What kind of account is the fiat@FTX.com account?

18 A. It's a special account. It's not one that customers would
19 log into. It's an accounting-oriented account.

20 Q. What does the total in the fiat@FTX.com account represent?

21 A. Absent bugs, it is supposed to represent negative the
22 amount that has been net deposited of fiat in the FTX system by
23 customers.

24 Q. What do you mean negative the net amount that's been
25 deposited?

1 A. If the balance here was negative \$10, then that should
2 represent that customers have on net, after all deposits and
3 withdrawals, deposited \$10 into bank accounts.

4 THE COURT: I'm sorry. Into what bank accounts?

5 THE WITNESS: Bank accounts that customers were
6 directed to send to by FTX to be credited on the FTX system,
7 managed either by Alameda or FTX at different times.

8 THE COURT: And so is it correct that that was money
9 which, at least in a sense, Alameda was borrowing from or owed
10 to FTX?

11 THE WITNESS: It certainly owed it to FTX.

12 THE COURT: Proceed.

13 MR. ROOS: Thank you.

14 Q. What does the term fiat liability refer to?

15 A. It refers to the magnitude of this number, the amount that
16 Alameda needs to have custodied on behalf of FTX customers in
17 banks.

18 Q. What's the relationship between the number and the
19 fiat@FTX.com account and what's supposed to be in the bank
20 accounts?

21 A. It is always larger than what should be in bank accounts,
22 but it's very close. The reason it's larger is because for
23 some time deposits had been going into FTX bank accounts, not
24 Alameda ones. Through that point is that the fiat@FTX.com
25 number would have represented exactly what should be in Alameda

1 bank accounts.

2 Q. We will come back to what you just said in a moment.

3 You mentioned earlier in your testimony a bug. Can
4 you describe what you are referring to.

5 A. Yes. Sometime in 2021, Adam Yedidia was working on the
6 fiat system and automating the elements of it. In doing so, he
7 accidentally introduced a bug that prevented the correct
8 accounting for fiat@FTX.com's balances on specific types of
9 withdrawals.

10 As a result, over time there was an error that grew in
11 the balance stored for fiat@FTX.com such that, by June, it
12 was -- the stated number is negative 19 billion but the correct
13 number would have been negative 11.

14 THE COURT: That's June of which year, please?

15 THE WITNESS: 2022.

16 THE COURT: Thank you.

17 Q. Approximately when in June 2022?

18 A. Mid June 2022.

19 Q. Just a few more background questions on this topic.

20 Prior to your discussion of balances in June 2022, had
21 you learned whether or not Alameda was accepting FTX customer
22 deposits?

23 A. Yes.

24 Q. When did you know of that?

25 A. Very, very early in FTX's existence. One of the first

1 things that FTX did before going live was connecting it to
2 OTC.FTX.com, which was a reskin of another OTC system that Gary
3 and Sam had built. That system supported depositing fiat into
4 Alameda's bank accounts. That system could be used to onward
5 funds via fiat deposits to FTX once they were linked.

6 Q. What, if any, conversations did you have with the defendant
7 about Alameda receiving FTX customer deposits prior to June
8 2022?

9 A. We had discussions on improving this set up technically
10 that I helped sort of direct Adam to pursue. I'd also heard
11 from him and from others that the reason that Alameda bank
12 accounts were used at all in the beginning was because FTX had
13 a hard time securing bank accounts but Alameda already had
14 them.

15 Q. Who was the him in the answer you just gave?

16 A. Sam.

17 Q. Prior to June 2022, had you ever spoken to the defendant
18 about the fiat@FTX account?

19 A. Yes.

20 Q. What did he say to you?

21 A. He understood that it was something that Alameda --

22 MR. COHEN: Can we have a time frame, please.

23 THE COURT: Prior to June of 2022.

24 MR. COHEN: More than that.

25 THE COURT: Pardon?

1 MR. COHEN: Is there anything more than that?

2 THE COURT: You can inquire.

3 MR. COHEN: OK. Thank you, your Honor.

4 THE COURT: Proceed.

5 A. Early, maybe December 2019, I remember discussions about
6 the setup of fiat@FTX.com. I think I overheard them. This was
7 an audit discussion I was participating in myself in which
8 there was talk about how fiat@FTX.com would be incorporated
9 into Alameda's own native sense of what their balances were,
10 such that customer deposits made into bank accounts, plus their
11 consideration of fiat@FTX.com, should always be zero.

12 Q. Who do you recall participating in that conversation you
13 overheard?

14 A. Sam Bankman-Fried, Jen Chan, and I believe at least one
15 trader or Alameda engineer, but I don't remember who.

16 Q. What was Jen Chan's role?

17 A. Chief of staff of FTX.

18 THE COURT: Could I just ask go back a minute.

19 You were asked whether prior to your discussions of
20 balances in June '22 you had learned whether or not Alameda was
21 accepting FTX customer deposits, and you said yes.

22 Then you were asked: When did you know that? You
23 said: Very, very early in FTX's existence. One of the first
24 things FTX did before going live was connecting it to
25 OTC.FTX.com, which was a reskin of another OTC system that Gary

1 and Sam had built. That system supported depositing fiat into
2 Alameda's bank accounts. So that system could be used to
3 onward funds via fiat deposits to FTX once they were linked.

4 Now, can you explain that answer.

5 THE WITNESS: I can talk about it mechanically, what a
6 customer would do and how the funds --

7 THE COURT: What we are trying to find out is what you
8 knew about Alameda taking or not taking FTX customer deposits
9 very early in FTX's existence. Could you pick it up from
10 there.

11 THE WITNESS: Me?

12 THE COURT: Yes. That's to you. That's a fair
13 question.

14 THE WITNESS: I knew that FTX customers could deposit
15 funds to Alameda bank accounts in order to be credited with
16 those funds on FTX to trade from FTX's inception and that one
17 of the ways they could do it is by depositing to Alameda bank
18 accounts through the separate system called OTC.FTX.com and
19 then transferring those to FTX.com.

20 THE COURT: Was there another way?

21 THE WITNESS: In December of 2019, an analogous system
22 was set up, but directly on FTX. So customers could, on FTX,
23 view wire instructions that they should send their funds to,
24 and those wire instructions were for Alameda bank accounts.

25 THE COURT: Then how were those deposits reflected and

1 where?

2 THE WITNESS: Those deposits were sent to Alameda bank
3 accounts, and then the technical FTX system through use of --
4 through somebody observing the deposits into bank accounts,
5 somebody would go and manually credit on the FTX system the
6 corresponding user with the amount that they had sent to the
7 bank account, and in that process what would happen under the
8 hood is that fiat@FTX.com would go negative via the amount
9 deposited and the customer's account would go positive via the
10 amount deposited.

11 The net effect is, a customer sent \$10 to an Alameda
12 bank account. Somebody working for Alameda or FTX on the FTX
13 system presses a button that credits the user on FTX with 10
14 virtual dollars and decrements fiat@FTX's.com balance by \$10.

15 THE COURT: Which other FTX.com balance?

16 THE WITNESS: Fiat@FTX.com's balance.

17 THE COURT: That's the way it was supposed to work,
18 right?

19 THE WITNESS: Right.

20 THE COURT: What was the bug?

21 THE WITNESS: The bug, which I think was introduced
22 sometime in 2021, was that when a withdrawal was processed in a
23 specific programmatic way, the customer's balance was
24 successfully decremented, the funds were successfully sent
25 through actual bank accounts, but fiat@FTX.com's like virtual

1 balance was not successfully incremented.

2 THE COURT: So the apparent liability, from the point
3 where the bug was introduced, owed by Alameda to FTX grew and
4 grew. Is that right?

5 THE WITNESS: Yes.

6 THE COURT: And part of that balance was there because
7 it belonged there and part of it was the result of the
8 bookkeeping error by virtue of the failure to reflect the
9 withdrawal from the customer account in the fiat@FTX account,
10 yes?

11 THE WITNESS: That's exactly right.

12 THE COURT: Let's go on.

13 MR. ROOS: Thank you.

14 Q. And who identified that error or bug?

15 A. I am not sure who first identified it, but, in late 2021, I
16 overheard a conversation between Gary and Adam Yedidia or Gary
17 was explaining it to Adam.

18 Q. Take a look at lines 13 and 14 of the spreadsheet.

19 What does this reflect?

20 A. Line 13 reflects what was literally in the fiat@FTX.com's
21 like virtual balance. Line 14 is something that Gary added as
22 a correction for the effect size of the bug until this point.

23 Q. Judge Kaplan asked you about the fiat@FTX account balance
24 being overstated. Where, if anywhere on the spreadsheet, does
25 it reflect that number?

1 A. Negative 19 billion is an overstatement by the number in
2 cell C14.

3 Q. Where, if anywhere, is the correction to that
4 overstatement?

5 A. In row 14, C14.

6 Q. With those two pieces of information, are you able to
7 determine the correct fiat@FTX.com balance as of this date?

8 A. This correctly determines the total amount of customer
9 deposits sent to FTX or Alameda bank accounts. There is one
10 additional step that needs to be taken to find out how much had
11 been sent to Alameda versus FTX bank accounts.

12 Q. Just sticking on this for a moment, how can you determine
13 what the correct balance in fiat@FTX.com is?

14 A. Summing these two numbers.

15 Q. So summing those two numbers, what was the correct balance
16 in fiat@FTX.com at the time?

17 A. About negative \$11 billion.

18 Q. So what does a negative \$11 billion reflect?

19 A. It reflects that in banks, Alameda's or FTX, there should
20 be \$11 billion of fiat sent by customers.

21 Q. Now, at the time of the conversation you had in June 2022
22 about the fiat bug, what, if any, involvement did you have in
23 Alameda's banking?

24 A. None.

25 Q. At this point did you know whether or not Alameda had \$11

1 billion in its bank account?

2 A. I believed it did, but I didn't know either way.

3 Q. What was your understanding as to whether Alameda was
4 allowed to use or spend the FTX customer fiat deposits it had
5 received?

6 A. I didn't have an affirmative understanding, but using it
7 would break common-sense expectations from customers.

8 MR. COHEN: Objection.

9 THE COURT: Sustained.

10 MR. ROOS: Judge, can we have a moment on this one?

11 THE COURT: Ask another question.

12 MR. ROOS: I'll come back to that, actually.

13 Q. Now, do you see below this, in row 17, an account called
14 info@AlamedaResearch?

15 A. Yes.

16 Q. What is the balance at the time of info@AlamedaResearch?

17 A. Negative \$2.78 billion.

18 Q. Do you recognize that account?

19 A. Yes. This is the main Alameda trading account.

20 Q. How was it possible for Alameda to have a balance in its
21 main account of negative \$2.7 billion?

22 A. Alameda had a flag granted to them, a feature called allow
23 negative, which by this point allowed them to be negative via
24 withdrawing or transferring or trading arbitrary amounts,
25 unlimited amounts.

1 Q. What was the flag called?

2 A. Allow negative.

3 Q. And what, if any, role did you have in the creation of
4 allow negative?

5 THE COURT: Let's just find out what he's talking
6 about when we are talking about a flag. I don't imagine it's
7 Don't Tread on Me.

8 THE WITNESS: It's a property of this account stored
9 in the database. Flag means that it can either be true or
10 false, and in this case this allow negative property for this
11 account was true.

12 Q. So it's like a feature?

13 A. It's a feature.

14 THE COURT: It's a feature of the program, right?

15 THE WITNESS: Yes.

16 THE COURT: The same kind of feature that when you try
17 to write a check on my bank account for a million dollars, the
18 bank won't pay it, right? I haven't got a million dollars.

19 THE WITNESS: Same type of thing.

20 Q. If you have the feature turned on that allows negative,
21 what does that allow?

22 A. It allows you to withdraw more your balance such that you
23 can have a negative balance in the end without bound.

24 Q. What, if any, involvement did you have in creating that
25 feature?

1 A. I wrote the first version of allow negative, which had
2 meaningfully different abilities.

3 Q. Before I ask you about the abilities, when you say you
4 wrote it, what do you mean? What are you referring to?

5 A. Under Gary's and Sam's advisement and direction, I wrote
6 the computer code that added this allow negative feature to the
7 code base.

8 Q. What computer code?

9 A. The python future code used as part of the FTX system.

10 Q. What do you mean by code base?

11 A. FTX had a lot of code that it used to sort of run its
12 technical systems. Code base is a term that encapsulates all
13 of that code.

14 Q. I want to be clear about something. Judge Kaplan asked you
15 a question about where the flag was and your testimony was in
16 the database. You just testified about the code. Are those
17 the same things or different?

18 A. They are different.

19 Q. What's the difference?

20 A. The code defines how the system functions, depending on
21 whether or not an account has the flag. The database shows and
22 stores if an account has a flag.

23 Q. Where does this allow negative feature show up for Alameda?

24 A. It shows up as turned on for them in the database.

25 Q. Now, what did the allow negative feature allow Alameda to

1 do initially?

2 A. Initially, it allowed them to go negative up until they hit
3 their collateral limit, but they can go negative in any
4 currency until that point.

5 Q. You mentioned it changed. What, if any, changes are you
6 aware of?

7 A. There were changes later in 2020, such that it could then
8 go negative without any balance, so not bounded by its
9 collateral limit, and there was a change added such that it
10 would never be liquidated.

11 Q. Let me ask you about each of those things. Starting with
12 the last one, what do you mean by, it would never be
13 liquidated?

14 A. Should I describe liquidation first?

15 Q. Sounds good.

16 A. Liquidation is the process of closing out an account that
17 otherwise might end up under water. If an account is put on a
18 bet that could lose by more than the account has collateral in
19 it, it's the exchange's job to sort of close out that bet
20 before that trade has lost more money than the customer
21 initially deposited. It's a safeguard for the exchange and for
22 other customers that, when executed well, prevents accounts
23 from ever going negative, thereby dipping into other customers'
24 assets.

25 Q. And you testified that Alameda's account was exempt from

1 that liquidation. What does that mean?

2 A. That Alameda could be in a position where it was liable to
3 lose a lot of money and hurt other customers, or not just
4 liable but well beyond that fact, had lost a lot of money or
5 borrowed a lot of money such that it was taken from other
6 customers without the system then taking any actions to close
7 out their account or prevent that.

8 Q. What were the other -- you listed them. But what were the
9 other features that allowed negative -- maybe I'm using the
10 word features too many times. What else did allow negative
11 permit an account to do besides avoiding liquidation and going
12 negative?

13 A. It allowed many means of arriving at a negative balance,
14 such as withdrawing money that it didn't have, so any
15 withdrawing such that it was very negative, transferring to
16 others such that it was negative, trading such that it was
17 negative.

18 Q. What do you mean trading such that it was negative?

19 A. Selling a Bitcoin when Alameda's balance was zero Bitcoins,
20 so they would have negative 1 at the end of it.

21 Q. When Alameda had a negative balance in its account and was
22 withdrawing money, where did that money come from?

23 A. Other customers.

24 Q. Why?

25 A. There is only a few sources of funds that comprise what's

1 in FTX's wallets. There is FTX's revenue. Then there is
2 customer assets less Alameda and there is Alameda assets. If
3 Alameda's like stated ownership of an amount is zero and then
4 they go and withdraw it, it must necessarily be coming from one
5 of the other parts or both. For non-USD tokens, if FTX only
6 made revenue in USD-like tokens, then it was necessarily coming
7 from other FTX customers.

8 Q. I have to ask, what is a USD token?

9 A. There are some tokens, like USDC, TUSD, that are
10 stablecoins that are pegged to the dollar, and that in the
11 crypto space are sometimes treated interchangeably with
12 dollars.

13 Q. What's a stablecoin?

14 A. A coin that holds its value at \$1, one U.S. dollar.

15 Q. It's a form of cryptocurrency?

16 A. Right.

17 Q. When you participated in the creation of the allow-negative
18 feature, what did you understand its purpose to be?

19 A. I was told it was for two purposes. It was for unifying a
20 set of existing functionalities for accounts like Alameda
21 accounts to go negative and for giving FTX staff the ability
22 and a page to transfer locked formes of FTT to customers or to
23 pay expenses.

24 Q. When was it that you were told those were the purposes?

25 A. The day of or -- as I was writing the code, so the day of

1 or the day before, when I was instructed to write the code.

2 Q. I'm looking for a date or a year. When was that?

3 A. July 2019.

4 Q. You said someone told you this. Who told you this?

5 A. Sam gave me the project of making a page to allow
6 transferring forms of FTT such that balances of the account
7 that the transfer was coming from could end up negative. Gary
8 suggested the specific implementation in details, including
9 adding the allowed negative flag and sort of all the minutia of
10 what that meant in the code.

11 Q. Taking us back to June 2022 and the spreadsheet, what was
12 your reaction when you saw Alameda had a negative \$2.7 billion
13 balance in its main account?

14 A. It seriously concerned me. This seemed like a real abuse
15 of a feature that until this point I believe was serving FTX,
16 not hurting it.

17 Q. As far as you knew, what was your understanding as to what
18 customers had agreed to?

19 MR. COHEN: Objection.

20 THE COURT: Sustained.

21 Q. What was your understanding as to whether using customer
22 funds was appropriate?

23 A. It was inappropriate.

24 Q. Why?

25 A. Does not meet the default expectations a customer would

1 have, and I don't recall --

2 MR. COHEN: Objection.

3 MR. ROOS: Relevant to his mental state.

4 THE COURT: Sustained. Excuse me. Overruled.

5 THE WITNESS: Should I continue?

6 THE COURT: Continue.

7 A. Yes. And I don't ever recall it being stated to customers
8 that their funds were being taken, and I remember affirmative
9 descriptions from Sam and others that Alameda didn't have
10 special treatment, and this would constitute a form of special
11 treatment.

12 Q. What led you to conclude that the negative 2.7 was, to use
13 your word, abuse and not an allowed use of allow negative?

14 A. The allowed usage or the acceptable uses in my mind
15 resulted -- were ones such that accounts would be negative for
16 incidental reasons and in small amounts and then be shortly
17 after -- would be topped off shortly after.

18 This is not a small amount. It does not strike me as
19 incidental. I expected that this had been there for a while if
20 it was this negative. And it sort of couldn't have been a
21 mistake. This number, Alameda's main accounts balance, is a
22 front-and-center number in all of Alameda's trading systems.
23 It's the sort of thing from my time at Alameda I couldn't
24 imagine being missed or ignored by anyone there.

25 Q. Let's take a look at column I and J. What's reflected in

1 that column?

2 A. There is a total that includes -- it is probably the result
3 of a sum of column C, maybe absent a few lines.

4 Q. If you just look at the top here, I am going to circle it,
5 seeing that, do you know what the total refers to?

6 A. If there isn't something in D indicating to exclude a given
7 row, then the sum is the corresponding value in column C.

8 MR. ROOS: Can we just scroll down and so the witness
9 can see whether there is something in D.

10 Let's go back up.

11 Q. What does the total in column J refer to?

12 A. It looks like it's just the sum, all the things that we see
13 in column C.

14 Q. What's in column C?

15 A. USD values of the holdings in each of those accounts.

16 Q. Now, in response to one of Judge Kaplan's questions you
17 mentioned that there was a change in terms of which accounts
18 were receiving money.

19 Do you remember that answer?

20 A. Yes.

21 Q. What was the change in the bank accounts receiving money?

22 A. Over the course of 2021 and early 2022, FTX started
23 acquiring bank accounts and customer deposits and withdrawals
24 are processed out of those, not the Alameda ones.

25 MR. ROOS: We can take the spreadsheet down, by the

1 way.

2 Q. After FTX got bank accounts in its name, what did the
3 balance in that fiat@FTX account reflect?

4 A. It reflected the total amounts that should have been in
5 Alameda and FTX bank accounts on behalf of customers.

6 Q. So to be clear, was Alameda responsible for the entirety of
7 that fiat liability?

8 A. No.

9 Q. What part?

10 A. They were responsible for the amounts that had been sent to
11 Alameda bank accounts, and then the rest FTX was responsible
12 for.

13 Q. How, if at all, did FTX or Alameda address the combined
14 number in the fiat@ account?

15 A. Sorry. I am not sure what you mean. Do you mind
16 rephrasing.

17 Q. You mentioned that Alameda was not responsible for the
18 entirety of the fiat@ balance?

19 A. Right.

20 Q. What, if anything, was done to address the fact that
21 Alameda was not responsible for the entire amount?

22 A. Adam, Andrea, and Gary went through an exercise with help
23 of the fiat settlement team to determine what the right split
24 was and then separate the liabilities, so they were recorded in
25 separate areas.

1 Q. What do you mean by the right split?

2 A. Determine how much had been sent to Alameda bank accounts,
3 how much had been sent to FTX bank accounts, confirm that there
4 is some lined up with what was stated for fiat@FTX.com, and
5 then split that fiat@FTX.com balance into two balances: One
6 corresponding to what Alameda owed, one corresponding to what
7 FTX owed.

8 Q. You used the word exercise. Do you mean like a project?

9 A. Yes.

10 Q. When was that project to split the fiat liability?

11 A. Sometime in the weeks or months after this June exercise
12 where we discovered this bug.

13 Q. Who took the lead on determining what Alameda owed?

14 A. I'm not confident. I believe -- I know that Adam ended up
15 writing and executing a lot of the code. I know that Gary was
16 very involved in it.

17 Q. What's your understanding of what Adam Yedidia or others
18 did to figure out the balance split?

19 A. I don't have an understanding affirmatively.

20 MR. COHEN: Objection.

21 THE COURT: If you don't have one, let's stop there.

22 Q. Just to be clear, did you work on this project directly?

23 A. No.

24 Q. Now, what, if anything, did you learn about the results of
25 this project?

1 A. That it had happened, that there was in fact a split made,
2 that fiat@FTX.com after the split represented the amounts that
3 were in FTX bank accounts or that FTX was responsible for, and
4 that there was a new subaccount created called FTX fiat old
5 under the info@Alameda Research account that reflected how much
6 Alameda was responsible for or should be in Alameda's banks.

7 Q. Let's break your answer down there.

8 First, it wasn't clear to me. Do you know how much of
9 the fiat@FTX.com liability Alameda was responsible for?

10 A. Yes.

11 Q. What amount?

12 A. I recall seeing that it was around \$8 billion.

13 Q. You testified that the amount of that fiat liability was
14 split between two accounts. Can you explain what you mean?

15 A. Fiat@FTX.com was originally, or as of June we saw, like
16 negative \$11 billion. Alameda owed 8 of that. So if the split
17 was done on that date, then the negative \$11 billion in
18 fiat@FTX.com would be reduced to negative \$3 billion, and a
19 separate account would be created under Alameda's account with
20 the remaining negative 8.

21 Q. To use your example, prior to the project, the total
22 liability was 11 billion, is that right?

23 A. Yes.

24 Q. The split happens. How much was determined to be -- how
25 much was FTX determined to be responsible for?

1 A. I don't remember that number. I only remember Alameda's
2 number.

3 Q. Let's do it the other way. How much was Alameda determined
4 to be responsible for?

5 A. \$8 billion worth of fiat.

6 Q. Where was that fiat liability put?

7 A. It was put into a subaccount of info@AlamedaResearch.com
8 called FTX hold.

9 Q. What do you mean by a subaccount of
10 info@AlamedaResearch.com?

11 A. Alameda employees could log into, like with a user name and
12 password on the site, a high-level account called
13 info@AlamedaResearch.com, but within it there were many
14 subaccounts that had their own distinct balances. Subaccounts
15 had names.

16 There is a new subaccount called FTX fiat old, whose
17 balances didn't reflect Alameda's trading activity; just their
18 share of this fiat liability.

19 Q. What was put in that account?

20 A. All the obligations that Alameda had for customer fiat,
21 customer fiat they should have been holding in banks.

22 Q. What was left in the fiat@FTX.com account?

23 MR. COHEN: Objection. Foundation.

24 MR. ROOS: I think he has laid it.

25 THE COURT: Yes. I think so. Overruled.

1 A. What was left in the FTX -- the fiat@FTX.com was everything
2 else, so amounts that should have been in FTX bank accounts.

3 MR. ROOS: The government offers Government Exhibit
4 647, which, according to stipulation S2002, is a screenshot of
5 a part of the FTX database.

6 THE COURT: Received.

7 (Government Exhibit 647 received in evidence)

8 MR. ROOS: May we publish it, your Honor.

9 THE COURT: You may.

10 And hand out reading glasses.

11 MR. ROOS: Mr. Ahuja will have to use the zoom
12 function.

13 Q. Mr. Singh, I just want to start just by getting the lay of
14 the land, ask you a few background questions of what we are
15 looking at before we get into the details. OK?

16 First, what is the screenshot of?

17 A. This is the result of a query on the FTX database.

18 Q. I want to ask you about the various columns we have here.

19 MR. ROOS: The first column -- maybe, Mr. Ahuja, can
20 we zoom in on the heading and some of the numbers.

21 Q. What does this first column relate to?

22 A. These are account IDs. We talked about IDs in the database
23 earlier. These are the same ones, just for different accounts.

24 Q. What is the account ID 9?

25 A. That is the account ID of Alameda's main trading account.

1 MR. ROOS: Zoom out on this and zoom in on the next
2 column from account user name.

3 Q. What sort of information is in the from-account user name?

4 A. It describes the account that the transfer is sent from.

5 This spreadsheet shows transfers acquired in the database.

6 Q. In terms of the types of information in the database, are
7 you able to view transfer transactions?

8 A. Yes.

9 Q. What's a transfer? What do you mean by that?

10 A. It's a simple movement of money from one account to
11 another. There is not necessarily a physical analogue. It's
12 not that money is wired in the real world. It's just sort of a
13 change of ownership of some amount of money in the FTX system.

14 MR. ROOS: We can zoom out from here.

15 Q. Do you see where -- we looked at from-account ID,
16 from-account user name.

17 Do you see the next one, to-account ID?

18 A. Yes.

19 Q. What does that refer to?

20 A. It's the account ID of the account to which the funds were
21 sent in each given transfer.

22 Q. The next one.

23 A. The user name of that destination account.

24 Q. The next one.

25 A. The time of the transfer.

1 Q. So basically from, to, time, date, is that right?

2 A. Yes.

3 Q. You see the column called coin ID and next to it ticker and
4 next to it coin name.

5 MR. ROOS: Can we take those three together.

6 Q. What is this information?

7 A. These are all descriptors of the asset transferred. They
8 described the numerical ID in the database, the ticker or
9 shorthand representation of that coin or asset, and then the
10 full name of that coin or asset.

11 Q. So starting at the top, USD, what's that?

12 A. U.S. dollars.

13 Q. Then just to take another one, EUR, what's that?

14 A. Euro.

15 MR. ROOS: We can zoom out on this.

16 The next two columns, can we take those.

17 Q. What's the information on these two columns?

18 A. They describe the sizes of the transfer. The first column
19 does so in units of the coin. The second column does so in
20 dollar-equivalence units.

21 Q. Let's look at the last column. What does notes refer to?

22 A. These are notes that are added to the transfer. The first
23 two look to me like notes automatically added by the FTX
24 system. All the other ones were added by a developer running
25 the script.

1 MR. ROOS: We can zoom out.

2 Q. For any particular transfer how do we read this, left to
3 right, right to left, up to down?

4 A. Left to right.

5 Q. Just give us an example.

6 MR. ROOS: Let's zoom in on the first transaction on
7 August 17, so it's the third one down. This is not going to
8 work, to zoom in on it that way. Why don't we start with just
9 the first five columns and zoom in for that date, so row 3 --
10 that's fine.

11 Q. Can you just narrate -- for the row 3, narrate for us what
12 this transaction is.

13 A. The first row here describing a transfer made on August 17
14 of 2022 from info@Alameda Research.com/FTX fiat old to
15 fiat@FTX.com.

16 MR. ROOS: Let's look at, just so can get it zoomed
17 in, the rest of that row 3 from coin ID to the end of it.

18 Q. So a transfer on that date in what?

19 A. Of euros in the amount of 339 million with notes attached
20 called moving counterparty balances to different account.

21 Q. What was the effect of the info@Alameda Research FTX fiat
22 old subaccount transferring, to take the first one, that amount
23 of euros to the fiat@FTX.com account?

24 A. The FTX fiat old account became that much more negative in
25 euros, and the fiat@FTX.com account became that much more

1 positive. If this was the amount that was determined that
2 Alameda should have in its bank accounts for euros, now FTX
3 fiat old after this transfer would correctly reflect the amount
4 Alameda owed, and fiat@FTX.com would correctly reflect the
5 amount that FTX owed.

6 Q. Just to clarify, is money actually being transferred, or is
7 it a bookkeeping entry, or something else?

8 A. This is bookkeeping. There isn't a physical wire that
9 associates with it.

10 Q. Zooming out, looking at all of the transfers that occurred
11 on August 17, what was the combined effect of these?

12 A. The movement of lots of funds. Lots of liabilities shifted
13 from fiat@FTX.com to FTX fiat old.

14 Q. I think said earlier that the end result was that this
15 info@Alameda Research FTX fiat old account had approximately a
16 negative \$8 billion balance?

17 A. Correct.

18 Q. How was that account able to have a negative \$8 billion
19 balance?

20 A. It, as an accounting account, had the allow-negative flag,
21 which allowed it to be unboundedly negative.

22 Q. What does unboundedly --

23 A. Without bound. It could go negative without consequence or
24 limits.

25 Q. After the fiat balance, the negative fiat balance was

1 assigned to this Alameda subaccount, what happened?

2 A. I was -- I noticed it at some point.

3 Q. Why did you notice it?

4 A. Jayesh had asked me to pull some FTX revenue stats from the
5 database. In doing so, I observed that one line item for
6 revenue, line of interest fees, had spiked dramatically, from
7 like \$200,000 to 800,000. I dug into why it had done so and
8 identified that the marginal \$800,000 lined up with one bit,
9 which was a rate charged to the additional negative \$8 billion
10 now housed in Alameda's main account.

11 (Continued on next page)

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1 BY MR. ROOS:

2 Q. All right. So a few follow-ups.

3 First, when was it that you saw Alameda Research was
4 being charged more interest on its accounts?

5 A. I don't remember the exact date, but I—I think July or
6 August.

7 Q. You mentioned this was related to a conversation with
8 someone named Jayesh. Who is that?

9 A. Jayesh was the head of finance for FTX.

10 Q. Okay. And could you explain how it was that this account
11 was being—or withdrawn.

12 Can you explain why it was that this account was
13 accruing interest.

14 A. There was a system in place to charge Alameda and other
15 accounts with lines of credit, if configured, for their used
16 line of credit. This considered negative balances. As part of
17 moving fiat@ftx.com, part of that amount, into FTX fiat old,
18 there was an additional negative \$8 billion in one of the
19 Alameda high-level accounts, and so that was considered as part
20 of what was the used line of credit and they were now being
21 charged interest on it.

22 Q. I'm going to ask you some more questions about line of
23 credit in a bit, but just at a high level, what is a line of
24 credit?

25 A. It's a nonwithdrawable dollar amount that's granted to

1 allow for easier trading without actually having to deposit as
2 much money.

3 Q. And why was this \$8 billion negative balance on the FTX
4 fiat old account being charged interest as a line of credit?

5 A. Because it contributed to total negative balances in all
6 subaccounts of this user, which was one of the factors
7 considered when determining how much of Alameda's granted line
8 of credit was used and therefore charged interest on.

9 Q. Now what, if any, conversations did you have with the
10 defendant about the charging of interest on this account?

11 A. I brought this up with him. I said, it looks like after
12 the splits that Adam and Andrea did of FTX versus Alameda fiat
13 liabilities, they put it inside a subaccount that's
14 contributing to the amount that Alameda is charged in interest.

15 Q. What, if anything, did he say in response?

16 A. He said that seemed incorrect, in theory those balances are
17 in banks, it's not something that they're borrowing in sort of
18 the traditional sense, they're custodying it, so they shouldn't
19 be charged interest, let's move as a liability out of a
20 location where it's being charged interest.

21 Q. What happened next?

22 A. I followed his instructions. I asked a group with a bunch
23 of Alameda FTX and traders—Alameda traders and developers and
24 FTX developers if there was an account that I could move this
25 to that they were tracking so they wouldn't lose track of it

1 such that it was—such that it wouldn't be charged interest
2 anymore, and I believe one of Terence Choo and Caroline Ellison
3 gave me the name of the account to move it to.

4 Q. And who was on—who do you recall being on that message
5 exchange about this?

6 A. This was in Signal. At the very least it included me,
7 Gary, Adam, Andrea, Sam, Terence Choo, and Caroline Ellison. I
8 believe it also had other Alameda traders and FTX developers.

9 Q. And so was this FTX fiat old account moved?

10 A. Yes.

11 Q. To what account was it moved to?

12 A. I moved it to the account that I was given by the Alameda
13 traders, one called seoyuncharles88@gmail.com.

14 MR. ROOS: Could we please publish what's in evidence
15 as Government Exhibit 645.

16 And could we zoom in on, just to make it a little
17 larger, how about the first three columns.

18 Q. And Mr. Singh, what does this show?

19 A. These show the subaccounts under the
20 seoyuncharles88@gmail.com account. The first column is an
21 account ID. We've talked about that some. The second column
22 described the ID of the user that the subaccount is housed
23 under. So in all cases it's the seoyuncharles88 account. And
24 the user name describes the—like the label for the account,
25 which is only generated at the time that the account is

1 created.

2 Q. So looking at the user name, at the last one on this list,
3 is that the same user name as the one we saw on the last
4 exhibit?

5 A. Yes.

6 Q. And why is that user name for that subaccount now
7 associated with seoyuncharles88@gmail.com?

8 A. The user name says inputalameda-research.com because it was
9 Adam or Andrea made the subaccount under
10 info@alameda-research.com. It now shows it being associated
11 with seoyuncharles88 because at instruction, I moved its
12 ownership from inputalameda-research.com to seoyuncharles88.

13 Q. What was the result of moving this subaccount to be under
14 seoyuncharles88@gmail.com account?

15 A. My understanding is that the—Alameda continued to track
16 the liability as it had—no change there—but that interest was
17 no longer being charged on this amount.

18 Q. And how, if at all, was the defendant involved in the
19 movement of this subaccount to the seoyun account?

20 A. He instructed me to make the movement, and he was in the
21 chat in which a trader told me which account to move it to.

22 MR. ROOS: Your Honor, I'm about to change topics. I
23 can keep going or—

24 THE COURT: No. I think we could use a break.

25 MR. ROOS: Okay.

1 THE COURT: 2:00, members of the jury.

2 THE DEPUTY CLERK: Will the jurors please come this
3 way. Bring your notebooks with you. All rise.

4 (Luncheon recess)

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1 AFTERNOON SESSION

2 2:07 p.m.

3 (In open court; jury present)

4 THE COURT: The jurors and the defendant all are
5 present, as they have been throughout.

6 The witness is reminded he's still under oath.

7 Mr. Roos, you can continue.

8 MR. ROOS: Thank you, your Honor.

9 BY MR. ROOS:

10 Q. I want to change topics and talk to you about futures
11 trading and collateral.

12 Did FTX allow customers to trade cryptocurrency
13 futures?

14 A. Yes.

15 Q. And what's a cryptocurrency future?

16 A. It's a product that customers can buy such that if it goes
17 up, they'll make money, or short, that if it goes down, they'll
18 make money.

19 Q. So for example, what does a Bitcoin future do?

20 A. It's a product, a financial product, that eventually
21 resolves the price of a Bitcoin and so users can bet on Bitcoin
22 by trading it.

23 Q. What do you mean by resolves the price of a Bitcoin?

24 A. At some point the future will expire. When it does, it
25 will be—every—every future that is purchased will turn into

1 the price of Bitcoin at the time of expiry.

2 Q. So if I thought the price of Bitcoin was going to go up,
3 what would I do?

4 A. You would buy the future.

5 Q. What type of future?

6 A. The Bitcoin future.

7 Q. And what if I thought the price of Bitcoin was going to go
8 down?

9 A. You'd short the future, or sell it.

10 Q. Now to do futures trading—well, let me ask you, did
11 ftx.com allow futures trading?

12 A. From day one.

13 Q. And to do futures trading, what was required of a customer?

14 A. Customer had to deposit collateral.

15 Q. What's collateral?

16 A. Real liquid funds that the customer owned used as safety
17 buffer such that if they lose money, the customer can get
18 liquidated, their positions closed, before they lose the
19 entirety of their collateral.

20 Q. Okay. So to break that down, what can be collateral?

21 A. Liquid funds, things like dollars or Bitcoin or other
22 tokens.

23 Q. Did FTX treat different types of collateral differently?

24 A. Yes.

25 Q. How so?

1 A. Some forms of collateral, everything that wasn't just US
2 dollars or other forms of fiat, had a haircut applied to it,
3 meaning that if, you know, one Bitcoin was worth \$20,000, it
4 may only contribute \$18,000, say, towards their effective
5 collateral.

6 Q. What requirements did FTX have, if any, about where
7 collateral had to be kept?

8 A. On the exchange.

9 Q. What do you mean by that?

10 A. Customers had to deposit their collateral.

11 Q. Deposit it where?

12 A. To FTX.

13 Q. And you mentioned liquidations, and you talked about that
14 in the morning. What happened if a customer, for example, was
15 shorting Bitcoin and they started to lose money?

16 A. If a customer was losing enough money—money—enough money
17 that it approached the value of their collateral, so say if
18 they had a thousand dollars of collateral and they had lost
19 \$600 in trading, there would be some point, maybe, you know,
20 when they lost 700, at which—when FTX would liquidate the
21 customer, closing their positions, as in selling off whatever
22 futures bets they had made, hopefully—with a goal that they
23 wouldn't lose the remaining \$300.

24 Q. Are you familiar with the term "clawback"?

25 A. Yes.

1 Q. What's a clawback?

2 A. A clawback is a mechanism for resolving any losses that
3 arise from a liquidation. And by losses here, I mean instances
4 in which the account being liquidated ends up negative. So you
5 could imagine that somebody has—same thing—a thousand dollars
6 of collateral, they make a bet, and before the liquidation is
7 complete, their futures position has actually lost \$1,001, so
8 they've lost more money than they ever deposited in collateral.
9 There's negative \$1 around to resolve. One way of resolving
10 this is through a clawback, a system in which that 1 dollar
11 is—that loss is sort of socialized, so it's called, across a
12 bunch of other users, as in everybody else pays.

13 Q. While you were working at FTX did it ever do clawbacks?

14 A. No, not that I'm aware of.

15 Q. And what did the code say, if anything, about clawbacks?

16 A. Yeah, I brought this up with Sam and Gary at some point
17 when I discovered it. Clawbacks weren't even implemented.

18 Q. What do you mean "weren't even implemented"?

19 A. That the code could never cause a clawback.

20 Q. So what does that mean?

21 A. Even in instances in which a customer account ended up
22 negative and the insurance fund, which is a sort of bailout
23 pool of cash, was empty, the expected option for resolving the
24 negative balance would be a clawback, but there was nothing in
25 the code that would do that. Instead, the account would remain

1 negative and—and Sam and Gary or others would sort of manually
2 handle it however they saw fit.

3 Q. Now did Alameda do—I'm sorry. Did Alameda trade futures
4 on FTX?

5 A. Yes.

6 Q. You testified a moment ago that futures trading typically
7 required collateral. What, if any, conversations did you have
8 with the defendant about the collateral Alameda had to support
9 its trading, its futures trading?

10 A. I had a discussion in September, early September, about
11 this.

12 Q. What did you—

13 THE COURT: What year?

14 THE WITNESS: 2022.

15 Q. What did you discuss with the defendant in September 2022
16 about this?

17 A. That historically, according to a project that I'd run,
18 like a batch historical data, there were points when Alameda's
19 main account had not nearly enough collateral if you did not
20 include their enormous line of credit.

21 Q. Okay. So let's start with the timing of this conversation.
22 Do you remember approximately what date it occurred on?

23 A. Yeah. I believe it was either like August—sometime
24 between August 31st and September 2nd.

25 Q. You mentioned a calculation you did. What was the

1 calculation?

2 A. I wrote a script that would emit for each day Alameda's
3 total position size, as in the USD equivalent of how many—how
4 much they had on in futures positions, the total collateral
5 they had in the system, and how much collateral was needed to
6 support their positions. From these, I could determine
7 how—how much collateral they didn't have, and so how much of
8 their line of credit in their main accounts they were using.

9 Q. And so before we talk about line of credit, what did you
10 determine about how much collateral they didn't have?

11 A. There were points when, using just their deposits, not
12 their line of credit, Alameda had around \$10 billion—they were
13 like on—\$10 billion short of what they needed to be.

14 Q. Now you've mentioned line of credit a few times. For
15 starters, what is a line of credit?

16 A. In the context of FTX, it's an amount that is granted to
17 the customer, it's not withdrawable, but it contributes towards
18 what FTX considered to be their collateral, meaning that
19 customers could trade using that line of credit as if they had
20 deposited funds but without actually having done so.

21 Q. Just to be clear, is a line of credit the same as
22 collateral?

23 A. It's not the same.

24 Q. What's the difference?

25 A. It's—if there's—there aren't physical assets backing,

1 there's just trust.

2 Q. Did Alameda have a line of credit?

3 A. An enormous one.

4 Q. How large was it?

5 A. By the end, it was \$65 billion.

6 Q. How did that compare to other customers?

7 A. Significantly larger.

8 Q. What do you mean by that?

9 A. Other customers, if memory serves, had lines of credit on
10 the order of hundreds or tens of millions of dollars.

11 Q. As far as you knew, was it publicly known outside of
12 Alameda—sorry—outside of FTX that Alameda had a \$65 billion
13 line of credit?

14 A. Not that I know of. I don't think it was known.

15 Q. So circle back to your conversation with the defendant on
16 September 1st or 2nd. After you told him that Alameda did not
17 have enough collateral in FTX without its line of credit, what,
18 if anything, did he say?

19 A. His first question was if I was including all of Alameda's
20 other subaccounts and accounts on the system. I responded no,
21 the purpose of this exercise was just for evaluating Alameda's
22 main account, the one we've seen with account ID 9. Sam came
23 back to me sometime later and asked if I could transfer in the
24 Serum that I, Gary, Caroline, and Sam personally held into
25 Alameda's main account, at some historical time, to make it

1 appear that Alameda always had more collateral than it did.

2 Q. Okay. For starters, what's Serum?

3 A. Serum is a cryptocurrency that Sam and Gary created.

4 Q. And why did you, Gary Wang, and Sam Bankman-Fried have
5 Serum in your own accounts?

6 A. We, like other employees, bought a lot of it at Serum's
7 genesis. Sam decided how much everyone could buy. I think
8 everyone bought the maximum allotted amount.

9 Q. What would it mean to move the Serum?

10 A. It would mean—like mechanically, you mean?

11 Q. Yeah. What were you talking about there?

12 A. Yeah. Making a transfer, like the ones we've seen in the
13 FTX database, but backdating it, making it appear as though it
14 happened earlier so that it looked as if the funds had been
15 there for a long time.

16 Q. You used the phrase earlier in your testimony "a historical
17 time." What did you mean by that?

18 A. Some previous time, sometime before Alameda had, you know,
19 \$10 billion less than it should have, or it was using
20 \$10 billion of its line of credit.

21 Q. What was the purpose of backdating?

22 A. To make it appear as if Alameda did have sufficient
23 collateral to fool the eventual targets of—the eventual—

24 MR. COHEN: Objection.

25 THE COURT: What's the objection?

1 MR. COHEN: To the latter part of the answer.

2 MR. ROOS: Relevant to his understanding of the
3 purpose.

4 THE COURT: Overruled.

5 BY MR. ROOS:

6 Q. Go ahead.

7 A. I understood the purpose to be to fool the eventual
8 recipient of this—this, like, data that I was collecting,
9 which was the CFTC.

10 Q. What's the CFTC?

11 A. Blanking on the first letter.

12 Q. If you don't remember what the acronym is, can you just
13 tell what you understand the agency to be or what the acronym
14 stands for?

15 A. Commodities and futures trading commission, possibly.

16 Q. Now this transaction you testified about, can you walk—can
17 you describe how it would have changed that negative
18 \$10 billion number.

19 A. All right. So it would have made it look like Alameda's
20 main account held much more Serum than it actually did. But
21 the Serum was actually, you know, in locked form. It would be
22 locked Serum. That's what we had, locked Serum by default,
23 because it isn't liquid, it can't be sold, was not something
24 that FTX considered to be contributing to collateral. And so
25 implicit in Sam's request was to also adjust the rules about

1 what I was computing as collateral to include this locked
2 asset. It would make it eventually appear as if Alameda was
3 using a lot less of its line of credit, not \$10 billion.

4 Q. And how, if at all, would this have affected Alameda's line
5 of credit that you were talking about?

6 A. Do you mind clarifying the question.

7 Q. You said this was in the context of a conversation about
8 collateral and lines of credit. How, if at all, did including
9 this Serum affect the line of credit issue?

10 A. It didn't change anything about the line of credit
11 directly. What it did was it would have adjusted my
12 calculation about how much of it was used since any amount of
13 collateral held was necessarily counted against what was, you
14 know—it wasn't—that's an amount that wasn't drawn from the
15 line of credit and wasn't used from the line of credit.

16 Q. Now did you do this transaction?

17 A. I didn't.

18 Q. Why not?

19 A. It felt wrong. I mean, I was fine giving up my personal
20 assets. I'd taken on debts and given up my assets for the
21 company countless times. But I understood the purpose of this
22 exercise to be, you know, to fool a US regulator and to fool
23 employees of the company, and I wasn't comfortable with that.

24 Q. While we're on this topic of line of credits, I want to ask
25 you a few follow-up questions.

1 To be clear, did most customers on FTX have lines of
2 credit?

3 A. Not most.

4 Q. And who did have lines of credit?

5 A. The EIT users, sometimes those were individuals, but
6 oftentimes they were trading firms, large trading firms.

7 Q. And apart from Alameda, did any customers have lines of
8 credit in the range of a billion dollars or more?

9 A. I don't recall what the largest one was outside of Alameda
10 by the end of FTX, but I know that at some point in 2022 when I
11 inspected them, there weren't any that were over a billion
12 dollars except for Alameda's.

13 MR. ROOS: At this time the government offers
14 Government Exhibit 5, which, according to a stipulation marked
15 S2003, is a spreadsheet titled Locks, dated September 5, 2022.

16 THE COURT: Received.

17 (Government's Exhibit 5 received in evidence)

18 Q. Mr. Singh, I want to ask you about a few of the numbers on
19 this spreadsheet before you, okay?

20 A. Okay.

21 Q. Do you see in column A, the heading says email?

22 A. Yes.

23 Q. And in column B, it says sum?

24 A. Yes.

25 Q. So reading in those two columns, do you see row 2, where it

1 says info@alameda-research.com?

2 A. Yes.

3 Q. And do you see what the sum number is?

4 A. Right. It's north of 65 billion.

5 Q. Do you recognize that number?

6 A. Yeah.

7 Q. What do you recognize it as?

8 A. This is—this matches my recollection of what the line of
9 credit was for, for Alameda's account.

10 Q. And what's the next largest below it?

11 A. 150 million given to Genesis Capital.

12 Q. Now does this spreadsheet anywhere show Alameda's balances
13 on FTX?

14 A. So I don't—I didn't see this spreadsheet while I was at
15 FTX and I don't know how all the values were computed, but—

16 MR. COHEN: Objection.

17 THE COURT: The document speaks for itself, counsel.

18 Q. Do you see this net number?

19 A. Yes.

20 Q. Okay. What's the net number?

21 A. It's the sum of—

22 MR. COHEN: Same objection.

23 THE COURT: Sustained.

24 MR. ROOS: Can I just have him read the number into
25 the record. That's actually all I was going for.

1 THE COURT: You've got it highlighted, and the jury is
2 looking at it there.

3 MR. ROOS: Okay. Thank you, your Honor.

4 BY MR. ROOS:

5 Q. Picking up on something you said a moment ago, this
6 document that lists that 65 billion number and this negative
7 5 billion number, did you see this while you were at Alameda?

8 A. No, nor while at FTX that I recall.

9 Q. Okay. And do you recognize the writing style on it?

10 MR. COHEN: Objection.

11 A. Yes.

12 THE COURT: Sustained.

13 Q. Are you familiar—do you have any familiarity with the
14 defendant's writing style?

15 A. A lot of familiarity.

16 Q. How?

17 A. I've seen his writing and writing process many times over
18 our five years working together.

19 Q. Did you ever see him write any spreadsheets?

20 A. All the time.

21 Q. Are you familiar with his writing style on spreadsheets?

22 A. Yes.

23 Q. Do you recognize anything about the writing style in this
24 spreadsheet?

25 A. I do.

1 MR. COHEN: Objection.

2 MR. ROOS: 901(b)(4) and (b)(5).

3 THE COURT: Did you say (d) or (b)?

4 MR. ROOS: (b) as in boy, (4) and (5).

5 THE COURT: Thank you.

6 I think you need a better foundation than you have.

7 BY MR. ROOS:

8 Q. Were there any—you testified a moment ago that you
9 reviewed spreadsheets written by the defendant. Were there any
10 distinctive characteristics about how he wrote spreadsheets?

11 A. There were.

12 Q. What were they?

13 A. They were rarely ever color coded; they frequently
14 exhibited some sort of casualness about naming and structure;
15 they rarely had capital letters; they usually, my recollection,
16 often had data on the left and summaries of that data on the
17 right, as opposed to like further down.

18 Q. How about how, if at all, accounts were referred to in
19 them?

20 A. If—if they were like pulled from a data source, they might
21 include like the full description of the account or login.
22 Else they would refer—you'd often have shorthand that—that
23 Sam used.

24 Q. And do you see in column L the four email addresses?

25 A. Yes.

1 MR. COHEN: Objection.

2 THE COURT: Overruled.

3 Q. Do you recognize those email addresses?

4 A. I do.

5 Q. And who did they belong to?

6 A. The first belongs to Sam.

7 THE COURT: No, no, no, no, no. You're just reading
8 from the document now.

9 MR. ROOS: I'm just asking him whose email addresses
10 does he recognize.

11 THE COURT: Fair enough. Okay. Go ahead.

12 A. The first belongs to Sam, the second to Caroline, the third
13 to Gary, the fourth to me. To clarify, when I say belongs,
14 my—mine and possibly Sam's and Gary's weren't like
15 beneficially owned by us. They were admin accounts to be used
16 on the system.

17 Q. Now do you recognize the writing style in the document?

18 A. I do.

19 Q. Whose writing style do you recognize?

20 A. Sam's.

21 MR. COHEN: Objection.

22 THE COURT: Members of the jury, it's ultimately up to
23 you to decide whether this document was written by the person
24 who the witness is going to identify. There's enough here so
25 that I've concluded you're entitled to make that judgment one

1 way or the other.

2 Okay. Overruled.

3 A. Forgive me. This isn't a question that you asked, but
4 another distinctive characteristic—

5 Q. No. I think there was a pending question. There was an
6 objection, I think your Honor overruled, so I think you have to
7 answer the question.

8 MR. ROOS: Is that right, your Honor?

9 THE COURT: Yes. And I think he answered before, or
10 at least before the reporter got Mr. Cohen's objection.
11 Whether that was temporally right or not, I don't know, but he
12 answered.

13 MR. ROOS: Okay. My apologies. I didn't see it.

14 BY MR. ROOS:

15 Q. Now you said that you did not see this spreadsheet at the
16 time. Did there come a time when you later learned some of the
17 information?

18 A. Yes.

19 Q. So let's move forward.

20 MR. ROOS: We can take this down.

21 Q. Do you recall ever participating in a conversation about
22 shutting down Alameda?

23 A. Yes.

24 Q. And what led to that conversation?

25 A. Sam sent a Google Doc over Signal to me and Gary titled "We

1 came, we saw, we researched." It laid out a case for shutting
2 down Alameda, citing that Sam didn't have faith in its—the
3 competency of its leadership without him more involved, and
4 that the PR cost with both FTX and Alameda coexisting was high.

5 Q. What type of document was this, just to be clear?

6 A. A Google Doc.

7 Q. Did it have a title?

8 A. "We came, we saw, we researched."

9 Q. Did you read the Google Doc about shutting down Alameda?

10 A. I read most but not all of it.

11 Q. After reading the document what, if any, proposals did you
12 make with respect to Alameda?

13 A. It occurred to me that the cost, the cost that Sam cited
14 was Alameda and FTX coexisting; really the cost is Alameda
15 existing on FTX, and so I proposed shutting down Alameda on FTX
16 as opposed to shutting down Alameda entirely.

17 Q. What would be required to shut down Alameda on FTX?

18 A. I remember I listed out what I believed the requirements
19 would be in the chat. We'd have to close a bunch of illiquid
20 markets that Alameda was primarily market making on. They were
21 not a significant market maker overall, but there were some
22 markets where nobody else bothered to trade. We'd have to
23 revamp how the OTC system worked—over-the-counter trading.
24 Alameda was sort of plugged in as the only provider for those
25 trades, but that could have been—that could have been, you

1 know, given to a pool of market makers. We'd have to have
2 Alameda close out all of its accounts, return everything that
3 it was negative in, like that main account that was negative
4 2.8 billion, withdraw everything that it was positive in.
5 Maybe a few other things. But those are some big ones.

6 Q. So let me ask you a few questions about closing out Alameda
7 on FTX.

8 For starters, by this time, September 2022, to what
9 extent was Alameda's presence on FTX necessary for market
10 making?

11 A. Not very.

12 Q. What do you mean by that?

13 A. There was a time when Alameda was in some 20, 30 percent of
14 trades. By 2022, or at least by a point in 2022, Alameda was
15 only a party to like some 2 percent of trades or thereabouts.
16 Alameda was not nearly as significant a player as it used to be
17 on the platform. The ways in which it was involved that still
18 provided value to the exchange were replaceable for—or not so
19 important that it was necessary.

20 Q. And by 2022, did Alameda need the "Allow Negative" feature
21 to do market making?

22 A. I don't know all the details of how it did its market
23 making, and it's possible that it like availed of "Allow
24 Negative" in some way, but fundamentally, no, I don't think
25 that to perform the duties that were more important of it, it

1 needed all the things that "Allow Negative" granted.

2 Q. By 2022, was Alameda needed for stablecoin conversion?

3 A. They were never needed for it. My belief is that they were
4 doing it out of convenience in the beginning. Certainly once
5 FTX had grown, it had enough staff, those staff could just
6 manage the stablecoin creations and redemptions.

7 Q. You mentioned that Alameda would need to close out its
8 accounts. What did you mean by that?

9 A. Alameda had many accounts on FTX. Like we'd seen with that
10 other spreadsheet, some of them were big positive numbers, some
11 of them big negative numbers. Each of those has underlying
12 numbers for, you know, balances of specific coins. Closing out
13 means making every one of those numbers zero, by depositing any
14 amounts that are negative and withdrawing any amounts that are
15 positive.

16 Q. So after you proposed shutting down Alameda on FTX, what,
17 if anything, did the defendant say?

18 A. I first proposed it inside the chat with myself, Gary, and
19 him, and asked if I could share it with Caroline to talk about
20 its viability. Sam said "not crazy." His way of—

21 THE COURT: He said what?

22 THE WITNESS: "Not crazy." Crazy he used to
23 greenlight a proposal without fully endorsing it.

24 Q. Did you ask Caroline Ellison about the viability of
25 shutting down Alameda trading on FTX?

1 A. I did. I sent a message inside the hashtag organization
2 Signal group, which had me, Gary, Caroline, and Sam. I said:
3 *The PR costs of having Alameda on FTX seem really steep. I'm*
4 *thinking about if it's possible to have Alameda shut down on*
5 *FTX. Here are some six things I think that would take.*

6 Q. You mentioned PR costs. What were you referring to?

7 A. Public relations cost, that there was a lot of worry and
8 fear in the crypto ecosystem about conflicts of interest
9 between Alameda and FTX.

10 Q. So how did Caroline Ellison respond to your message?

11 A. She said—and I believe verbatim—"That's impossible."

12 Q. How did you respond to that?

13 A. I said: *Which part of it?* I was pretty alarmed. And I
14 was hoping it wasn't the part about closing out accounts.

15 Q. What did she say?

16 A. That it was the part about closing out accounts.

17 Q. Just to be clear, who was on this hashtag organization
18 Signal chat?

19 A. Me, Gary, Sam, Caroline.

20 Q. What, if anything, did Gary Wang say in the conversation at
21 this point?

22 A. At this point Gary said Alameda is borrowing 13 billion
23 from FTX.

24 Q. What did you say in response to that?

25 A. I was really hoping that I misunderstood, and I called for

1 a meeting immediately.

2 Q. What was your reaction about hearing Alameda owed
3 \$13 billion?

4 A. I was really afraid.

5 Q. What do you mean?

6 A. The June exercise, I thought Alameda had positive balances
7 on FTX, that it was borrowing lots in some places but that
8 overall they had more money than they didn't. This suggested
9 an entirely different reality. I was hoping that I didn't
10 really understand what Gary meant by borrowing, but if I did,
11 this was absolutely devastating.

12 Q. And how, if at all, did Alameda's borrowing \$13 billion
13 from FTX affect FTX customer funds?

14 A. The borrowing had to have been from customer funds in large
15 part because FTX itself didn't have—like, didn't own that much
16 money.

17 Q. How, if at all, did the defendant react when Caroline
18 Ellison said Alameda has—I'm sorry—when Gary Wang said
19 Alameda was borrowing 13 billion from FTX?

20 A. I was sitting next to Sam at the time. We were in the
21 office. So I got some real sense. He seemed unsurprised and
22 made up what I understood to be a false excuse for dodging the
23 meeting.

24 Q. So you mentioned the meeting. Did you in fact meet?

25 A. Yes.

1 Q. Okay. And then who did you meet with?

2 A. Just Gary and Caroline because Sam didn't come.

3 Q. What was your belief at this point as to whether Alameda
4 could repay the \$13 billion it owed?

5 A. Before the meeting I was really hoping that I misunderstood
6 what had been said and that Alameda could in fact close out and
7 repay what it owned. After the meeting I was significantly
8 less hopeful.

9 Q. Now did there come a time when you spoke to the defendant
10 about this topic?

11 A. That evening.

12 Q. And where did you speak with the defendant?

13 A. On the balcony of the Orchid 6 penthouse where we lived.

14 Q. Why did you meet on the balcony?

15 A. Sam and I almost never met; very, very rarely. I knew this
16 needed to be really private. I figured that if we went to our
17 two most common spaces to talk, which were my room or in the
18 office, that both of those were very frequently used by other
19 people for meetings and that others could stumble in on us, and
20 I knew that there was something really serious going on and I
21 didn't want people stumbling in.

22 Q. What time of day was this?

23 A. Evening into night.

24 MR. ROOS: Could we please publish Government
25 Exhibit 1554, which is in evidence.

1 Q. Mr. Singh, what's this?

2 A. This is the balcony that we met on.

3 Q. Where were you located on this balcony when you spoke with
4 the defendant?

5 A. I was pacing behind where these baskets on the left are.
6 Sam was reclined on one of the white like chaise chairs behind
7 that.

8 Q. How long was your conversation with the defendant on the
9 balcony?

10 A. Hour, hour and a half.

11 Q. Let me ask you a few questions about the conversation.

12 First, how did the conversation begin?

13 A. I said: *Caroline's really freaked out about the NAV*
14 *situation and so am I.* NAV, by the way, means net asset value,
15 which was—I wasn't very fluent in financial terms. This was
16 my crude way of referring to the hole.

17 Q. What do you mean by the hole?

18 A. The fact that Caroline had suggested that Alameda couldn't
19 return its borrows, that meant that there was, in my lingo, a
20 hole, a deficit of customer funds.

21 Q. What, if anything, did the defendant say in response to
22 your initial comment that you and Caroline Ellison were
23 freaking out?

24 A. He said: *I'm not sure what there is to worry about. NAV*
25 *is fantastic by almost any measure. It was super positive even*

1 *if you don't include FTX and FTX.US equity.*

2 Q. Did you speak to the defendant directly about the hole?

3 A. Yes.

4 Q. And what did you discuss?

5 A. I said next: *Well, what about what Caroline said today and*
6 *Gary said today, that there's 13 billion borrowed and we can't*
7 *pay it all? Sam said: Right, that. We are a little short on*
8 *deliverable.*

9 Q. What do you mean by deliverable?

10 A. Assets that can be delivered to customers as opposed to
11 illiquid assets.

12 Q. Did he say by how much FTX was short on deliverable assets?

13 A. I asked: *How much is it short by? Sam said: That is the*
14 *wrong question to be asking. The right question is how much*
15 *can we deliver, and in 24 hours, if pressed, I think we could*
16 *deliver around \$5 billion; given some more weeks, substantially*
17 *more; given some more weeks after that, substantially more.*

18 Q. Now what, if anything, did the defendant say about how this
19 had been affecting him over the prior year?

20 A. He did describe it. I said something like "Jesus F'ing
21 Christ." Sam said: *Yeah, this has been taxing me some 5 to*
22 *10 percent of my productivity for—and he either said for this*
23 *year or like for this calendar year or since before the last*
24 *year. I said: I think this is going to be doing a lot more*
25 *damage to me, hitting me a lot harder. Sam said: Yeah, I was*

1 *worried about this. In hindsight, it might have been a mistake*
2 *for me to circulate that document this morning. People are*
3 *thus going to freak out. I said: I understand it's not*
4 *productive to respond emotionally.*

5 Q. What, if anything, did you discuss about a plan for
6 addressing Alameda's negative balance?

7 A. I asked what the hell the plan was, what are we going to
8 do. Sam said he's not too worried and he described a number of
9 sort of strategies that we could pursue in parallel going
10 forward.

11 Q. What kind of strategies did he describe?

12 A. He described selling off Alameda's illiquid but, according
13 to his estimation, valuable assets, and properties; he
14 described, for the ones that weren't sellable but generated
15 revenue, making sort of low-hanging changes to make them more
16 profitable; he discussed raising from investors, selling FTX
17 equity; and he discussed making FTX—oh, he said that FTX.US
18 futures, which we believed would come online, you know, any day
19 now, would be a boon to the company, and would be great for
20 revenue and for its valuation, and that there were many
21 engineering projects that were crucial and were themselves very
22 valuable.

23 Q. Did you have any discussions about expenses?

24 A. Yes.

25 Q. What did you discuss?

1 A. I asked if now, Sam would take seriously cutting expenses
2 or—and curbing them going forward. He said yes, definitely,
3 he's working with that—working on that with Ramnik.

4 MR. ROOS: We can take this down.

5 Q. After this conversation, what was your mental state?

6 A. I was blindsided and horrified. I felt really betrayed,
7 that five years of blood, sweat, and tears from me and so many
8 employees, driving towards something that I thought was a
9 beautiful force for good, had turned out to be so evil. I knew
10 that customers were betrayed. So many customers had to put
11 their trust in us. And, you know, according to Sam's take,
12 chances to rebuild this hole depended enormously on me
13 continuing to try to make the company successful, and I knew
14 that would require me betraying customers and employees.

15 Q. Did you consider leaving the company?

16 A. Every day.

17 Q. Why didn't you?

18 A. How could I live with myself if my departure precipitated a
19 fall that might have been unavoidable—or might have been
20 avoidable.

21 Q. After your conversation with the defendant on the balcony,
22 what steps, if any, did the defendant take with respect to
23 raising money for the company?

24 A. He followed through on the plan that he discussed in that—

25 MR. COHEN: Objection, foundation.

1 THE COURT: Sustained.

2 Q. You testified that the defendant said he had plans for
3 raising money; is that right?

4 A. In that conversation on the balcony, Sam—I had asked to
5 get more details on prospects and plans regarding raising money
6 from investors. Sam had mentioned that he was planning to go
7 to New York in two weeks with Ramnik, and in a month, from the
8 conversation, he was planning on going to the Middle East with
9 Ramnik and Scaramucci.

10 Q. Who is Scaramucci?

11 A. I think Anthony is his first name. He was the press
12 secretary or chief of staff for Trump for some time and runs a
13 VC firm, I think.

14 Q. And after your conversation on the balcony, what, if
15 anything, did you observe about whether these trips took place?

16 A. They took place.

17 Q. Now did there come a time when the defendant returned from
18 the Middle East?

19 A. Yes.

20 Q. What, if anything, did the defendant say to employees at
21 FTX about how the trip went?

22 A. Sam arrived back from the Middle East in the middle of the
23 day on a weekday, came into the office, and attracted a crowd,
24 like he often does. Sam was regaling everybody with stories of
25 the Middle East and how successful it was and talking about how

1 it's turning a corner and being more progressive culturally and
2 so on.

3 Q. Did you speak to the defendant after his return from the
4 Middle East?

5 A. Yes.

6 Q. In what setting?

7 A. I asked him if we could meet again privately. Again, this
8 was an exceedingly rare thing. I did this like less than once
9 a year on average. But I wanted to know what the real deal was
10 with prospects for the raise.

11 Q. And did you meet privately?

12 A. We did, in his apartment in Gemini 1D.

13 Q. Okay. Can you describe the conversation in the apartment.

14 A. I started by saying: *I'm really not doing well, I thought*
15 *I might quit*, in that conversation. I kind of wanted to put
16 him on notice. I asked: *How is it going with NAV? What's the*
17 *plan? Any updates?* I was standing in the living room area,
18 right behind the counter to his kitchen. He was in the kitchen
19 with his back up against the fridge. He described for me in
20 some real detail what the Middle East trip was like and what
21 prospects were from raising—for raising from various investors
22 there.

23 Q. Did he say how much money he thought could be raised?

24 A. He said that we can make—it's still possible that nothing
25 comes out of this deal, that \$0 could be raised, but that we

1 could also come out of this with another \$5 billion.

2 Q. So 5 billion is not 13 billion. What, if anything, did you
3 discuss about the difference?

4 A. I said: *I'm really happy to hear we can pull up that much,*
5 *but, like, oh, my god, we have a lot left. What's the plan?*
6 *Like, tell me you've got some updates. Sam said: The main*
7 *line plan remains, making FTX successful and growing it, and*
8 *that depends on a huge part in you. You're one of the few*
9 *people, Nishad, that can take that kind of work off my plate so*
10 *I can focus on the rest of this.*

11 Q. What was the tone of this conversation?

12 A. I was really afraid to ask for a conversation, and I think
13 my fears kind of bore out. Sam was on edge, and I felt he was
14 very mad at me for talking about this, and it was tense. There
15 were long periods of silence. Sam has a—some physical
16 twitches for when he gets angry.

17 MR. COHEN: Objection.

18 THE COURT: Strike the last sentence.

19 MR. ROOS: Your Honor, I think it's relevant to the
20 tenor of the conversation.

21 THE COURT: It's unresponsive to the question.

22 MR. ROOS: Yes, your Honor.

23 BY MR. ROOS:

24 Q. What was the defendant's body language in the conversation?

25 MR. COHEN: Same objection.

1 THE COURT: Overruled.

2 A. Sam has some physical tells for when he is thinking hard or
3 is upset, and a lot of those were on display.

4 Q. What are you referring to?

5 A. Puffed out his chest, had his hand back, hands back, he was
6 grinding his finger, closing his eyes, grinding his teeth or
7 tongue in his mouth, and when he opened them to respond, he
8 would sort of glare at me with some intensity. This didn't
9 happen for the whole conversation, but it did happen at
10 specific points, like when I asked, like, *Dear god, what else*
11 *is there? Give me some updates.* I ended up apologizing to him
12 at the end for asking for the meeting because I could tell it
13 was so unwelcome.

14 Q. Now you testified about cutting expenses. Withdrawn.

15 You testified about, during the conversation you had
16 on the balcony, a portion of the conversation about cutting
17 expenses. I want to ask you some follow-up questions about
18 expenses in the fall of 2022, okay?

19 A. Okay.

20 Q. All right. So how, if at all, did spending change in
21 September onwards?

22 A. In some ways I was pleasantly surprised. I really pushed
23 for a number of large items to be cut, and I think I was
24 successful in cutting maybe a couple hundred million dollars of
25 spend. But there was also a point—there were a couple of

1 points when I felt like our real obligation to be doing so was
2 not being taken seriously and that it was much, much more that
3 was either cuttable or at least strongly curtailed, that Sam
4 simply wasn't cutting.

5 Q. Now after the conversation with the defendant about the
6 \$13 billion hole, what, if any spending did you speak to him
7 about specifically?

8 A. I spoke to him about various endorsement deals, spoke to
9 him about reversing the AZA acquisition, spoke to him about
10 reversing the Embed acquisition, spoke to him about canceling
11 the kind of disgusting FTX office plans—it was going to be a
12 big F—that cost—at first I heard 50 million, eventually
13 250 million.

14 Q. Let me ask you about what things you just said.

15 You said AZA. What's that?

16 A. I forgot what it stands for, but it's a payments company
17 that FTX had—was some part of the way through acquiring, but I
18 believe was still a reversible transaction.

19 Q. And what's Embed?

20 A. Embed is a company that FTX.US acquired at Brett Harrison's
21 behest to list FTX.US stocks.

22 Q. In September of 2022, did you have any disagreements with
23 the defendant about spending?

24 A. Yeah.

25 Q. What topics did you disagree with him on?

1 A. You said in September?

2 Q. September 2022 onwards.

3 A. In one instance, I saw that spreadsheet we looked at
4 earlier that Jayesh showed me that had outlays—that described
5 outlays of future spend on endorsement deals. I was really
6 upset about that. There were way more than I knew about. Many
7 of the numbers are much bigger than what I'd been told. And
8 there was like a billion dollars headed out the door. If FTX
9 was making a billion dollars a year, this puts us like a year
10 of revenue behind with a hole. And so I approached Sam and
11 said: *You know, this is crazy. We need to cut as much of this*
12 *as we can. I thought you were on this.*

13 Q. And what, if anything, did he say?

14 A. He said he didn't think that these were bad spends, and he
15 sort of like challenged me to point to one that was worth
16 cutting. I did point to a couple. And for the ones I pointed
17 at, he agreed that they were bad, but he said that those
18 weren't his fault and that everybody proposing cutting them was
19 shortsighted because the cost associated with cutting them was
20 about like 70 percent of the cost of seeing them through and so
21 it wasn't worth it.

22 Q. Was there any other spending that you had disagreements
23 about in September 2022 to November 2022?

24 A. There are the others I mentioned, AZA and Embed.

25 Q. What about any—what, if any, proposed transactions did you

1 have disagreements about?

2 A. There was a point when Sam was in the Middle East, he sent
3 a message to a Signal group called hashtag meetings, or hashtag
4 groups, which contained a lot of folks in leadership—maybe
5 some eight or ten of them—basically pitching that FTX do a
6 deal with Telegram.

7 Q. And what happened in response to that proposal?

8 A. Yeah, Sam described that FTX could build a
9 payment-processing service for Telegram and that Telegram would
10 give us a lot of TON, which was their coin, some hundreds of
11 millions of dollars' worth. Seemed like a huge win, wasn't a
12 big lift to build this payment service, probably, and we get a
13 lot of money for it. Ramnik clarified that we'd also pay
14 \$120 million for it.

15 Q. How did you respond to that?

16 A. Made me extremely nervous. Getting even longer random
17 illiquid tokens was not something I was excited about,
18 especially when the cost would come from customers.

19 Q. What do you mean by that?

20 A. Spending dollars, spending anything, after September was
21 necessarily digging the customer deficit hole deeper.

22 Q. Why do you say that's the case?

23 A. FTX was short on funds to give to customers. Alameda owed
24 that back. If either FTX or Alameda was spending liquid funds
25 to acquire more illiquid stuff that was not for customers, that

1 was necessarily spending customer funds, not for customer
2 benefit.

3 Q. When you responded to this potential Telegram deal, how did
4 the defendant respond, if at all?

5 A. Yeah. To clarify, in the larger group, I wasn't
6 transparent about my worry that this was digging into customer
7 funds. Not everybody knew about it. Not everybody knew about
8 the hole. But I raised a number of other objections, as did
9 Caroline. Sam ultimately said to the larger group: *We're*
10 *going ahead with this, Ramnik and I are. You guys shouldn't*
11 *feel responsible for it. That's not why I shared it. Unless*
12 *you have any serious new objections, we're going ahead.* And
13 then he repeated separately, inside hashtag organization—the
14 group with me, Sam, Gary, and Caroline, the folks that
15 definitely knew about the hole, as far as I knew—that it
16 wasn't our responsibility, don't worry about it.

17 MR. ROOS: Pursuant to stipulation S2003, the
18 government offers Exhibit 14B, which, according to the
19 stipulation, is a spreadsheet titled Venture Deals, dated
20 September 26, 2022.

21 THE COURT: Received.

22 (Government's Exhibit 14B received in evidence)

23 MR. ROOS: May we publish it?

24 THE COURT: Yes.

25 BY MR. ROOS:

1 Q. Mr. Singh, is this spreadsheet similar to the one we looked
2 at this morning?

3 A. Yes.

4 Q. I just want to ask you about a few of the venture deals.

5 First, do you see in lines 2, 7, and 9 something
6 called Modulo Capital?

7 A. Yes.

8 Q. Do you know what Modulo Capital is?

9 A. It's a trading firm run by some old associates of Sam.

10 Q. Where was Modulo Capital based?

11 A. I don't know where it was initially, but it moved to the
12 Bahamas.

13 Q. Who ran Modulo Capital?

14 A. Lily Zhang.

15 Q. And do you see—let's focus on line 7. What was the
16 investment amount for that Modulo Capital transaction?

17 A. For the specific one or the sum of them?

18 Q. For the specific one.

19 A. \$250 million.

20 Q. Do you see who the spreadsheet says the lead is?

21 A. It says—can you click on the cell. Sam Bankman-Fried.

22 Q. And look over at the closing date. It says September 26,
23 2022. Was this before or after your conversation about the
24 \$13 billion hole?

25 A. After.

1 Q. While we're on this spreadsheet, do you see Skybridge
2 Capital?

3 A. Yes.

4 Q. And do you know what Skybridge Capital is?

5 A. Scaramucci's VC firm.

6 Q. Anthony Scaramucci you referred to earlier?

7 A. Yes.

8 Q. Do you see the date for that transaction?

9 A. Yes.

10 Q. September 7, 2022?

11 A. Yes.

12 MR. ROOS: We can take this spreadsheet down.

13 Q. This morning in your testimony you mentioned that there
14 were loans made to you for corporate purposes. What were those
15 loans for?

16 A. There were various ones for various purposes. Two
17 high-level categories include amounts that ran through me for
18 campaign donations and amounts that didn't literally go through
19 me but on paper I was on the hook for, for money ultimately
20 sent to FTX.US for its investments.

21 (Continued on next page)

22

23

24

25

1 Q. So let's split those apart. For that second category,
2 starting there, for the investments, how were those
3 transactions structured?

4 A. I don't know for all of them. For at least one of them,
5 the way it was structured, was that Alameda, on paper, would
6 loan me, Sam, and Gary a large amount of money, and that, on
7 paper, we would go and immediately give it to FTX US. I am not
8 sure if that was a loan or if that was an investment. FTX US
9 would then have money to go make purchases or acquisitions that
10 it needed.

11 Q. What do you mean by, on paper?

12 A. I don't recall the actual money ever hitting any accounts
13 of mine or going through them, and I don't know how the funds
14 actually moved. This was an on-paper, like description for
15 like -- I am not sure if it actually described, well, the
16 physical reality of what happened.

17 Q. You also mentioned some loans for political donations.
18 What were you referring to?

19 A. There were political donations made in my name, using my
20 bank account, so these did literally go through my bank
21 account, the funds deposited straight from Alameda.

22 Q. How were some of those donations funded?

23 A. Some were funded with my money or money taken as a borrow
24 from my FTX account or money from my salary. Some of it was
25 funded from transfers directly from Alameda accounts.

1 Q. How would you describe your involvement in the majority of
2 these donations?

3 A. The majority by count or size?

4 Q. By count.

5 A. Very, very minimal.

6 Q. What do you mean by that?

7 A. I tried to be as uninvolved as possible. I sort of had my
8 head elsewhere.

9 Q. Walk us through how the donations were made.

10 A. There was a Signal chart called donations processing in
11 which Sam or Gabe, his brother, or Michael Sadowsky, who worked
12 with Gabe, or their associates would request that a donation be
13 made in my name. Ryan Salame, who had access to my bank
14 account, would transfer money out of my bank account for that
15 purpose, and in some of the cases, I think when the size of the
16 transfer was large enough, there would be an email that would
17 go to me. I would get prompted, often repeatedly because I was
18 usually delinquent, to click on the approve button, and then it
19 would go out.

20 Q. What was your job with respect to the donations that were
21 made in your name?

22 A. It changed over time. Initially, I was invested in and
23 cared about and was just kind of -- initially, there were
24 meaningfully my donations, but for the majority of them, and
25 after some point in time, my role was to click a button.

1 Q. Did some of these donations occur in the fall of 2022?

2 A. They did.

3 Q. Did they occur after you learned about the \$13 billion
4 hole?

5 A. They did.

6 Q. Now, who was Ryan Salame?

7 A. He was the CEO of FTX digital markets, and he also ran the
8 fiat management team at FTX and OTC trading at Alameda.

9 Q. I show you now what's been marked for identification as
10 Government Exhibit 1808.

11 Do you recognize this?

12 A. That's Ryan Salame.

13 MR. ROOS: The government offers Exhibit 1808.

14 THE COURT: Received.

15 (Government Exhibit 1808 received in evidence)

16 MR. ROOS: May we publish?

17 THE COURT: Yes.

18 Q. Now that the jury can see, who is this?

19 A. This is Ryan Salame.

20 Q. What was Ryan Salame's role with respect to the political
21 donations?

22 A. I don't know the full extent of it. What I observed is
23 that Ryan Salame had access to my bank account, to Sam's bank
24 account, and that he would like log in to my account at Prime
25 Trust, that's where I had a bank account, would send and

1 specify the details for a wire to be spent to a political
2 candidate or a super PAC and then would ping me in the chat to
3 ask me to click OK in my email to have it get sent out.

4 Q. What chat are you referring to?

5 A. The donations processing chat.

6 Q. What sort of messaging platform was that donation
7 processing chat on?

8 A. Used Signal.

9 MR. ROOS: The government offers Exhibit 475, pursuant
10 to stipulation S2003. Per the stipulation, this document is a
11 message exchange between or thread among Nishad Singh, Samuel
12 Bankman-Fried, Ryan Salame and others.

13 THE COURT: Received.

14 (Government Exhibit 475 received in evidence)

15 MR. ROOS: May we publish it?

16 THE COURT: You may.

17 Q. Mr. Singh, are these screenshots of the Signal chat you
18 mentioned?

19 MR. COHEN: Your Honor before we proceed, may we
20 request a limiting instruction regarding the others on the chat
21 besides the individuals identified by Mr. Roos?

22 MR. ROOS: Depends on who he is talking about, I
23 think.

24 THE COURT: Who are you talking about?

25 MR. ROOS: None of them are admissible under

1 801(d)(2)(D) and (d)(2)(E).

2 THE COURT: Why don't we take our break, 15 minutes.

3 (Jury not present)

4 (Recess)

5 THE COURT: Before we bring in the jury, counsel, with
6 respect to any proposed additions to the jury charge, I would
7 like a red line whenever you submit them.

8 MR. ROOS: No problem.

9 On the exhibit, I think basically nobody is objecting
10 to the admission, if I understand it correctly. It is to how
11 the jury is to consider various messages. Basically, the
12 witness, Ryan Salame, the defendant are all on it, and then
13 there are some other folks, Gabe Bankman-Fried, Michael
14 Sadowsky, Keenan Lantz, and some other individuals.

15 The government's view is that the messages by those
16 individuals are agent statements or are commands, directives,
17 questions that are nonhearsay, and I think the defense position
18 may be that they should be offered not for their truth.

19 THE COURT: Take your best three that you think are a
20 problem if offered for the truth and explain it to me.

21 MR. COHEN: Sure.

22 Mr. Keenan Lantz and Mr. Michael Sadowsky did not work
23 for Alameda, did not work for FTX. They were political
24 consultants to another company called Gap that was run by the
25 defendant's brother and others. It's really -- I don't think

1 there is any allegation, at least not that I have heard, that
2 any of them are part of the conspiracy, and in terms of the
3 agency argument, the government is essentially arguing they are
4 agents of agents of agents, and we think it goes too far.

5 THE COURT: What I was hoping to get is for you to
6 point me to the best three and tell me why it matters apart
7 from having a quiz on the law of evidence.

8 MR. COHEN: I'm sorry, your Honor.

9 I don't know what page counsel intends to go through
10 is part of the problem.

11 MR. ROOS: I am going to start with the first one,
12 Keenan Lantz. Ryan Salame can we get --

13 THE COURT: What are you reading from?

14 MR. ROOS: This is the second page of Government
15 Exhibit 475. This one, for instance, is by Keenan Lantz. And
16 setting aside even the agency determination under --

17 THE COURT: There is no part of it that's offered for
18 the truth.

19 MR. ROOS: It's a question or a directive, exactly.

20 THE COURT: Right.

21 Is there anything here that's offered for the truth by
22 somebody who you claim is not an agent or a conspirator,
23 Mr. Cohen, that matters at all in this case?

24 MR. COHEN: All I was asking for was an instruction as
25 to the people that it is not being offered for the truth for.

1 THE COURT: I understand that. But does any of it
2 matter?

3 MR. COHEN: To the extent this is in evidence and the
4 jury can read it, it could matter.

5 THE COURT: You are not getting my point. I'm sorry.

6 MR. ROOS: If I could --

7 THE COURT: If somebody wrote a message here that
8 said, what time is it, and he wasn't an agent, who cares if
9 it's offered for the truth or not offered for the truth, and
10 why should there be a limiting instruction. Why should all of
11 us be taking time on that issue? If there is something here
12 that potentially hurts, I'm with you all the way.

13 MR. COHEN: I understand, your Honor. I'm a little
14 limited because up until just now I didn't know what part of
15 this they were going to offer.

16 Hold on one second.

17 MR. ROOS: I'm offering the whole thing, but if this
18 is helpful to move us along, we can just put this in. If
19 Mr. Cohen wants to flag something for me overnight about
20 something that's for the truth that he finds problematic, we
21 could then work it out and raise it.

22 MR. COHEN: That would be fine.

23 THE COURT: That sounds fine.

24 Bring in the jury and let's get the witness.

25 Thank you for resolving that way, both of you.

1 (Jury present)

2 THE COURT: The defendant and the jurors all are
3 present, as they have been throughout.

4 Mr. Roos, you may continue.

5 MR. ROOS: Thank you, your Honor.

6 May we now publish Government Exhibit 475?

7 THE COURT: You may. It is received.

8 Q. Mr. Singh, what messaging platform was the donation
9 processing messaging thread on?

10 A. On Signal.

11 Q. Do you see at the top where it says March 28, 2022?

12 A. Yes.

13 Q. Do messages exist going that far back?

14 A. Not on the device that took a screenshot.

15 Q. What device was that?

16 A. My laptop.

17 Q. How far back do the messages go?

18 A. Four weeks since the time of the screenshot, which was
19 sometime in November.

20 Q. Why is it that they only go back four weeks?

21 A. Because the disappearing message timer was set to four
22 weeks.

23 Q. What's a disappearing messaging timer?

24 A. It specifies a retention period for messages such that
25 messages that are older than that period get deleted.

1 MR. ROOS: Mr. Ahuja, can we go to the second page of
2 this document.

3 Q. Starting with the first message in the chat, someone named
4 Keenan Lantz sends a message. Who is Keenan Lantz?

5 A. Keenan Lantz worked for Gabe Bankman-Fried and Michael
6 Sadowsky.

7 Q. Who is Michael Sadowsky?

8 A. He was Gabe's partner, partner at work at Guarding Against
9 Pandemics.

10 Q. What's Guarding Against Pandemics?

11 A. It was a PAC that Gabe and Michael ran.

12 Q. What, if any, relationship did that have to the defendant?

13 A. Did the PAC?

14 Q. Yeah.

15 A. Sam funded it.

16 Q. Focusing on this first page, it says: @Salams, can we get
17 the 20K from Nishad Singh to the Delaware democratic party
18 today.

19 Who is @Salams?

20 A. That's Ryan Salame. This is my nickname in my phone for
21 him.

22 Q. What is the reason Lantz asked him to send \$20,000 from you
23 to the democratic party of Delaware?

24 A. Keenan knew, I believe it had been well established by this
25 point, October 17, that Ryan was the person who was actually

1 logging in to my bank account and sending wires.

2 Q. Were you involved in the decision to donate to the
3 democratic party of Delaware?

4 A. Not at all.

5 Q. Two messages down, Salame or Salams says: This is queued
6 up. And adds: Also resent the last five verification emails.

7 What did you understand that to be a reference to?

8 A. These are referencing the same type of thing. Here Ryan is
9 saying that he has queued up a donation, as in he has like put
10 it into my bank account, but I had to click approve on an email
11 that was sent to me, and I missed the window for clicking
12 approve on a bunch of others, which is typical. I wasn't
13 paying a lot of attention to this. So he resent them and he
14 requests here that I click OK on them as well.

15 Q. When Salame was setting up donations like this for you,
16 where did you understand the money was coming from?

17 A. A combination of my money and money that he had
18 deposited -- I don't know that he did it. Somebody had
19 deposited directly into my bank account.

20 Q. How did the money go to the campaigns?

21 A. Through a wire like from my bank account.

22 Q. You used the term earlier, when describing Guarding Against
23 Pandemics, a PAC. Do you know what that stands for or what it
24 refers to?

25 A. Political action committee.

1 Q. Just to be clear, how would the money go from Alameda, in
2 the cases it came from Alameda, to the campaign?

3 A. Funds would start out with Alameda at some bank account.
4 They would get transferred into -- wired to my Prime Trust
5 account, which is another bank account, and then Ryan would
6 request a wire withdrawal from my bank account to the campaign
7 as a destination, and I would click OK in my email.

8 MR. ROOS: Mr. Ahuja can we go to the next page of
9 this Signal chat.

10 Q. Mr. Singh, do you see partway down the page where Keenan
11 Lantz asks @SamBF: Will you be cool with me being able to set
12 up wires via PT?

13 For starters, who is Sam BF?

14 A. That's Sam Bankman-Fried. This is what I had him as in my
15 phone.

16 Q. Where it says, set up wires via PT, what is that a
17 reference to?

18 A. I believe he is asking if there can be a Prime Trust PT
19 account for Sam that Keenan would set up and have access to.

20 Q. Do you see below this where Sam BF writes: Think so?

21 A. Yes.

22 MR. ROOS: Could we zoom in on the portion below that.

23 Q. The Salames message says: SBFs are all queued and sent.

24 What is queued and sent a reference to?

25 A. I understand it to mean that Ryan already had access to

1 some bank accounts under Sam's name, and he had done what he
2 did for me, which was to send the wires. He might also be
3 saying here that he clicked --

4 MR. COHEN: Objection.

5 THE COURT: Strike everything after he might,
6 including he might.

7 Q. What was your understanding with respect to whether the
8 defendant had a similar setup as to use for paying donations?

9 A. That was my belief inferring from the messages and thread
10 like this one.

11 MR. COHEN: Same objection.

12 THE COURT: Pardon me?

13 The answer is stricken.

14 Move on, please.

15 MR. ROOS: We can take this thread down.

16 Q. In addition to having your bank account used to make wire
17 transfer donations, how, if at all, were checks used for making
18 donations?

19 A. I signed a bunch of blank checks attached to my Wells Fargo
20 account, which at first only contained my salary, but
21 eventually also contained money that I had wired to it from my
22 Prime Trust account. Those were used by Gabe and his team to
23 make donations in my name to candidates.

24 Q. What do you mean by, you used checks? What did you do?

25 A. I signed blank checks.

1 Q. What did you do with them after you signed blank checks?

2 A. I handed them back to Gabe's assistant, who provided them
3 to me.

4 Q. Can you describe the circumstances of you signing those
5 blank checks.

6 A. Yeah. Gabe had called me asking that --

7 MR. COHEN: Objection.

8 THE COURT: Ground.

9 MR. COHEN: Hearsay.

10 MR. ROOS: Effect on the listener.

11 THE COURT: Received for the effect on the listener,
12 the witness.

13 Members of the jury, not for the truth.

14 THE WITNESS: Continue?

15 THE COURT: Yes, please.

16 A. Gabe had called me asking if I was OK with making a lot of
17 small donations to democratic candidates. We talked some about
18 the purpose of it. I said OK.

19 Q. What happened next?

20 A. I tried to -- I gave my credit card to Gabe, or maybe to
21 Keenan Lantz, so that he could try to make payments through
22 ActBlue using my credit card, drawing on my salary. It was --
23 my credit card got rejected at some point. He tried to make a
24 PayPal for the same reason. This also had some issues.
25 Eventually it seemed that checks were the most viable option

1 left. So Gabe called me saying that he was flying out one of
2 his assistants with a bunch of checks from my bank account. I
3 had given them access to my bank account for me to sign.

4 THE COURT: What is ActBlue?

5 THE WITNESS: ActBlue is a platform used to make
6 donations to democrats.

7 THE COURT: And you said he was flying out one of his
8 assistants. What did that mean?

9 THE WITNESS: One of his assistants had a lot of
10 checks from my bank account, but they weren't signed yet. So
11 she was going to arrive in the Bahamas and meet me at the
12 office where I would sign them and hand them back to her.

13 THE COURT: Go ahead, Mr. Roos.

14 MR. ROOS: Thank you.

15 Q. For the donations that were made in your name in the fall
16 of 2022 that were funded with wires from Alameda, from where
17 did you understand the money was coming from?

18 A. Customers.

19 Q. Why is your answer customers?

20 A. There was an enormous hole, I knew, deficit in funds at FTX
21 for customers, and Alameda sort of also had that hole. It was
22 theirs to fill. Alameda sending me money to spend, as opposed
23 to keeping money for customers, say, necessarily deepens that
24 hole and is drawing on funds that would have otherwise gone to
25 customers.

1 THE COURT: From where did you get that understanding?

2 THE WITNESS: From my conversation in September with
3 Sam in which he told me \$5 billion was deliverable, and I
4 earlier that day heard that there was a \$13 billion amount
5 borrowed by Alameda from FTX.

6 THE COURT: Thank you.

7 Q. Now, you testified that many of these donations you were
8 not involved in. What is your understanding about why the
9 donations were made in your name?

10 A. For advantageous optics, that it was useful for my name to
11 be associated with some donations, even if the end recipient
12 understood that they were really coming from someone else.

13 MR. ROOS: Now, the government offers Government
14 Exhibit 477 pursuant to stipulation S2003.

15 THE COURT: Received.

16 (Government Exhibit 477 received in evidence)

17 MR. ROOS: May we publish it?

18 THE COURT: You may.

19 Q. Mr. Singh, what type of document or record is this?

20 A. This is also a Signal chat with screenshots from my phone,
21 as opposed to a computer.

22 Q. Who is the Signal chat with?

23 A. Michael Sadowsky.

24 Q. Was he also part of that donation processing chart?

25 A. Yes.

1 Q. Does this Signal chart concern any particular donation?

2 A. Yes.

3 Q. Which one?

4 A. There was a donation to be made to the LGBTQ victory fund.

5 MR. ROOS: Mr. Ahuja, can we go to the next page.

6 Q. About halfway down there is a message. The next one too.

7 It says: In general, you, being the center left face of our
8 spending, will mean you giving to a lot of woke, swear word,
9 for transactional purposes.

10 Had you had conversations about that in the past?

11 A. Yes, yes, though less crudely.

12 Q. What did you understand this to refer to?

13 A. That donations that were really effectuated by a group of
14 people, not just me, would be made in my name, so I would be
15 the face of those donations, and that there would be targeted
16 at center left recipients. The four transactional purposes
17 part, I believe, refers to the fact that --

18 MR. COHEN: Objection.

19 MR. ROOS: It goes to his understanding, and it's
20 based on what he said in his past conversations.

21 THE COURT: Let's find that out.

22 Q. The belief you are about to testify about transactional
23 purposes, to what extent, if at all, was that based on past
24 conversations?

25 A. Past conversations and this one. This thread describes the

1 transaction.

2 THE COURT: Past conversations with whom?

3 THE WITNESS: With Michael and Gabe and Sam.

4 THE COURT: Sustained.

5 And Sam. Overruled.

6 Q. What were you referring to with transactional purposes?

7 A. That on its face a donation may appear to be for one
8 purpose, say going to a PAC called the LGBTQ Victory Fund.

9 But, in reality, the true purpose is something else, and it may
10 be the funds end up affecting some outcome that seems unrelated
11 to LGBTQ efforts.

12 MR. ROOS: Go to the next page.

13 Q. On the next page you write: I think I need to do some of
14 this and prob see if there are other viable people at FTX for
15 it.

16 What did you mean by, see if there are other viable
17 people at FTX for it?

18 A. I wasn't comfortable being in this position for very long,
19 and so I put it on myself here to search for replacements for
20 me, other people at FTX willing to have their name be used for
21 donations.

22 MR. ROOS: We can take this down.

23 Q. What, if anything, was done to track donations made by FTX
24 employees, FTX and Alameda employees?

25 A. I partook in some tracking myself. That's really all I

1 know about there.

2 Q. What, if any, involvement in tracking did you have with the
3 defendant?

4 A. There was a point in 2022 when Sam had asked a group of
5 us -- I believe me, Caroline, Ryan, Gary, Adam, and others --
6 if we could contribute to a spreadsheet, a Google sheet that he
7 made, listing the donations that we had been a part of so that
8 he could understand and represent to others what all FTX and
9 Alameda employees were donating to and where our influence was.

10 MR. ROOS: Government offers Exhibit 28, which,
11 according to stipulation S2003, is a spreadsheet called Alameda
12 FTX donations.

13 THE COURT: Received.

14 (Government Exhibit 28 received in evidence)

15 MR. ROOS: May we publish it?

16 Q. Mr. Singh, have you seen this before?

17 A. I have. In Google Sheet form.

18 Q. What do you mean, in Google Sheet form?

19 A. That the actual document that I touched and that Sam
20 circulated was a Google Sheet. This appears to be a Microsoft
21 Excel version of it.

22 Q. Now, what is this particular spreadsheet about?

23 A. It's about the donations made by various people -- those
24 are listed on the bottom in tabs -- to various recipients.

25 Q. Who are the various people in the tabs?

1 A. From left to right: SBF, so that's Sam; FTX US, the
2 company; Nishad, that's me; Caroline, that's Caroline Ellison;
3 RDS, Ryan Salame.

4 Q. Let's look at your tab. Can you explain what each of the
5 columns relates to.

6 A. The first is attempt at categorizing the motivations or
7 type of donation. The second is a recipient column that just
8 names a recipient. Date is the date of the transfer. USD
9 amount is the dollar equivalent of the amount transferred. In
10 some cases there is crypto here, but in most cases there are
11 dollars sent. Notes is some additional context I added. U.S.
12 tax deductible is my almost-wrong-in-all-cases guess if the
13 donation was tax deductible.

14 Q. Who, if anyone, asked for all these donations to be listed
15 in the spreadsheet?

16 A. Sam did.

17 MR. ROOS: We can take this down.

18 Q. I want to change topics.

19 You mentioned this morning that you are testifying
20 here pursuant to a cooperation agreement, is that right?

21 A. That's right.

22 Q. Did you plead guilty to crimes at the time you entered into
23 a cooperation agreement?

24 A. Yes.

25 Q. Before you pled guilty, had you met with federal

1 prosecutors and the FBI?

2 A. Many times.

3 Q. And when did you start meeting with prosecutors?

4 A. Somewhere around November 20, 2022.

5 Q. When you first met with the FBI or with prosecutors, had
6 you been arrested or charged with crimes?

7 A. No.

8 Q. How many times have you met with prosecutors?

9 A. I am not sure the exact number. Maybe around 20 times.

10 Q. In those meetings did you discuss your own involvement in
11 crimes?

12 A. I did.

13 Q. What crimes did you bring to the attention of prosecutors?

14 A. I discussed how I defrauded customers, investors, how I was
15 a straw donor for campaign donations, and how I knew that the
16 money going to those donations was from customer funds.

17 Q. Did you talk about the defendant in your meetings?

18 A. I did.

19 Q. What about other individuals?

20 A. Talked about other individuals.

21 Q. In general, what charges have you pled guilty to?

22 A. Defrauding customers, defrauding investors, campaign
23 finance violations, and money laundering.

24 MR. COHEN: Your Honor, may I have a brief sidebar?

25 THE COURT: Yes.

1 (At sidebar)

2 MR. COHEN: Your Honor, I didn't want to interrupt
3 Mr. Roos in front of the jury, but I wanted to ask the Court at
4 the appropriate time to give a 404(b) instruction on the
5 political campaign testimony we will hear today.

6 THE COURT: Haven't I done that already?

7 MR. COHEN: I thought you gave it on a different
8 topic, on the FCPA topic. I think you did that last week.

9 THE COURT: Is there any objection?

10 MR. ROOS: I don't think there has been a 404(b)
11 instruction on the campaign finance.

12 I guess the question I have is, what do you have in
13 mind at this point? I am not sure that he has testified --

14 MR. COHEN: He just did.

15 MR. ROOS: He described conduct. I am not sure --

16 MR. COHEN: He just said one of the crimes he
17 committed was being a straw donor.

18 MR. ROOS: That he committed. I am not sure he has
19 actually said. I'm happy to look at the testimony.

20 MS. SASSOON: I think it is also direct evidence.

21 THE COURT: Doesn't it really come down to saying that
22 the defendant, as opposed to this witness, is not charged here,
23 as I have told you before, with any crimes involving any
24 violations of campaign finance costs.

25 MR. COHEN: That would be fine, your Honor.

1 MS. SASSOON: I just want to make sure that FCPA
2 instruction referred to -- it's for the limited purpose of
3 propensity. I don't think that applies here.

4 (Continued on next page)

1 (At sidebar)

2 THE COURT: Members of the jury, I just want to remind
3 you that, as I said earlier in the trial, the defendant is not
4 charged with any criminal violation of campaign finance laws in
5 this case. This evidence is coming in for other purposes, not
6 least of what would be the fact that this witness has pleaded
7 guilty to such a violation.

8 MR. ROOS: Thank you, your Honor.

9 Q. You testified you pled guilty. How many felonies have you
10 pled guilty to?

11 A. Six.

12 Q. Is that plea based on criminal activity you have testified
13 about here today?

14 A. Yes. And more.

15 Q. When you were committing the frauds you testified about,
16 did you know what you were doing was wrong and illegal?

17 A. Yes.

18 Q. And with respect to the conspiracies you pled guilty to
19 commit wire fraud, securities fraud, commodities fraud and
20 money laundering, who did you conspire with?

21 A. I conspired with Ryan Salame, Sam Bankman-Fried, Gary Wang,
22 Caroline Ellison.

23 Q. You said you entered into a cooperation agreement. Is that
24 a written agreement?

25 A. That is.

1 MR. ROOS: If we could pull up for identification
2 3501-002.

3 Q. Mr. Singh, do you recognize this document?

4 A. I do.

5 Q. What is it?

6 A. It's my cooperation agreement.

7 Q. Let's go to the last page.

8 Is that your signature on the last page?

9 A. Yes.

10 MR. ROOS: Your Honor, the government offers 3501-002.

11 MR. COHEN: No objection.

12 THE COURT: Received.

13 (Government Exhibit 3501-002 received in evidence)

14 MR. ROOS: May we publish it?

15 THE COURT: You may.

16 Q. Mr. Singh, we are not going to go through the whole
17 document, but just for starters, looking at pages 1 and then 2,
18 does that state the crimes that you have pled guilty to?

19 A. Yes.

20 MR. ROOS: Can we go to page 3.

21 Q. You see the first full paragraph on that page. What do you
22 understand this paragraph in the cooperation agreement to
23 require of you?

24 A. This paragraph describes my obligations as a part of the
25 cooperation agreement. At a high level, it requires that I

1 provide truthful information to the government, that I testify
2 truthfully if asked, and that I commit no further crimes.

3 Q. If you satisfy those obligations, what is your
4 understanding as to what the government will do?

5 A. The government believes that my assistance was substantial,
6 they can write a 5K letter to the judge to be considered at my
7 sentencing.

8 Q. What's a 5K letter?

9 A. It's a letter that describes the extent of my cooperation
10 and what crimes I committed.

11 Q. If you were to violate your agreement by not telling the
12 truth or by committing more crimes, what do you understand
13 would happen to your cooperation agreement?

14 A. It may not be sent.

15 Q. What may not be sent?

16 A. The 5K letter. It wouldn't be created and sent to the
17 judge.

18 Q. And could your cooperation agreement be voided?

19 A. The agreement itself would not be voided.

20 Q. Have you been sentenced yet to the crimes that you pled
21 guilty to?

22 A. Not yet.

23 Q. What is your maximum sentence you could face?

24 A. Seventy-five years.

25 Q. Have you received any promises about the sentence you will

1 receive?

2 A. None.

3 Q. Sitting here today, do you know what sentence you are going
4 to get?

5 A. I don't know.

6 Q. What sentence are you hoping for?

7 A. I'm hoping for no jail time.

8 Q. Who decides your sentence?

9 A. The judge does.

10 Q. Now, does you getting a 5K letter from the government
11 depend in any way on the outcome of this trial?

12 A. No.

13 Q. You said one of the crimes you pled guilty to was
14 conspiracy to commit securities fraud?

15 A. Yes.

16 Q. On FTX investors.

17 I want to ask you some additional questions about
18 that.

19 When you were working at FTX, did you ever work on a
20 project relating to making FTX's revenues higher?

21 A. Yes.

22 Q. And when approximately was that project?

23 A. December 30 or 31 of 2021.

24 Q. Can you describe what the project was.

25 A. I made transfers from one of Sam's companies to another, to

1 FTX, to make it appear as though FTX had higher revenues.

2 Q. So a few follow-up questions on this.

3 First, just to be clear, where were FTX's revenues at
4 this point in time?

5 A. What were they for the previous year?

6 Q. Before the project, what had FTX's revenues been calculated
7 to?

8 A. Around 950 or \$960 million for that year.

9 Q. What was the project that you worked on?

10 A. Sam messaged me and Gary and possibly others, but certainly
11 the two of us, in Signal asking what we could do to get revenue
12 over the line of a billion dollars.

13 Q. What, if anything, did you discuss in that Signal
14 message -- conversation after that?

15 A. Sam and Gary talked about a number of options. In the end,
16 Sam landed on charging for the service of Serum staking.

17 Q. So for starters, I think you mentioned it, but can you
18 remind us what Serum is?

19 A. It's a token that Sam and Gary made.

20 Q. What is Serum staking?

21 A. Customers could so-call stake their Serum on FTX, which
22 entailed locking up those tokens such that they couldn't be
23 sold, in return for some interest.

24 Q. If you didn't sell your tokens, you got interest?

25 A. Right.

1 Q. And what was FTX's involvement in that?

2 A. FTX facilitated distributing the staking rewards,
3 facilitating the distribution of interest from the ECO Serum
4 account.

5 Q. Can you explain what the defendant proposed with respect to
6 charging for that service.

7 A. The defendant -- Sam proposed charging ECO Serum to the
8 account that paid the interest, 25 percent of the USD
9 equivalent of the interest distributed to FTX.

10 Q. And how, if at all, would that affect FTX's revenues?

11 A. It would -- I know that, after calculating, it was
12 determined that it would bring it over the line of 1 billion.
13 I think that it added \$50 million or so in revenue.

14 Q. Remind us, when was the date that this conversation
15 occurred?

16 A. It was either December 30 or 31 of 2021.

17 Q. Was the plan to charge that \$50 million amount at the end
18 there?

19 MR. COHEN: Objection. Leading.

20 THE COURT: Sustained.

21 Q. What, if any, was the plan with respect to when to charge
22 those payments to ECO Serum?

23 A. I was told to make it appear as though they had been
24 getting charged throughout the year, so to backdate the
25 transactions associated with paying this fee.

1 Q. Who told you that?

2 A. Sam.

3 Q. And what do you mean, backdating the charging of the fee?

4 A. The FTX database that he looked at has time stamps in it
5 for when transactions happen, but in some cases those crime
6 stamps are mutable and can be adjusted and changed. So I was
7 being asked here to make transfers and then to go into the
8 database and reassign the dates for them.

9 (Continued on next page)

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1 BY MR. ROOS:

2 Q. What would the effect have been of making those transfers?

3 A. The effect of making the transfers would have been to
4 increase FTX's stated revenue, but not real revenue, by some
5 \$50 million, and the effect of the backdating would be to make
6 it appear as though that had been getting paid out throughout
7 the year, as opposed to all at the end.

8 MR. ROOS: Let's take a look at Government Exhibit 51.

9 The government offers pursuant to S2003, stipulation.

10 THE COURT: Received.

11 (Government's Exhibit 51 received in evidence)

12 MR. ROOS: May we publish it?

13 THE COURT: Yes.

14 BY MR. ROOS:

15 Q. Mr. Singh, what are we looking at here?

16 A. I recognize this as the FTX stats file, one that Sam made
17 and posted inside a, among other places, a Slack channel that I
18 was in that contained a lot of people, 20 or 30 people, with
19 interest in raising, and I understand that copies of this
20 spreadsheet or versions of it made their way into—

21 MR. COHEN: Objection.

22 THE COURT: Sustained as to the understanding.

23 Q. What, if anything, did you talk to the defendant or other
24 FTX employees about what was done with this spreadsheet?

25 A. Ramnik told me that versions of this spreadsheet made their

1 way into data rooms that were shared with FTX investors.

2 Q. Now looking at this first tab, the overview page, where
3 does it say FTX's revenue for year 2021?

4 A. Cell E8.

5 Q. And what is that revenue number?

6 A. Just over a billion dollars.

7 MR. ROOS: Now, Mr. Ahuja, can we please see the tab
8 FTX data.

9 Q. Mr. Singh, where does the information for FTX data come
10 from?

11 A. I believe that this is a download of data that was collated
12 and—

13 MR. COHEN: Objection.

14 THE COURT: Yes. Sustained. Strike the answer.

15 Mr. Roos, foundations are sometimes necessary.

16 MR. ROOS: Yes, your Honor.

17 So let's go over to the tab that says Staking Fees,
18 and can we scroll down. Scroll down to like the year 2021. So
19 you'll have to go down a bunch, maybe using the side tab.

20 BY MR. ROOS:

21 Q. And Mr. Singh, do you see a number in the column W called
22 Staking Fees?

23 A. I do.

24 Q. And are you familiar with where those figures come from?

25 A. This is a reflection of the erroneous transfers that I made

1 and backdated of one of them.

2 Q. What are you referring to?

3 A. The transfers that I'd made on December 30th or 31st of
4 2021, supposedly for eco Serum paying FTX 25 percent of the USD
5 value of the distributed interest. I made those once per
6 month, backdated them so they looked like they happened once
7 per month, and this is the USD value of one of those transfers.

8 Q. Now where did you make those transfers?

9 A. I made them using a Python script. They ended up in the
10 FTX database.

11 Q. Now you mentioned this is one of those monthly payments.

12 Are there other such monthly revenue, or staking fee payments?

13 A. Yes, one per month.

14 Q. Throughout the period of 2021?

15 A. Yes.

16 Q. And are they for a month that predate December 2021?

17 A. Yes.

18 Q. What was the result of including these staking fees, these
19 backdated staking fees, in the revenue total for 2021?

20 A. It was the difference between FTX being under and over a
21 billion dollars of revenue in 2021.

22 Q. What, if anything, did you discuss with the defendant about
23 backdating?

24 A. He told me to do it.

25 Q. What, if anything, did you learn about this, about the

1 revenue number being shared with investors?

2 A. I didn't learn anything affirmatively, but I knew it was
3 shared.

4 MR. COHEN: Objection.

5 A. I assumed it was shared.

6 Q. Relevant to his state of mind.

7 THE COURT: Overruled.

8 I'm sorry. I'm going to sustain that.

9 MR. ROOS: Okay.

10 THE COURT: The jury will disregard it.

11 Q. Now what, if any, information about this revenue number was
12 given to auditors?

13 A. It was. These numbers were given to auditors.

14 Q. Just to back up for a second, did FTX have auditors?

15 A. Yes.

16 Q. And what, if anything, were they doing in 2021, and 2022?

17 A. Looking at financials for the previous years at FTX.

18 Q. And so I think you answered that information was given to
19 auditors. What, if anything, did auditors ask to see?

20 MR. COHEN: Foundation, objection.

21 THE COURT: Sustained.

22 Q. So just to take a step back, you testified that information
23 was provided to auditors; is that right?

24 A. Correct.

25 Q. Did you have any conversations with auditors about the

1 staking fees?

2 A. I did.

3 Q. And what, if anything, was asked of you about the staking
4 fees?

5 A. I was asked to describe what they were.

6 Q. And to what extent, if at all, were you asked about
7 materials relating to the staking fees?

8 A. Jayesh, afterwards, at some point after my conversation
9 describing the, like, technical basis for this number, asked me
10 if there—if the auditors were interested in seeing an
11 agreement about it. I told him I don't have the agreement and
12 I redirected him to Sam.

13 MR. ROOS: The government offers Exhibit 323 pursuant
14 to stipulation S2003.

15 THE COURT: Received.

16 (Government's Exhibit 323 received in evidence)

17 MR. ROOS: May we publish it?

18 THE COURT: Yes.

19 BY MR. ROOS:

20 Q. Mr. Singh, at the top of this agreement it says Rewards
21 Agent Agreement. Do you see that?

22 A. I do.

23 Q. And do you see the parties listed in it?

24 A. Yes.

25 MR. ROOS: Let's go to the end of the document.

1 Q. What are the parties listed to the agreement on the end of
2 the document?

3 A. Incentive Ecosystem Foundation and FTX Trading Ltd.

4 Q. Are you familiar with Incentive Ecosystem Foundation?

5 A. Sort of.

6 Q. Okay. And FTX Trading Ltd.?

7 A. Yes.

8 Q. And who signed on behalf of FTX Trading Ltd.?

9 A. Sam Bankman-Fried.

10 Q. Okay. Now let's go back to the first page.

11 Do you see here where it says the fee amount that
12 would be paid?

13 A. Yes.

14 Q. And what was the fee amount listed in this agreement?

15 A. 25 percent of the distributed rewards.

16 Q. And what fee percentage did you discuss with the defendant
17 in December of 2021?

18 A. 25 percent.

19 Q. Now do you see the date on this document—

20 A. Yes.

21 Q. —at the top? And what is the date of the document?

22 A. January 1, 2021.

23 Q. When was it that you first discussed fees for staking Serum
24 with the defendant?

25 A. December 30th or 31st, 2021.

1 Q. Let me just be clear about something. Had you seen this
2 document back in 2021?

3 A. No.

4 MR. ROOS: We can take this down.

5 Q. In addition to this—my questions to you about revenue,
6 what, if anything, was done at FTX to remove losses from the
7 company's expenses?

8 A. In one instance, there were a bunch of accounts that found
9 an exploit in Gary's original version of the spot margin
10 system. They had essentially borrowed a lot of dollars against
11 some MobileCoin, but if sold, the MobileCoin wasn't going to
12 actually cover the full amount.

13 MR. COHEN: Objection, foundation.

14 THE COURT: Try again, Mr. Roos. The jury will
15 disregard it.

16 Q. So just to take it in pieces, I asked you what, if
17 anything, was done at FTX to remove losses from the total
18 expenses. Were there—so let me actually ask you instead: In
19 2021, were you aware of any losses—just yes or no—associated
20 with problems in the margins of some?

21 A. Yes.

22 Q. And how did you come to learn about those losses?

23 A. Ryan Salame and Sam Bankman-Fried sounded the alarms about
24 somebody exploiting the margin system.

25 Q. Can you describe what you learned.

1 A. I learned that there were a number of accounts that had
2 deposited a lot of MOB—or M-O-B, MobileCoin—as collateral,
3 and had withdrawn a lot of USD against it using the spot margin
4 system. They had done so in a way such that the—in a way that
5 the FTX margin system essentially overvalued how much it could
6 get out of the MobileCoin, meaning that these accounts weren't
7 yet liquidated but really should have been much earlier.

8 Q. And what, if any, losses resulted from this?

9 A. I heard from Sam Bankman-Fried—he told me, after it was
10 addressed, that the losses would constitute a fraction of
11 Alameda's revenue that year, around \$1 billion.

12 Q. What, if anything, did the defendant say about what should
13 be done with the loss?

14 A. He directed the reassigning of the accounts themselves that
15 had on these positions that should have been but were not
16 liquidated to Alameda, meaning that Alameda absorbed the losses
17 associated with those accounts.

18 Q. And what, if anything, was the effect of moving those
19 losses to Alameda's account?

20 A. It meant that because Alameda data is not publicly shared,
21 that these losses would not be publicly shared.

22 Q. Okay. I want to change topics.

23 Directing your attention to November of 2022. Can
24 you, at a high level, describe what happened to FTX.

25 A. Collapsed. Customers tried to withdraw their money and FTX

1 didn't have it.

2 Q. So let's break it down.

3 Did there come a time in November 2022 when you
4 learned about an increase in customer withdrawals?

5 A. Yes, November 5th.

6 Q. And what did you observe at the time?

7 A. Clients had moved a lot of FTT that they owned on chain to
8 their exchange. This signaled to the crypto industry that a
9 lot of FTT was about to be sold. This followed a leak of an
10 Alameda balance sheet that had been published a few days
11 earlier. I was very concerned that this might spell doom and
12 the end of our attempts to make customers whole, and the end of
13 the ongoing fraud, and that the mechanism for the doom would
14 have been customers withdrawing.

15 Q. And so can you explain why you were concerned that
16 withdrawals would be a problem for FTX.

17 A. Because customers believed, were told that they had
18 balances that were not backed, and so if they withdrew more
19 than the limited funds that existed, it would become evident
20 that there was an enormous hole and that their funds had been
21 used.

22 Q. Just to clarify your answer, you said customers were told
23 that they had funds that were not backed. Did you mean
24 customers were told that they had funds and they were not
25 backed or customers were told they had funds but were not

1 backed?

2 MR. COHEN: Objection.

3 THE COURT: Overruled.

4 A. The former.

5 Q. Now earlier in your testimony you told us about some loans
6 that had been made to you for corporate purposes. Do you
7 remember that?

8 A. Yes.

9 Q. When withdrawals started picking up at FTX in November
10 2022, what, if any, conversations did you have with the
11 defendant about those loans?

12 A. A few days or maybe a day after my worries, I was terrified
13 that due to the collapse, I wouldn't be able to repay all my
14 loans that I once thought I could, and I asked that we find an
15 erroneous way to sort of remove them.

16 MR. ROOS: The government offers Exhibit 480A pursuant
17 to stipulation S2003.

18 MR. COHEN: No objection.

19 THE COURT: Received.

20 (Government's Exhibit 480A received in evidence)

21 MR. ROOS: May we publish it?

22 THE COURT: You may.

23 MR. ROOS: Could we zoom in on first the blue
24 messages.

25 Q. And let me ask: What is this document?

1 A. This is a screenshot from my computer of a Signal chat with
2 Sam.

3 Q. And so focusing on your message—I'm sorry. Withdrawn.

4 Whose message is this?

5 A. Mine.

6 Q. Okay. And focusing on your message, you say there, "one
7 thing that'd seriously help me is if I didn't have debts."
8 What debts were you referring to?

9 A. There were hundreds of millions of dollars of loans that I
10 had taken for the—for Alameda's and FTX's purposes, or loans
11 that I'd taken for personal purposes but that Sam had requested
12 I take in the form of a loan as opposed to selling my FTT.

13 Q. And you say here, "500 million for me exercising," what's
14 that a reference to?

15 A. I received a \$477 million on-paper loan in December or
16 November of 2021, nominally for me to exercise shares that were
17 granted to me.

18 Q. And who, if anyone, had the idea for you to take that loan?

19 A. Sam did.

20 Q. The same sentence says, "for me exercising, more for US
21 investments." What were you referring to there?

22 A. There were on the order of \$100 million or maybe more of
23 other loans that ran through me for expenditures from FTX.US,
24 things like acquiring LedgerX, acquiring Embed.

25 Q. What do you mean by ran through you?

1 A. Using the setup I described earlier in which the lawyers
2 would paper up a transaction, a loan from Alameda through me,
3 Sam, and Gary, and maybe others, but certainly the three of us,
4 and that those funds would ultimately make their way into
5 FTX.US's wallets and that FTX.US could spend that money to—to
6 make acquisitions.

7 Q. The third line here, it says, "maybe 80 million extra or so
8 are donations/personal/etc. that went through my bank acc and
9 are in my name." What were you referring to?

10 A. Here I'm referring to instances in which I'd withdrawn from
11 my FTX account using the spot margin system or instances in
12 which Sam had given me like a loan. These are instances in
13 which I'd first asked to sell FTT but Sam preferred I take a
14 loan. And so these are ones that are in my name. These also
15 include the transfers directly from Alameda into my bank
16 accounts that, you know, weren't discussed beforehand.

17 Q. Just so we're clear, when it says "through my bank acc,"
18 what is that?

19 A. Bank account.

20 Q. Now you see lower it says, "would you be ok letting me
21 trade to get rid of the approximately 80?" What were you
22 referring to?

23 A. I was asking if I could make some fictitious transactions
24 such that it looked like I had paid off this amount that I
25 owed.

1 MR. ROOS: Let's zoom out.

2 And can we zoom in on the bottom three messages.

3 Q. And the defendant asks, "what does trade mean?" And you
4 say, "sell FTT or SRM earlier in 2022." What does that mean?

5 A. I was asking if I could make a trade, selling the tokens
6 that I had asked to previously sell, but backdating them to
7 points that would cover the size of the loans.

8 Q. You've mentioned FTT previously. What's SRM?

9 A. SRM is Serum.

10 Q. And why did you want to get out of these loans?

11 A. I was really afraid of what it would look like, that I
12 would look really corrupt, that I would, you know—the
13 interpretation to them would—would be—would be really
14 negative.

15 Q. Why did you feel comfortable proposing a backdated
16 transaction?

17 A. It's something I knew could be done because Sam had
18 proposed, you know, once to me in other contexts.

19 Q. And the defendant says, "I think that's probably fine."
20 After that, did you go through with this transaction?

21 A. No.

22 Q. Why not?

23 A. It felt wrong. I was not—not to make an excuse for my
24 having proposed this, not at all, but I was in different levels
25 of having a right mind throughout these days, and in better

1 moments, I didn't pursue it.

2 MR. ROOS: We can take this down.

3 Q. Now directing your attention to November 6, did there ever
4 come a time where you discussed Alameda's balances with the
5 defendant?

6 A. Yes.

7 Q. And what did you discuss?

8 A. Forgive me. You're asking about November?

9 Q. November 6.

10 A. Yes. On November 6th, we talked about how there was a
11 hole.

12 Q. Any other specifics you recall?

13 A. Sorry. This is specifically about Alameda balances?

14 Q. Correct.

15 A. I recall Sam drafting—Sam and Caroline drafting balance
16 sheets that showed all of FTX and Alameda's assets versus
17 liabilities.

18 Q. As part of these discussions, what, if any, conversations
19 did you have about the old FTX fiat account you testified about
20 earlier in your testimony today?

21 A. One of the exercises that related to determining Alameda's
22 balances that Sam asked me for help in was giving him a list of
23 the USD values in various accounts, much like the June exercise
24 that we had done. He provided me a list of accounts and
25 referenced the seoyun one, the one that now held the FTX fiat

1 old obligation.

2 Q. Let's take a look.

3 MR. ROOS: Government offers Exhibit 480B, which is a
4 message exchange between the witness and the defendant,
5 pursuant to stipulation S2003. It's dated November 6, 2022.

6 THE COURT: This is 480D or—

7 MR. ROOS: This is 480B as in boy.

8 THE COURT: Thank you. Received.

9 (Government's Exhibit 480B received in evidence)

10 MR. ROOS: May we publish it?

11 THE COURT: Yes.

12 BY MR. ROOS:

13 Q. Mr. Singh, what type of message is this?

14 A. This is also a Signal message, this time sent from Sam.

15 Q. And what's the date of it?

16 A. Sunday, November 6th.

17 Q. And focusing on the message, how, if at all, does this
18 relate to what you were just describing about the seoyun
19 account?

20 A. The bottom account, in the first message, Sam's enumerating
21 a bunch of accounts for me to grab the USD value of. In the
22 second message, Sam says to include the seoyun one, which has
23 the old fiat account.

24 Q. And how did you know what the defendant was talking about?

25 A. Because we had had the discussion months earlier about me

1 moving it to—moving the FTX fiat old subaccount into a
2 different account so that Alameda wasn't charged interest but
3 could still know about it.

4 Q. And several months prior, which you testified about
5 earlier, what was the balance in that account at the time?

6 A. Negative 8 billion.

7 MR. ROOS: Okay. We can take this down.

8 Q. Now let's focus on the evening of November 6. On that
9 evening did you have any conversations with the defendant about
10 tweeting or Twitter?

11 A. There was a war room of sorts that had gathered in Sam's
12 apartment in Gemini 1D with Sam, Caroline, Gary, me, Ryan
13 Salame on the phone, Ramnik Arora, and eventually others. One
14 of the items being discussed was how to address the crisis now
15 at hand publicly. They were discussing versions of a tweet
16 that Sam was workshopping. There was a point when they were
17 discussing whether or not to characterize FTX as solvent or
18 well capitalized. I felt very uncomfortable with both
19 definitions. I felt neither was true. I leaned over the couch
20 in which they were talking and said: *I'm not comfortable with*
21 *this. I'm recusing myself.* They acknowledged in a kind of
22 annoyed way and proceeded.

23 Q. You used "they" a few times at the end of your statement
24 there. Who is "they"?

25 A. Specifically, I was leaning over the section of the couch

1 with Sam and Ramnik, but the whole group heard.

2 Q. And whose tweet were they drafting?

3 A. Drafting a potential tweet for Sam to send.

4 Q. And you said you recused yourself. Is that something—what
5 did you mean by that?

6 A. I don't know that I had the most precise definition at the
7 time. I mostly wanted to express that I didn't approve of this
8 and—but I didn't—I acknowledged I didn't have the power to
9 stop them. I'd already made clear my preferences on what to
10 say and so I just didn't want to be involved.

11 Q. Why weren't you comfortable with the tweeting?

12 A. It was really dishonest, and I was, you know—I'd been
13 asking if we could just halt withdrawals instead.

14 Q. Did the defendant tweet after that?

15 A. Yes.

16 Q. Showing you now Government Exhibit 866, which is in
17 evidence.

18 MR. ROOS: And could we zoom in on the date and time
19 of the first tweet.

20 Q. Mr. Singh, when is this in relation to the conversation you
21 were just describing?

22 A. The following morning.

23 Q. Let's look at the first tweet. The defendant says, "FTX is
24 fine. Assets are fine." Was that accurate as of November 7,
25 2022?

1 A. No.

2 Q. Why not?

3 A. We had determined definitively that FTX had a hole. That
4 was clear to everybody involved in the discussion I just
5 mentioned.

6 Q. Did those discussions include the defendant?

7 A. Yes.

8 MR. ROOS: Okay. Zoom out from here. And let's look
9 at the one below it.

10 Q. That tweet includes a statement, "FTX has enough to cover
11 all client holdings." Was that true at the time?

12 A. This is an even narrower statement that is even—and
13 therefore even more false.

14 Q. Why?

15 A. FTX did not have enough to cover client holdings. That was
16 the sense in which it was not fine.

17 Q. At or before the time the defendant tweeted this, had you
18 discussed the state of FTX assets with him?

19 A. Yes.

20 Q. Had you discussed the issues that you've testified about
21 relating to customer funds?

22 A. By that—I discussed with him the existence of a hole, and
23 he—he quantified it by putting together these balance sheets.

24 Q. What, if anything, did you understand the purpose of the
25 tweets were based on your involvement in the conversation you

1 testified about?

2 A. I'd overheard in the conversation opinions that these
3 tweets should be really strong, which I understood to be a
4 euphemism for particularly misleading in such a way that will
5 quell fears definitively.

6 MR. COHEN: Objection.

7 THE COURT: Mr. Roos.

8 MR. ROOS: His understanding is relevant as a
9 co-conspirator.

10 THE COURT: Yes. Overruled.

11 A. I understood "strong" to mean making a very confident and
12 therefore misleading statement, or false statement, about FTX's
13 financial condition.

14 Q. Was the defendant in that conversation?

15 A. Yes.

16 MR. ROOS: We can take this down.

17 So Judge, I'm very close to the end, but I don't think
18 I'm going to make it by 8:30—by 4:30.

19 THE COURT: I was worried about 8:30.

20 MR. ROOS: Certainly we'll make it by 8:30.

21 Would you like me to continue—I think I've got about
22 two minutes left—or I can stop here. I'm about to switch
23 topics.

24 THE COURT: Well, you've got two minutes left.

25 MR. ROOS: Okay. Thank you.

1 BY MR. ROOS:

2 Q. During the next week in November, the week in November that
3 we've been discussing, did you have any conversations with the
4 defendant about possible explanations for Alameda's borrowing?

5 A. Yes.

6 Q. What did you discuss?

7 A. He asked me to determine the total amounts that had flown
8 through the spot margin system historically, the largest
9 amounts that had ever been lent and borrowed.

10 Q. What is the spot margin system?

11 A. FTX supported a peer-to-peer borrowing system such that
12 customers could explicitly lend their funds for others to
13 borrow.

14 Q. And are customers automatically involved in the spot margin
15 system?

16 A. No. They have to opt in.

17 Q. What specifically did the defendant ask you when he raised
18 the possibility of the spot margin system?

19 A. He asked me to run a database query to fetch the
20 largest—the most that had been borrowed or lent at any point
21 in time for each coin through the spot margin system.

22 Q. And was it the case that the hole that you've testified
23 about was the result of borrowing through the spot margin
24 system?

25 A. No.

1 Q. Why do you say no?

2 A. Funds were taken from bank accounts, which had nothing to
3 do with the spot margin system, and negative amounts in the
4 main Alameda account did not have spot margin enabled. It
5 borrowed—and were able to because of the "Allow Negative"
6 flag.

7 Q. What do you mean that the main account didn't have spot
8 margin enabled?

9 A. Customers had to opt in to borrowing and participating in
10 the borrow/lending system. This would, you know—opting in was
11 a—is tantamount to enabling spot margin. Alameda's main
12 account, though it was really negative at times and was
13 borrowing, wasn't doing so through this system.

14 Q. Now changing dates and directing your attention to
15 November 8, 2022, did you speak to an attorney on that day
16 named Dan Friedberg?

17 A. I did.

18 Q. And did you tell the defendant about that conversation?

19 A. I did.

20 MR. ROOS: Your Honor, the government offers
21 Exhibit 480C, which is a message exchange between the defendant
22 and the witness on November 8th, pursuant to stipulation S2003.

23 THE COURT: 480C is received.

24 (Government's Exhibit 480C received in evidence)

25 MR. ROOS: May we publish it?

1 THE COURT: You may.

2 BY MR. ROOS:

3 Q. Who is this Signal chat between?

4 A. Also between me and Sam.

5 Q. What's the date on it?

6 A. Tuesday, November 8th.

7 Q. You write to the defendant, "when you briefly called Dan he
8 was very upset with us and blamed basically the three of us and
9 said it was super [f'd] up, etc." Who is the Dan in this
10 sentence?

11 A. Dan Friedberg.

12 Q. You wrote that when he called, he blamed the three of you.
13 What were you referring to? Who were you referring to?

14 A. In the call, Dan blamed me, Sam, and Gary. That's what I
15 meant, although I don't know that my meaning was clear in the
16 message.

17 MR. ROOS: Now can we zoom out of this.

18 Q. And how did the defendant respond?

19 A. He said that that matched his understanding, that Dan was
20 really upset at us, and that it lined up with what Joe—Joe
21 Bankman—had told him.

22 Q. Just to be clear, who is Dan F?

23 A. Dan Friedberg.

24 Q. And so to close the loop on this, you say that Dan F was
25 very upset, and his message in response to that is, "yup, makes

1 sense"?

2 A. I said a few things. I said Dan is upset and that Ryan is
3 likely to resign if we don't proceed correctly. Sam is saying,
4 "yup, makes sense" maybe to part or all of that.

5 Q. Okay. And then do you see where the defendant says,
6 "fwiw"? What is that?

7 A. "For what it's worth."

8 Q. "For what it's worth, I don't hate the idea of them being
9 pissed at me--I don't know, there are pros and cons, and
10 probably mostly cons, but it might help them."

11 And so do you see that there?

12 A. Yes.

13 Q. And you wrote--can we zoom out of this--"this is wildly
14 selfish of me, but they may need to know that it wasn't a ton
15 of people orchestrating it. I think it makes them more likely
16 to want to be here to help save the situation and the others at
17 least."

18 What were you referring to here?

19 A. I really wanted Sam to clarify what everyone's role in this
20 fraud was, that it's selfish, my request, because I wanted him
21 to clarify that I wasn't orchestrating it and that I learned
22 about it really late. I wanted Sam to clarify that he was
23 orchestrating it.

24 MR. ROOS: Judge, do you want me to keep going or stop
25 here?

1 THE COURT: Well, you told me you'd be done in two
2 minutes.

3 MR. ROOS: Sorry. I did say I have two minutes. I
4 have probably three more minutes of testimony.

5 THE COURT: This time I'm holding you to it.

6 MR. ROOS: Thank you, your Honor.

7 BY MR. ROOS:

8 Q. So why were you asking for him to clarify that he was
9 orchestrating it?

10 A. Two reasons. I was under severe emotional distress from
11 people like Dan Friedberg calling me and blaming me for the
12 entirety of this, and I was certainly guilty for participating
13 in it since September, but I don't feel that I made the hole.
14 And secondly—and I sort of wanted my—the state of my
15 relationship with these people I loved and tried to do right by
16 to remain intact and for them not to hate me.

17 Secondly, there was a crazy blame game going on and
18 people weren't being productive. Now more than ever, to
19 salvage whatever we could, FTX employees needed to be
20 productive, and resolving the blame game quickly and
21 definitively seemed like it would be a path towards that.

22 Q. What do you mean resolving the blame game?

23 A. Sam making clear that he was responsible, that I was
24 responsible in another capacity, that everyone responsible was
25 responsible, and then moving past it so we could just maybe

1 sell to Binance or do whatever we could to save what we could.

2 Q. You mentioned Dan Friedberg a few times now. What was his
3 role at FTX?

4 A. He was the—he went by a couple titles, but fundamentally
5 he was the lead—lead lawyer. He was sort of chief legal
6 decision-maker on everything.

7 Q. And just for context, what was your mental state at this
8 point when you were asking the defendant to do these things?

9 A. I'd been suicidal for some days.

10 Q. And why did you want him to come clean?

11 THE COURT: Hasn't that been asked and answered?

12 Q. Well, let me ask you this question this way.

13 MR. ROOS: Well, actually, let's just zoom out.

14 And can we go further down.

15 Last message, can we zoom in on it.

16 Q. Can you just read what he wrote in response to you.

17 A. Sam said, "yup, for what it's worth, I don't think that's
18 super selfish. I think that's probably correct."

19 MR. ROOS: No further questions.

20 THE COURT: All right. Thank you.

21 Ladies and gentlemen, 9:30 tomorrow morning.

22 Counsel remain.

23 (Continued on next page)

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25

1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Not that I'm going to hold you to it, Mr. Cohen,
4 because you have a lot of work to do, I guess, but what do you
5 think in terms of how long we're going to be with the witness
6 tomorrow?

7 MR. COHEN: Again, somewhat depends on the answers,
8 your Honor, but I think—

9 THE COURT: Oh, yes, of course. I'm sorry.

10 MR. COHEN: Yeah. I think somewhere between four to
11 five hours, max. I'm hoping it will be shorter than
12 Ms. Ellison.

13 THE COURT: Thank you.

14 What follows?

15 Were you through, Mr. Cohen?

16 MR. COHEN: No. I—we've had a conversation with the
17 government, but we can wait till your Honor's ready to hear it,
18 hear about it, or I can tell you now.

19 THE COURT: Well, no. I'll come back to you in a
20 minute.

21 Mr. Roos, what will follow this witness?

22 MS. SASSOON: Richard Busick.

23 THE COURT: Sorry. Give me the name again.

24 MR. ROOS: Richard Busick.

25 THE COURT: And after that?

1 MR. ROOS: We have a Chanel Medrano.

2 And just to give your Honor a sense, I mean, we have
3 to see what the cross is like, but I think we're moving at like
4 a fairly quick clip such that I think most, with the exception
5 of maybe like one or two short witnesses, would be done this
6 week for the government's case. And the witnesses I'm flagging
7 are actually witnesses who are out of town and were unable
8 right now to get here, but otherwise we're planning to put it
9 all in this week, with those exceptions.

10 THE COURT: Okay. All right. Mr. Cohen?

11 MR. COHEN: Yes, your Honor. Just circling back to
12 the letter we sent to the Court about our client's access to
13 Adderall, which we spoke about this morning as well at the
14 sidebar, I'll let Mr. Roos speak for the government for
15 himself, but I think we have an agreement on how to proceed,
16 subject, of course, to the Court's approval. In order to see
17 if we can get this straightened out so that my client can in
18 fact receive the dose during the middle of the day and not have
19 to continue, for all the reasons I said in our letter, we're
20 proposing that we sit a half-day tomorrow, from—I think it was
21 9:30 to 1:00, and see if we can use the rest of the time
22 productively to sort out the medical issues so that we can
23 resolve them.

24 THE COURT: I'm told, within the last 40 minutes, that
25 the extended-release medication is not going to be available

1 till Thursday.

2 MR. COHEN: Oh, okay.

3 THE COURT: And with all due respect to everybody's
4 good faith, I have not observed a problem with the defendant in
5 this period of time. Not that I'm medically competent, but I
6 just make that note. And I'm inclined to push ahead.

7 MR. COHEN: Well, then we have to return to our
8 position in our letter, your Honor. I don't think—we had
9 asked for a one-day adjournment—if it's going to be Thursday,
10 we ask for an adjournment until then—in order to allow our
11 client to meaningfully participate as we go to the defense
12 case.

13 THE COURT: Look, the bottom line here is that I have
14 no competent medical evidence that is short of months old. I
15 don't remember the date, but I had it earlier this morning.
16 And what I have is lawyers who I'm sure in good faith believe
17 what they're saying, but the last I heard from a physician was
18 dated August 12th, and not only is that true, but I don't even
19 have a medical opinion that he needs it now, or what the effect
20 of not taking it is, and we're going to proceed.

21 MS. SASSOON: Just for the record, your Honor—

22 THE COURT: And it's not like there's been a shortage
23 of time to put that together.

24 MR. COHEN: Obviously, for record purposes, we object.

25 THE COURT: I understand.

1 MS. SASSOON: And for record purposes, the government
2 would also note that subsequent to receipt of that physician's
3 letter, BOP conducted their own evaluation and determined that
4 a lower dose was medically appropriate.

5 THE COURT: Well, I'd like to see some evidence of
6 that too.

7 MS. SASSOON: Yes, your Honor. And if your Honor's
8 interested, we also noted in a prior letter to the Court that
9 the physician who wrote this letter has engaged in some suspect
10 practices that we've learned about in the course of our
11 investigations.

12 THE COURT: What does that mean?

13 MS. SASSOON: For example, witnesses
14 testify—witnesses have informed the government that he was
15 liberally prescribing Adderall to people who told us that they
16 did not need Adderall at all or at that level.

17 THE COURT: Okay.

18 MR. COHEN: That—well, I hope the Court does not
19 consider that latest proffer one way or another in reaching the
20 Court's decision.

21 THE COURT: Look it, understand my point of view, all
22 right? I've explained a good deal of it, maybe all of it, but
23 just to be sure everybody understands, I am not professionally
24 competent to make a decision as to what's appropriate for the
25 defendant, if anything, with respect to the administration of

1 this drug. He is in the custody of the United States Bureau of
2 Prisons. Whatever people may think of it, they have
3 physicians. Physicians are entrusted with his care. I can't
4 write the prescription, I can't authorize the Marshals to give
5 him pills brought in here by counsel, whom I trust entirely,
6 but it's not up to me. I can't have lawyers coming in and
7 giving drugs to people on trial because somebody says they need
8 it. I just can't do it.

9 Okay. Anything else?

10 MR. COHEN: Not from us, your Honor.

11 THE COURT: Okay. Have a good evening.

12 (Adjourned to October 17, 2023, at 9:30 a.m.)
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3	540	.1287
4	539	.1293
5	S2003 14A	.1314
6	42	.1322
7	1451	.1327
8	343	.1331
9	1478	.1332
10	3	.1338
11	647	.1373
12	5	.1394
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23	480C	.1469

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

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7
8 New York, N.Y.
9 October 17, 2023
10 9:40 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
Southern District of New York

17 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

18 THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 Pages 1488-1490 SEALED by order of the Court)

2 (In open court; jury not present)

3 THE COURT: Good morning, everyone.

4 Let's get the jury and let's get the witness.

5 MR. ROOS: Judge, while we're waiting for folks,
6 there's a few admissibility disputes between the parties on
7 some expert exhibits that would come in tomorrow. I was hoping
8 we could raise them with the Court sometime today. It doesn't
9 have to be—any time before the end of the day. It's up to
10 your Honor.

11 THE COURT: I'll try to keep that in mind.

12 (Continued on next page)

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1 (Jury present)

2 THE COURT: Good morning, folks. I hope you had a
3 nice evening.

4 Mr. Singh, you're still under oath.

5 The record will reflect the jurors and the defendant
6 all are present, as they have been throughout.

7 Cross-examination, Mr. Cohen.

8 MR. COHEN: Thank you, your Honor.

9 NISHAD SINGH, resumed.

10 CROSS EXAMINATION

11 BY MR. COHEN:

12 Q. Good morning, Mr. Singh.

13 A. Good morning.

14 Q. I'd like to ask you, if I ask you a question that you can
15 answer yes or no, please do so.

16 A. Sounds good.

17 Q. Do you recall yesterday you testified about FTX's business
18 spending?

19 A. Yes.

20 Q. Things like sponsorships and venture investments, correct?

21 A. Yes.

22 Q. And I believe you testified at page 1313 that you thought
23 the spend was too large or didn't make sense. Do you recall
24 that, sir?

25 A. I don't recall exactly what I said. In many instances I

1 thought it was too large or didn't make sense, not in all.

2 Q. Okay. Fair to say that in certain instances you disagreed
3 with the business rationale for the spend?

4 A. Right.

5 Q. You thought that spending on such items was too large.

6 A. Right.

7 Q. And is it fair to say that at certain times Sam had a
8 different business judgment as to that spend?

9 A. Frequently.

10 Q. And Sam ran the business side of FTX, correct?

11 A. Yes.

12 Q. Now did FTX have a marketing group?

13 A. It had a lot of employees that worked on marketing in some
14 capacity.

15 Q. And from time to time those employees would make
16 recommendations to Sam about marketing initiatives, correct?

17 MR. ROOS: Objection, hearsay.

18 MR. COHEN: I'll rephrase, your Honor.

19 THE COURT: Yes, please.

20 Q. Do you know if from time to time the marketing group would
21 make recommendations to Sam?

22 MR. ROOS: Objection. Hearsay.

23 THE COURT: Overruled.

24 The question is whether you know one way or the other.

25 A. Yes, I read in Slack—

1 THE COURT: No, no, no. The answer was yes. Just
2 stop there.

3 Q. Let's talk for a moment about sponsorships. Was it your
4 view, Mr. Singh, that FTX shouldn't have any corporate
5 sponsorships?

6 A. I'm not sure that I had a view that extreme. I don't think
7 I had a very precise view on what should happen.

8 MR. COHEN: If we could pull up Government Exhibit 343
9 in evidence, please.

10 Q. This is a document entitled List of Sponsorships. Do you
11 recall going over this with us yesterday, Mr. Singh?

12 A. Yes.

13 Q. Okay. And counsel directed you to line 3.

14 MR. COHEN: Brian, could we have line 3.

15 Q. And that was the sponsorship for the Miami-Dade FTX Arena.
16 Do you see that, Mr. Singh?

17 A. Yes.

18 Q. And you told us yesterday about the spend of 135 million on
19 that sponsorship, correct?

20 A. Yes.

21 MR. COHEN: Okay. Now why don't we—Brian, if we
22 might expand this and cover some things that weren't covered
23 yesterday.

24 Let's take a look at the—Brian, move it a little bit
25 more to my right.

1 Okay. Other way. Other way. Okay. That's good.

2 BY MR. COHEN:

3 Q. All right. If you can look at the heading that I'm
4 circling, Mr. Singh, Deal Start Date and Duration, do you see
5 that, sir?

6 A. I do.

7 Q. Is it fair to say that for the Miami-Dade FTX Arena, the
8 duration of the sponsorship was 19 years?

9 A. Yes, that's what this suggests.

10 Q. Okay. With a start date of March 22, 2021.

11 A. That's what the spreadsheet says.

12 MR. COHEN: Okay. If we could continue, Brian, moving
13 along on that same row, to the right.

14 If you go to the column entitled Outlay, and Brian,
15 bring that all the way over, please.

16 Q. And that shows, Mr. Singh, the outlay per year of this
17 \$135 million commitment, correct?

18 MR. ROOS: Objection, foundation.

19 Q. Do you see that, sir?

20 THE COURT: Well, just a minute. We're not performing
21 eye examinations here.

22 MR. COHEN: Sorry, Judge.

23 THE COURT: I mean, it says what it says.

24 MR. COHEN: Okay.

25 Q. Now, Mr. Singh, this sponsorship of the FTX Arena was aimed

1 at promoting FTX's brand and awareness, correct?

2 MR. ROOS: Objection, foundation.

3 THE COURT: Sustained.

4 Q. Did you have a view about whether or not it was a useful
5 thing to promote FTX's brand?

6 MR. ROOS: Objection.

7 THE COURT: Ground?

8 MR. ROOS: Relevance.

9 MR. COHEN: This was—

10 THE COURT: Pardon me?

11 MR. COHEN: I'm sorry. I didn't mean to interrupt
12 your Honor.

13 THE COURT: Go ahead. I'm looking to you for a
14 response.

15 MR. COHEN: Oh. This was covered yesterday, and this
16 is relevant because yesterday we were told that this was
17 excessive spend with no purpose.

18 THE COURT: Overruled.

19 BY MR. COHEN:

20 Q. You can answer my question, Mr. Singh.

21 A. Do you mind repeating it.

22 MR. COHEN: Let's read it back.

23 THE COURT: The question was: "Did you have a view
24 about whether or not it was a useful thing to promote FTX's
25 brand?" That's the question. Please answer it.

1 A. I understood that it had business benefits and costs. The
2 specific, you know—if I specifically thought any given
3 transaction was useful depended on the details of that
4 transaction.

5 Q. And the business benefits and costs were for Sam to weigh,
6 correct?

7 A. Yes.

8 MR. COHEN: All right. We can take that down, Brian.

9 Q. Now you also mentioned yesterday—you covered a topic of
10 venture spending. Do you recall that, Mr. Singh?

11 A. Yes.

12 Q. And one of the topics you covered was a company called K5.
13 Do you recall that?

14 A. I do.

15 Q. And that was a company run by, among others, Michael Kives,
16 correct?

17 A. Oh, forgive my pronunciation yesterday. Yes.

18 MR. COHEN: Can we pull up Government Exhibit 42,
19 please.

20 Q. Do you recall going over this with counsel yesterday?

21 A. Yes.

22 Q. And if you look at the second line from the top,
23 Mr. Bankman-Fried stated that "Mr. Kives is probably the most
24 connected person I've ever met. In attendance at the dinner at
25 his house were:" and then it lists a number of people who you

1 identified. Do you recall that?

2 A. I do.

3 Q. Okay. Did you—based on your working at FTX, did you have
4 a view about whether there was a value in having connection
5 with celebrities and entrepreneurs?

6 A. Yes, I believed that it could be valuable for the business.

7 Q. Depending on the circumstances, correct?

8 A. Right. Depending on the circumstances.

9 Q. And I believe you testified that you discussed with
10 Mr. Bankman-Fried that someone like Mr. Kives could be a
11 one-stop shop for such relationships, correct?

12 A. I discussed that in that Sam told me that, that it could be
13 a one-stop shop for relationships.

14 Q. And this would eliminate the need to have multiple brokers
15 trying to develop such relationships, correct?

16 A. I don't remember exactly what words Sam used, but he, in
17 this document, says something to that effect, and I recall
18 something to that effect being said in person to me.

19 Q. Did you agree with that, sir?

20 A. I didn't know. I didn't know who the other brokers were or
21 the quality of the relationships Michael Kives had with these
22 people.

23 Q. So you had no view on whether it was better to have one
24 person or multiple brokers.

25 A. There was a cost of juggling multiple, but all else equal,

1 having more connections is better.

2 MR. COHEN: Now we can take that down, Brian.

3 Q. Based on your interaction with Mr. Bankman-Fried, did you
4 have any understanding about whether or not the relationship
5 with K5 involved something more than being in a broker
6 relationship?

7 MR. ROOS: Objection, foundation.

8 THE COURT: Mr. Cohen, what do you say to that?

9 MR. COHEN: I asked his understanding, your Honor.

10 THE COURT: Yes, I understand. Why is his
11 understanding on that appropriate?

12 MR. COHEN: Because, your Honor, again, yesterday we
13 were told these were all reckless and frivolous investments,
14 and I'm entitled to show that there was way more to it than we
15 were told yesterday, so that's the relevance.

16 THE COURT: I'll allow it for a moment, anyway.

17 MR. COHEN: Okay. All I need is a moment, your Honor.
18 Can we read the question back, please.

19 THE COURT: Please read it back.

20 (Record read)

21 A. I know at least one other project that did not itself seem
22 like it was just exercising K5's ability as a broker.

23 Q. What was that project, Mr. Singh?

24 A. Sam investing in a tequila brand run by a famous celebrity.

25 Q. Okay. You also mentioned that in addition to the Kives

1 relationship there were other venture investments that FTX
2 spent on. Do you recall that, sir?

3 A. Yes.

4 Q. Okay. And you mentioned I believe a mining company,
5 correct?

6 A. Bitcoin mining company.

7 Q. Bitcoin mining. And the judge explained to all of us that
8 wasn't an in-the-ground mining company, correct?

9 A. And I tried my best and likely failed to clarify further.

10 Q. Now did you participate, Mr. Singh—let me back up.

11 Have you ever heard the term "due diligence"?

12 A. Yes.

13 Q. What does it mean to you?

14 A. The process of analyzing the internals of a company to
15 understand how it functions.

16 Q. And is that done prior to investing in a company?

17 A. In general.

18 Q. Okay. Did you participate in any of the due diligence
19 relating to the venture investments you described yesterday?

20 A. Give me a moment. I'm trying to think about if there is
21 even a single one.

22 I did for Anthropic.

23 Q. And just to remind the jury, Anthropic was the AI company,
24 correct?

25 A. Yes.

1 Q. And you participated in the due diligence in determining
2 whether to make the investment, correct?

3 A. Not quite. The investment was first made, the large one,
4 from Sam, and I was really proud of it, and I also wanted to
5 make an investment, or view it as a donation, and so I
6 separately went and talked with the Anthropic folks.

7 Q. So you asked to make a personal investment in the Anthropic
8 company, correct?

9 A. No. Initially I thought it would be further investment or
10 donation from Alameda.

11 Q. Didn't you just say you wanted to personally invest?

12 A. I wanted to be personally involved.

13 Q. Okay. Mr. Singh, can we try my question. Did you
14 personally—did you—were you interested in personally
15 investing in Anthropic?

16 A. Before—

17 Q. At any time.

18 A. Yeah, at any time, yes, at one point I was.

19 Q. Now you also testified yesterday about spending on Bahamas
20 properties. Do you recall that, sir?

21 A. I do.

22 MR. COHEN: Can we call up GX 3, please.

23 Q. Do you recall providing testimony about GX 3, which was the
24 list of the properties purchased in the Bahamas? Do you recall
25 that, sir?

1 A. I do.

2 Q. Okay. Just quickly, before I forget, No. 2, it says Albany
3 Lot 44, Conch Shack. Do you see that, sir?

4 A. Yes.

5 Q. What was that?

6 A. This was a house that was conveyed or—that was conveyed to
7 Constance Wang or just one that she lived in.

8 MR. COHEN: Okay. And we can take this down.

9 Q. I believe you testified that you and Mr. Bankman-Fried and
10 others, eight in total, wanted to live together in the Bahamas,
11 correct?

12 A. I forget if it was exactly eight, but yes, a group of us
13 wanted to live together.

14 Q. Fair enough. You and your girlfriend?

15 A. Yes.

16 Q. Mr. Bankman-Fried?

17 A. Yes.

18 Q. Mr. Yedidia and his girlfriend?

19 A. Yes.

20 Q. Others. Correct?

21 A. Yes.

22 Q. So you told us that you looked for—you looked for housing
23 and you saw a place that was less expensive than the penthouse
24 that was ultimately purchased. Do you recall that, sir?

25 A. A few places, yes.

1 Q. Few places. And when Mr. Bankman-Fried indicated he was
2 interested in the Orchid 6 penthouse, you had a substantial
3 disagreement. You told us that yesterday.

4 A. I had a disagreement.

5 Q. You didn't say substantial disagreement yesterday?

6 A. I forget exactly what I said yesterday.

7 Q. Didn't you tell us yesterday that you thought it was really
8 expensive and super ostentatious?

9 A. Yes.

10 Q. Okay. But Mr. Bankman-Fried went ahead, went ahead with
11 the purchase anyway, correct?

12 A. Right.

13 Q. And then you moved into the apartment.

14 A. I did.

15 Q. You and your girlfriend lived in one of the master bedroom
16 suites, didn't you?

17 A. The nicest room in the house.

18 Q. And you lived there until you left the Bahamas in November
19 of 2022, correct?

20 A. Correct.

21 Q. Okay. And prior—you told us this yesterday. Prior to
22 November 2022, you were a billionaire.

23 A. So I believed.

24 Q. Okay. Mr. Bankman-Fried was a billionaire.

25 A. So I believed.

1 Q. The other members in the apartment were worth at least
2 millions of dollars, correct?

3 A. So I believed.

4 Q. Would you regard it as really expensive for a group of
5 billionaires and millionaires to live in a \$30 million
6 apartment?

7 A. The expense would be the same no matter the wealth of the
8 people living in it.

9 Q. So your view is it was really expensive.

10 A. In absolute terms, yes.

11 Q. What about relative to the wealth of the people living in
12 the apartment?

13 A. I don't really know what's reasonable for billionaires to
14 do. I don't know other billionaires.

15 Q. So you have no view.

16 A. I felt confused about it.

17 Q. Okay. But not confused enough to move out.

18 A. Oh, I considered moving out many times.

19 Q. But you didn't.

20 A. I didn't.

21 Q. Okay. Now I want to move to a different topic, Mr. Singh.
22 Bear with me a moment.

23 Do you recall yesterday that you told us that you were
24 asked what your role was in the fraud against FTX's customers
25 that you committed with the defendant? Do you recall being

1 asked that question, sir?

2 A. Or something to its effect, yes.

3 Q. Okay. Fair enough.

4 And you told us that "In September of 2022, I learned
5 of the hole and even after that, implicitly and explicitly, I
6 greenlit transactions that I knew must have been digging the
7 hole deeper and therefore coming from customer funds." Do you
8 recall giving that testimony yesterday?

9 A. Or something to that effect, yes.

10 Q. Okay. So you also testified yesterday that you first
11 learned that customer funds were being deposited, FTX customer
12 funds were being deposited in Alameda bank accounts as early as
13 2019. Do you recall that, sir?

14 A. Yes.

15 Q. And you gave us an example from 2019 and 2020, correct?

16 A. Sorry. I don't remember which examples I gave, but—

17 Q. That's fine. So I take it you didn't think that was wrong.

18 A. Not at the time.

19 Q. Okay. And then you told us yesterday that—and we'll get
20 to this more in a bit—you told us about a sequence in June,
21 beginning in June 2022, where you were asked to look into
22 certain balances of Alameda. Do you recall that, sir?

23 A. I do.

24 Q. Okay. We'll get to that in a minute.

25 But you also told us that when you first learned about

1 the situation in June, "I thought Alameda had positive balances
2 on FTX, that it was borrowing in lots in some places but that
3 overall they had the money." Do you recall giving us that
4 testimony?

5 MR. ROOS: Objection. I think Mr. Cohen is just
6 rereading his testimony from yesterday.

7 MR. COHEN: I'm setting up the question, your Honor.
8 This is cross-examination.

9 THE COURT: Mr. Cohen, I understand what's happening
10 in this courtroom, and I don't need that. If you're reading
11 from the transcript, read from the transcript and identify by
12 page and line what you're reading from.

13 MR. COHEN: I thought I was. Okay. I will, your
14 Honor.

15 THE COURT: Well, let's proceed that way.

16 MR. COHEN: Let's go to the transcript. For counsel
17 and the Court's benefit, this is page 1404. You don't have to
18 show it to the witness, but for counsel and the Court, lines 5
19 through 11.

20 BY MR. COHEN:

21 Q. "Q. What do you mean?"

22 "The June exercise, I thought Alameda had positive
23 balances on FTX, that it was borrowing lots in some places but
24 that overall, they had more money than they didn't. This
25 suggested an entirely different reality. I was hoping that I

1 didn't really understand what Gary—what Gary meant by
2 borrowing, but if I did, this was absolutely devastating."

3 Do you see that, sir? Did you hear that, sir? I'm
4 sorry.

5 A. I hear that.

6 Q. And you gave that testimony yesterday.

7 A. I believe so.

8 Q. All right. So as of June—this is the date that you gave
9 the testimony in—your concern was whether or not Alameda had
10 assets to cover the borrowing.

11 A. I had other concerns as well.

12 Q. In the passage I just read, that was what you told us.

13 MR. ROOS: Speaks for itself.

14 THE COURT: Sustained.

15 Q. Now what were your other concerns in June?

16 A. The exercise showed that there were specific accounts that
17 were extremely negative, like the main account. To be in that
18 position suggested a use of "Allow Negative" that didn't meet
19 the spirit that I expected these privileges to be used in.

20 Q. Okay. And so prior to June of 2022 was it your view that
21 as long as the balances were offset by sufficient assets, the
22 borrowing was appropriate?

23 A. That was not my view.

24 Q. What was your view?

25 A. On what specifically?

1 Q. Prior to June—I understand your testimony about June, and
2 we'll come back to that—did you have a view about whether or
3 not Alameda could borrow provided that the borrowing was
4 supported by assets?

5 A. There were many circumstances in which I thought that would
6 not be appropriate.

7 Q. You didn't think—you didn't think there were circumstances
8 in which it would be appropriate.

9 MR. ROOS: Objection, vague and asked and answered.

10 THE COURT: Sustained.

11 Q. Mr. Singh, do you recall yesterday you told us you had many
12 meetings with the government?

13 A. Yes.

14 Q. And I think you said you had about 20 such meetings.

15 A. That sounds right.

16 Q. And in those meetings the prosecutors would ask you
17 questions?

18 A. They would.

19 Q. And you would try to answer them the best you could?

20 A. Correct.

21 Q. Okay. Do you recall meeting with them in—well, let me do
22 it this way. Is it fair to say that your first meeting with
23 the prosecutors was in November of 2022?

24 A. I believe that's right.

25 Q. November 21st?

1 A. I don't remember the exact date. Sorry. But I believe
2 that's right.

3 Q. Is it fair to say that you had meetings in November,
4 December, and January—November and December of 2022?

5 A. Yes.

6 Q. And then you had meetings with them again in January,
7 February, and March of the following year?

8 A. Yes.

9 Q. And then you had additional meetings in May and August?

10 A. Sorry. I forget all the exact dates.

11 Q. And you had meetings in September and October.

12 A. Yes.

13 Q. Including a meeting this past week.

14 A. Yes.

15 Q. Do you recall having a meeting with the prosecutors on
16 January 4th of 2023?

17 A. Sorry. I don't remember the specific dates of our
18 meetings.

19 Q. A January meeting.

20 A. I remember meeting in January.

21 Q. Okay. Do you recall telling the prosecutors that to you,
22 the idea of borrowing from anywhere, as long as you were good
23 for it, didn't feel wrong?

24 A. I don't remember saying that.

25 MR. COHEN: Can we call up 3501-021 just for the

1 witness, please. Page 14.

2 Okay. If you can go to the last paragraph at the
3 bottom, Brian.

4 And go to the last two sentences.

5 Q. Mr. Singh, read those to yourself and tell us whether or
6 not they refresh your recollection that you told that to the
7 prosecutors.

8 A. I don't—

9 MR. ROOS: Objection to the form.

10 THE COURT: What's the form objection?

11 MR. ROOS: To "telling it to the prosecutors" in the
12 underlying question.

13 THE COURT: I'm sorry, what?

14 MR. ROOS: Just the formulation of the "do you recall
15 telling that to the prosecutors."

16 THE COURT: Sustained as to form.

17 MR. COHEN: Let me see if we can address the Court's,
18 counsel's issue.

19 BY MR. COHEN:

20 Q. Mr. Singh, read that to yourself, and does that refresh
21 your recollection about what you said to the prosecutors?

22 A. Yes, but not about the exact topic we're talking about.

23 Q. So it doesn't refresh you about the topic we just
24 discussed.

25 A. About borrowing in general? No. This refreshes me on

1 something specific I thought about bank accounts.

2 MR. COHEN: Okay. Then let's take that down.

3 Q. When you considered the assets that would be posted as
4 security for the loans, did the nature—did you take into
5 account the nature of the assets?

6 MR. ROOS: Objection, vague and foundation.

7 THE COURT: Sustained.

8 MR. COHEN: Sure.

9 Q. Coming back to—we were talking about what your thinking
10 was prior to June of 2022. Do you recall that, sir?

11 A. I do.

12 Q. Okay. In the period prior to 2022 did you take—in
13 thinking about what was going on at Alameda and whether
14 anything was wrong, did you take into account the nature of the
15 assets that Alameda was posting as collateral?

16 MR. ROOS: Objection, foundation.

17 THE COURT: Sustained.

18 Q. Now your view changed at some point? Or let me ask you a
19 better question. When did you first believe you had done
20 anything wrong?

21 A. I knew that I'd done something wrong when I helped doctor
22 the Serum staking fees revenue.

23 Q. When was that, sir?

24 A. That was December 30th or 31st of 2021.

25 Q. Okay. And coming into the period prior to June, other than

1 the staking fees you just talked about, is there anything else
2 you thought you had done wrong?

3 A. I'm not sure.

4 Q. And then you told us yesterday your view changed in
5 September 2022; is that correct?

6 A. Sorry. On what specifically?

7 Q. About what you had done wrong.

8 MR. ROOS: Objection, vague.

9 THE COURT: Yes. I don't understand, Mr. Cohen. I
10 thought the witness just said that he first believed that he
11 did something wrong in December—I'm mistaken. Excuse me. You
12 go ahead.

13 You can re-put the question.

14 MR. COHEN: Okay.

15 BY MR. COHEN:

16 Q. I want to understand, to the Court's comment, what you
17 thought in September 2022 was wrong with your conduct.

18 A. My conduct before that point or after that point?

19 Q. Take it in steps. Let's do before first.

20 A. Before that point, I knew that in June, I had observed
21 Alameda borrowing in large amounts in a way that didn't meet
22 the expectations I had and what I'd been told about how Alameda
23 would use things like "Allow Negative." Even in June, when I
24 suspected there was wrongdoing there, I took cues from the
25 people around me and didn't pursue it further.

1 In September, I understood not only had there been an
2 enormous amount of borrowing but that the money wasn't there at
3 all.

4 Q. Okay. So, all right. We're going to come back to June,
5 we're going to come back to September. I don't want to do them
6 in bits and pieces. Just let me cover another topic quickly.

7 Do you recall that yesterday counsel asked you
8 questions about your compensation while you worked for FTX?

9 A. Yes.

10 Q. And I believe you told us that you made a salary of about
11 200,000?

12 A. Yes.

13 Q. And that you'd receive cash bonuses around 1 to 2 million;
14 is that correct?

15 A. I think that's right.

16 Q. Now you also received loans from FTX, correct?

17 A. Many.

18 Q. And you touched on a loan yesterday, but I'd like to go
19 over it with you in a bit more detail, sir. Let me just give
20 you the foundation.

21 Is it fair to say that at a certain point you borrowed
22 477 million from FTX?

23 A. In a sense.

24 Q. In a sense. And this was to purchase options?

25 A. Yes.

1 Q. Shares in FTX?

2 A. Yes.

3 Q. Okay. And it was to buy more equity in FTX, correct?

4 A. To buy my first equity in FTX.

5 Q. Okay. And you said that one of the reasons you were
6 looking to do this was you wanted to donate the money to
7 charity.

8 A. Right.

9 Q. Did you end up doing that?

10 A. No.

11 Q. Okay. And you said that there were taxes used with regard
12 to how it was to be structured, correct?

13 A. The reason I believe—

14 Q. I'm sorry. Let me ask a better question, sir. The "this"
15 being how the loans would be structured.

16 A. The reason it was structured this way was so that there was
17 a smaller outlay of cash from Alameda, with the tradeoff being
18 that I took on a large debt.

19 Q. Okay. And you just answer this yes or no, sir. You
20 consulted with attorneys about how to structure this loan,
21 correct?

22 A. Yes.

23 Q. Okay. I believe you mentioned Dan Friedberg; is that
24 correct?

25 THE COURT: Well, Mr. Cohen, it's not clear whether

1 you're asking whether he did that in connection with this or
2 whether he ever consulted Dan Friedberg about anything.

3 MR. COHEN: I meant in this, your Honor.

4 MR. ROOS: Objection. Misstates testimony then.

5 Q. Who were the lawyers you consulted with about this
6 \$477 million loan?

7 A. Can Sun; Joe Bankman; two of Sam's personal tax lawyers,
8 David Forst, Sean McElroy, and others.

9 Q. Where did David Forst and Sean McElroy work, if you know?

10 A. I don't know. I think Fenwick & West but I'm not sure.

11 Q. Fenwick & West was an outside law firm?

12 A. Yes.

13 Q. And Can, C-A-N, Sun was the general counsel of FTX,
14 correct?

15 A. Yes.

16 Q. Now documentation was prepared for that loan, correct?

17 A. Yes.

18 Q. And you signed that documentation.

19 A. Yes.

20 Q. Now you also—did you also receive a loan for \$10 million?

21 A. I did.

22 Q. And that was for funds you wanted to provide to your
23 parents, correct?

24 A. Family and friends.

25 Q. Okay. Family and friends. And that loan was in 2021,

1 correct?

2 A. Yes, I believe early 2021.

3 Q. And that was money you borrowed from FTX in order to pay to
4 family members.

5 A. Not quite.

6 Q. Was it money you borrowed from FTX?

7 A. No.

8 Q. You didn't borrow it.

9 A. I did borrow it.

10 Q. Okay. So—

11 A. Sorry. To be clear—

12 Q. Let me try, Mr. Singh. Did you borrow \$10 million from
13 FTX?

14 A. No.

15 Q. No. How did it get to you?

16 A. Sam gave it to me.

17 Q. Sam gave it to you from—through FTX?

18 A. I don't think so.

19 Q. Okay. And those were funds that were used to pay for your
20 family-related expenses.

21 A. They were gifts to family and friends, and some amount was
22 donated.

23 Q. Okay. Why don't we now move to another topic, Mr. Singh.
24 And let's talk about June, June of 2022.

25 Well, I think we have to go back a little bit. Do you

1 recall giving testimony yesterday about a bug in the fiat@
2 account system?

3 A. I do.

4 Q. And without getting too technical, the effect of this bug
5 was to make it look like Alameda's balances were more negative
6 than they really were, or that—let me rephrase—that Alameda
7 owed more money to FTX than it really did?

8 A. The effect of the bug was that the fiat@ftx.com's stated
9 balance was more negative than the—than what it should have
10 actually been, and Alameda was consuming this balance and
11 treating it as something that they were on the hook for, as I
12 understood, and so Alameda overestimated how much they should
13 have had in bank accounts to back customer deposits.

14 Q. So the net of it was Alameda overestimated the amount it
15 owed to back up FTX.

16 A. Yes.

17 Q. And I believe you told us yesterday that you first became
18 aware of the bug in 2021.

19 A. I think either November or December of '21.

20 Q. And tell us again how you first learned of it.

21 A. It was in the Bahamas office. It was late at night. Gary
22 and Adam sat a few desks away from me, and I overheard them
23 talking about the bug.

24 Q. Okay. And what did you overhear?

25 A. I think Gary was explaining that it existed. Adam was

1 worried. Gary assured that the direction of the bug was safe,
2 that Alameda overestimated, not underestimated how much it
3 should keep in banks.

4 Q. Okay. Did they discuss—did they go over how big the bug
5 was at that time?

6 A. I can't remember if they did. I remember asking for
7 details, and at some point I had an understanding of the size—

8 Q. I'm just asking about the conversation with Gary and Adam.
9 We'll get to the rest in a bit. Can you try—can we try again,
10 Mr. Singh.

11 A. I can't remember if they said the size of the bug.

12 Q. Okay. And you mentioned that Gary said it was in a safe
13 direction. What did you understand that to mean?

14 A. That Alameda believed because of the bug that they should
15 be custodying more, not less cash than they actually needed to
16 for customers.

17 Q. So it was safe from the FTX point of view.

18 A. Yes.

19 Q. Okay. Do you remember how, if at all, Mr. Wang and
20 Mr. Yedidia reacted to this?

21 A. Adam was worried.

22 Q. I'm sorry?

23 A. Adam Yedidia was worried about it. After Gary gave his
24 explanation, he seemed relaxed.

25 Q. Isn't it true that Gary joked about the bug?

1 A. Yes. I think that's right.

2 Q. He thought it was funny, correct?

3 MR. ROOS: Objection.

4 THE COURT: Sustained.

5 Q. He seemed relaxed about it, you said.

6 MR. ROOS: Objection.

7 THE COURT: Sustained.

8 He said Adam seemed relaxed.

9 MR. COHEN: I don't think that was the testimony, your
10 Honor, but I'll ask again.

11 Q. What was Gary's reaction?

12 MR. ROOS: Objection. It was either asked and
13 answered or it's speculation.

14 THE COURT: Sustained.

15 And you're right, Mr. Cohen, he did say Gary.

16 MR. COHEN: So then I don't need to go back since it's
17 already in the record.

18 THE COURT: You don't need to go back.

19 MR. COHEN: Then I won't. Okay.

20 (Continued on next page)

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1 Q. Did you have any reaction at the time, Mr. Singh, of this
2 conversation?

3 A. I did.

4 Q. What was your reaction?

5 A. I shared Adam's worry. After Gary explained that it was
6 safe, I asked Gary if Alameda is in fact tracking this number.
7 Gary said he's pretty sure but that it wouldn't hurt for me to
8 confirm. I asked Caroline if they were. Caroline said they
9 were.

10 Q. Let's move forward then to June of 2022 now, sir.

11 I believe you told us you had a communication with
12 Caroline Ellison about Alameda's net asset value being close to
13 zero.

14 Do you recall telling us about that yesterday?

15 A. Sorry. I don't.

16 Q. Do you recall speaking with Caroline Ellison at all in June
17 of 2022?

18 A. Yes.

19 Q. By speak, just to be clear, I mean either orally or over
20 Signal or Slack or so forth.

21 A. That's how I interpreted it, yes.

22 Q. What was the gist of the conversation about the state of
23 Alameda's net asset value?

24 MR. ROOS: Objection. Hearsay.

25 THE COURT: Why isn't it, Mr. Cohen?

1 MR. COHEN: It goes to the effect on the listener,
2 your Honor.

3 THE COURT: That's relevant why?

4 MR. COHEN: Because we are talking about the state of
5 mind of one of the coconspirators or the alleged
6 coconspirators.

7 THE COURT: Mr. Roos.

8 MR. ROOS: Maybe I guess we will see where the answer
9 takes us.

10 THE COURT: Overruled.

11 MR. COHEN: Can we have the question read back?

12 THE COURT: Sure.

13 (Record read)

14 A. The conversation I remember was the one in which Caroline
15 sent the spreadsheet that we talked about yesterday. I don't
16 recall parts of this conversation referencing that Alameda's
17 NAV was zero.

18 Q. Do you recall anything with Ms. Ellison about what the
19 state of Alameda was in terms of its solvency?

20 A. In June?

21 Q. Um-hum.

22 A. No.

23 Q. Let's move forward because I think you covered a number of
24 different sequences with respect to June and I want to make
25 sure I understand them, sir.

1 Can you please tell us, as best you can, who you spoke
2 with about this bug in June.

3 A. You would like me to list the people?

4 Q. I would like you to list the sequence, to the extent you
5 can.

6 A. Sure. Tell me if I'm -- if my answer --

7 Q. Do your best, sir.

8 A. Caroline sent a spreadsheet, I think a Google Sheet, that
9 contained a list of accounts labeled as if they were from
10 Alameda's pointer system, so Alameda's nomenclature and the
11 total value held in each. These were accounts that Alameda
12 owned on FTX, things like the fiat account and their trading
13 account. They showed some extremely large negative number when
14 considered together.

15 Q. If I could stop you for a moment, sir. Who did she send
16 that to, the Google Sheet that you referred to?

17 A. I know that she sent it to me, Sam, and Gary. I don't know
18 if she also sent it to other people.

19 Q. Was this on one Signal communication?

20 A. I don't remember.

21 Q. Are you sure she sent it to you, Sam, and Gary?

22 MR. ROOS: Objection.

23 THE COURT: Overruled.

24 A. I am sure that the four of us got on a Google Meet and
25 worked on like investigating it. I am not sure that she only

1 sent it to the four of us.

2 Q. Let's continue with the sequence, sir.

3 A. Sure. Sam sees the spreadsheet and said something to the
4 effect of, this can't be right. There has got to be a bug.
5 Let's look into it.

6 Q. This was in a different Signal or the same Signal?

7 A. I can't recall. Sorry.

8 Q. Keep going.

9 A. I asked Gary how I could help. Gary told me that I could
10 try my best to identify the accounts in the FTX database that
11 either belonged to Alameda explicitly or morally, morally
12 meaning that in the end there were things that Sam was
13 responsible for.

14 I took a stab. My stab was ignored. Gary took a
15 stab. I added a column to add notes for which elements of
16 Gary's list -- which items Gary had pulled that I thought
17 weren't actually belonging to Alameda. And then I recall Gary
18 pointed out the bug. He calculated the bug.

19 Q. If I can stop you for a moment, sir.

20 These conversations you have just been going through
21 for us, were they all over Signal or Slack, or any of them in
22 person?

23 A. A number of it was over Google Meet, like done orally.

24 Q. Were there any that were in person?

25 A. I think Gary was next to me in the office, but I don't

1 recall for sure. Sam may have been. I don't think Caroline
2 was next to me.

3 Q. So you don't recall Caroline being there in person?

4 A. Not for this.

5 Q. You are not sure if Sam was there in person?

6 A. Correct.

7 Q. Keep going.

8 A. Gary identified the bug and calculated its effect size,
9 which was around \$8 billion. Caroline posted a screenshot of
10 the graph that she had created that showed two things. One was
11 Alameda's unexpected balance breaks over time or unexplained
12 balance breaks, which I understood to mean something like
13 unexplained changes in the balances that they were fetching,
14 things that they couldn't reconcile against records of trades
15 or withdrawals.

16 And then she posted the effect size, I think, that
17 either Gary or I had given her of the bug over time. These
18 charts showed two lines that were largely parallel, implying
19 that this bug explained at least a large portion of what was
20 unexplained in Alameda's observed balance breaks.

21 Q. If I could stop you there for a moment, Mr. Singh.

22 You used a couple of phrases I just want to go over.
23 You used a phrase called balance break. What did you mean by
24 that?

25 A. Balances in a trading system change over time. There are

1 also transactions that can explain those changes. If you infer
2 just from the transactions that you received what balances
3 would result from them and you compare them against the actual
4 balances that you are retrieving and fetching live, sometimes
5 there is a difference because you might be missing records or
6 you might be misinterpreting records. That difference is a
7 break.

8 Q. In this situation was the break the size of the bug, the
9 effect of the bug?

10 A. I don't think it was exactly. I recall that this chart
11 Caroline showed suggested that a large fraction of it was
12 explained by the bug.

13 Q. Do you recall, when you first spoke -- you overheard Gary
14 and Adam Yedidia at the end of 2021 talk about the bug, whether
15 the topic of a break came up?

16 A. I don't recall.

17 Q. Now, when you learned that the break was \$8 billion, were
18 you surprised?

19 A. Yes.

20 Q. Were you surprised that it had not been tracked?

21 A. I was surprised -- no, not exactly.

22 Q. Didn't you just tell us that Gary assured you it was being
23 tracked by Ms. Ellison and others?

24 A. Gary believed that it was being tracked. Caroline assured
25 me that it was being tracked.

1 Q. So Gary's belief was incorrect?

2 MR. ROOS: Objection.

3 THE COURT: I think the witness can handle that
4 question.

5 A. No. Gary wasn't incorrect.

6 Q. What about Caroline?

7 A. Caroline wasn't incorrect.

8 Q. So it hadn't been tracked?

9 MR. ROOS: Objection. Vague.

10 THE COURT: Sustained.

11 Q. Let me go back to your answer because I want to make it a
12 little more focused. When you answered about what was being
13 tracked, were you referring to the balances in the fiat@
14 account or the effect of the bug or, I guess, both?

15 A. Just the balances in the fiat account.

16 Q. Based on your interaction with the work you did in June,
17 did you have a view about whether those balances had been
18 tracked prior to June?

19 MR. ROOS: Objection.

20 THE COURT: Sustained. Form at least.

21 Q. The topic of the break come up?

22 A. Sorry. When?

23 Q. About whether the break had been tracked since the end of
24 the prior year that had come on.

25 MR. ROOS: Objection. When?

1 MR. COHEN: Since 2021.

2 THE COURT: I don't understand what counsel means by
3 the break at this point.

4 MR. COHEN: The bug. The size of the bug.

5 A. Sorry. Your question -- could you repeat the question?

6 Q. Sure.

7 Let me ask it this way. Mr. Singh, did you ever track
8 the bug, size of the bug or its effect, prior to June 2022?

9 A. Not prior to June 2022 that I recall.

10 Q. Based on your interactions with others at Alameda and FTX,
11 do you think anyone else did?

12 MR. ROOS: Objection.

13 THE COURT: Sustained.

14 If I understand what you said, Mr. Singh, Gary told
15 you that he thought the size of the overstatement was being
16 tracked. Caroline subsequently assured you that that was so.
17 Is that right so far?

18 THE WITNESS: That's not quite right.

19 THE COURT: Then correct me, please.

20 THE WITNESS: Gary assured me that the full balance,
21 not separately the size of the error, was being tracked. Gary
22 assured me that the fiat@FTX.com balance, which included the
23 bug, was being tracked. Caroline assured me it was. I don't
24 think anybody told me that the size of the bug was being
25 tracked over time.

1 THE COURT: I said the size of the overstatement, not
2 the size of the bug, Mr. Singh.

3 The bug was an error in the computer code, right?

4 THE WITNESS: Correct.

5 THE COURT: And it had an effect, right?

6 THE WITNESS: Correct.

7 THE COURT: The effect was to overstate the amount
8 owed by Alameda to FTX, correct?

9 THE WITNESS: Correct.

10 THE COURT: Please, Mr. Cohen, take it from there.

11 MR. COHEN: Can we have just the last exchange with
12 his Honor read back, please?

13 THE COURT: Yup. I think his Honor may have asked
14 that question. I just want to hear it again.

15 (Record read)

16 MR. COHEN: I think his Honor has covered it.

17 Q. Very quickly, Mr. Singh, the fiat account was tracked, not
18 the amount of the bug?

19 A. Not the size of the error as a result of the bug.

20 Q. I am going to ask you to complete the sequence, but before
21 you do that, you used a phrase called morally responsible for
22 certain amounts. What did you mean by that?

23 A. There are some accounts in the FTX system that are
24 explicitly under Alameda's name, things like
25 info@AlamedaResearch.com. There are other accounts, like

1 Project Serum accounts, that on their face don't belong to
2 Alameda Research but that I understood, in the end, Sam
3 beneficiary owned. Those accounts would be morally but not
4 explicitly owned by Alameda or Sam, so those were to be
5 included inside of this calculation.

6 Q. Meaning in the event that they were needed, you understood
7 that Sam would make use of those assets for Alameda?

8 A. Really just that they fell under the large umbrella of
9 things that Sam controlled, which was not just Alameda.

10 Q. But you considered it in connection with considering the
11 assets of Alameda?

12 A. I was told to pull those balances.

13 Q. And you pulled them?

14 A. Gary ended up pulling them.

15 Q. Why don't we complete the sequence, sir.

16 MR. ROOS: Objection.

17 THE COURT: I think it's a little hard to start in the
18 middle of the ocean at this point. Try to pin it down.

19 Q. You told us, Mr. Singh, about communications you had with
20 Gary, Sam, and Caroline over communications about addressing
21 the impact of the bug. Can you tell us what happened next.

22 A. Gary identified -- I think I may have said this. Forgive
23 me if I'm repeating myself. Gary had identified the bug. He
24 identified its effect size as of the current date then, so as
25 of the date we were doing the exercise. Caroline demonstrated

1 that this bug explained a lot of what had been unexplained in
2 Alameda's observed balance breaks.

3 I believe I asked -- said I thought this was fixed in
4 November. I don't remember if I got a response, but it's a
5 silly question. It hadn't been fixed. I don't recall
6 everything that happened after that.

7 The next thing I do recall is sensing from others a
8 palpable sense of relief and even celebration. Sam made a joke
9 or sort of like comment on how it was amazing that such a large
10 balance break could be explained just by a single thing, a
11 single bug.

12 Q. We have now talked -- everything you just told us about the
13 bug took place in June and July of 2022.

14 A. I think everything I just described now was on a single
15 day, like a single -- in a single hour over Google Meet or
16 something.

17 Q. It's a series of communications over Google Meet?

18 A. One Google Meet, one long discussion over Google Meet.

19 Q. With potentially some in-person communications as well?

20 A. Yeah.

21 Q. Do you believe you are clear on the sequence of what
22 happened?

23 A. I don't think I remember everything about it.

24 Q. But on what you just told us, you believe you are clear on
25 that, correct?

1 A. I'm stating the sequence the best to the best of my
2 ability.

3 Q. Now, we talked about the 20 interviews you've had with the
4 prosecutors, correct, sir?

5 A. Correct.

6 Q. Do you recall speaking with them in January of this past
7 year, January 4?

8 A. I don't recall the specific date, but I do think I met with
9 them in January.

10 Q. And at that point you had already had many meetings with
11 them, correct?

12 A. Yeah. I had had more than one.

13 Q. Does it refresh you that you had more than five?

14 A. I would believe it.

15 Q. Fair enough. And you had gone over the topic of what
16 happened in June with them, correct?

17 A. I think so.

18 Q. Isn't it fair to say that you told the prosecutors that you
19 had a surprising amount of haziness when trying to recall
20 events in June and July of 2022?

21 A. I don't remember saying those exact words, but I did
22 acknowledge that there was a lot that I -- there was a lot that
23 I didn't remember the details around from that time.

24 Q. In particular as to June and July of 2022.

25 A. I don't know if I said specifically those dates or months.

1 MR. COHEN: Why don't we call up for the witness only
2 3501-021, page 17.

3 Brian, if you could go to the second-to-last paragraph
4 and call it out, pull it up.

5 Q. Mr. Singh, take a moment and read this to yourself. The
6 question is whether it refreshes your recollection as to what
7 you told the prosecutors about your haziness in the meeting
8 with them on January 4, 2023.

9 A. Sorry. Could you repeat the ask again?

10 Q. Sure. This is whether or not it refreshes your
11 recollection as to what you told prosecutors about your
12 surprising amount of haziness in 2020 in June and July of 2022.
13 Yes or no, does it refresh your recollection?

14 A. I still don't remember having said it specifically about
15 June or July of 2022, but I could believe that I did.

16 MR. COHEN: We can take that down.

17 THE COURT: The question was, does it refresh your
18 recollection, not whether you could believe that you did.

19 THE WITNESS: Fair point. The transcript or, I guess,
20 the notes themselves don't actually refresh my recollection. I
21 do separately remember --

22 THE COURT: You've answered the question.

23 Could we move on.

24 MR. COHEN: Yes, your Honor.

25 Q. Let's continue with what happened in June.

1 Do you recall telling us, Mr. Singh, that after the
2 discussions we have already covered there was a discussion
3 about fixing the bug?

4 A. Forgive me. I missed I think part of your sentence, but I
5 do remember there being discussions about fixing the bug.

6 Q. Just to remind us, what were those conversations about?

7 MR. ROOS: Objection.

8 THE COURT: I imagine they were about fixing the bug.
9 Isn't that what the point was?

10 MR. COHEN: It did occur to me, your Honor.

11 THE COURT: Good.

12 Q. Who was tasked with fixing the bug?

13 A. I wasn't involved in the project, so I don't know who was
14 tasked with it. I do know that Gary and Adam worked on it.

15 Q. Was a document created to document what had happened with
16 the bug fix?

17 A. Adam wrote one.

18 Q. Did you ever hear the term a postmortem document?

19 A. Yes.

20 Q. What did that refer to in this context?

21 A. A document describing an error or like a bug and the
22 sequence of steps taken to address it and lessons to take.

23 Q. And did you have occasion to review the postmortem relating
24 to the bug that Adam prepared?

25 A. I don't think that I read it in its entirety. I did talk

1 with Adam about it.

2 Q. Did you think that the fix had been done properly?

3 A. Yes.

4 Q. And the postmortem referred to the fix of the \$8 billion
5 bug, correct?

6 A. And other considerations around it.

7 Q. Such as?

8 A. There were identifying the exact size of the bug, had some
9 complicated elements. Adam walked through a lot of the
10 considerations that he and Gary had sort of thought through.
11 Beyond talking about the fix for the bug, it talked about the
12 mechanical process that they took to ensure it wouldn't happen
13 again and ensure a safe migration.

14 Q. So the technical issues that had been involved in fixing
15 the bug and making sure it wouldn't happen again?

16 A. Yes.

17 Q. Did you think this was an appropriate thing for Gary and
18 Adam to be doing?

19 MR. ROOS: Objection.

20 THE COURT: Sustained.

21 Q. Did you have a view about whether or not this memorandum
22 should have been prepared?

23 MR. ROOS: Objection.

24 THE COURT: Sustained.

25 Q. Let's move on, Mr. Singh.

1 You mentioned yesterday that there came a time when
2 there was an attempt to split out the balance of the fiat@
3 account from Alameda and FTX.

4 Do you recall that, sir?

5 A. I do.

6 Q. And when in relation to the bug fix was this?

7 A. I believe it was after.

8 Q. Was it after the memo we just discussed?

9 A. I believe so, but I am not 100 percent certain.

10 Q. Can you describe for us what steps were taken to split out
11 the balances.

12 MR. ROOS: Foundation.

13 THE COURT: Sustained.

14 Q. Were you involved with this at all, Mr. Singh?

15 A. No.

16 Q. Did you come to learn of it?

17 A. I came to learn that the exercise had been done.

18 Q. Did you learn the outcome of the exercise?

19 A. Some parts of it, yes.

20 Q. Tell us what you learned.

21 A. I learned that there had been an account, a new subaccount
22 called FTX fiat old made under the info@AlamedaResearch.com
23 main account, and that it now reflected the amounts owed by
24 Alameda to FTX and that fiat@FTX.com now reflected the amounts
25 that FTX owed to FTX.

1 Q. Are you done with your answer?

2 A. I am.

3 Q. Did you have an understanding of the purpose of the FTX
4 underscore fiat underscore old account?

5 A. I inferred it.

6 Q. What did you infer?

7 MR. ROOS: Objection.

8 THE COURT: Ground.

9 MR. ROOS: Foundation, relevance.

10 THE COURT: What's the relevance?

11 MR. COHEN: The relevance is we heard about this
12 sequence yesterday in a way designed to suggest it was done in
13 secret and designed to keep this account from everyone.

14 MR. ROOS: Withdrawn.

15 MR. COHEN: I'm entitled to explore it.

16 THE COURT: The objection is withdrawn.

17 MR. COHEN: Can we have the question back, please.

18 THE COURT: Yes, of course.

19 (Record read)

20 A. I inferred that it was made and separated from fiat@FTX.com
21 to track the correct amount that Alameda owed FTX in customer
22 fiat deposits.

23 Q. To track it, correct?

24 A. Correct.

25 Q. Then there came a time when that account was moved again,

1 correct?

2 A. Yes.

3 Q. And I believe you told us about -- I am going to pronounce
4 this incorrectly I'm sure -- the Seoyun account.

5 Do you recall that, sir?

6 A. I do.

7 Q. Do you have any involvement with that?

8 A. I moved the subaccount to this Seoyun account.

9 Q. You were the person who moved the account from FTX old to
10 Seoyun?

11 A. I either moved it or I asked Andrea to move it. Either
12 way, I directed it.

13 Q. For record purposes Andrea is Andrea Lincoln?

14 A. Correct.

15 Q. Who worked with Adam and Gary, correct?

16 A. Right.

17 Q. What was your purpose for moving it?

18 A. I was told to.

19 Q. Who told you?

20 A. Sam told me to move it and a trader told me where I should
21 move it to, such that it was still tracked.

22 Q. I believe you referred yesterday to -- the trader was
23 Terence Choo, is that correct?

24 A. I think it was Terence Choo, but there is some chance it
25 was Caroline Ellison.

1 Q. Both Caroline and Terence worked for Alameda, correct?

2 A. Correct.

3 Q. In the trading group at Alameda.

4 A. That's my understanding.

5 Q. They advised you where to move the account, correct?

6 A. They did.

7 Q. Did you know why -- withdrawn.

8 Did the topic of why this account, as opposed to
9 another one, came up?

10 A. In that I specified the parameters that I viewed as
11 important. I specified that it shouldn't be under one of the
12 accounts that was in consideration for how much Alameda was
13 charged line-of-interest fees on. And I asked what is another
14 account that you guys are tracking that isn't in that set.

15 Q. And they provided you with the account?

16 A. Yes.

17 MR. COHEN: Your Honor, this might be a good time for
18 our morning break.

19 THE COURT: OK. 11:15, folks.

20 (Recess)

21 THE COURT: The record will reflect that the defendant
22 and the jurors all are present, as they have been throughout.

23 The witness is reminded he is still under oath.

24 Mr. Cohen, you may proceed when you are ready.

25 MR. COHEN: Thank you, your Honor.

1 Q. New topic, Mr. Singh.

2 I want to go back. Counsel covered with you some
3 questions about certain of the code base features.

4 Do you recall your testimony about that yesterday?

5 A. Forgive me. I don't know what you mean by counsel.

6 Q. I mean Mr. Roos. I'm sorry.

7 A. I recall talking about code changes.

8 Q. Let me start with allow negative. My first question is a
9 when question. When did you first learn about the
10 allow-negative feature?

11 A. July 2019.

12 Q. How did you learn about that?

13 A. I was told to write it. I did.

14 Q. So you were the person who put it together?

15 A. In some sense, I wrote the code, but I was sort of given
16 pretty clear and explicit instructions from others.

17 Q. When you wrote it in 2019, what was the purpose of the
18 code?

19 A. It was to facilitate FTX admins moving FTT from designated
20 accounts or making trades in FTT from designated accounts and
21 to modernize an existing set of features that would allow
22 accounting-oriented accounts to go negative.

23 Q. Was this at all in connection with market-making functions?

24 A. I am not sure.

25 Q. Did there come a time that you came to believe that the

1 allow-negative feature was used in connection with

2 market-making functions?

3 A. Yes.

4 Q. When was that, sir?

5 A. I don't know precisely.

6 Q. Approximately is fine.

7 A. 2020.

8 Q. How did you learn of that?

9 A. I remember a conversation I had with Gary Wang in which I
10 was thinking about making some changes to some code related to
11 OTC trades, and I noticed that Alameda was the only provider --

12 Q. Could I interrupt you for a moment, sir. Can you tell the
13 jury what OTC trades are.

14 A. Over the counter. I don't think that does a great job
15 describing it. If I may.

16 Q. Does it mean not on the exchange?

17 A. No.

18 Q. Tell us what you are thinking.

19 A. It means not on an order book. So a customer could
20 basically request -- just say I want to buy one Bitcoin. Tell
21 me how many dollars that takes. They get back an answer. They
22 have some time before they have to accept -- before they can --
23 before that sort of quote expires. They can say I accept and
24 it happens. This is different from submitting an order on an
25 order book.

1 Q. Please continue.

2 MR. ROOS: Objection. Calls for a narrative.

3 THE COURT: Sustained. Ask a more specific question,
4 please.

5 MR. COHEN: Sure.

6 Q. You were describing for us how you came to the
7 understanding of a connection, if any, between allow negative
8 and market making.

9 A. As a part.

10 MR. ROOS: Objection. I don't think there was a
11 question. He was just describing what the witness was
12 testifying to.

13 THE COURT: Yes. I agree.

14 Q. Could you tell us the basis for coming to the view, if you
15 did, that there was a connection between the allow-negative
16 code and market making?

17 A. I am describing only one instance. There may have been
18 others. Is that OK?

19 Q. Yup.

20 A. I was thinking about making some change, I can't recall
21 what, to the code related to these OTC trades. I noticed that
22 the balances of the provider, Alameda, weren't checked when
23 accepting an OTC trade, meaning that if Alameda didn't have
24 funds that would otherwise be necessary for making the trade,
25 it could go through anyway.

1 I asked Gary about this. This is a reflection of
2 allow negative. And he described to me the type of situation
3 where this seems like the right thing for the exchange to do.

4 Q. Which was what?

5 A. I don't know if he gave this precise example, but one comes
6 to mind.

7 THE COURT: Could we stick to what actually happened
8 instead of what you think now.

9 THE WITNESS: Fair enough.

10 A. He gave an example. I can't remember the exact example.
11 It seemed valid to me.

12 Q. Let me ask you this, Mr. Singh. As a result of the
13 allow-negative feature, was Alameda allowed to sell tokens it
14 didn't have at the time?

15 A. In some ways. But I have since discovered that that was --
16 allow negative was actually not the section of code proximately
17 responsible for that.

18 Q. But at the time, meaning 2019 and 2020, that's what you
19 believed?

20 THE COURT: Sorry. What is what he believed?

21 MR. COHEN: That the allow negative allowed Alameda to
22 sell coins it did not yet own.

23 A. I don't know that I thought about it in 2019 and 2020. I
24 expect that I was told that or thought about it in 2021 and
25 certainly at least in one instance in 2022.

1 Q. In 2019, 2020, when you were working on the code, did you
2 have a view about whether it permitted Alameda to purchase
3 newly issued tokens?

4 MR. ROOS: Objection.

5 THE COURT: Sustained.

6 Q. Did you ever have a view about -- let me back up.

7 Did you participate, Mr. Singh -- let me back up.

8 Do you have an understanding of what it is to issue a
9 token?

10 A. I have some understanding.

11 Q. Why don't you tell us that.

12 A. I am not sure I know that I am talking about what you are.

13 Can you specify a little more what you mean?

14 Q. Sure. Do exchanges sometimes issue tokens?

15 A. Can you specify even further?

16 Q. For example, Binance issued BNB. Are you familiar with
17 that?

18 A. Yes.

19 Q. And if Binance was issuing BNB or some similar token and a
20 customer on Alameda wanted to buy at the issuance, would they
21 be able to?

22 MR. ROOS: Objection. Foundation.

23 THE COURT: Yes. I think you have to lay a foundation
24 for that.

25 Q. Based on your experience as the author of the

1 allow-negative feature in the code, are you familiar with
2 whether those features had anything to do with Alameda's
3 ability to buy newly issued tokens?

4 A. At the time I wrote the feature, I don't think I had
5 anything relating to buying tokens.

6 Q. I meant selling tokens.

7 A. Even that. That was not the purpose that I was told it was
8 made for.

9 Q. We talked yesterday about stablecoins.

10 Do you recall that, sir?

11 A. Yes.

12 Q. In your experience as the author of the allow-negative
13 feature, did it have any impact on Alameda's ability to
14 purchase stablecoins?

15 A. No.

16 Q. Did it have any impact on stablecoins at all?

17 MR. ROOS: Objection. Vague.

18 THE COURT: Overruled.

19 A. The feature changed nothing about Alameda's interaction
20 with stablecoins.

21 Q. Did it have any effect at all?

22 MR. ROOS: Objection.

23 THE COURT: Asked and answered.

24 Q. Let me ask you this, Mr. Singh. It is going to take me a
25 moment to pronounce this. Have you ever heard of a term called

1 auto de-leveraging event?

2 A. Yes.

3 Q. What's that?

4 A. It may take me a moment to explain. Is that OK?

5 Q. That's fine.

6 A. In the context of FTX, some liquidations were performed off
7 market, which is to say an account that didn't have sufficient
8 collateral to support its positions would enter liquidation.
9 And, if it was getting close enough to being under water, those
10 positions would be closed out or traded against designated
11 backstop liquidity providers, as opposed to selling those
12 positions in the market so it can be done more quickly.

13 Those backstop liquidity providers could continue to
14 absorb these trades, as in act as the counterparty to these
15 liquidations, so long as they met a few conditions.

16 If those conditions weren't met for any backstop
17 liquidity providers for a given liquidation instance, then FTX
18 enacted auto de-leveraging. This is not code I wrote, so I'm
19 not super familiar, but my understanding of what this is is
20 that it's essentially like picking other users that have not
21 explicitly opted in being backstop liquidity providers to
22 perform the same role for the sake of that liquidation.

23 (Continued on next page)

24

25

1 BY MR. COHEN:

2 Q. Let me see if I can just break this down.

3 You said that this situation arose when an account was
4 in danger or at risk of being closed out. Can you explain what
5 you mean by that.

6 A. Accounts were liquidated, under some circumstances; some
7 liquidations could result in ADL events.

8 Q. Okay. And by closed out, is this what we were talking
9 about—well, let me rephrase.

10 This means a customer has a position in an account and
11 a certain amount of collateral and the value of the position
12 starts to fall sufficiently that the—that that—actually, I
13 forgot to ask you one more thing.

14 Have you ever heard the term "risk engine"?

15 A. Yeah.

16 Q. Okay. Did FTX have a risk engine?

17 A. Yeah.

18 Q. How did that—what was that?

19 A. A lot of things that went into it, I suppose. Do you mind
20 clarifying some more.

21 Q. Did the risk engine have anything to do with closing out
22 positions?

23 A. Right. Liquidations were a part of the risk engine.

24 Q. Okay. And so if the risk engine, which was basically
25 computer run, noticed that an account was going below its

1 collateral limit, it would step in and liquidate that account,
2 correct?

3 A. That's almost right. If it noticed that it had
4 insufficient collateral to support its positions. There was
5 not a collateral limit at play.

6 Q. So it would go into the customer's account and sell the
7 positions to get it back in balance, correct?

8 A. That's not exactly how I'd put it.

9 Q. How would you put it, sir?

10 A. That the liquidation engine would sell, or buy, close out
11 their positions, because the customer could be long or short.

12 Q. Okay. And then you referenced something called a backstop
13 liquidity provider. What was that?

14 A. Designated accounts were used as the counterparties for
15 some of the trades that were required to close out these
16 positions.

17 Q. And was Alameda a backstop liquidity provider?

18 A. It was.

19 Q. Were other entities backstop liquidity providers?

20 A. Over time there were many.

21 Q. So if the engine was closing out an individual customer's
22 account and there weren't sufficient assets, the backstop
23 liquidity provider would step in, correct?

24 A. It didn't depend on if there were insufficient assets. The
25 customer would be getting liquidated because they had

1 insufficient assets.

2 Q. And if that were the case, then the backstop liquidity
3 provider would step in.

4 A. Right, under some further conditions.

5 Q. Okay. And what would happen if the backstop liquidity
6 providers didn't themselves have sufficient collateral?

7 A. If none of them did—this would be one criterion for
8 eligibility of a backstop to match against this liquidation.
9 If there were no such eligible backstop liquidity providers,
10 then the system would perform ADLs, or auto-deleveraging fills.

11 Q. What did that mean?

12 A. It meant—this area I'm a little uncertain about because I
13 didn't write the code, but I believe it's that it selected
14 other customers to perform the same role that the backstop
15 liquidity providers would have, and serve as counterparties to
16 the liquidation trade.

17 Q. Okay. So if customer A had an account that was going into
18 liquidity—liquidation and that account had insufficient
19 assets, the next stage would be the backstop liquidity
20 providers, correct?

21 A. Sorry. Could you repeat that.

22 Q. Sure. If the—I want to see if we can make this a little
23 bit more concrete for the jury.

24 So if customer A had an account that was being
25 liquidated and had insufficient assets, I believe you told us

1 the next step would be to take it the level of the backstop
2 liquidity providers.

3 A. It's getting liquidated because it has insufficient assets.

4 Q. Correct.

5 A. So in getting liquidated, it may go and get—it may enter a
6 mode in which it will be liquidated against backstop liquidity
7 providers.

8 Q. Correct. And then I think you told us that if they, the
9 backstop liquidity providers, had insufficient assets, we'd
10 have an auto-deleveraging event?

11 A. There were multiple conditions that could lead to a
12 backstop being ineligible. One of them is that they had
13 insufficient assets. If that—if those conditions are met for
14 all backstop liquidity providers, then the system would enact
15 ADLs.

16 Q. And that would mean the in—the account would be covered by
17 the assets of other customers on the exchange.

18 A. Not quite.

19 Q. Okay. Tell us quite.

20 A. There is not an exchange of value. There's a very small
21 exchange of value in a liquidation trade. It's not that—it's
22 not that the liquidating account is underwater and therefore
23 needs to get topped up by other customers. It's that—it's
24 that they have positions on that are risky that need to be
25 handed off to other customers. Those other customers, be them

1 backstop liquidity providers or those selected by ADL, receive
2 the positions at slightly better than market value, being that
3 in that moment they actually make some money. It's not that
4 they're giving up their collateral for it, but they are taking
5 on risk that they did not themselves put on.

6 Q. Right. So using our example now, customer B or customer C
7 or so forth, in your words, are having positions handed off to
8 them.

9 A. Yes.

10 Q. And they're going to get them at a favorable price, but
11 they themselves are now at risk, correct?

12 A. Right. But it may turn favorable quickly.

13 Q. Let me call your attention to July of 2020. Did FTX
14 experience an auto-deleveraging event?

15 A. I recall it—I recall one around early August, so it's
16 possible that this one was in July.

17 Q. Okay. Why don't you tell us what happened.

18 MR. ROOS: Objection, foundation.

19 THE COURT: Sustained.

20 Q. Okay. What do you recall about the auto-deleveraging event
21 that took place in July or August of 2020?

22 A. I recall that it happened that there were ADL fills for
23 what I think was the first time in FTX's existence, meaning
24 that the—forgive me, I'm using the abbreviation, or the
25 acronym—the ADL system had kicked in, which meant that there

1 were no—there was a point at which there was a liquidation and
2 there were no eligible backstop providers.

3 Q. So it went to the next level, to the customer level.

4 A. Right.

5 Q. Correct. Were you aware if FTX had any response to this?

6 A. Yes.

7 Q. What was it, sir?

8 A. I don't remember everything about it, but I can describe
9 some things that I talked about with Sam and Gary—

10 Q. Just describe what you remember.

11 A. It was undesirable for customers to take on these positions
12 without opting in, basically being ADL recipients, all else
13 equal. All else equal, this probably—this sort of universe of
14 FTX customers and FTX itself would have preferred that it go to
15 the designated backstop providers. Gary dug into why it was
16 the case that there were no eligible providers. Gary
17 determined that it was because, among other things, Alameda was
18 not eligible and that Alameda was not eligible because its free
19 collateral was zero and that the reason that its free
20 collateral was zero was not because it had a bunch of positions
21 but because it had tons and tons of open orders out—open
22 orders for the purpose of providing liquidity on the hundreds
23 of markets or so. Those exhaust collateral.

24 Q. You said that having this auto-deleveraging event was
25 undesirable. What did you mean by that?

1 A. It's my opinion. I don't know if I can sort of claim that
2 there's a higher level truth to it being undesirable or not.

3 Q. Well, you just said it. I'm just trying to get at what you
4 meant by it.

5 A. Yeah, forgive me. I was clarifying. My opinion, and the
6 opinion espoused by Sam and Gary at the time, was that having
7 random customers take on the—these positions and have them
8 handed off to them is worse than having designated customers
9 take them on.

10 Q. Okay. To your knowledge, Mr. Singh, was anything done in
11 response to the auto-deleveraging event?

12 A. Yes.

13 Q. What was that?

14 A. So Gary inferred that it was because—a cause was that
15 Alameda was putting out a ton of orders and therefore had low
16 collateral, had zero free collateral, but free for the—for the
17 purposes of placing more orders or accepting trades, not free
18 in the sense if they were to be liquidated, because there's an
19 assumption that orders can be canceled upon liquidation, which
20 would have just them getting a lot of collateral back.

21 THE COURT: You used the term pre collateral or free
22 collateral. Would you explain that.

23 THE WITNESS: Free collateral.

24 THE COURT: First of all, was it pre collateral or
25 free collateral?

1 THE WITNESS: Free collateral. Free meaning
2 available.

3 THE COURT: Okay.

4 A. Customers—to clarify that, customers in FTX deposited
5 collateral. Collateral would be exhausted or, you know, made
6 not free by putting on positions or by having open orders out
7 on markets that, you know, were liable if traded against to
8 create positions.

9 The latter thing, open orders, were primarily
10 responsible, as Gary told me, for Alameda having zero free
11 collateral at the time of the liquidation that caused the ADLs.

12 I believe you asked me what happened.

13 Q. I did. And were any steps taken with respect to the code
14 base upon that determination?

15 A. Yes.

16 Q. What was that?

17 A. I think at first I added some alerts in the section of the
18 code that would basically emit if Alameda had or others had
19 zero free collateral, and if that was actually the cause, such
20 that in the next instance if this happened, we had some more
21 debugging visibility. We did, and it showed zero free
22 collateral. It was talked about—but I don't remember if it
23 actually happened—increasing Alameda's line of credit, because
24 increasing it increases their free collateral. Lines of credit
25 directly increased collateral and therefore free collateral.

1 Q. And—I'm sorry. Finish your answer if you're not done.

2 A. Ultimately, Sam asked me why would it depend at all on free
3 collateral if Alameda is just going to exhaust it all in open
4 orders, and we know that the open orders aren't themselves
5 risky, but not consuming collateral in the same way that having
6 to position does, then why don't we, for Alameda, just remove
7 the condition that we attend to its free collateral when
8 determining if it's an eligible backstop provider for a
9 liquidation.

10 Q. And was that condition removed?

11 A. Yes.

12 Q. That meant in an auto-deleveraging situation Alameda could
13 again step in and be another source of capital.

14 A. It meant—correct. Specifically, the difference is that if
15 the sole cause of Alameda being an ineligible backstop provider
16 was that it didn't have enough free collateral, that was no
17 longer considered.

18 Q. And in your view, Mr. Singh, would that be helpful to
19 customers?

20 A. Yes.

21 Q. Why?

22 A. In my view at the time, it would be helpful to customers.

23 Q. Why?

24 A. Because it would prevent the undesirable ADL as opposed to
25 backstop fills.

1 Q. Did you ever hear the term "code commits"?

2 A. Yes.

3 Q. What does that mean to you?

4 A. A code commit is a package change of code submitted to a
5 code base.

6 Q. Did you ever author code commits?

7 A. All the time.

8 Q. Okay. And were they—were these like notes you made for
9 other developers to see?

10 A. There were elements of the code commits that were.

11 MR. COHEN: If we could call up for the
12 witness—witness only—DX 1102.

13 Pursuant to Defense Exhibit 3002, it's been stipulated
14 that this document—

15 THE COURT: I'm sorry. DX 3002?

16 MR. COHEN: Yes, that's the stipulation as to the
17 authenticity of this document.

18 BY MR. COHEN:

19 Q. Mr. Singh, can you take a moment and take a look at what's
20 been marked as Defense Exhibit 1102.

21 A. I see it. And forgive me. This isn't what you asked,
22 but—

23 THE COURT: Just a minute.

24 THE WITNESS: Yes.

25 THE COURT: You stick to answering the questions that

1 are asked, okay?

2 THE WITNESS: Okay.

3 MR. COHEN: I think we've worked it out, your Honor.

4 THE COURT: What have you worked out?

5 MR. ROOS: I was just asking Mr. Cohen if it's just
6 this page. I couldn't tell. And assuming it's just this page,
7 no objection.

8 THE COURT: Well, first of all, is 3002 being offered?

9 MR. COHEN: 3002 is the stipulation, your Honor.

10 THE COURT: Yes, but has it been offered?

11 MR. COHEN: We offer 3002.

12 THE COURT: Received.

13 (Defendant's Exhibit 3002 received in evidence)

14 THE COURT: Now what about this 1102?

15 MR. COHEN: Your Honor—

16 THE COURT: Let's get the first question answered. Is
17 it a one-page document?

18 MR. COHEN: It is not.

19 THE COURT: It is not.

20 MR. COHEN: It is not. We would like to offer page 1
21 and page 18, pursuant to the stipulation.

22 MR. ROOS: No objection to 1. And if we could just
23 see 18.

24 No objection, to those two pages.

25 THE COURT: Pages 1 and 18 of Defendant's 1102 are

1 received.

2 (Defendant's Exhibit 1102 (pages 1 and 18 only)

3 received in evidence)

4 MR. COHEN: Can we publish those to the jury, your
5 Honor.

6 THE COURT: You may.

7 MR. COHEN: Brian, could you call them up, please.

8 BY MR. COHEN:

9 Q. All right. Let's start with page 1, Mr. Singh. Is this an
10 example of a code commit, the top of page 1?

11 A. Yes, this is one representation of a code commit.

12 Q. So if you look at the—

13 MR. COHEN: Brian, if you could call out the top
14 paragraph.

15 Q. Okay. So this one, for example, is author Gary Wang, date
16 May 23rd, "add borrow column to balances." What's your
17 understanding of what this means?

18 A. Forgive me. What do you mean by "this"?

19 Q. My question is simply: Is this an example of a type of
20 code commit?

21 THE COURT: Asked and answered.

22 Q. Okay. Let's go to page 18.

23 Okay. If we could go to the top, the top box. We've
24 been talking about the period of August 2020 and the
25 auto-deleveraging event, and there's a line that says, "Author:

1 Nishadsingh1." Is that you, sir?

2 A. That's me.

3 Q. And there's an entry that says "address ADLs (#977)." Do
4 you see that, sir?

5 A. I see it.

6 Q. What did that refer to?

7 A. A little easier if—I could be more confident if I read the
8 corresponding code, but I assume this is one of the two changes
9 I discussed so far—there were others—about making ADLs less
10 likely.

11 Q. Okay. And continuing on the page.

12 MR. COHEN: If we go down to the next box. Go down
13 further. Okay. Call that out.

14 Q. This is another code commit written by you, sir?

15 A. Yes.

16 Q. Okay. And it says, "be extra careful not to liquidate PMM,
17 clean up messages." Do you see that, sir?

18 A. I do.

19 Q. Okay. What's a PMM?

20 A. The primary market maker, which meant Alameda.

21 Q. Okay. Because at the time it was the main market maker for
22 FTX, correct?

23 A. PMM is also how the code referred to that.

24 Q. And what did you mean by "be extra careful not to
25 liquidate"?

1 A. I think answering this requires me continuing the story of
2 what happened in response to ADLs.

3 Q. Go ahead.

4 MR. ROOS: Objection.

5 THE COURT: What's the objection?

6 MR. ROOS: Calls for a narrative.

7 THE COURT: Yes. We have to take a very short break
8 in any case.

9 MR. COHEN: Oh, okay.

10 THE COURT: I think ten minutes ought to be enough.

11 THE DEPUTY CLERK: Would the jury please come this
12 way.

13 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Be seated, folks.

3 So you have something to take care of that was

4 discussed earlier today. This is the time.

5 MR. COHEN: Okay. Thank you, your Honor.

6 (Recess)

7 (In open court; jury not present)

8 THE COURT: Mr. Roos, the point you wanted to take up
9 at some point, the evidence issues, how long do we need for
10 that?

11 MR. ROOS: Ten minutes.

12 THE COURT: All right. We'll do it after we send the
13 jury to lunch.

14 MR. ROOS: Okay.

15 THE COURT: Okay. Let's go.

16 (Continued on next page)

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1 (Jury present)

2 THE COURT: The record will reflect that the defendant
3 and the jurors all are present, as they have been throughout.

4 You may continue, Mr. Cohen.

5 MR. COHEN: Thank you, your Honor.

6 If we could bring up the exhibit we were just looking
7 at.

8 BY MR. COHEN:

9 Q. And these are more general questions, Mr. Singh.

10 As a general matter, who at FTX was able to access
11 these codes, these codes we were looking at? The code commits.
12 Excuse me.

13 MR. ROOS: Objection, foundation.

14 THE COURT: Yes. You need one.

15 MR. COHEN: Hmm?

16 THE COURT: Foundation.

17 MR. COHEN: Sure.

18 Q. Based on your experience as head of engineering at FTX, did
19 you have an understanding of who might access the code commits
20 we were just looking at?

21 A. They were available to the whole company in Slack, if
22 nothing else. There were Slack logs of all the messages.

23 Q. Okay. Let me ask you another general question. From the
24 FTX side, based on your experience as the head of engineering,
25 who could have access; who could observe Alameda's accounts on

1 FTX?

2 MR. ROOS: Objection, same foundation.

3 THE COURT: Yes, sustained.

4 Q. Mr. Singh, based on your experience as the head of
5 engineering, did you have an understanding about accessing
6 customer accounts on the exchange, viewing customer accounts on
7 the exchange?

8 MR. ROOS: Same objection.

9 THE COURT: Yes. Look, this isn't a matter of
10 opinion. He either knows or he doesn't know.

11 MR. COHEN: Yeah.

12 Q. Did you know, Mr. Singh, whether you could see the Alameda
13 accounts on the FTX exchange?

14 A. Whether I personally could?

15 Q. Yes.

16 A. Yes, I could.

17 Q. How were you able to do that?

18 A. The way any other FTX staff member could, using the admin
19 portal.

20 Q. Okay. And the admin portal was a portal on FTX?

21 A. Yes.

22 Q. So for an FTX person to look at customer accounts and
23 balances, so forth.

24 A. That was not the purpose.

25 Q. What was the purpose?

1 A. Customer support reasons might require looking at a
2 customer's—

3 Q. Understood, understood, understood. But in addition to
4 that, it allowed the FTX side to look at the customer accounts.

5 A. Yes.

6 Q. Okay. Let's move to another topic, Mr. Singh.

7 Did you ever hear of an entity called FTX US
8 Derivatives?

9 A. Yes.

10 Q. What was that?

11 A. A company that used to be named LedgerX, I believe.

12 Q. And what business was LedgerX in?

13 A. It operated crypto options.

14 Q. And let me back up. Do you know who ran LedgerX?

15 A. Zach Dexter in the period that I was aware of.

16 Q. And just to set a foundation, what period was that?

17 A. 2021 and 2022.

18 Q. Did there come a time that FTX acquired LedgerX, if you
19 know?

20 A. Yes.

21 Q. About when was that?

22 A. Also sometime in '21 or '22.

23 THE COURT: Before or after Zach Dexter was running
24 it?

25 THE WITNESS: I believe after.

1 Q. And did Mr. Dexter continue to run the company even after
2 it was acquired, or run what used to be LedgerX?

3 A. That's my belief, but I have no firsthand knowledge.

4 Q. Okay. Now Mr. Dexter, he was not a founder of FTX,
5 correct?

6 A. He wasn't.

7 Q. He was not a founder of Alameda, correct?

8 A. Correct.

9 Q. Okay. What did FTX US Derivatives's trading platform deal
10 in, if you know?

11 A. Forgive me. Are you referencing the potential integration
12 into FTX.US or what Zach Dexter's existing company did?

13 Q. Integration.

14 A. The integration would support futures to be offered to US
15 customers, pending approval.

16 Q. And you said pending approval. What did you mean by that,
17 sir?

18 A. There was some regulatory process they were engaging in to
19 get approval to list these futures.

20 Q. Do you know what entity they were seeking to get approval
21 from?

22 A. At least the CFTC and maybe others.

23 Q. And I believe you told us yesterday that the CFTC was the
24 commodities trading commission, I think was how you put it.

25 A. Yeah. Forgive me. I don't remember—I don't know exactly

1 what it is, but—

2 Q. Did you, Mr. Singh, have any involvement with this process
3 of trying to get approval?

4 A. I believe I described yesterday the only part that I
5 participated in.

6 Q. What was that?

7 A. It was Zach Dexter—it was me fulfilling Zach Dexter's
8 request to show Alameda's historical collateral and collateral
9 needs in their main account.

10 Q. And for this application for approval, did the topic of how
11 liquidations were handled at FTX come up?

12 MR. ROOS: Objection, foundation.

13 THE COURT: Sustained.

14 Q. Did you know, sir, based on your interactions with
15 Mr. Dexter, what topics came up in connection with the
16 application for approval?

17 MR. ROOS: Same, and calls for hearsay answer.

18 THE COURT: Sustained.

19 Q. Did you have occasion, Mr. Singh, to review any materials
20 in connection with the application?

21 A. There was at least one point in September of 2022 when Zach
22 Dexter sent me an excerpt from the application.

23 Q. What did that excerpt refer to?

24 MR. ROOS: Objection.

25 THE COURT: Ground.

1 MR. ROOS: Hearsay.

2 Q. What was the topic of the—

3 A. Special privileges for Alameda.

4 Q. And did you review that, sir?

5 A. I responded to it, yes.

6 Q. And you responded to Mr. Dexter.

7 A. Yes.

8 Q. What was the nature of the response?

9 MR. ROOS: Objection, hearsay.

10 THE COURT: Why not, Mr. Cohen?

11 MR. COHEN: It's for the effect on the listener, your
12 Honor.

13 THE COURT: On Mr. Dexter?

14 MR. COHEN: No. Excuse me. It's for Mr. Singh's
15 state of mind.

16 MR. ROOS: Relevance.

17 THE COURT: Sustained.

18 MR. COHEN: Hmm?

19 THE COURT: Sustained.

20 MR. COHEN: I'm sorry. Okay.

21 THE COURT: 401 and 403.

22 BY MR. COHEN:

23 Q. Oh, let me go back. I meant to ask you: You testified
24 yesterday about Alameda's line of credit. Do you recall that,
25 sir?

1 A. Yes.

2 Q. And I think you told us that the line of credit at some
3 point was set to \$65 billion, correct?

4 A. I believe that was its value at the time of the collapse.

5 Q. Did you have any experience in understanding the amount
6 of—amount that was actually drawn down on the letter of
7 credit?

8 A. I calculated how much the main account was drawing on.

9 Q. When did you do that, sir?

10 A. I believe it was early September.

11 Q. Okay. That was my question. Prior to that point, prior to
12 September, were you involved with any calculations of the
13 actual drawdowns on the letter of credit?

14 A. In a way.

15 Q. What do you mean by that?

16 A. There was an exercise I believe sometime in 2021 to write
17 code that would charge Alameda on one definition of its used
18 line of credit. I made modifications to it after Gary wrote
19 it.

20 Q. What modifications did you make?

21 A. I can't remember all of them. One of them was including
22 more forms of collateral that Sam had proposed.

23 Q. Okay. Yes or no: In connection with that modification you
24 worked on, did you come to learn about the usage of the line of
25 credit prior to September 2022?

1 A. In the sense that it matched the definition used by this
2 line of interest processor.

3 Q. Did you come to learn the number, the value, the balances
4 used?

5 A. I remember—I remember one of the—indirectly.

6 Q. What do you mean by that?

7 A. I remember the revenue associated with this, with these
8 fees, and I knew the rate that Alameda was charged on its used
9 line of credit. Dividing one by the other suggests what the
10 used line of credit was.

11 Q. And what was it?

12 A. I recall at some point it being \$2 billion because they
13 were charged one basis point.

14 Q. Okay.

15 A. And the daily revenue from them was \$200,000.

16 Q. And approximately when did you do that analysis?

17 A. Would have been mid or late '21.

18 Q. New topic, Mr. Singh. You testified about an adjustment
19 involving something called EcoSerum. Do you recall that, sir?

20 A. Are you referring to the Serum staking fees?

21 Q. Yes.

22 A. I recall that.

23 Q. Okay. And rather than me trying to summarize it, why don't
24 you tell us what you testified to about that.

25 MR. ROOS: Objection.

1 THE COURT: Sustained.

2 Q. Okay. Mr. Singh, didn't you tell us yesterday that you
3 were asked to look at the staking fees, for Serum?

4 MR. ROOS: Objection. Misstates his testimony.

5 THE COURT: Sustained.

6 Q. Okay. Mr. Singh, let me back up.

7 What are staking services, Mr. Singh?

8 A. I can describe what Serum staking was in the context of
9 FTX.

10 Q. That would be fine.

11 A. Serum was a token. It was available on FTX in both locked
12 and unlocked forms. FTX supported staking facility in which
13 customers could designate their Serum balances as staked, which
14 would make them unsellable but would, on an hourly or daily
15 cadence—that changed over time—reward them with some
16 interest, also paid out in either Serum or locked Serum. This
17 mirrored a lot of staking behaviors of other coins on—in
18 various other contexts.

19 Q. Did FTX charge a—receive any payment for these services?

20 A. Only in the sense that I doctored them.

21 Q. Well, in your experience you said this was—this took place
22 on other exchanges as well. In your experience did other
23 exchanges receive payment for providing staking services?

24 MR. ROOS: Objection, foundation.

25 THE COURT: Sustained.

1 MR. COHEN: He just said it.

2 Q. Okay. Mr. Singh, did you have experience with other
3 exchanges and their—whether or not they charged for staking
4 services?

5 A. I had experience with some elements of other exchanges. I
6 do not have experience with other exchanges' staking services.

7 Q. Now I believe you testified that Mr. Bankman-Fried directed
8 you to backdate the Serum staking services document, correct?

9 A. No.

10 Q. Okay. Tell us.

11 A. Forgive me. Tell us what?

12 Q. You said no, so I don't want to get your testimony
13 incorrect. What was your testimony, Mr. Singh?

14 A. Sam instructed me to backdate the payments. I didn't know
15 anything about the document.

16 Q. But that ultimately did not take place, correct?

17 A. Sorry. What didn't take place?

18 Q. You ended up not doing the backdated transaction, correct?

19 A. No, I did. I backdated them.

20 Q. Okay. But you said you're not aware of the document,
21 correct?

22 A. I'm not a—there was a document shown yesterday relating to
23 an agreement between EcoSerum and FTX. That was not a document
24 that I had seen until after the collapse of FTX.

25 Q. Let's turn to a new topic, Mr. Singh.

1 I believe you testified yesterday that there came a
2 time that you got involved in political spending, correct?

3 A. Yes.

4 Q. Okay. About when was that?

5 A. In 2018, I became really excited about Prop 12 in
6 California.

7 Q. And as a result of that, did you make any donations?

8 A. I did in that I believe I deducted from my floating balance
9 at Alameda so Alameda would pay—like, would donate it.

10 Q. Okay. And turning to later in time, 2021 or so, did there
11 come a time that you started to make donations in much larger
12 amounts?

13 A. Yes.

14 Q. Okay. And I believe you told us that the process was
15 that—well, is it fair to say that you wanted to make donations
16 but you didn't want to be in the weeds with respect to the
17 process?

18 A. For some of them.

19 Q. Okay. Which ones?

20 A. I—it's hard for me to enumerate them all.

21 Q. Okay. Is it fair to say that in terms of your political
22 donations, you worked with various political consultants?

23 A. Sam and Gabe and Barbara.

24 Q. Did you also work with someone named Michael Sadowsky?

25 A. Yes.

1 Q. And Keenan Lantz?

2 A. Yes.

3 Q. Okay. And Gabe was Mr. Bankman-Fried's brother?

4 A. Yes.

5 Q. And he was a friend of yours from high school.

6 A. Dear friend.

7 Q. Right. And you worked with him in terms of
8 political—political spending, correct?

9 A. Yes.

10 Q. You said you engaged him as a consultant, correct?

11 A. I don't think I said that, but I did.

12 Q. You did. In fact, you signed a—or you entered into a
13 written consulting agreement with him, correct?

14 A. Yes.

15 Q. And Mr. Sadowsky was also an experienced political
16 consultant, correct?

17 A. I don't know his experience.

18 Q. Okay. Well, did you believe he was in that field?

19 A. Yes.

20 Q. Okay. What about Mr. Lantz?

21 A. I don't—I don't know if I knew anything about Keenan
22 Lantz's background.

23 Q. Okay. And the process was, at least with respect where the
24 consultants were involved, that they would make recommendations
25 to you about where to make donations and you would decide

1 whether you wanted to make them, correct?

2 A. There were many different processes.

3 Q. All right. Well, why don't you go through each one if
4 there was more than one.

5 A. It will take some time.

6 Q. Why don't you just go through them by topic.

7 THE COURT: I'm sorry. By topic?

8 MR. COHEN: Yeah. I don't want to have to have the
9 witness give a long narrative.

10 MR. ROOS: Objection.

11 THE COURT: Ask a question.

12 MR. COHEN: I will. Okay.

13 BY MR. COHEN:

14 Q. Were there times, sir, when you would receive a
15 communication from Mr. Sadowsky about a contribution he
16 suggested you make?

17 A. I can't remember if it was Sadowsky or Gabe, but there were
18 times when I did receive communications from them about
19 donations they'd want me to make.

20 Q. And then you would tell them whether you wanted to make
21 them or not, correct?

22 A. In some cases.

23 Q. Okay. Well, why don't we take a look at—one moment.

24 Why don't we take a look at GX 477, please, in
25 evidence.

1 Do you recall this document, sir?

2 A. I do.

3 Q. Okay. This is a chain between you and Mr. Sadowsky,
4 correct?

5 A. It is.

6 Q. And the blue section at the top is your writing, correct,
7 or your comment?

8 A. Yes.

9 Q. So you were saying to Mr. Sadowsky that you were averse to
10 "explicitly woke stuff." What did you mean by that?

11 A. I preferred not to be giving to causes that were explicitly
12 far on the left.

13 Q. Okay. But then you go on to say, "but if it's especially
14 good or if it's hard to interact productively with Democrats
15 without that, I understand." Do you see that, sir?

16 A. I do.

17 Q. Okay. And if we could scroll down to the next page.

18 And in the gray is Mr. Sadowsky's responses, right?

19 A. Right.

20 Q. Okay. And the bottom of the page, he says, so—at the
21 bottom, second from the bottom here, "So if you're not
22 comfortable about it, you should think about that a lot." "You
23 should think about how comfortable you're going to be with it."
24 Do you see that, sir?

25 A. I do.

1 Q. Mr. Sadowsky was telling you that if you weren't
2 comfortable with that donation, you didn't have to make it.

3 A. I'm not sure if that's what he was saying.

4 Q. Are you saying that Mr. Sadowsky was telling you to make
5 donations you didn't want to make?

6 A. I think when he says it here, it may be in reference to me
7 being the centralized face of their spending and not
8 specifically this donation.

9 Q. Okay. And in reference to that, if you didn't want to be
10 the central face of the spending, you didn't have to, correct?

11 A. Not clear to me he's saying I didn't have to.

12 Q. Okay. In your view, did you feel that you were required to
13 be the face of the political spending?

14 A. Not required.

15 Q. Okay. All right. So you told us also about a chat you
16 were on called Donation Processing. Do you recall that, sir?

17 A. I do.

18 Q. And that was a chat involving someone named Ryan Salame?

19 A. Yes.

20 Q. And again, who was he?

21 A. He went by many titles, among them CEO of FTX digital
22 markets.

23 Q. Okay. And prior to that he had been at Alameda, correct?

24 A. Maybe concurrent with that.

25 Q. And I believe you said that this was a Signal chat called

1 Donation Processing, correct?

2 A. Correct.

3 Q. And the way it would work is Mr. Salame would prepare a
4 wire transfer, correct, to a political candidate?

5 A. That was part of what was coordinated in that thread, yes.

6 Q. And in that thread it would be presented to you for you to
7 approve or not, correct?

8 A. I would be pinged to click OK in my email.

9 Q. And if you didn't click OK, it wouldn't be sent.

10 A. In some sense.

11 Q. In some sense. So you're saying that donations were made
12 without you clicking yes.

13 A. Many of them were.

14 Q. Okay. And the ones in the queue, in the donation
15 processing queue.

16 A. Yes.

17 Q. Okay. So you're saying that when Mr. Salame pinged you to
18 okay the donation, that was unnecessary?

19 THE COURT: That's not what he said. They pinged him
20 with wire transfers.

21 THE WITNESS: Right.

22 Q. So are you saying that wire transfers would go out of your
23 account without you responding to the pings you received from
24 Mr. Salame?

25 A. I think ones of some sizes would, and not all donations

1 using my name were done in this manner anyway.

2 Q. Well, on the ones in the donation—in the Donation
3 Processing chat, that's what I'm asking about now.

4 A. There were ones discussed in that chat that did not go
5 through my PrimePlus bank account and did not require me to
6 click OK.

7 Q. Now the funds that you received to make political
8 donations, they were loans to you, correct?

9 A. In a loose sense, some of them were loans.

10 Q. Well, didn't you feel that you were obligated to pay them
11 back, sir?

12 A. That is a loose sense in which I felt that they were—might
13 have been loans.

14 Q. Well, you were either obligated to pay them back or you
15 weren't, right?

16 A. I don't think it's that simple.

17 Q. Okay. So when you saw transfers into your account for
18 political donations, didn't you view them as loans to you that
19 you were on the hook for?

20 A. I viewed them as things I was on the hook for.

21 Q. And to take it out of colloquialism, "on the hook for"
22 means you had to pay them back.

23 A. I expected and wanted to pay them back. "Had to" relies on
24 affirmative mutual understanding that may not have existed in
25 some cases.

1 Q. So you did have to pay them back or you didn't have to pay
2 them back?

3 A. I am not sure what the donor, or what, like, the loanee
4 thought, or what the person lending to me, the lender, thought.

5 Q. So if I'm understanding you correctly, you didn't think you
6 were on the hook for the loans.

7 A. I expect—I wanted to pay them back. That is distinct from
8 there being any understanding or discussion about that.

9 MR. COHEN: Okay. Can we call up 3501-28, please.

10 MR. ROOS: Objection.

11 THE COURT: Sustained.

12 Q. Mr. Singh, during the time you worked for FTX did you file
13 tax returns?

14 A. Yes.

15 Q. And did you have an accountant who prepared them for you?

16 A. Robert Lee.

17 Q. And did you provide your accountant with information about
18 the political donations you made?

19 A. Some of them, yes.

20 Q. Because you wanted to take account of them in payment of
21 your taxes, correct?

22 A. Or make them just known to the people thinking about my
23 finances, yes.

24 Q. Okay. Now let me back up and ask a foundation question.

25 You mentioned yesterday a person named Jayesh Peswani.

1 Do you recall that?

2 A. Yes.

3 Q. And just to remind the jury, who was he?

4 A. The head of finance at FTX.

5 Q. Okay. And I think you mentioned yesterday that you
6 asked—sometime in 2021 you asked Mr. Peswani for a list of
7 Alameda's loans to you.

8 A. I think I asked for that in October of 2022.

9 Q. And what was your reason for asking?

10 A. I expected it to list a lot of transfers to me.

11 Q. Okay. You expected it to list transfers to you because you
12 wanted to understand what you were responsible for, correct?

13 A. I wanted to confirm it matched what had flown through my
14 bank account.

15 Q. So you just wanted to know what was going through your bank
16 account; you didn't really think you were responsible for it.

17 A. It was my desire and expectation to repay some of the
18 transfers that had gone through my account. I didn't know if
19 there was separate accounting of it, and I never talked about
20 those expectations, or asked for something that could document
21 that.

22 (Continued on next page)

23

24

25

1 Q. So you were unclear, you're telling us, about whether or
2 not you had a responsibility to pay the loans back?

3 A. Yes. To clarify, I am not sure they were loans, the
4 transfers.

5 Q. Isn't it true, Mr. Singh, that you thought that the money
6 going into your account were donations that you were obligated
7 to repay?

8 A. Obligated is complicated and might rely on mutual
9 understanding.

10 Q. That you were on the hook for those funds?

11 MR. ROOS: Objection. Asked and answered.

12 THE COURT: We have done this already, Mr. Cohen.

13 MR. COHEN: Let's call up 3501-103, please.

14 MR. ROOS: Objection, foundation. 406(12).

15 Q. Do you recall in one of your many interviews being
16 interviewed by the government attorneys on February 24 of this
17 year?

18 A. I don't remember exact dates.

19 Q. You recall being interviewed in February?

20 A. Yes.

21 Q. And you recall telling the prosecutors that you thought of
22 the money going to you to make donations as money that you were
23 obligated to pay and that you were on the hook for those funds?

24 A. I don't remember the exact words I used.

25 Q. Was that the substance of what you told them?

1 A. That's similar.

2 Q. That you were on the hook for them?

3 A. That I believed that I was on the hook and I wanted to
4 repay them.

5 Q. Now, didn't you also believe, sir, that when you received
6 these transfers that you wanted to have them booked as loans?

7 A. Sorry. Could you repeat the question?

8 Q. Sure. When you received what you called -- I'm trying to
9 use your language -- transfers to make political donations, you
10 thought of them as loans and tried to get them booked as loans.

11 A. I expected that they would be booked as loans.

12 Q. And you tried to get them booked as loans, correct?

13 A. In a sense.

14 Q. Do you recall speaking with the government in January?

15 A. Yes.

16 Q. January 19?

17 A. Um-hum.

18 Q. You recall telling the prosecutors that when you did see
19 the transfers into your account, you thought of them as loans
20 and tried to get the transfers booked as loans.

21 A. I don't remember exactly what I said. It seems believable.

22 Q. Sorry?

23 A. Seems believable.

24 MR. COHEN: Your Honor, this might be a good time to
25 take our lunch break.

1 THE COURT: Give me an idea of how much more you have.

2 MR. COHEN: I will certainly finish today, and
3 probably about an hour, hour and a half.

4 THE COURT: We will take the lunch break, members of
5 the jury. The lawyers and I have a little business to do, so
6 we will make it a little longer today. I'll see you back at
7 let's say five to 2.

8 (Jury not present)

9 THE COURT: Mr. Roos, what's on your mind?

10 MR. ROOS: Thank you, your Honor. If it's OK, I'll
11 approach and give you a binder that has the witness materials
12 for tomorrow.

13 THE COURT: Thank you.

14 MR. ROOS: Your Honor, I have just handed up to you
15 the government exhibits that we intend to use tomorrow with
16 Professor Peter Easton, who is the government's expert witness
17 relating to accounting and financial calculations and tracing.
18 We conferred with defense, and they helpfully identified their
19 areas of objections so we could work this out before we are in
20 front of the jury. I will just go sort of in order of the
21 issues as I understand them.

22 THE COURT: We will try.

23 MR. ROOS: The first issue, as I understand it, is
24 that one of the exhibits, which compares the balance of
25 customer funds on the FTX database to the balance of funds

1 within FTX's wallets, hot wallets we have heard about in the
2 case, it compares those two lines and it's Government Exhibit
3 1051, if your Honor wants to take a look.

4 As I understand the objection, your Honor, it's a Rule
5 16 objection, which is that, in the defense view, it's outside
6 the scope of the --

7 THE COURT: I'm sorry. Back up.

8 It's a Rule 16 objection, and then I lost you because
9 you looked down.

10 MR. ROOS: My apologies.

11 It's a Rule 16 objection, as I understand it, to the
12 timing of the disclosure relating to the opinion that's
13 reflected in the exhibit.

14 THE COURT: What's the objection, Mr. Cohen?

15 MR. LISNER: Your Honor, I'll address on behalf of the
16 defense, David Lisner.

17 This graph purports to show it's not just assets,
18 crypto assets, between what's shown in the site and what's
19 shown in wallets.

20 Professor Easton's expert disclosure, as far as I
21 could tell, and me and Mr. Roos have not yet had a chance to
22 compare language, but I don't see any place where an opinion
23 about the balance of crypto assets between wallets and the
24 database is reflected in his disclosure, and he is not offered
25 as a crypto expert. As I understand, tallying up the amount of

1 crypto assets in a wallet is not necessarily as simple as a
2 bank account.

3 For that reason, we think this is outside of the
4 disclosure.

5 THE COURT: I thought it was about timing.

6 MR. LISNER: That's the words Mr. Roos used.

7 The words I would have used is, Professor Easton's
8 Rule 16 disclosure does not provide an opinion or describe an
9 opinion regarding the balance of crypto assets. The closest I
10 could find is opinion 9, which describes Alameda's balances,
11 but this exhibit expressly excludes Alameda's balances and
12 that's in a footnote.

13 MR. ROOS: Few things, your Honor.

14 THE COURT: It would have been helpful if somebody had
15 told me that we were going to discuss this, because I have not
16 looked at that Rule 16 disclosure in at least two months. I
17 have no idea what it says today.

18 MR. LISNER: Apologies, your Honor. We received this
19 and all other exhibits and backup for Professor Easton Saturday
20 night at 11 p.m. This is the quickest we are able to address
21 this.

22 MR. ROOS: Just to be clear on that, we produced the
23 initial draft of this slide, and I think this is the answer to
24 the disclosure question, we produced it on September 8, when we
25 produced our exhibits.

1 And the question under Rule 16(g), in analyzing
2 whether or not there is an appropriate disclosure, is whether
3 or not there is a prejudice to the defense.

4 I would direct your Honor to two cases as you are
5 considering this issue. The first is the Second Circuit's
6 decision in *Tin Yat Chin*. I have a copy. I don't have a copy
7 for everyone, but I can hand up my copy to the Court. I will
8 give the cite. It's 476 F.3d 144. There the circuit, Judge
9 Rakoff writing for the circuit, considered whether the
10 government's disclosure of an expert, not just a slide, but an
11 expert, one day before his testimony was unduly late and
12 prejudicial, and the Court concluded that the district court's
13 decision to give an extra day, so a one-day continuance, was
14 sufficient. Here they have had this exhibit for about six
15 weeks now, so that's more than enough time to prepare. There
16 is no evidence of prejudice.

17 The second case I would point to is a district court
18 decision by Judge Caproni. The case is *Rosario*. It has a
19 Westlaw cite of 2014 WL 6076364. There she held that the
20 production of the slides in that case for the witness provided
21 sufficient disclosure to meet Rule 16's requirements.

22 THE COURT: Is there an opinion he is going to give
23 about this?

24 MR. ROOS: His opinion is going to be that the amount
25 in FTX's cryptocurrency wallets, there was a difference between

1 what was in there and what was reflected in FTX's database for
2 customer deposits, so the black line meaning this is what the
3 database said we had in customer deposits. What FTX was
4 actually keeping in cryptocurrency balances was considerably
5 smaller.

6 THE COURT: Mr. Lisner, where is the prejudice to the
7 defense?

8 MR. LISNER: The prejudice is, your Honor, while we
9 may have had a version of this slide, it's based on tens of
10 thousands, maybe hundreds of thousands of database entries that
11 we received Saturday night. But, more importantly --

12 THE COURT: Did they or did they not produce this to
13 you on or about September 8?

14 MR. LISNER: I don't currently have a recollection of
15 this particular slide. We may have, but we did not receive the
16 data.

17 May I add one other point, your Honor?

18 THE COURT: I'm sorry. I don't understand the
19 distinction you're drawing.

20 MR. ROOS: Here is the version.

21 THE COURT: Please hand it up.

22 I am asking Mr. Lisner what the distinction is between
23 the graph and the data.

24 MR. LISNER: The distinction, your Honor, is that the
25 graph is driven by an enormous amount of numbers, and we just

1 received the numbers the other day. So what this graph was
2 based on we didn't previously have.

3 The other point I would add, and I'll rest after this,
4 your Honor, is I believe from Mr. Roos jumping to case law
5 about late disclosure, I take that as an admission that it was
6 not fairly captured by Professor Easton's expert disclosure.

7 THE COURT: You will take it as an admission, and I
8 will think about it.

9 MR. LISNER: Understood.

10 THE COURT: This graph, Mr. Roos, that you handed me,
11 which is marked Government Exhibit 1051, does not actually look
12 to me like the one in the book.

13 MR. ROOS: The difference, your Honor, is the temporal
14 period. If your Honor sees the black-and-white version I
15 printed out for you, which is draft, it goes back to 2019, the
16 ultimate exhibit is just 2021, 2022, so it sort of elongates
17 it, but it's otherwise the same analysis.

18 THE COURT: Same data?

19 MR. ROOS: Same data.

20 THE COURT: For the overlap period.

21 MR. ROOS: Correct.

22 THE COURT: I will consider that.

23 Next issue.

24 MR. ROOS: The second issue, as I understand it, is
25 that the defense is objecting to admitting certain of the

1 government's exhibits, a majority of them, I think. No
2 objection to using them as demonstratives.

3 I'll tell you that the government's plan is that there
4 are exhibits in the binder before your Honor that are the
5 results of the financial analysis. They come in two forms:
6 Balance data over time, either bank accounts or data from the
7 FTX transaction database, and the other form of analysis is
8 financial tracing, so money flowing through accounts.

9 Those exhibits the government is offering into
10 evidence, and they are all within the 1000 series. The
11 government also intends to use certain demonstratives, such as,
12 you know, a portion of a document to ask the witness whether or
13 not he has analyzed the source of the funds for the investment
14 that is reflected on the document, and for those we are not
15 proposing to offer those demonstratives, which are in the 3000
16 series, into evidence.

17 I think the dispute, just to narrow it for the Court,
18 is whether or not the 1000 series exhibits can be offered into
19 evidence, and the government's view, informed, I think, again
20 by the case law, is that both under the rules relating to
21 experts, so a 703 chart, and the rules relating to summary
22 charts, under 1006, that these are admissible into evidence.

23 THE COURT: Thank you.

24 Mr. Lisner, first of all, is it correct that we don't
25 have an issue about the 3000 series?

1 MR. LISNER: No. We do have one issue. I think we
2 have two categories of issues. I can describe them for you.

3 THE COURT: Yes.

4 MR. LISNER: In the 3000 series these are slides that,
5 as Mr. Roos pointed out, the government intends to use as
6 demonstratives. We have no problem with that, but a number of
7 them include call-outs or pictures of documents not in
8 evidence. If the government purports to publish excerpts of
9 documents not in evidence, that's our concern.

10 For a lot of the documents I think we could work
11 something out with the government, and I'm happy to speak with
12 Mr. Roos over the lunch break, but the principle is, they
13 shouldn't be allowed to publish documents not in evidence under
14 the guise of demonstrative.

15 THE COURT: The expert is entitled, if memory serves,
16 under Rule 703, to explain the basis for his opinions, and the
17 opinion need not be based entirely on material in evidence, as
18 long as the non-evidentiary material is evidence of a sort that
19 experts in the field rely upon.

20 Now, obviously, there is a potential there at an
21 extreme for abuse, and I appreciate that, but I'm not
22 understanding why I should assume, as a categorical matter,
23 that anything that's non-evidentiary that the expert refers to
24 in justifying the opinion shouldn't be placed in front of the
25 jury.

1 MR. LISNER: I think in 703, for material that is
2 inadmissible for which the expert relies, there is a balancing
3 test of whether it's sufficiently probative, which we take your
4 point. It could be published, but not all of these documents
5 appear to be relevant to the analysis. There are news articles
6 which are hearsay.

7 And, again, I'm happy to speak with Mr. Roos over the
8 break --

9 THE COURT: They are not hearsay to the extent that
10 they are offered to illustrate the basis for the expert's
11 opinion, but I certainly welcome your working on this further
12 with Mr. Roos, because the problem I'm having with your
13 argument about the 3000 series right now is that you are taking
14 the categorical position, implicitly anyway, that anything
15 that's not evidentiary that's called out in one of these
16 demonstratives is inherently, simply by virtue of being
17 non-evidentiary, unduly prejudicial and so forth, and that's
18 not the way that analysis works.

19 MR. LISNER: I understand, your Honor. I take the
20 point. Why don't we work out what we can and maybe whatever is
21 left, an appropriate limiting instruction perhaps.

22 THE COURT: That's fine.

23 MR. ROOS: For what it's worth, I think besides the
24 news articles, we intend to offer the exhibits that are cited
25 in there, which may just sort of moot the issue.

1 THE COURT: Don't eat up my lunch with that. You eat
2 up your lunches.

3 What about the 1000 series, Mr. Lisner?

4 MR. LISNER: The 1000 series is for only part of them.
5 We are fine with admitting them as summary Exhibits 1000 up
6 through 1017. But from 1017 to 1050, these are a series of, I
7 guess I'll call them flow charts that purport to show or
8 describe the flow of funds became bank accounts for certain
9 transactions. For example, 1039 is the one I happen to have
10 open in my book. This appears to be expert conclusion and not
11 a 1006 summary or include expert conclusions and not be based
12 solely on the underlying bank records, and I think maybe with
13 more foundation we can get there.

14 The issue that we see is, Professor Easton is,
15 according to his Rule 16 disclosure, is going to tell us
16 everything was commingled between bank accounts, customer funds
17 and FTX Alameda funds. And then these slides purport to
18 separate it out, which funds are which. I don't know how
19 Professor Easton continued to do that, but it sounds like an
20 accounting conclusion and not a fair 1006 summary.

21 THE COURT: You invited my attention to 1039. You
22 start off at the left side of the flow chart with \$11 million
23 in customer funds from customer bank accounts, and the only
24 other inflow reflected is a \$200,000 inflow over a couple-day
25 period both going into North Dimension.

1 I can understand conceptually what you are talking
2 about, but if 99 percent of it is from one source and 1 percent
3 of it from the other, what difference does it make? It's
4 immaterial. Isn't it?

5 MR. LISNER: It may be, but sitting here, I don't know
6 that. So that's why I have to --

7 THE COURT: All you have to do is ask yourself what
8 200,000, as a percentage of 11.2 million, is, and then you know
9 the answer.

10 MR. LISNER: That may be true, but the backup data for
11 this, again, is a spreadsheet that drives this. We received it
12 in 3500 material. And that spreadsheet says, in the absence of
13 time stamps and similar sized inflows, we performed a
14 conservative LIFO analysis. It sounds like there was an
15 analysis applied to the numbers to get to this chart, and
16 that's what the issue is for us.

17 THE COURT: We all know what a LIFO analysis is, don't
18 we. So does the witness. Last in, first out.

19 MR. LISNER: Yes, your Honor.

20 THE COURT: Standard accounting, right?

21 MR. LISNER: Yes.

22 Professor Easton is being offered as an accounting
23 expert.

24 THE COURT: Does that take care of that group?

25 MR. LISNER: That's everything on that group. That's

1 all of our objections.

2 THE COURT: We did make some progress here. I hope
3 you can get to the goal line in time for your dessert.

4 See you later.

5 (Luncheon recess)

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AFTERNOON SESSION

2:00 p.m.

THE COURT: Let's get the witness and the jury.

(Jury present)

THE COURT: The record will reflect that the jurors and the defendant all are present, as they have been throughout.

I hope everybody had a pleasant lunch break.

The witness is still under oath.

You may proceed, Mr. Cohen.

MR. COHEN: Thank you, your Honor.

BY MR. COHEN:

Q. Mr. Singh, let me call your attention to September of 2022, OK, sir?

A. OK.

Q. We talked about it briefly this morning. I want to come back to it.

I believe you told us that, in or about September, you received a message from Mr. Bankman-Fried about whether or not to close Alameda?

A. I received a message that had a link to a Google Doc that described arguments for doing so.

Q. And this was the Google Doc you described as being headed we came, we saw, we researched?

A. I think that was the title.

1 Q. And this was to you and to Gary, is that correct?

2 A. I know for certain it was to the two of us. I don't know
3 if it was also shared with others.

4 Q. And I believe you testified yesterday that one of the
5 topics it addressed was public relations about the relationship
6 between Alameda and FTX.

7 Do you recall that, sir?

8 A. I do.

9 Q. And another topic was I think what you described as the
10 leadership of Alameda, correct?

11 A. Yes.

12 Q. Do you recall whether any other topics were discussed in
13 that document?

14 A. Give me a moment.

15 Q. Sure.

16 THE COURT: Isn't the document in evidence?

17 MR. ROOS: Yes.

18 MR. COHEN: Why don't we just call it up then.

19 GX-18.

20 Thank you, your Honor.

21 Q. This is much easier. Why don't we take a look at GX-18.
22 Yesterday you went through it for us in the middle of the page,
23 the reasons. You see that, sir?

24 A. Yes.

25 Q. And we talked just a moment ago about the PR hit relating

1 to Alameda and FTX and then current Alameda leadership.

2 Do you see that, sir?

3 A. Yes.

4 MR. COHEN: Brian, if you could reduce that, please.

5 Go to the next page.

6 Come back to the first page.

7 I found it.

8 If you could call out the box, the reasons again.

9 Look at entry number 2.

10 Q. The current leadership of Alameda is good, but not good
11 enough to be able to trust with such a big operation. Then
12 continuing to A. The fact that we didn't --

13 MR. COHEN: Can you highlight A, please, Brian.

14 Q. The fact that we didn't hedge as much as we should have
15 alone cost more in EV than all the money Alameda has ever made
16 or will ever make. That's the kind of critical mistake we're
17 likely to make if I'm not actually running the show there.

18 Mr. Singh did you have an understanding of what EV
19 was?

20 A. Expected value.

21 Q. Do you recall anything else that was discussed about
22 hedging in this chat or around this chat?

23 MR. ROOS: Objection. Hearsay.

24 THE COURT: Sustained.

25 Q. Continuing down to 5 the topic was: Alameda is making some

1 money trading, but not enough to justify its existence.

2 Do you recall discussing that, sir?

3 A. I remember a comment from Gary giving his thoughts on this
4 point in the chat.

5 Q. What do you remember?

6 MR. ROOS: Objection. Hearsay.

7 MR. COHEN: It goes to state of mind, your Honor.

8 THE COURT: Whose state of mind?

9 MR. COHEN: The coconspirators.

10 THE COURT: Mr. Roos, what do you say to that?

11 MR. ROOS: I'll withdraw this objection for now.

12 THE COURT: All right.

13 MR. COHEN: Could we have the question read back?

14 THE COURT: What do you remember was the question.

15 A. I remember Gary saying in the chat something to the effect
16 of, I think Alameda is making 300 or \$400 million a year. Sam,
17 are you sure that the PR hit is worth more than that.

18 MR. COHEN: We can take this down.

19 Q. I believe you testified that after this was sent -- this
20 GX-18 was sent across, you came to your own view about whether
21 Alameda should be shut down, correct?

22 A. I had an idea. I don't think I had an overall view on
23 whether it should or shouldn't happen.

24 Q. I believe you testified that your idea was that Alameda
25 ought to be taken down off the FTX exchange, is that correct?

1 A. Not necessarily that it ought to. It just struck me as
2 sort of like a less costly solution that maintained many of the
3 same advantages.

4 Q. Then you had a number of chats with various people about
5 the issue about whether or not Alameda should be -- should
6 be -- go out of business, correct?

7 A. There was one Signal chat after this in hashtag
8 organization in which some of that was discussed.

9 Q. Who was on that chat, sir?

10 A. Myself, Sam, Caroline, Gary.

11 Q. Were there separate chats just between you, Gary, and
12 Caroline?

13 A. Those existed in Signal. I don't remember if we used them
14 to talk about this.

15 Q. So you don't remember one way or the other?

16 A. I don't remember one way or the other.

17 Q. I think you also told us that there was some in-person
18 meetings about the topic of closing down Alameda.

19 Do you recall that?

20 A. Yes.

21 Q. Who was at those meetings?

22 A. There was one meeting that I called immediately after
23 posting in hashtag organization and getting some responses.
24 Myself, Gary, Caroline attended.

25 Q. Mr. Bankman-Fried did not attend?

1 A. He did not attend.

2 Q. Whether it was at that meeting or otherwise, you told us
3 about an exchange where you inquired about whether the borrows
4 could be paid back.

5 Do you recall that, sir?

6 A. It didn't come up in that meeting. It was the elephant in
7 the room in that meeting.

8 Q. Did it come up afterwards?

9 A. With Sam.

10 Q. Did it come up in your conversation with Ms. Ellison and
11 Mr. Wang?

12 A. No, not the in-person one.

13 Q. What about on the chats?

14 A. Not that I recall, except for the chat with the four of us.

15 Q. What do you remember from that?

16 A. From the chat with the four of us, you mean?

17 Q. Yes.

18 A. I don't remember more than what's in my direct, but I could
19 restate a lot of it.

20 Q. No need.

21 I think you told us that you asked whether or not
22 returning Alameda's borrows was possible, and Ms. Ellison
23 responded that it was not possible.

24 Do you recall testifying to that, sir?

25 A. I don't think those are my exact words.

1 Q. What were your exact words?

2 A. I enumerated the main things that I thought would be
3 required to close Alameda down at FTX. One of them, I believe
4 my phrasing was, close out all Alameda accounts. Caroline
5 responded: That's impossible. I asked which part of it. She
6 clarified the part about closing out accounts.

7 Q. Your understanding was, it was not possible because there
8 were not sufficient assets to pay back the borrows, correct?

9 A. At first I was confused. That became my understanding over
10 the course of the day.

11 Q. And this was based on what Ms. Ellison had said?

12 A. Ms. Ellison, Gary, and Sam.

13 Q. Now, did you do any verification of your own about this
14 topic, any work of your own on this?

15 A. No.

16 Q. Let me move forward. I believe you testified that you had
17 a conversation with Mr. Bankman-Fried on the balcony of the
18 Orchid penthouse.

19 Do you recall that, sir?

20 A. I do.

21 Q. Before we get into it, let me just ask this question.

22 you told us about Mr. Bankman-Fried's demeanor
23 yesterday. What was your demeanor, your state of mind?

24 A. I was very nervous. I was awaiting an explanation and
25 eventually an apology. I was pacing.

1 Q. Were you anxious?

2 A. Yes.

3 Q. Were you stressed?

4 A. Yes.

5 Q. I think you told us that later in November you regarded
6 yourself as suicidal.

7 A. And for a few months after.

8 Q. At that time as well?

9 A. Yes.

10 Q. You testified yesterday that --

11 MR. COHEN: Counsel, it's page 1406, line 12.

12 Q. First, how did the conversation begin? I said: Caroline
13 is really freaked out about the NAV situation and so am I.

14 Do you recall that, sir?

15 Later on in the passage you were asked: What, if
16 anything, did the defendant say in response?

17 MR. ROOS: Objection.

18 THE COURT: Start again, Mr. Cohen.

19 MR. COHEN: I'm trying to short-circuit this, Judge.

20 THE COURT: I appreciate that. But you start with a
21 question and then you interpolate another question.

22 MR. COHEN: Maybe I should go slower then.

23 Q. Mr. Singh, do you recall speaking with Mr. Bankman-Fried
24 about Caroline Ellison freaking out?

25 A. Yes.

1 Q. And she was freaking out over the point you had just made
2 about the ability to pay back the borrows, correct?

3 MR. ROOS: Objection.

4 THE COURT: Sustained.

5 Q. What was she freaking out about?

6 MR. ROOS: Same objection.

7 THE COURT: Sustained.

8 Q. Do you recall in that conversation that -- according to
9 you, Mr. Bankman-Fried said, page 1406 to 1407: I am not sure
10 what there is to worry about. NAV is fantastic by almost any
11 measure. It was super positive, even if you don't include FTX
12 and FTX US equity.

13 Do you recall that, sir?

14 A. Yes.

15 Q. And you told us you did not react positively to that,
16 correct?

17 A. I asked further questions.

18 Q. Did you talk about any other topics in the meeting at the
19 balcony?

20 MR. ROOS: Objection.

21 THE COURT: What's the objection?

22 MR. ROOS: Hearsay. He can answer yes or no.

23 THE COURT: Yes. You can answer yes or no and stopped
24 when you have answered yes or no.

25 Q. Yes or no, did you talk in the balcony meeting about the

1 topic of FTX's marketing expenses?

2 A. Talked about expenses.

3 Q. Did you express the view that FTX going forward ought to
4 keep expenses down?

5 A. Something to that effect, I did.

6 Q. Because you thought it was important going forward that FTX
7 spend as little as possible until customers were repaid,
8 correct?

9 A. I specifically was concerned about frivolous spending that
10 may not pan out to be useful.

11 Q. So you wanted certainly frivolous spending to not be done,
12 is that correct?

13 A. Correct.

14 Q. Other business spending to be as limited as possible.

15 A. I don't think I said exactly that.

16 Q. What did you say, sir?

17 A. I think I just asked if Sam would now sort of take
18 seriously the act of cutting down on the expenses and curbing
19 future ones.

20 Q. Now, you had mentioned yesterday that around this time you
21 considered resigning from FTX, correct?

22 A. Correct.

23 Q. I meant to ask you, prior to September 2022, had you ever
24 considered resigning?

25 A. Yes.

1 Q. When was that?

2 A. Once in 2018, once before moving to Hong Kong, a few times
3 after distressing conversations with Sam or Gary.

4 Q. So this is over the four-year period from 2018 to 2022?

5 A. Yes.

6 Q. Mr. Singh, did you ever purchase an apartment in Orcas
7 Island, Washington?

8 A. I did.

9 Q. When did you do that?

10 A. I did that in October of 2022.

11 Q. And Orcas Island is in Washington State or off Washington
12 State?

13 A. Right.

14 Q. This was an apartment you purchased with friends?

15 A. It was a house that I alone purchased, though I intended it
16 to be used by me and friends.

17 Q. And the purchase price was \$3.7 million?

18 A. Correct.

19 Q. And you borrowed that purchase price from the FTX exchange,
20 correct?

21 A. Correct.

22 Q. And you did this after the September meeting with
23 Mr. Bankman-Fried you've been telling us about, correct?

24 A. I did.

25 Q. And in fact the closing for the apartment took place on

1 November 1, didn't it, sir?

2 A. I don't remember the exact date.

3 Q. Isn't it fair to say that you wired the funds sometime
4 after October 2022?

5 A. Or late October, yes.

6 Q. Now, coming into that meeting did you expect FTX to go
7 forward as a company, the September meeting on the balcony?

8 A. Would you mind clarifying what you mean by go forward?

9 Q. Well, did you expect that FTX would last as a business
10 going forward?

11 A. Certainly for some amount of time, yes.

12 Q. Didn't you expect it to last as a business for years?

13 A. I am not sure what I expected.

14 Q. Well, do you recall speaking with the prosecutors on
15 January 19 of this year?

16 A. I don't remember the specific dates in my meetings with
17 them.

18 Q. Do you recall saying to them that in September you believed
19 that FTX would last for years despite the awful situation?

20 A. I don't remember saying that.

21 MR. COHEN: Can we call up 3501-028.

22 If we can turn to page 8, third paragraph. Call that
23 out, Brian.

24 Q. Read this to yourself, Mr. Singh, and I ask you, yes or no,
25 if it refreshes your recollection that you told the prosecutors

1 that you believed FTX would last for years despite the awful
2 situation.

3 It's the next paragraph below, Mr. Singh.

4 THE COURT: I'm sorry. 3501-28 what?

5 MR. COHEN: It's the paragraph we have just pulled up.
6 I apologize. Page 8. Same page. Just the one below, your
7 Honor.

8 A. This does refresh my memory.

9 Q. What's your memory, sir?

10 A. That I did tell prosecutors I thought FTX might last for
11 years, not that I would.

12 Q. Let's move forward, sir.

13 Let's now go to November 2022.

14 MR. COHEN: Pull up GX-480A, please.

15 Q. This is a chat between you and Mr. Bankman-Fried that you
16 reviewed yesterday.

17 Do you recall that, sir?

18 A. I do.

19 Q. And it's from November 6 of 2022.

20 A. Yes.

21 Q. The blue is you and the gray is Mr. Bankman-Fried?

22 A. Yes.

23 Q. In the first entry you say that one thing that seriously
24 helped me is if I didn't have debts. I think most of them are
25 loans, 500 million for me exercising, more for U.S.

1 investments. I hope we can unwind these but not sure.

2 Sir, this refers to the loans you have told us about
3 earlier in your testimony, correct, that you took from FTX?

4 A. This refers to the 477 million on paper loan used for
5 exercising and other loans made through me, Sam, and Gary to
6 capitalize FTX US for it to make investments.

7 Q. And here you're seeking to have them unwound, correct?

8 A. I am hoping they could be unwound. I am not sure.

9 Q. Now, you are telling Mr. Bankman-Fried that it would help
10 you not to have any debts, correct?

11 A. Right.

12 Q. By having the loans unwound.

13 A. Right.

14 Q. Then going to the third paragraph up here: Maybe 80
15 million extra or so are donations, personal, etc., that went
16 through my bank account and are in my name, so 120 million
17 pretax or something. I'm not sure that's the exact number.

18 Is that a reference to the political donations we
19 talked about before the break?

20 A. It's a reference to that and more.

21 Q. What's the more?

22 A. Borrows from my FTX account against my FTT collateral.

23 Q. Anything else?

24 A. The 10 million that Sam gave me a few years earlier.

25 Q. You are telling Mr. Bankman-Fried here that you don't want

1 to be responsible for that, correct?

2 A. Right.

3 MR. COHEN: Can we continue down, Brian, to the gray.

4 Q. Mr. Bankman-Fried says: Will think about this. What does
5 trade mean? Excuse me. I think about this. You say thanks.
6 What does trade mean? And you explain. Sell FTT or SRM
7 earlier in 2022. Is that correct?

8 A. Yes.

9 Q. SRM, we covered, is Serum?

10 A. Serum tokens.

11 Q. Your idea here was to set up a backdated trade so that you
12 would not be responsible for these amounts you had borrowed,
13 correct?

14 A. Correct.

15 Q. And that ended up not happening, correct?

16 A. Correct. I didn't go through with it.

17 MR. COHEN: We can take that down.

18 Q. Mr. Roos asked you a series of questions about your
19 cooperation with the government.

20 Do you recall that, sir?

21 A. I do.

22 Q. I think we have established that you had at least 20
23 meetings with the prosecutors, correct?

24 A. I can't remember if we said at least.

25 THE COURT: I think we have covered that two or three

1 times today.

2 Q. Just to put this in sequence, you entered into a
3 cooperation agreement with the government, correct?

4 A. I did.

5 Q. That was on February 28?

6 A. I don't remember the exact date. That sounds about right.

7 Q. Prior to that, you had a number of meetings with the
8 government.

9 A. Yes.

10 Q. So you had meetings in November, December, and January with
11 the government?

12 THE COURT: Mr. Cohen, we did all that before lunch.

13 MR. COHEN: There is a piece we have not done yet,
14 your Honor.

15 THE COURT: Let's get to it, please.

16 MR. COHEN: OK.

17 Q. In the meetings before you had the cooperation agreement,
18 you entered into a different agreement called a proffer
19 agreement, correct?

20 A. I did.

21 MR. COHEN: We would like to offer 3501-11.

22 MR. ROOS: No objection.

23 THE COURT: Received.

24 (Defendant's Exhibit 3501-11 received in evidence)

25 MR. COHEN: Go to the second page, Brian.

1 Q. This was signed by you and your attorneys and the lawyers
2 for the government?

3 A. I can't remember if all the signatures here are
4 exclusively -- are within that group, but at least I know that
5 some of them are.

6 Q. Do you recognize your own signature?

7 A. I do.

8 MR. COHEN: Let's go back to the first page. If we
9 could call out the second paragraph, number 1.

10 Q. It says in bold: This is not a cooperation agreement.

11 Do you see that, sir?

12 A. I do.

13 Q. The government had not yet decided whether they would offer
14 you a cooperation agreement at this point, correct?

15 A. I don't know what was in their heads. I had not yet been
16 offered a cooperation agreement.

17 MR. COHEN: You can pull that back down, Brian.

18 If we can pull out paragraph 3.

19 Q. These proffer agreements would cover your interviews during
20 this period with the government before a cooperation agreement
21 was reached.

22 A. Correct.

23 Q. Maybe we don't have to go through line by line.

24 Is it your understanding, sir, that the government
25 could use the information it received in these interviews to

1 pursue leads against you?

2 A. Yes.

3 Q. Even if you never got a cooperation agreement?

4 A. That's my understanding.

5 Q. Is it your understanding that if you made false statements
6 in these interviews, you could be separately prosecuted for
7 them?

8 A. Yes.

9 Q. Regardless of whether you got a cooperation agreement?

10 A. That's my understanding.

11 Q. Now, is it fair to say, Mr. Singh, that you were
12 interviewed by the government on January 19 of this year?

13 A. I don't remember the exact dates, sorry.

14 Q. That's OK.

15 Do you recall the government asking you about the
16 purchase of the Orcas Island house?

17 A. I remember discussing it with them.

18 Q. Isn't it true that you told them that you thought that
19 there were points along the way when you had a pit in your
20 stomach and felt things were wrong, but the purchase of the
21 house was not one of those times?

22 A. I don't remember if those were my exact words.

23 Q. Words to that effect?

24 A. I don't remember.

25 MR. COHEN: Why don't we pull up 3501-28 at page 9.

1 If we can go to page 9 just for the witness, bottom of
2 9. Go back. I think we might have to go to page 10.

3 Go back to 9. I'm sorry, Brian. Top of 9. I got it.

4 Pull out the paragraph at the top of 9.

5 Q. Read the first paragraph to yourself. My question is
6 simply whether it refreshes your recollection of you telling
7 the prosecutors there are points along the way when you had a
8 pit in your stomach and felt things were wrong, but the
9 purchase of the home was not one of those times.

10 A. Sorry. I don't see an exhibit in front of me.

11 THE COURT: We are now getting into the area of
12 essentially reading a document that's not in evidence. I know
13 what you are trying to do, but it's not working, so try a
14 different way.

15 A. My screen is blank.

16 Q. Your screen is blank.

17 MR. COHEN: Can we put his screen back up and then we
18 will move on. Top of page 9.

19 (Continued on next page)

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1 THE COURT: Please put a question.

2 MR. COHEN: Okay. Is it back up? I'm sorry.

3 THE COURT: Yes.

4 BY MR. COHEN:

5 Q. Again, Mr. Singh, yes or no: Does the passage at the top
6 of that page, page 9, refresh your recollection about whether
7 you told the prosecutors there were points along the way when
8 you had a pit in your stomach and felt things were wrong but
9 the purchase of the home was not one of those times?

10 A. Not really.

11 Q. Okay. Do you recall in that same meeting being asked about
12 the political donations—

13 MR. ROOS: Can we take down the document.

14 MR. COHEN: Yes, please.

15 Q. Do you recall being asked in the same meeting about whether
16 or not the political donations you made were loans to you?

17 MR. ROOS: Objection to what meeting.

18 Q. The meeting with the government on January 19th.

19 A. I don't remember what was discussed at each meeting
20 exactly.

21 Q. Do you remember telling the government in January, whether
22 you remember the date, that you did not feel like you—let me
23 back up—there were points along the way when you had a pit in
24 your stomach and felt things were wrong but you did not feel
25 like that when you treated the transfers from Alameda as loans

1 without questioning further?

2 A. Still not sure I said that.

3 Q. You're not sure whether you ever told the government that
4 the transfers from Alameda were not loans to you?

5 A. Sorry. Do you mind repeating the question.

6 Q. Yeah. Did you ever deny to the government that the
7 transfers from Alameda were loans to you?

8 A. I don't know if I—I characterized them and described how I
9 viewed them. I don't know that I—I can't remember what
10 exactly I said.

11 Q. Did there come a time in January where you understood the
12 government was frustrated with your proffer?

13 MR. ROOS: Objection.

14 THE COURT: Sustained.

15 Q. Did there come a time when you met with the government and
16 you went over the topic of the Orcas Island house again?

17 A. I can't remember if we went over it multiple times or not.

18 Q. Okay. After the time we've just been discussing.

19 MR. ROOS: Objection.

20 THE COURT: What's the objection?

21 MR. ROOS: Vague.

22 THE COURT: Rephrase.

23 Q. You just told us about a meeting in January with the
24 prosecutors—you didn't remember the date—where you talked
25 about the Orcas Island house, correct?

1 MR. ROOS: Objection. I think he said he couldn't
2 recall that, could not recall that.

3 THE COURT: Answer the question, Mr. Singh. if you
4 can.

5 A. I recall speaking with the prosecutors at some point, at
6 least one point, about my purchase of the Orcas Island home,
7 even after I knew that it was drawing on customer funds.

8 Q. Do you recall telling the prosecutors, as of January 24th,
9 that you viewed the spending as egregious and unnecessary?

10 A. Which spending?

11 MR. ROOS: Objection.

12 Q. On the Orcas Island house.

13 THE COURT: Well, rephrase the question, please.

14 Q. After the—do you recall having a meeting with the
15 prosecutors in January, on January 24th, on or about
16 January 24th, in which you told them that the spending on the
17 Orcas Island house was egregious and unnecessary?

18 A. My spending on it was egregious, unnecessary, and selfish.

19 Q. Okay. Did you tell them that your spending on the
20 political donations was egregious and unnecessary?

21 A. I don't recall what I said, but I agree with those
22 descriptions.

23 Q. And you previously denied that that was the case.

24 A. Not that I recall.

25 Q. Okay. Now Mr. Roos showed you your plea agreement—excuse

1 me—your cooperation agreement.

2 MR. COHEN: Let's call that back up, 3501-002.

3 Q. If you start at the—right here, that lists out the counts
4 you pled guilty to, correct?

5 A. Right. That's—that describes the first count and—

6 Q. We don't need to go through them all.

7 MR. COHEN: If we can go to the next page.

8 And pull out Count Six, Brian.

9 Q. Is it fair to say that one of the counts you pled guilty
10 to, Mr. Singh, was a conspiracy to violate the Federal Election
11 Campaign Act?

12 A. Yes.

13 MR. COHEN: I have nothing further, your Honor.

14 THE COURT: Thank you.

15 Redirect.

16 MR. ROOS: I'm sorry, your Honor. Could we have one
17 moment with your Honor at the sidebar.

18 THE COURT: You may.

19 (Continued on next page)

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1 (At the sidebar)

2 MR. ROOS: The last question was: "Did you conspire
3 to violate the Federal Campaign Election Act?" "A. Yes." I
4 intend to ask: "Who did you conspire with?" I just want to
5 put that out there, in light of the prior rulings. I think
6 they've opened the door. With any limiting instruction—

7 MR. COHEN: We would ask for a limiting instruction.

8 THE COURT: I'll give a limiting instruction.

9 MR. ROOS: Okay.

10 (Continued on next page)

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1 (In open court)

2 REDIRECT EXAMINATION

3 BY MR. ROOS:

4 Q. Mr. Singh, the last question Mr. Cohen asked you was
5 whether you pleaded guilty to conspiring to violate the Federal
6 Campaign Election Act. Do you recall that question?

7 A. I do.

8 Q. Who did you conspire with?

9 THE COURT: Excuse me. Members of the jury, you're
10 about to hear the answer to that question, and I remind you
11 that regardless of the answer to that question,
12 Mr. Bankman-Fried, for reasons that do not concern you, is not
13 charged in this case with any violation or conspiracy to
14 violate the federal election campaign laws.

15 Now you may answer the question.

16 A. Sam Bankman-Fried and Ryan Salame.

17 Q. You were asked earlier today if some notes—a few times
18 today—if some notes refreshed your recollection. Do you
19 remember those questions?

20 A. Some of them, yes.

21 Q. Did you take those notes that you were shown?

22 A. No.

23 Q. At your meetings with prosecutors, did you observe anyone
24 taking notes?

25 A. Yes, sometimes.

1 Q. Did anyone ever ask you to review the notes?

2 A. Never.

3 Q. Prior to today had you ever seen them?

4 A. I've never seen those notes until today.

5 Q. Were you ever asked to review them for accuracy?

6 A. No.

7 Q. And have you ever read the entirety of the notes?

8 A. I don't think, except for today, I've ever read any amount
9 of the notes.

10 Q. You were asked at the end there about a property you
11 bought, a home. What happened to that property?

12 A. I forfeited it.

13 Q. What do you mean?

14 A. It was totally—

15 MR. COHEN: Objection.

16 THE COURT: What's the objection?

17 MR. COHEN: Beyond the scope.

18 MR. ROOS: He opened the door.

19 THE COURT: Overruled.

20 Q. Go ahead.

21 A. I bought it at a time when I understood that I was putting
22 myself ahead of customers by doing so. I was embarrassed and
23 ashamed. Forfeiting it seemed like one of the ways to right
24 that one small wrong, at least a little. So the wrong wasn't
25 small but the righting was small.

1 Q. You were asked some questions about auto-deleveraging
2 event. Do you remember those questions this morning?

3 A. I do.

4 Q. And you were shown some computer code. Do you remember
5 that?

6 A. I was shown code—commit snippets.

7 Q. Thank you. You were shown a code commit.

8 A. Yes.

9 Q. When was that from?

10 A. When was which part from?

11 Q. The code commit about auto-deleveraging.

12 A. August 2020.

13 Q. Now do you recall testifying yesterday about Alameda having
14 a negative balance in September 2022?

15 A. Yes.

16 Q. And how big was the negative balance?

17 A. Gary told me Alameda was borrowing \$13 billion in September
18 2022.

19 Q. And when Alameda was borrowing \$13 billion in September
20 2022, was that the result of auto-deleveraging?

21 A. I fail to see the relationship between them. No.

22 Q. You were asked about earlier today a loan for 700—for
23 \$477 million. Do you remember those questions?

24 A. I do.

25 Q. What was the purpose of the loan?

1 A. The purpose of the loan was nominally for me to exercise my
2 shares. I had money sufficient to do so otherwise. This
3 particular loan was a part of a structure that Sam proposed
4 with the goal of having Alameda lay out less cash than it would
5 if I just exercised the original options I had.

6 Q. To be clear, did \$477 million ever go to you?

7 A. No. It was really only on paper.

8 Q. You were also asked earlier today—

9 THE COURT: Before you go on, you used the phrase
10 "exercise my shares." Please explain to the jury what you
11 meant by that.

12 THE WITNESS: Sorry. Exercise my options.

13 Before the event in which I got the large \$477 million
14 loan, I already had a large amount of options with a very low
15 strike price. Sam's proposal was to redo them to strike them
16 at a much higher price, such that it would cost me more to
17 exercise them but that this way there wouldn't be tax that
18 ultimately Alameda would have to pay by letting me sell more
19 FTT.

20 THE COURT: Now explain what you meant by "strike,"
21 please.

22 THE WITNESS: Options are contracts that give you the
23 right to get equity if you pay some amount. That amount is the
24 strike price. So in my case, I think my original options had a
25 strike price of \$2.60 something cents, meaning that in order to

1 get one share of equity, it would be \$2.60 some cents to get a
2 share of equity. They were restricked to be like some \$10.86, I
3 think, meaning that I'd have to pay more to get the equity,
4 \$10.86 I think for each share. So exercising after them being
5 restricken would cost me more than exercising them in the state
6 that they were granted to me.

7 THE COURT: Proceed, counselor.

8 MR. ROOS: Thank you, your Honor.

9 BY MR. ROOS:

10 Q. Mr. Singh, you were asked earlier today about some
11 political donations and you said they were loans "in loose
12 sets." What do you mean by loose sets?

13 A. These were amounts that I discovered had been transferred
14 to me often after the fact. It is the case that I intended to
15 repay them all until September, when I realized I no longer
16 could. That's the only sense in which they are loans. There
17 wasn't paperwork, there wasn't a discussion of the transfers to
18 me that I was a part of, and when I—I requested loan sheets,
19 like lists of loans that Alameda had given, when asked from
20 Jayesh, from Caroline, and from Can Sun, did not—they did not
21 include many of these transfers as obligations I had to pay
22 back. So they weren't—they weren't really loans.

23 Q. Now you were asked a few questions a few moments ago by
24 Mr. Cohen about times you considered resigning. Do you
25 remember those questions?

1 A. I do.

2 Q. And you testified that you thought about resigning from FTX
3 a few times; is that right?

4 A. Yes.

5 Q. How, if at all, was your contemplated resignation in the
6 fall of 2022 different?

7 A. Oh, it was extremely different. In the fall of '22, I
8 want—the reason I wanted to resign was because I knew that I
9 was becoming party and participating in something heinously
10 criminal; that to keep running the business without divulging
11 to others that there was a hole, I would be betraying customers
12 that deposited their money into the hole, betraying my other
13 employees. The scale of wrongdoing was enormous. In previous
14 cases where I considered resigning, my considerations were
15 really just focused on me—things like if working in finance
16 and trying to make money was better than working directly at a
17 philanthropy, things like that.

18 MR. ROOS: No further questions.

19 THE COURT: Thank you.

20 Any recross?

21 MR. COHEN: No, your Honor.

22 THE COURT: All right. Thank you. You're excused,
23 sir.

24 (Witness excused)

25 THE COURT: Next witness.

1 MS. KUDLA: The government calls Agent Richard Busick.

2 THE DEPUTY CLERK: Please step around and raise your
3 right hand.

4 (Witness sworn)

5 THE DEPUTY CLERK: Thank you. Please be seated.

6 And can you please state your name and spell your last
7 name for the record.

8 THE WITNESS: My name is Richard Busick, B-U-S-I-C-K.

9 THE COURT: You may proceed, Ms. Kudla.

10 MS. KUDLA: Thank you, your Honor.

11 RICHARD BUSICK,

12 called as a witness by the Government,

13 having been duly sworn, testified as follows:

14 DIRECT EXAMINATION

15 BY MS. KUDLA:

16 Q. Agent Busick, where do you currently work?

17 A. I'm a special agent with the Federal Bureau of
18 Investigation, also known as the FBI.

19 Q. And how long have you been a special agent?

20 A. For over 21 years.

21 Q. And are you assigned to a particular unit at the FBI?

22 A. Yes, I'm a member of the Cellular Analysis Survey Team,
23 also known as CAST.

24 Q. And how long have you been a member of the CAST unit?

25 A. I've been a member of the CAST unit for approximately two

1 years.

2 Q. Broadly speaking, what are your responsibilities and duties
3 within that unit?

4 A. As a member of the CAST unit, we—we locate cellphones and
5 mobile devices in the context of investigations and also to
6 assist in locating people in realtime. We do this by utilizing
7 the business records provided by the service providers, such as
8 AT&T, T-Mobile, and Verizon, and by analyzing those records, we
9 can determine which cell sites within the network a phone
10 connected to at particular times, and then we can use that
11 information to determine the approximate location of that phone
12 at those times.

13 Q. And Agent Busick, have you received training related to the
14 high-level cell site analysis you've just described?

15 A. Yes, I have.

16 Q. What types of training have you received?

17 A. There's a pretty extensive training pipeline to become a
18 member of the CAST unit. Begins, as you might expect, with a
19 basic course called Basic Historical Cell Site Analysis, where
20 we learn the basics of what I just described, using the
21 business records to determine the approximate locations of
22 phones based on the data kept by those service providers when
23 those phones connect to the network.

24 Q. And after the basic level of courses, have you received any
25 advanced coursework?

1 A. Yes, following the basic course, I attended an advanced
2 historical cell site course, where we delved into a bit more
3 detail and got a lot of practical and hands-on experience,
4 actually determining the locations of phones based on cellular
5 records, producing maps and written reports, and just
6 conducting general analysis, as well as developing an
7 increased—an improved understanding of each of the providers'
8 cellular networks and how they operate.

9 Q. And Agent Busick, as part of that training, does it ever
10 require any completion of exams?

11 A. Yes, it does, and as it—as that training progressed, there
12 were regular examinations that we were required to successfully
13 complete.

14 Q. And are you required to conduct any ongoing training
15 requirements, Agent Busick?

16 A. Yes, I am. So in order to become a member of the CAST
17 unit, you have to complete a four-week certification course,
18 which I did in fact complete. And that course involved more
19 in-depth instruction and meeting with the representatives of
20 each of the major service providers, so we met with custodians
21 of records and cellular network engineers from AT&T, Verizon,
22 and T-Mobile, to discuss in greater detail how their own
23 networks operate, the types of records they maintain, and so
24 forth. We had a lot of practical and hands-on experience in
25 conducting historical cell site analysis. We received 40 hours

1 of instruction in radio frequency theory from the Florida
2 Institute of Technology, where we learned, again, in greater
3 detail about cellular network architecture, how cellphones
4 work, and so forth, and we also received instruction and got
5 hands-on practical experience conducting cellular network
6 surveys or drive tests, where we can use some technology to
7 actually determine the precise coverage areas of particular
8 cell sites of interest.

9 Q. And approximately how many times have you performed a cell
10 site analysis?

11 A. Well over a thousand times.

12 Q. And have you ever testified in court before as an expert in
13 cell site analysis?

14 A. Yes, I have, approximately 18 times.

15 Q. And is that in both state and federal courts?

16 A. Yes, it is.

17 MS. KUDLA: Your Honor, at this time the government
18 offers Special Agent—

19 THE COURT: Not necessary. Go ahead.

20 Q. Special Agent Busick, were you asked to perform a cell site
21 analysis in connection with a particular cellphone?

22 A. Yes, I was.

23 Q. And at a general level, what were you asked to do?

24 A. At a general level, I was given a set of records for a
25 particular phone—in this case it was an AT&T phone—and I was

1 asked to determine initially whether the records indicated that
2 the phone was located or using cellular architecture within
3 Manhattan during a particular time frame; and then later on, I
4 was given more specific time frames and particular locations
5 and asked to determine whether those records were consistent
6 with that phone being located in—at or in the vicinity of
7 those locations at those times.

8 MS. KUDLA: Mr. Bianco, can we please now show for the
9 witness what is marked for identification as Government
10 Exhibit 1080.

11 Q. And Agent Busick, do you recognize this?

12 A. Yes, that's the cover page to my report.

13 Q. And does this report summarize your analysis?

14 A. Yes, it does.

15 Q. Now did you prepare Government Exhibit 1080 after examining
16 AT&T cellphone records?

17 A. Yes, I did.

18 MS. KUDLA: And at this time, your Honor, the
19 government offers, pursuant to stipulation 2004, a stipulation
20 as to business record authenticities, and pursuant to that
21 stipulation, the government also offers Government Exhibits
22 1118 and 1122 as authentic copies of records from AT&T?

23 THE COURT: Government Exhibits 2004, 1118, and 1122
24 are received.

25 (Government's Exhibits 2004, 1118, and 1122 received

1 in evidence)

2 MS. KUDLA: Your Honor, may we publish Government
3 Exhibit 1118?

4 THE COURT: Yes.

5 BY MS. KUDLA:

6 Q. Agent Busick, what is—now that the jury can see this, what
7 is Government Exhibit 1118?

8 A. This is a page from the cellular records from AT&T for
9 cellphone 650-906-9179, which I used for my analysis in this
10 case.

11 Q. And did you review more than one file type for your
12 analysis?

13 A. Yes. AT&T provides the files in two formats. It provides
14 a pdf file, which makes for easy viewing and reference; and
15 they also provide the identical records in a text file, which
16 is actually the file that we upload into the software that we
17 use for mapping, but contains the same information as the pdf.

18 Q. And Agent Busick, which file type are we looking at here?

19 A. So this here is the pdf file.

20 Q. And is Government Exhibit 1122 the text file?

21 A. I believe it is, yes.

22 Q. Now, Agent Busick, did you prepare Government Exhibit 1080
23 after examining the AT&T records that we see in Government
24 Exhibit 1118?

25 A. Yes, I did.

1 Q. Agent Busick, how many—approximately how many pages of
2 data are captured by Government Exhibit 1118?

3 MS. KUDLA: And we could take—Mr. Bianco, could we go
4 to the last page of this document.

5 I think it's 14,941.

6 A. That is about right.

7 Q. Okay. And is it fair to say, Agent Busick, that there are
8 thousands of rows of data in this exhibit?

9 A. Yes, there are.

10 Q. Now does Government Exhibit 1080 accurately summarize
11 certain portions of these records?

12 A. Yes, it does.

13 MS. KUDLA: Your Honor, the government offers
14 Government Exhibit 1080 pursuant to Rule 10006.

15 THE COURT: 1006.

16 MS. KUDLA: 1006.

17 THE COURT: But it's received. You just got carried
18 away with the pages.

19 MS. KUDLA: Fair enough.

20 (Government's Exhibit 1080 received in evidence)

21 BY MS. KUDLA:

22 Q. Agent Busick, we'll turn back to your summary in a minute.

23 MS. KUDLA: And we can take down Government
24 Exhibit 1118 at this time.

25 Q. First, I'd like to just discuss the basic concept involved

1 in cell site analysis. At its most basic level, how does a
2 cellphone make or receive a phone call?

3 A. The important thing to understand about a cellphone is that
4 it's basically a radio. It's—a good way to think about a
5 cellphone and how it works would be to think about a pair of
6 walkie-talkies that you may have played with as a child, or
7 maybe your kids have played with, or if you have one and you
8 give one to a friend, and you're within a short distance from
9 each other, usually line of sight, you press the button and you
10 can talk back and forth between those walkie-talkies. A
11 cellphone is working on the same principle, that rather than
12 talking directly to another cellphone, it's sending a signal
13 out which is being received by a cell site that's been
14 established by a service provider for the purpose of connecting
15 with nearby cellphones.

16 Q. Agent Busick, I think that was my next question. What is a
17 cell site?

18 A. So a cell site is nothing more than a particular location
19 where the service provider placed antennas for the purpose of
20 connecting with nearby cellphones. You might think of a cell
21 tower, you may think of, on the standalone towers, that
22 triangular structure on the top with the antenna that we see
23 everywhere on the sides of highways and so forth. That's one
24 example. Although it doesn't have to be on a tower. It may be
25 on the sides of buildings, could be on lampposts or other poles

1 on the street or even inside of buildings. The important thing
2 is it's just a particular location where the service provider
3 has placed those antennas.

4 Q. And how do cellphones interact with the cell site?

5 A. So while your phone is off, before it's even connected to
6 the network, it's scanning the signals from nearby cell sites
7 looking for the cell site that provides it with the best
8 signal, so that when you make or receive a call, you have a
9 good quality connection and can make that call. So it's
10 constantly scanning the network, looking for that best signal,
11 as well as identifying itself to the network as to where it's
12 located in the network, so if somebody calls your phone, the
13 service provider can appropriately route it to your call, so
14 that by the time you pick up your phone and punch in a number
15 and press send to make a call, your phone already knows which
16 cell site is providing that best signal, and when you press
17 send, your phone is communicating with that nearby cell site
18 and then it's being routed throughout the network to wherever
19 its ultimate destination is, whether that's on the other side
20 of the street, across the country, or around the world.

21 Q. Now you've mentioned the term "service provider." Who
22 operates cell sites?

23 A. So each cell site—each service provider operates their own
24 network of cell sites. So AT&T operates a network of AT&T cell
25 sites, T-Mobile operates T-Mobile cell sites, and Verizon

1 operates Verizon cell sites. So if you—

2 Q. On that point, do service providers maintain data about
3 certain cellphone interactions with cell sites?

4 A. Yes, they do.

5 Q. And what type of cellphone interactions are captured?

6 A. So in this case, where we're looking at an AT&T phone, AT&T
7 maintains records for every connection between that phone and
8 the network, to include when a call is made or received, when a
9 text message is sent or received, or when that phone is
10 utilizing data connection, data services. This might include
11 using the internet, any types of apps, anything that's using
12 cellular data to connect to the network.

13 Q. Now generally, what determines which cell site a cellphone
14 will connect to?

15 A. So the cell site is looking for that best signal. All
16 things being equal, the best signal we would expect to be from
17 the nearest cell site. The closer you are to an antenna
18 broadcasting a signal, the better that signal and the stronger
19 that signal is going to be. There are other factors that do
20 determine which cell site a phone will connect to, especially
21 in a very dense cellular environment like New York City, where
22 there are a lot of cell sites everywhere, but distance is that
23 most important factor.

24 Q. Speaking of density, how would you describe the density of
25 the cell sites in New York City?

1 A. Extremely dense, especially within Manhattan itself. Due
2 to the volume, not just the density of population but the
3 volume of AT&T customers, it's extremely dense. There are cell
4 sites virtually everywhere. There's usually more than one on a
5 block.

6 MS. KUDLA: And Mr. Bianco, can we please publish
7 Government Exhibit 1080, slide 3, please.

8 Q. Agent Busick, what is shown in slide 3?

9 A. So this is an illustration of the AT&T network in the
10 greater Manhattan area. Each of those blue dots represents the
11 specific location of an AT&T cell site, and you can see
12 Manhattan located in the center of the screen. Those dots are
13 basically on top of each other to the point where we can't
14 really discern the exact location of individual dots, again,
15 owing to that density of usage in Manhattan. And you can see
16 that as we leave Manhattan and we get further outside of the
17 city, especially, say, if we travel west into New Jersey
18 towards the left and upper left portion of the screen, where
19 that population density and usage density is less, those cell
20 sites are located a bit further apart because less architecture
21 is needed to support the same—to support the customers in
22 those areas.

23 Q. Focusing for a moment on the density of cell sites in the
24 New York City metropolitan region, how does that assist, if at
25 all, with your ability to identify a cellphone location?

1 A. So each cell site is designed by the network or by the
2 service provider to provide coverage to a specific coverage
3 area within its immediate vicinity. Now the further apart
4 those cell sites are located, the larger those coverage areas
5 are going to be, and so what we're—what I'm doing when I'm
6 conducting my analysis is looking at which cell site a phone
7 connected to and, based on an approximation of the coverage
8 area, determining an approximate location of where that phone
9 would be. So therefore, the larger the coverage area, the less
10 precise we can be about locating the phone. If cell sites are
11 miles apart, that's going to be a much larger area. Now in
12 somewhere like Manhattan and other parts of New York City where
13 those cell sites are located very close together, that coverage
14 area is going to be a bit more precise because the distance
15 between cell sites is much less.

16 Q. Now, Agent Busick, you had mentioned cellphones typically
17 connect to the strongest and clearest signals. What are some,
18 if any, reasons that they may not do so?

19 A. So there are several factors that might affect which cell
20 site is actually providing that best signal that the phone
21 connects to. One of those is geography or terrain. In New
22 York City we could think of things like large buildings. An
23 example I like to use is that if we were standing outside the
24 front door of, say, the Empire State Building and just on the
25 other side of the Empire State Building on the same block was a

1 cell site that was the closest one to us, but between us and
2 that cell site was the Empire State Building, however, on the
3 same side of the building I'm on, say, three blocks away is
4 another cell site that I can actually see with my own eyes and
5 there's no obstructions, even though that one is slightly
6 further away, I might actually receive a better signal from
7 that one because there's just nothing obstructing it. So
8 that's one of the—one of the typical factors that could affect
9 where that better signal is going to come from. The important
10 thing to know is that the phone has to be within the designated
11 coverage area of that particular cell site. So if I'm in
12 Manhattan near the Empire State Building, I'm not going to
13 connect to a cell site down by the World Trade Center because
14 there's hundreds, at least, if not thousands of cell sites
15 between those two areas. So I'm going to need to be in the
16 general vicinity of the cell site that I'm connecting to.

17 MS. KUDLA: At this time, Mr. Bianco, can you please
18 turn to slide 4.

19 Q. Agent Busick, are you familiar with the term "sectors"?

20 A. Yes, I am.

21 Q. And using slide 4, can you describe to the jury what a
22 sector is.

23 A. So many times, many cell sites are set up with what we call
24 sectors. So what we're looking at on the screen here would be
25 a bird's-eye view on the right of what I call a typical

1 cellphone tower. Like I mentioned earlier, think of that
2 standalone, you know, steel structure with a triangular-shaped
3 thing on top with the antennas on it. This is looking directly
4 over that. And you can see on each side of that triangle there
5 are some things that are sticking out of it. Those are the
6 actual antennas which are broadcasting signals. So what the
7 networks will often do in order to provide better coverage and
8 increased capacity within—from particular cell sites is
9 they'll sectorize those, those sites, and what that means is,
10 you can see on the top of this there's antennas that are facing
11 the top of the screen, which is labeled as north. Those would
12 be sector 1, and that's broadcasting a signal that's going to
13 be radiating out in roughly this direction, within the red area
14 depicted.

15 If we were to move clockwise around the cell site and
16 more towards the lower right portion of the screen, we can see
17 there are antennas on this side that's broadcasting signal out
18 in this direction. That would be sector 2. And if we were in
19 that general area of the—in relation to the tower, we'd expect
20 to be receiving signal from sector 2. And so on as we continue
21 around the tower.

22 Now why this is important or helpful is that within
23 the records provided by AT&T and all the providers, they will
24 indicate not just which particular cell site a phone connected
25 to but if that site is sectorized and there are antennas

1 broadcasting a specific direction, it will indicate that as
2 well, which helps us to know approximately which direction from
3 the tower the phone was located at the time it made that
4 connection.

5 Q. So Agent Busick, you just referenced service provider
6 records. So let's turn back to the AT&T records to put this
7 all together.

8 MS. KUDLA: Mr. Bianco, can you please publish what's
9 in evidence now as Government Exhibit 1118. Let's turn to
10 page 22.

11 And can we highlight the top portion of this page,
12 including row 1.

13 Q. Okay. So Agent Busick, moving from left to right in row 1,
14 I'm going to have you briefly identify just a few of these
15 columns. In particular let's start with Conn. Date. What does
16 that refer to?

17 A. So that refers to the connection date or the date of this
18 particular connection between the phone and the network.

19 Q. And then the next row is connection time, Conn. Time. What
20 is that?

21 A. That's the time of day that the phone connected to the
22 network, given in military or 24-hour time, and it's also given
23 in what's called UTC, or Universal Coordinated Time.

24 Q. And why is Universal Coordinated Time typically used?

25 A. All the cellular providers typically use Universal

1 Coordinated Time for consistency, because as a phone travels,
2 say, you know, throughout the country or around the world,
3 across time zones, it just keeps one consistent time zone that
4 all records are kept in, and in conducting an analysis, we just
5 need to convert UTC time to the local time to know what time
6 that phone connected relative to where we are.

7 THE COURT: And the UTC time relates to Eastern Time
8 how?

9 THE WITNESS: So UTC time is either four or five hours
10 ahead of Eastern Time, depending on whether we're in Eastern
11 Standard or Eastern Daylight Time. Currently we're in Eastern
12 Daylight Time, which is generally the summertime months, and so
13 UTC time is four hours ahead of the current time. So in the
14 record that we're looking at here, this was actually
15 February 11th, so that would be Eastern Standard Time, which is
16 five hours behind UTC time, so we would subtract five hours
17 from the given time, which would give us 1803:47, which would
18 be 6:03 p.m.

19 THE COURT: Thank you.

20 BY MS. KUDLA:

21 Q. Now let's move to the right to Originating Number. Let's
22 look at that column for a moment. What is the originating
23 number?

24 A. So the originating number is the number that originated the
25 particular call that we're looking at. So you can see just

1 above that line is a—something that says Voice Usage For and
2 this is our target number here, that 650-906-9179. If this was
3 an outgoing call made by that phone, we would expect to see
4 that number in the Originating Number column. Because this was
5 an incoming call, the number that is displayed there is the
6 number of the phone which called our target phone.

7 Q. And that leads us to the Terminating Number.

8 A. The Terminating Number is just the opposite. So here we
9 can see that that terminating number ends in 9179. That's
10 because it was an incoming call to our target phone. Again, if
11 it was an outgoing call placed by our target phone, we would
12 see the number there that our phone called.

13 Q. And then finally, let's look at the last column, Cell
14 Location. Can you describe what's in this row, or column.

15 A. The cell location provides information about the particular
16 cell site that the phone connected to at the beginning of this
17 call. So we see a long string of numbers there, separated by
18 colons. The first long number is the unique identifier within
19 the entirety of AT&T network of the particular antenna that
20 that phone connected to on the cell site that it connected to
21 at the time, and the next number is the number of the cell site
22 itself. So each cell site will often have numerous antennas
23 within that particular site so we get the identifiers for both
24 of those.

25 Next, we have the latitude and longitude—think GPS

1 coordinate—of the actual cell site itself, so that's the
2 location of the antenna—not the phone but the antenna that the
3 phone connected to at the time.

4 And then as we scroll over, the next column, which is
5 really the last column that's important, which says 0, that
6 gives us the azimuth or direction from the tower that that
7 signal is being broadcast. So 0-degree azimuth would
8 correspond to a signal being broadcast at 0 degrees or due
9 north. If we think back to that previous slide, that was that
10 red area towards the top of the page.

11 Q. And Agent Busick, what do you do with the data that you've
12 just described when performing your cell site analysis?

13 A. So I do a couple things. First of all, I take the text
14 version of this file with the identical information, I upload
15 it into some mapping software we use, which assists us in
16 visualizing the data on a map, so I import that, and then
17 within, you know, the particular time frames of interest, I can
18 determine which connections were made and the approximate
19 location of the phone at that time based on that cell location
20 information. I also take this information here from this pdf
21 and I correlate it with a cell site list from AT&T, which is a
22 list that provides the information for all of the cell sites
23 within the AT&T network, and I verify that the cell site
24 identifiers here and the location that are provided are in fact
25 accurate and do accurately correspond to what is displayed on

1 the map itself.

2 MS. KUDLA: Mr. Bianco, we can take this down now.

3 THE COURT: Is this a good place for our break?

4 MS. KUDLA: Yes, your Honor.

5 THE COURT: Fifteen minutes, folks.

6 THE DEPUTY CLERK: Will the jury please come this way.

7 Please bring your notebooks.

8 (Recess)

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1 MS. SASSOON: Your Honor, I think the parties would
2 like to discuss scheduling at the end of the today day so
3 either 4:30 or ending five minutes early, whatever.

4 THE COURT: I would love to discuss it too.

5 (Jury present)

6 THE COURT: The record will reflect that the defendant
7 and the jurors all are present, as they have been throughout.

8 You may continue, Ms. Kudla.

9 MS. KUDLA: Thank you, your Honor.

10 BY MS. KUDLA:

11 Q. Before the break, Agent Busick, we were looking at some
12 AT&T records. I would like to now focus on the analysis that
13 you performed in this case.

14 You had called out the number 650-906-9179, is that
15 correct?

16 A. That is correct.

17 Q. Who provided you with that number?

18 A. That number was provided to me by the government.

19 Q. And is that the number that you used to conduct your cell
20 phone analysis?

21 A. Yes, it was.

22 MS. KUDLA: At this point, your Honor, the government
23 offers Government Exhibit 342, pursuant to Government Exhibit
24 2003, a stipulation as to authenticity, and this is a true and
25 correct email.

1 THE COURT: Received.

2 (Government Exhibit 342 received in evidence)

3 MS. KUDLA: May we publish, your Honor?

4 THE COURT: You may.

5 MS. KUDLA: Mr. Bianco, can we please zoom in on the
6 bottom portion of page 1 and the top of page 2.

7 On September 4, 2022 at 8:42 a.m., pdavis51@gmail
8 wrote: Sam, my son Christopher is being engaged as a
9 consultant for an NFT entity that is considering your platform.
10 Grateful if you were to take a call to discuss. My son is
11 copied on this email. Thanks.

12 And the reply, on September 4, 2022, at 12:38 p.m.
13 from Sam Bankman-Fried, sam@ftx.com wrote: I'd be happy to.
14 Christopher, I'm 650-906-9179.

15 Q. Agent Busick, is the number that's highlighted on the
16 screen the same number that you analyzed?

17 A. Yes, it is.

18 MS. KUDLA: We can take that down now.

19 Q. Now, earlier you testified the type of analysis that you
20 conducted with respect to the location of this cell phone
21 number. Was there a particular time period you were asked to
22 analyze?

23 A. Yes. Generally speaking, I was asked to analyze a time
24 frame between roughly June of 2021 through November of 2022.

25 Q. What was the first thing that you were asked to do with

1 respect to this time period?

2 A. I was initially asked to analyze the records to determine
3 if there were dates within those records in which the phone
4 utilized cell sites located within Manhattan.

5 MS. KUDLA: Mr. Bianco, at this time can we please
6 publish Government Exhibit 1080, slide 5.

7 Q. What's shown on slide 5, Agent Busick.

8 A. This is a list of the dates within that time frame in which
9 the phone number ending in 9179 utilized cell sites, AT&T cell
10 sites located in Manhattan, which would also be consistent with
11 the phone being located within Manhattan during those times.

12 Q. Were these dates determined use the cell site analysis that
13 you just described to the jury?

14 A. Yes, it was.

15 Q. You also testified earlier to a second portion of your
16 analysis.

17 Agent Busick, were you asked to determine approximate
18 vicinity, location of the cell phone during particular dates
19 and times during this time period?

20 A. Yes, I was.

21 Q. And is that analysis also contained in Government Exhibit
22 1080?

23 A. Yes, it is.

24 Q. Before we turn to that, let's orient the jury on some of
25 the items that they will see.

1 MS. KUDLA: Mr. Bianco, can we please turn to slide 6
2 now at this time.

3 Q. Starting on the left of slide 6, can you please describe
4 what is shown in the three-sector illustration.

5 THE COURT: Is this slide 6 or slide 5?

6 MS. KUDLA: I apologize, your Honor. It's slide 5.
7 No. It is slide 6.

8 THE COURT: OK.

9 A. In the upper left, where it says three-sector illustration,
10 you'll see a map. On that map are blue dots which, again, are
11 those AT&T cell sites. Dots is a location of a AT&T cell site.
12 You can see how many there are just in that small area. You
13 can see a red wedge where the two arms of that wedge meet in
14 the center in one of those blue dots. It's a cell site that
15 was utilized for this particular connection. And we can see
16 that there is a shaded circle, which is facing roughly to the
17 upper right portion of the map that indicates the direction of
18 that sector or the direction that that signal was being
19 broadcast from that cell site during that connection.

20 Now --

21 THE COURT: Go ahead.

22 THE WITNESS: I'm sorry, your Honor.

23 THE COURT: Go ahead.

24 A. Just to make it clear, the red circle doesn't denote the
25 extent of the coverage area. That's just a visual aid to help

1 illustrate which direction that signal is being broadcast,
2 especially when there is more than of these on a page. The
3 phone may be located within that circle, but it could be just
4 as likely located outside of that circle or arc area.

5 THE COURT: Just for the sake of clarity, in the
6 binder you gave me, it's page 5.

7 MS. KUDLA: Your Honor, I believe you had an older
8 binder of Agent Busick last week, and we provided a more recent
9 copy today.

10 THE COURT: That's encouraging, but it's different.

11 Anyway, I have the same page. It's just numbered
12 differently.

13 MS. KUDLA: Your Honor, we discovered the problem.
14 There is a cover page. This is slide 5 in your binder.

15 Can we move down to the bottom portion.

16 Q. You described the three-sector illustration.

17 MS. KUDLA: Can we go to the omni directional antenna
18 illustration.

19 A. Sure. So we previously discussed a sectorized antenna, but
20 there is also another type of antenna or cell site that service
21 providers use. That's called omni directional. That's where
22 there was just a single antenna broadcasting in 360 degrees.
23 Good way to think about this would be if we were to think about
24 a pole, a sectorized antenna would have say three flood lights
25 on the top, each one pointing out in a different direction

1 illuminating a different direction around that particular pole.
2 An omni directional site would be more like a table lamp
3 uncovered with just the bulb on there that was broadcasting in
4 360s. They are generally used to provide coverage to smaller
5 areas.

6 The differences is that we don't know which direction
7 from the phone or from the cell site that the phone was located
8 at the time that it made a connection, so we illustrate that
9 with a circle.

10 However, like the illustration up above, the circle is
11 not a hard boundary of the coverage area of that cell site.
12 While an approximation, the phone could be located within the
13 circle or it could be outside of the circle.

14 Q. Let's turn to the description on the right, the event box
15 illustration. What are the items that we see here?

16 A. The event box is the information from the records which
17 corresponds to the display on the map, such as at the left.
18 The event book we are looking at here actually corresponds to
19 the three-sector illustration in the upper left.

20 So what it indicates up in the blue header band there,
21 where it says CID, that's the unique identifier of the cell
22 site, along with the sector that that phone connected to during
23 that particular connection. And then down below is the
24 information about what that connection was, so we see a date
25 and time. The time has been converted into local time. This

1 is Eastern Daylight Time on August 12 of 2022 at 12:00 p.m.

2 This was an incoming call to the target phone, which is our
3 phone ending in 9179. It was a voice call. And the phone on
4 the other end of the line was 750-748-9222.

5 Q. For clarity, Agent Busick, in response to a couple of
6 questions today, what time zone did you use during your
7 analysis?

8 A. All of the maps that I prepared are in local time, in this
9 case that is eastern time. It will vary between Eastern
10 Standard or Daylight Time, depending on the time of the year,
11 but all times have been converted from the original records to
12 local time.

13 MS. KUDLA: Mr. Bianco, we can take Government Exhibit
14 1080 down now.

15 And at this time, your Honor, the government offers
16 Government Exhibits 221, 223, and 224, 281, and 282, 285
17 through 287, 290 through 293, and 302.

18 THE COURT: 297, did you say?

19 MS. KUDLA: No, your Honor. 290 to 293. And,
20 finally, 302. We offer those pursuant to government
21 stipulation 2003-A2 as true and correct emails.

22 THE COURT: Government Exhibits 221, 223, 224, 281,
23 282, 285 to 287 inclusive, 290 to 293 inclusive, and 302 all
24 are received.

25 (Government Exhibits 221, 223, 224, 281, 282, 285-287,

1 290-293, and 302 received in evidence)

2 MS. KUDLA: Your Honor, may we publish Government
3 Exhibit 293 at this time?

4 THE COURT: Yes.

5 MS. KUDLA: Can we zoom in on the top portion of this.

6 Q. Agent Busick, prior to your testimony today, have you
7 reviewed Government Exhibit 293?

8 A. Yes, I have.

9 Q. And did you review similar appointment-type documents
10 marked in Government Exhibits 281 through 282, 285 through 287,
11 290 through 293, and 292?

12 A. Yes, I have.

13 Q. Did you review these documents before or after you
14 conducted your initial cell site analysis?

15 A. I reviewed them afterwards.

16 Q. Let's focus for a moment on the middle portion of this
17 appointment of Government Exhibit 293, where it says start on
18 September 21, 2022, 11 p.m. and ends 9/22/2022 at 1 a.m.

19 Is any particular time zone listed there?

20 A. There is no time zone listed.

21 Q. Based on your review of Government Exhibit 293 and the
22 other exhibits that we have just listed, did you form an
23 opinion about what time zone is listed in this appointment
24 start/end time?

25 A. Yes.

1 Q. What was that opinion?

2 MR. EVERDELL: Objection.

3 THE COURT: What's the objection?

4 MR. EVERDELL: Basis for the opinion.

5 THE COURT: I imagine we will hear that in a minute.

6 Q. What was the opinion, first?

7 A. Well, in this particular case and in this email we can see
8 up above in the subject line an invitation with a date and time
9 listed, which is September 21, 2022, from 7 p.m. to 9 p.m. EDT
10 or Eastern Daylight Time. That would be 11 p.m. to 1 a.m. from
11 the 21st to the 22nd in UTC time, which would indicate to me
12 that in this email here the start and end time are given in UTC
13 time.

14 Q. In your analysis, did you see similar examples in the other
15 exhibits that you reviewed?

16 A. I did, yes.

17 Q. And the UTC time as you described before, is that a common
18 unit for -- in the AT&T records? Is there any relationship to
19 what you see here?

20 A. UTC time is often a common reference time zone that can
21 account for travel between time zones and so forth, and local
22 time can be converted directly from UTC time.

23 MS. KUDLA: Mr. Bianco, can we please publish
24 Government Exhibit 281 on the left. We can take down 293 now
25 at this time. Publish 281 on the left and Government Exhibit

1 1080, slide 7 on the right.

2 Your Honor, you are right, it will show slide 6 in
3 your presentation.

4 Let's zoom in right now on Government Exhibit 281. It
5 says: Appointment from eric.bai@Binance.com to, among others,
6 sam@ftx.com and cz@binance.com. The subject is Binance
7 investment, FTX sync-up. The start is June 8, 2021 at 2 p.m.
8 End time June 8, 2021 at 3 p.m.

9 Agent Busick, is 10 to 11 a.m. Eastern Daylight Time
10 equivalent to 2 to 3 p.m. UTC on June 8, 2021?

11 A. Yes.

12 Q. Now, is that the time period that you analyzed with respect
13 to the cell site analysis?

14 A. It is, yes.

15 MS. KUDLA: Can we now focus on Government Exhibit
16 180, slide 7, and zoom in on that.

17 Q. Briefly describe what we see in slide 7 to the jury.

18 A. This displays two particular cell sites utilized by the
19 9179 phone on June 8 of 2021. The first connection is the
20 lower -- on the lower center part of the screen at 10:13 a.m.
21 That's a data connection between a phone and the network when
22 cellular data was utilized. And then, at 10:59 a.m., in the
23 upper center portion of the screen we see a second connection,
24 again data connection, both of these connections utilizing cell
25 sites located within Manhattan.

1 Q. Did you apply the same type of cell site location analysis
2 that you described to the jury for this analysis here?

3 A. Yes, I did.

4 Q. Is that consistent throughout?

5 A. Yes.

6 MS. KUDLA: We will try to speed it up a little bit.

7 Mr. Bianco, can you please publish Government Exhibit
8 282 on the left and slide 8 of Government Exhibit 1080 on the
9 right, and Government Exhibit 1471 also on the right.

10 And Government Exhibit 1471, your Honor, is in
11 evidence.

12 Let's zoom in on Government Exhibit 282. It's from
13 natalie@ftx.com to sam@alameda-research.com. Subject:
14 Invitation: Quick photoshoot for Forbes story at Equinox
15 Hotel, Friday, September 17, 2021, 8:30 a.m. to 8:45 a.m (HKT).
16 And then start and end, we can highlight those. That's
17 September 17, 2021, 12:30 a.m. to 12:45 a.m.

18 Q. Agent Busick, is 8:30 to 8:45 a.m. Eastern Daylight Time on
19 September 16, 2021 equivalent to the start and end times that
20 we see here?

21 A. Yes, it is.

22 MS. KUDLA: Let's take that down now.

23 Can we zoom in on Government Exhibit 1080, slide 8.

24 Q. What is the green dot that we see here?

25 A. The green marker in the upper center portion of the screen

1 denotes the location of the Equinox Hotel, 33 Hudson Yards, New
2 York, New York.

3 Q. Now, based on your analysis, what opinion did you form
4 about the location of the cell phone at approximately 8:27 p.m.
5 Eastern Daylight Time?

6 A. The records are consistent with the phone being located at
7 or in the vicinity of the Equinox Hotel during this time.

8 MS. KUDLA: Mr. Bianco, can we please zoom in on
9 Government Exhibit 1471.

10 At this time now, Mr. Bianco, can we please publish
11 Government Exhibit 285 on the left and Government Exhibit 1080,
12 slide 9 on the right.

13 Can we please zoom in on Government Exhibit 285. It's
14 from pauline@thesaltfund.com to sam@ftx.com, among others. The
15 subject: Updated invitation: SALT fund. And then the start
16 and end time, September 17, 2021, 2:30 p.m.; September 17,
17 2021, 3:30 p.m.

18 Agent Busick, is 10:30 to 11:30 a.m. Eastern Daylight
19 Time equivalent to the time shown here?

20 A. Yes, it is.

21 MS. KUDLA: Let's take that down now.

22 One thing that I forgot to mention. In Government
23 Exhibit 285, the location is shown as Bluestone Lane, 55 Hudson
24 Yards, 55 Hudson Yards, New York, New York.

25 Let's take that down and focus on Government Exhibit

1 1080, slide 9.

2 Q. First off, Agent Busick, what is the blue dot that we see
3 the little square dot?

4 A. That marker denotes the location of 55 Hudson Yards, New
5 York, New York.

6 Q. Based on your cell site analysis, what, if anything, did
7 you determine about the location of the phone between the time
8 period of 10:43 a.m. and 11:11 a.m. on September 17, 2021?

9 A. At 10:43 a.m., the phone utilized a cell site, the lower
10 center portion of the page, within the vicinity of Pennsylvania
11 Station. And at 11 a.m., there were two text messages to the
12 9179 phone, which would be consistent with the 9179 phone being
13 located at or in the vicinity of 55 Hudson Yards at that time.

14 MS. KUDLA: Mr. Bianco, can we now publish what's in
15 evidence as Government Exhibit 286 on the left and Government
16 Exhibit 1080, slide 10 on the right. Let's zoom in on
17 Government Exhibit 286.

18 Q. This is from Antony Lewis to, among others,
19 sambankman-fried@ftx.com. Subject: Temasek/FTX. The
20 location: 375 Park Avenue, 14th floor, New York, New York.
21 And the start and end time is listed here.

22 Agent Busick, is 6:30 to 7:30 p.m. east coast standard
23 time on November 16, 2021 equivalent to 11:30 p.m. to 12:30
24 a.m. UTC time?

25 A. Yes, it is.

1 MS. KUDLA: Now let's turn to slide 10 of Government
2 Exhibit 1080. Let's zoom in on that.

3 Q. Between 6 p.m. and 7:30 p.m. east coast standard time,
4 what, if anything, did you determine about the cell site
5 location during that time period?

6 A. So as we can see in the inset on the left, at 6:14 p.m.,
7 the phone utilized the cell site in the vicinity of Teterboro,
8 New Jersey, displayed up here where we circled on the screen,
9 and the records are consistent with that phone traveling into
10 Manhattan from that time. We can see, at 6:53 p.m., utilizing
11 a cell site just to the west of the Lincoln Tunnel. And then,
12 at 7:10 p.m., utilizing a cell site on the Manhattan side of
13 the Lincoln Tunnel. We last see it at 7:30 p.m., under the
14 dark blue flag there, which denotes 375 Park Avenue, New York,
15 New York. And then the zoomed-in map includes that 7:30 p.m.
16 interaction along with several other interactions between the
17 phone and the network, all of which would be consistent with
18 the phone being located at or in the vicinity of 375 Park
19 Avenue.

20 Q. What period of time was the cell phone in the vicinity of
21 375 Park Avenue, New York, New York?

22 A. From roughly 7:30 to 8:51 p.m.

23 MS. KUDLA: Mr. Bianco, can we please publish now
24 Government Exhibit 287 on the left and Government Exhibit 1080,
25 slide 11 on the right.

1 Now, this is from natalie@ftx to sam@ftx.com.

2 Subject: Updated invitation with the mayor at Thursday, March
3 3, 2022, 8:30 p.m. to 10 p.m. Eastern Standard Time. Location:
4 Osteria La Baia, 129 West 52nd Street. Start and end time
5 here.

6 Q. Is the start and end time that we see here on March 4, 2022
7 equivalent to 8:30 to 11 p.m. east coast standard time on March
8 3, 2022?

9 A. Yes.

10 MS. KUDLA: Now, let's turn to government Exhibit
11 1080, slide 11.

12 Q. What is the pink dot that we see here?

13 A. The pink marker in the center of the screen denotes 129
14 West 52nd Street, New York, New York.

15 Q. What was the time period of your analysis for here?

16 A. 8:37 p.m. to 9:56 p.m. on March 3, 2022.

17 Q. Based on your cell site analysis, what opinion did you form
18 about the location of the cell phone during this date and time
19 period?

20 A. The records are consistent with the phone being located at
21 or in the vicinity of 129 West 52nd Street during this period.

22 MS. KUDLA: Your Honor, pursuant to Government Exhibit
23 2001, a stipulation as to authenticity, the government offers
24 Government Exhibit 873.

25 THE COURT: Is 2001 in, Andy?

1 MS. KUDLA: It is in evidence, your Honor.

2 THE COURT: It is?

3 MS. KUDLA: Yes.

4 May we publish Government Exhibit 873, page 12 of that
5 exhibit?

6 THE COURT: It's received, the whole exhibit.

7 (Government Exhibit 873 received in evidence)

8 MS. KUDLA: On March 4, 2022, at 12:04 p.m., SBF
9 retweeted from Ryan Miller: Fantastic dinner with at New York
10 City mayor. New York City is in great hands, hashtag Eric
11 Adams.

12 We can take that down.

13 Mr. Bianco, can we please publish what's in evidence
14 as Government Exhibit 302 on the left and Government Exhibit
15 1080, slide 12 on the right.

16 Let's first start with Government Exhibit 302, page 1,
17 and let's zoom in on the portion from the message from Ali
18 Baltrusaitis on July 1, 2022 at 11:32 a.m.

19 Ms. Baltrusaitis sends a message to Natalie Tien at
20 FTX writing: Hi, Natalie, happy almost 4th of July. Hope you
21 have some fun plans for the long weekend. Please find the
22 latest requests from 32 investment firms for the upcoming group
23 dinner on July 19. If there are any firms that FTX team would
24 like us to prioritize a seat for, please let us know.

25 We can take that down and zoom in now on the response

1 from Ramnik Arora.

2 Ramnikarora@ftx.com writes to Natalie Tien regarding
3 the FTX group dinner July 19 in some decreasing order of
4 priority: Standard investments, Coatue, D1 Capital, and a list
5 of names.

6 We can take that down.

7 Can we zoom in now on the map and Government Exhibit
8 1080, slide 12.

9 Q. Agent Busick, what is shown in slide 12 with respect to the
10 cell phone location on July 19, 2022 between 6 p.m. to 9:30
11 p.m. east coast standard time?

12 A. This slide depicts the cellular connections between the
13 9179 phone and the AT&T network during that 6:16 p.m. to 9:28
14 p.m. time frame, located in the vicinity of 11 Madison Avenue
15 in New York, New York, which is denoted by the maroon flag in
16 the center right portion of the screen.

17 MS. KUDLA: Mr. Bianco, we can take that down now.

18 Can we please publish Government Exhibit 290 on the
19 left and Government Exhibit 1080, slide 13 on the right.

20 Let's focus on Government Exhibit 290 first. This is
21 from jasmin.lee@iextrading.com to, among others, sam@ftx.

22 Subject: FTX/IEX. Location: 3 World Trade Center. Start,
23 August 17, 2022, 3:30 p.m.; end, August 13, 2022, 5:30 p.m.

24 Q. Agent Busick, is 11:30 a.m. to 1:30 p.m. Eastern Daylight
25 Time the equivalent of the UTC time you see here?

1 A. Yes, it is.

2 MS. KUDLA: Let's turn to the map in Government
3 Exhibit 1080, slide 13.

4 Q. What is the date and time that was analyzed here?

5 A. August 17, 2022 between 11:39 a.m. and 1:15 p.m.

6 Q. What's shown in the yellow dot?

7 A. This shows connections between the 9179 phone and the AT&T
8 network in the vicinity of 3 World Trade Center, New York, New
9 York, denoted by the bright yellow flag in the center of the
10 screen.

11 Q. What did your cell site analysis show?

12 A. The records are consistent with the phone being located at
13 or in the vicinity of 3 World Trade Center during this time
14 frame.

15 MS. KUDLA: Let's now turn to Government Exhibit 291
16 on the left and let's do Government Exhibit 1080, slide 14 on
17 the right.

18 Mr. Bianco, can we zoom in. Thank you.

19 This is from Mike McKay to, among others, sam@ftx.us.
20 Subject: SBF meeting with New York Governor Hochul. Location:
21 LTBD. Most likely, Capital Grille on East 42nd Street, but
22 waiting on the governor's schedule to confirm the location.
23 Start, September 16, 2022 at 9 p.m.; end, September 16, 2022 at
24 9:30 p.m.

25 Q. Agent Busick, is this 5 p.m. to 5:30 p.m. Eastern Daylight

1 Time?

2 A. Yes, it is.

3 MS. KUDLA: Let's look at slide 14.

4 Q. Did you analyze the location of the phone on September 16,
5 2022 between 5 and 6 p.m. at that time?

6 A. Yes.

7 Q. What opinion did you form about the location of the cell
8 phone between that time period on that day?

9 A. Between 4:58 p.m. and 5:48 p.m., the phone utilized two
10 cell sites located within Manhattan, generally the east Midtown
11 area, which would be consistent with the phone being located in
12 the Midtown East area during this time.

13 MS. KUDLA: Can we now publish Government Exhibit 292
14 on the left and Government Exhibit 1080, slide 15 on the right.

15 And zoom in on Government Exhibit 292. This is from
16 natalie@ftx.com to sam@ftx.com. Subject: Updated invitation.
17 Meeting with President Clinton at Tuesday, September 20, 2022,
18 4 p.m. to 5 p.m. Eastern Daylight Time. Location: New York
19 Hilton Midtown, 1335 Sixth Avenue, New York, New York. Start
20 and end that we have here is September 20, 2022, 8 p.m. to 9
21 p.m.

22 Q. Agent Busick, is this 4 to 5 p.m. Eastern Daylight Time?

23 A. Yes, it is.

24 MS. KUDLA: Let's turn to Government Exhibit 1080,
25 slide 15 now, and zoom in on that.

1 Q. Did you analyze the location of the cell phone during this
2 same time period for the date and time?

3 A. Yes, I did.

4 Q. And what is the purple dot that we see here?

5 A. The purple marker in the center of the screen denotes a
6 location of 1335 Sixth Avenue, New York, New York.

7 Q. What opinion did you form about the location of the cell
8 phone on September 20, 2022 between 3:16 and 5:02 p.m. Eastern
9 Daylight Time?

10 A. The records are consistent with the phone being located at
11 or in the vicinity of 1335 Sixth Avenue during that time frame.

12 MS. KUDLA: Mr. Bianco, can we please publish
13 Government Exhibit 221 on the left and Government Exhibit 1080,
14 slide 16 on the right.

15 Let's zoom in on Government Exhibit 221.

16 On September 20, 2022, at 12:20 p.m. Eastern Daylight
17 Time, ascaramucci@skybridge.com wrote: Connecting you here.
18 Sam, I am also joining Thomas at a Steelers game November 20.
19 Let us know if you want to come. Hope he will invest in our
20 latest FTX round.

21 On September 21, 2022 at 3:34 a.m., Sam Bankman-Fried
22 sends an email to Anthony Scaramucci and thomas9@tulinvest.com:
23 Thanks.

24 Let's take that down.

25 Q. Agent Busick, first of all, is 11:34:09 p.m. Eastern

1 Daylight Time on September 20, 2022 equivalent to 3:34 a.m. UTC
2 on 9/21/22?

3 A. Yes, it is.

4 MS. KUDLA: Let focus and zoom in on slide 16 in
5 Government Exhibit 1080.

6 Q. Did you analyze that time period and date with your cell
7 site analysis?

8 A. Yes, I did.

9 Q. What opinion did you form about the location of the cell
10 phone during that date and time period?

11 A. During that time period, specifically between 11:17 p.m.
12 and 11:48 p.m. on September 20, 2022, the phone was located
13 roughly in the midtown Manhattan area utilizing the cell sites
14 depicted.

15 MS. KUDLA: Let's please publish Government Exhibit
16 293 on the left and Government Exhibit 1080, slide 17 on the
17 right.

18 This is from natalie@ftx.com to sam@ftx.com. Subject:
19 Updated invitation. New York small group dinner with H.E.
20 Yasir Al Rumayyan, September 21, 7 p.m. to 9 p.m. Eastern
21 Daylight Time. The location is The Pierre A Taj Hotel, New
22 York, 2 East 61st Street. There is the start and end time
23 shown here.

24 Q. Agent Busick, is this consistent, the 11 p.m. to 1 a.m.
25 time period shown here, consistent with 7 to 9 p.m. Eastern

1 Daylight Time?

2 A. 7 to 9 p.m. on the 21st, yes, correct.

3 MS. KUDLA: Let's turn to slide 17 in Government
4 Exhibit 1080.

5 Q. Did you analyze this 7 to 9 p.m. Eastern Daylight Time
6 period on September 21, 2022?

7 A. Yes, I did.

8 Q. And what is the red dot that we see here?

9 A. The red marker roughly in the center of the screen denotes
10 the location of 2 East 61st Street, New York, New York.

11 Q. And what opinion did you form about the location of the
12 cell phone on this date and time period?

13 A. The records are consistent with the phone being located at
14 or in the vicinity of 2 East 61st Street, particularly between
15 7:42 and 9:42 p.m.

16 MS. KUDLA: Mr. Bianco -- just so everybody is aware,
17 we are nearing the end of the number of slides.

18 Let's please publish in evidence Government Exhibit
19 223 on the left and Government Exhibit 1080, slide 18 on the
20 right.

21 On September 21, 2022, at 7:16 p.m.,
22 okharif@bloomberg.net wrote: Hi, Sam. How are you? I saw the
23 CNBC story that you are trying to raise 1 billion. Could you
24 please confirm if this is true on background.

25 Let's focus now on the response from Sam Bankman-Fried

1 to Olga Kharif on September 22, 2022 at 3:34:47 a.m. On
2 background: Potentially true, though not a hundred percent
3 that we'll do it. If we did, it would likely be in the next
4 few months. Not yet confirmed who invested would be.

5 Q. Agent Busick, is 3:34 a.m. UTC equivalent to 3:34 p.m.
6 Eastern Daylight Time on September 21, 2022?

7 A. 11:34 p.m. on the 21st.

8 Q. Thank you.

9 MS. KUDLA: Let's turn to slide 18, Government Exhibit
10 1080.

11 Q. Based on your analysis, Agent Busick, was the cell phone
12 located in Manhattan on this date and during this time period?

13 A. Yes, it was. Utilizing the cell site depicted at the
14 center of the screen at 11:08 and 11:53 p.m. on September 21.

15 MS. KUDLA: So let's please publish Government Exhibit
16 224 on the left and Government Exhibit 1080, slide 19 on the
17 right, and let's focus on the middle message, September 22,
18 2022 at 8:02 a.m.

19 The message: We now have a meeting penciled in with
20 the Saudi Minister of Investment, Khalid Al Falih, at 5:10 to
21 5:30. Hopefully that works for Sam. His session at the event
22 with Alfred Chuang is scheduled for 3:50 to 4:05.

23 Let's focus on the response now. It's from Sam
24 Bankman-Fried -- a little bit higher, Mr. Bianco, the top
25 portion of the email -- Sam Bankman-Fried, on September 22,

1 2022, 3:33 to Anthony Scaramucci, among others: Follow-up from
2 dinner. Mr. Bankman-Fried replies: I'm flexible.

3 Let's turn to slide 19, Government Exhibit 1080 at
4 this point in time.

5 Q. Agent Busick, were you asked to analyze the location of the
6 cell phone between 3:30 p.m. and 5:30 p.m. on September 22,
7 2022?

8 A. Yes, I was.

9 Q. And what did your analysis show with respect to the
10 location of the phone during that time period?

11 A. The phone utilized the cell sites depicted at the center of
12 the screen located roughly the southeast corner of Central Park
13 in Manhattan between 3:28 and 5:28 p.m.

14 MS. KUDLA: We will turn to our last one at this point
15 in time.

16 The government offers, subject to connection,
17 Government Exhibit 527, and it's subject to connection through
18 a later witness.

19 MR. EVERDELL: Your Honor, we do object on hearsay
20 grounds, understanding this is subject to connection, but we
21 object on hearsay grounds.

22 THE COURT: Received subject to connection.

23 (Government Exhibit 527 received in evidence)

24 MS. KUDLA: Mr. Bianco, can we please publish
25 Government Exhibit 527 on the left and Government Exhibit 1080,

1 slide 20 on the right.

2 Mr. Bianco, on Government Exhibit 527 can we zoom in
3 at the bottom of page 2. It's from Curtis Ashton on September
4 24, 2022 at 11:15. There you go.

5 From Ashton Curtis to robertboroujerdi@thirdpoint.com.
6 Subject: FTX/Sam BF. Bob, I'm putting together a very small
7 investor lunch with Sam Bankman-Fried on October 14 from 12 to
8 2 p.m. in NYC.

9 We can take that down now.

10 Q. Agent Busick, were you asked to analyze the location of the
11 cell phone on October 14, 2022 between 12 and 2 p.m. Eastern
12 Daylight Time?

13 A. Yes, I was.

14 MS. KUDLA: Let's zoom in on Government Exhibit 1080,
15 slide 20.

16 Q. What opinion did you form about the location of the cell
17 phone on that date and time period?

18 A. The phone was located within Manhattan between 12:06 p.m.
19 p.m. and 1:26 p.m. on November 14. And more specifically,
20 between approximately 12:26 p.m. and 1:26 p.m., the phone was
21 located at or in the vicinity of 11 Madison Avenue in New York,
22 New York, depicted by the maroon flag in the lower center
23 portion of the screen.

24 MS. KUDLA: Your Honor, no further questions.

25 THE COURT: Is there any cross-examination?

1 MR. EVERDELL: Just briefly, your Honor.

2 CROSS-EXAMINATION

3 BY MR. EVERDELL:

4 Q. Good afternoon, Special Agent Busick.

5 A. Good afternoon.

6 Q. Special Agent Busick, you were asked to create your cell
7 site analysis by the government, is that right?

8 A. That's correct.

9 Q. This is what you've been testifying to here today, right?

10 A. Correct.

11 Q. And the government specified which phone number they wanted
12 you to analyze, right?

13 A. They did.

14 Q. That was the 650-906-9179 number, right?

15 A. That's correct.

16 Q. I am just going to refer to that as the 9179 number for
17 convenience. Is that OK?

18 A. Of course.

19 Q. The government also provided you with the data that you
20 used to create your analysis?

21 A. They did, yes.

22 Q. They gave you the records from the phone company AT&T that
23 were related to that phone number, is that right?

24 A. That's correct.

25 Q. And those records included the cell site data that you used

1 to create your analysis, right?

2 A. Yes.

3 Q. I think you said the government asked you to analyze the
4 cell site data to determine where that particular phone was
5 located at certain dates and times, right?

6 A. Correct.

7 Q. And they provided the dates and times that they wanted you
8 to analyze, right?

9 A. That's correct.

10 Q. Now, the records from the phone company, from AT&T that you
11 used to do your analysis, they showed that the phone with the
12 number we just discussed was connecting to cell towers at
13 various locations at various times, right?

14 A. Yes.

15 Q. The goal of your analysis was to locate the cell phone to
16 the best of your ability in relation to those cell towers,
17 right?

18 A. Correct.

19 Q. You said a few things that might affect that analysis, the
20 accuracy of that analysis, right?

21 A. I don't think I said the accuracy of it. Could you be more
22 specific?

23 Q. Sure. Your ability to locate the cell phone in a
24 particular spot would depend on things like, you said, density
25 of cell towers?

1 A. Yes, correct.

2 Q. Might also depend on, you said, terrain, right?

3 A. Correct.

4 Q. If there were a big building, I think you mentioned, that
5 was potentially blocking a signal, the phone wouldn't
6 necessarily signal off of the closest tower next to it, right?

7 A. It's possible, correct.

8 Q. It might have to seek out a signal for a cell site that's
9 further away, right?

10 A. Slightly. But it would have to be within the coverage area
11 of whichever cell site it connected to.

12 Q. When we look at your analysis that you did, which was
13 GX-1080, it shows instances where that cell phone, the 9179
14 cell phone, was active near a particular cell tower, right?

15 A. Correct.

16 Q. But the phone records you used to create your analysis
17 don't contain any information about who was using that phone at
18 those times, correct?

19 A. That's correct.

20 Q. It just gives you information about where the device itself
21 may have been located, correct?

22 A. That's correct.

23 Q. So your analysis doesn't say anything about who is using
24 that cell phone at those dates and times on those pages we just
25 looked at, right?

1 A. Correct. I cannot determine that via the records.

2 MR. EVERDELL: I just want to take a look at one quick
3 example from the page.

4 If we go to slide 13. This is Government Exhibit 1080
5 in evidence. If we go to slide -- I believe it's 13.

6 Q. This is one that you discussed on your direct examination,
7 is that right?

8 A. Yes.

9 Q. And so this is a page that shows the 9179 cell phone or it
10 shows cell sites in the vicinity of 3 World Trade Center, is
11 that correct?

12 A. Correct.

13 Q. On August 17, 2022, correct?

14 A. That's correct.

15 Q. You testified that this seems to show the 9179 cell phone
16 interacting with the cell towers on the side here, right?

17 A. Yes.

18 Q. On that date it appears that it was an incoming call at
19 11:39, correct?

20 A. That is correct.

21 Q. So this shows that that cell phone was interacting with
22 these towers in the vicinity of 3 World Trade Center on that
23 date, right?

24 A. Yes.

25 Q. But, again, it does not say who is using the phone at that

1 time?

2 A. Correct.

3 Q. And it does not say what was discussed on any calls that
4 may be reflected in the records?

5 A. That's correct.

6 Q. That is true for all of the instances that you put in your
7 analysis on Government's 1080, correct?

8 A. It is, yes.

9 MR. EVERDELL: Nothing further, your Honor.

10 THE COURT: Thank you.

11 Anything else?

12 MS. KUDLA: No, your Honor.

13 THE COURT: I have one question. I think it's one
14 question.

15 The government provided you with the AT&T records for
16 the entire period, roughly June of '21 through November of '22,
17 is that right?

18 THE WITNESS: Yes. And the records did extend a bit
19 beyond that.

20 THE COURT: A bit beyond.

21 So the dates you looked at were the dates on which the
22 records indicated that the cell phone was connecting with
23 towers in Manhattan, is that right?

24 THE WITNESS: I first looked throughout the records to
25 determine when the records indicated that the phone was

1 connecting with cell sites in Manhattan and then, in regards to
2 the specific dates and times, those were provided to me by the
3 government.

4 THE COURT: Did the dates and times that the
5 government provided you coincide with dates you had identified
6 from telephone company records that the phone had been used in
7 Manhattan?

8 THE WITNESS: Yes, that's correct.

9 THE COURT: I have no further questions.

10 Do counsel have any?

11 MS. KUDLA: None from the government, your Honor.

12 MR. EVERDELL: No, your Honor.

13 THE COURT: Thank you. You're excused, Agent Busick.

14 (Witness excused)

15 THE COURT: Folks, we are going to quit very early
16 tonight, 4:26. We will see you tomorrow at 9:30.

17 Counsel remain.

18 (Jury not present)

19 THE COURT: Scheduling.

20 MS. SASSOON: Yes, your Honor.

21 Tomorrow we are going to be calling Shamell Medrano,
22 Peter Easton, Cory Gaddis, Elicia Katz.

23 THE COURT: Slow down. You're outpacing me.

24 The third person was?

25 MS. SASSOON: Cory Gaddis, Elicia Katz. I will just

1 read through the witnesses that will take us through Thursday:

2 Paige Owens, Bob Boroujerdi, and Can Sun.

3 Now, the government is not confident that that's going
4 to take us to the end of the trial day on Thursday, but we have
5 two to three people scheduled for the following Thursday, when
6 trial picks up, who have travel booked from either out of
7 state, and one witness, who is a customer victim, who was here
8 in court last Friday, but we ended early, and he didn't get to
9 testify, but he is not available this week.

10 What we would propose is, if the Court is amenable, if
11 our witnesses don't take us through the day on Thursday, ending
12 early, which will give the parties an opportunity to work on
13 the jury instructions your Honor has asked for by the end of
14 the day Thursday, and then we would complete our case the
15 following Thursday morning.

16 The defense has rebuttal expert notice, if any, due to
17 us three days before we rest, so this will also give them a
18 little more time beyond having to give us that notice today if
19 we were to rest this Thursday.

20 THE COURT: Thank you.

21 What's the state of play, Mr. Cohen, with you, bearing
22 in mind I am not holding you to anything?

23 MR. COHEN: Yes, your Honor.

24 We would agree with the schedule that the government
25 proposed, subject to your Honor's approval. We are still

1 working through whether we are going to put a case on and, if
2 so, of what nature. But I continue to believe that if we do
3 put on a case, it won't be more than a week, week and a half at
4 the max.

5 THE COURT: That suggests to me we are done the first
6 week in November, worst case, right?

7 MR. COHEN: Yes. It might be sooner, your Honor.

8 THE COURT: I think I'm as informed as I can be about
9 now.

10 Thank you. I'll see you all in the morning.

11 (Adjourned to October 18, 2023, at 9:30 a.m.)
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GOVERNMENT EXHIBITS

Exhibit No.	Received
2004, 1118, and 1122	.1628
1080	.1630
342	.1644
221, 223, 224, 281, 282, 285-287, ...	.1649
290-293, and 302	
873	.1658
527	.1666

DEFENDANT EXHIBITS

Exhibit No.	Received
3002	.1556
1102 (pages 1 and 18 only)	.1557
3501-11	.1609

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

-----x

7
8 New York, N.Y.
9 October 18, 2023
10 9:30 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
17 Southern District of New York

18 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present)

2 THE COURT: Anybody have any objection to my bringing
3 the jury more or less up to date on the schedule, with all
4 sorts of appropriate caveats?

5 MS. SASSOON: No objection.

6 THE COURT: What we are looking at is the conclusion
7 of evidence sometime in the week of October 30 or maybe
8 November 6, right?

9 Of course we have the issue of whether there is a
10 rebuttal case, a defense case. We have all those issues. But
11 I think they have a right to know how long they are going to be
12 here, to the extent we can tell them.

13 Let's get the witness on the stand and bring up the
14 jury.

15 MR. RAYMOND: Thank you, your Honor. The government
16 calls Eliora Katz.

17 (Jury present)

18 THE COURT: Good morning, everybody. Folks can be
19 seated.

20 The defendant and the jury all are present, as they
21 have been throughout.

22 I wanted to say a couple of things to the jury before
23 we get started this morning.

24 First of all, I know I speak for everybody in saying
25 how much we appreciate the fact that you are here every day on

1 time. You get back from lunch on time. That makes this all
2 move. And everybody is very well aware of how much of your
3 time this is taking and are very appreciative of your service.

4 The second thing I wanted to do is update you as best
5 I can, which is kind of uncertain, about what the schedule is
6 looking like, without in any way committing. There are
7 contingencies about what will happen in the rest of the trial,
8 as there are in any trial.

9 We currently think that the chance that the taking of
10 evidence, which doesn't include your deliberations or my giving
11 you my instructions and so on, could conclude as early as the
12 week of October 30. It could also go into the week of November
13 6. If it does, it probably will conclude that week. If there
14 are significant changes, I'll try to keep you posted, but I
15 don't have all the information at the moment.

16 Mr. Raymond, I think it would be useful formally to
17 call your witness.

18 MR. RAYMOND: Thank you, your Honor. The government
19 calls Eliora Katz.

20 THE COURT: Swear the witness, please, if we have not
21 done that already.

22 Have we sworn the witness.

23 MR. RAYMOND: I don't believe so, your Honor.

24 ELIORA MICHAELA KATZ,

25 called as a witness by the government,

1 having been duly sworn, testified as follows:

2 THE COURT: Thank you. You may proceed, Mr. Raymond.

3 MR. RAYMOND: Thank you, your Honor.

4 DIRECT EXAMINATION

5 BY MR. RAYMOND:

6 Q. Ms. Katz, where did you work a year ago?

7 A. FTX US.

8 Q. When did you start working there?

9 A. April 2022.

10 Q. Ms. Katz can you speak a little further into the mic. I
11 couldn't quite catch that.

12 A. April 2022.

13 Q. Where was your office?

14 A. In Washington, D.C.

15 Q. What was your title?

16 A. Director of government relations and policy.

17 Q. What were your responsibilities as the director of
18 government relations and policy?

19 A. Advocating for regulatory clarity in the digital asset
20 markets.

21 Q. What does it mean to advocate for regulatory clarity? What
22 were your day-to-day responsibilities?

23 A. Speaking with people in Washington about the importance of
24 federal oversight over crypto spot markets.

25 Q. When you say speaking to people in Washington, what types

1 of people were you speaking to?

2 A. Staffers on the hill.

3 Q. When you say the hill, what does that refer to?

4 A. Congress.

5 Q. Who did you report to?

6 A. Mark Wetjen.

7 Q. Ms. Katz, did you ever meet Sam Bankman-Fried?

8 A. Yes.

9 Q. Did you ever meet him in Washington, D.C.?

10 A. Yes.

11 Q. Based on your job responsibilities, were you aware of the
12 purposes of his trips to D.C.?

13 A. The purposes that I was, you know, involved with, I guess,
14 yes.

15 Q. What were the purposes of his trips, if any?

16 A. What I saw of -- engaging with policy makers about digital
17 asset regulation.

18 Q. How did you know that was the purpose of some of his trip
19 to D.C.?

20 A. Because I participated in some of those meetings.

21 Q. So that's meetings with Mr. Bankman-Fried and some of the
22 policy makers you were describing?

23 A. Correct.

24 Q. As far as you know, did Sam Bankman-Fried ever make any
25 public statements while in D.C. related to FTX?

1 A. Yes.

2 Q. What were those?

3 A. He testified before Congress in May, I believe, of 2022.

4 Q. How do you know that he testified before Congress in May
5 2022?

6 A. Because I was present in the room.

7 MR. RAYMOND: Your Honor, the government offers
8 Government Exhibit 833, pursuant to stipulation Government
9 Exhibit 2001.

10 THE COURT: Received.

11 (Government Exhibit 833 received in evidence)

12 MR. RAYMOND: Your Honor, may we publish?

13 THE COURT: Yes.

14 MR. RAYMOND: Thank you.

15 Q. Ms. Katz, can you read out the date of this tweet.

16 A. November 28, 2021.

17 Q. Was that November 28?

18 A. I'm sorry. November 8, 2021.

19 Q. In this first tweet there is a reference to
20 blog.FTX.com/policy.

21 Do you see that?

22 A. Yes.

23 Q. Do you recognize that link?

24 A. Yes.

25 Q. What was it or is it?

1 A. FTX's blog in which they would post kind of think pieces
2 related to digital asset policy.

3 Q. Did you ever review the materials posted to that site?

4 A. I had read some of them, the material, yes.

5 Q. And why did you review those?

6 A. To understand how FTX was thinking about policy.

7 MR. RAYMOND: Your Honor, the government will now read
8 the first sentence of paragraph 8 of Government Exhibit 2000,
9 which is a stipulation between the parties. Samuel
10 Bankman-Fried testified before the United States House of
11 Representatives Financial Services Committee on December 8,
12 2021.

13 Your Honor, the government now offers --

14 THE COURT: Before you go on, I am going to give an
15 instruction.

16 Members of the jury, we talked about stipulations
17 three weeks ago. You must accept as a fact what Mr. Raymond
18 just read as having been stipulated.

19 Let's go on, Mr. Raymond.

20 MR. RAYMOND: Thank you, your Honor.

21 Your Honor the government now offers Government
22 Exhibits 913-1 and 913-2, pursuant to stipulation GX-2000,
23 which are, according to the stipulation, true and correct
24 copies of excerpts of video of his testimony that day.

25 THE COURT: They are received.

1 (Government Exhibits 913-1 and 913-2 received in
2 evidence)

3 MR. RAYMOND: Your Honor, may we publish Government
4 Exhibit 913-1?

5 THE COURT: Yes.

6 MR. RAYMOND: Thank you.

7 Mr. Bianco, can you play that video.

8 (Video played)

9 Q. Ms. Katz, did you recognize anyone in that video?

10 A. Yes.

11 Q. Who did you recognize?

12 A. I recognized Sam, as well as my former supervisor at FTX,
13 Mark Wetjen.

14 Q. Where was Mr. Wetjen sitting in that clip?

15 A. Behind Sam.

16 MR. RAYMOND: Mr. Bianco, could you now play
17 Government Exhibit 913-2 for the jury.

18 (Video played)

19 MR. RAYMOND: Your Honor, the government next offers
20 Government Exhibit 913-T, pursuant to GX-2000, which is a true
21 and correct transcript of the excerpts of this testimony.

22 THE COURT: It's received.

23 (Government Exhibit 913-T received in evidence)

24 MR. RAYMOND: Your Honor, can we publish?

25 THE COURT: Yes.

1 MR. RAYMOND: Mr. Bianco, can you publish it.
2 Could you go to the next page. Could you just
3 highlight the bottom, the lines here.

4 Could you take that down, Mr. Bianco.

5 Your Honor, the government next offers --

6 THE COURT: Mr. Raymond, did you expect anybody to
7 look at it or read it?

8 MR. RAYMOND: Not for that piece, your Honor, but for
9 the next piece I will. Thank you.

10 THE COURT: It's your case.

11 MR. RAYMOND: Thank you.

12 Your Honor, the government next offers Government
13 Exhibit 913-A, pursuant to GX-2000, which is true and correct
14 excerpts of Mr. Bankman-Fried's submissions to the financial
15 services committee before his testimony.

16 Sorry, your Honor. Is the exhibit received?

17 THE COURT: Yes.

18 (Government Exhibit 913-A received in evidence)

19 MR. RAYMOND: Thank you.

20 Mr. Bianco, could you publish it.

21 Mr. Bianco, could you highlight the top portion.

22 Q. Ms. Katz, can you just read what exactly this is.

23 A. It appears to be Sam Bankman-Fried's testimony before the
24 House Financial Services Committee in December of 2021, and
25 this was obviously before -- long before I joined FTX.

1 Q. What does it list Mr. Bankman-Fried's role as?

2 MR. COHEN: Objection.

3 THE COURT: Sustained.

4 MR. RAYMOND: That's fine, your Honor.

5 Mr. Bianco, could you get out of this and go to the
6 page 2. Could you just highlight this portion.

7 MR. COHEN: Same objection, your Honor.

8 THE COURT: I have not heard a question.

9 MR. RAYMOND: Your Honor, we can pull this down. We
10 don't need to go further on this document.

11 Q. Ms. Katz, can you read this portion of the document.

12 MR. COHEN: Objection.

13 THE COURT: Overruled.

14 MR. RAYMOND: Thank you.

15 A. FTX has designed and offered a platform with a market
16 structure that is risk reducing. To be sure, there are
17 irresponsible actors in the digital asset industry and those
18 actors attract the headlines, but FTX is not one of them and in
19 fact has built a resilient risk-reducing platform as a
20 competitive advantage.

21 Q. Thank you.

22 MR. RAYMOND: Mr. Bianco, can you go to page 3 of the
23 document. Can you highlight the bottom.

24 Q. Ms. Katz, could you read this portion.

25 A. BTC and ETH, two tokens expressly addressed by the CFTC to

1 be commodities subject to its jurisdiction.

2 MR. RAYMOND: Mr. Bianco, can you go to the next page.
3 The page after that, please. Could you go to the following
4 page after this. Could you highlight the top portion, Mr.
5 Bianco.

6 Q. Ms. Katz, do you recognize this document?

7 A. Yes.

8 Q. What is it?

9 A. It was a piece that was on the FTX blog which was also
10 posted on the FTX blog long before I joined FTX and which I had
11 nothing -- I did not draft or write.

12 Q. Were you aware of this document?

13 A. Yes.

14 Q. And had you seen this document when you were working at
15 FTX?

16 A. Yes.

17 MR. RAYMOND: Mr. Bianco, you can take this document
18 down.

19 Your Honor, the government next offers Government
20 Exhibit 836, pursuant to stipulation GX-2001.

21 THE COURT: Received.

22 (Government Exhibit 836 received in evidence)

23 MR. RAYMOND: May we publish it?

24 THE COURT: Yes, sir.

25 Q. Ms. Katz, could you just read the date of these tweets.

1 A. December 8, 2021, December 8, 2021.

2 Q. Could you just read the first under number 1. Can you read
3 the tweet.

4 A. A huge thanks to Maxine Waters, Patrick McHenry, and the
5 whole House Financial Services Committee for having us today to
6 talk about the future of digital assets.

7 MR. RAYMOND: Mr. Bianco, can you get out of this
8 tweet.

9 A. Again, this tweet tweeted before I joined the company.

10 MR. RAYMOND: Your Honor, the government next offers
11 GX-763, pursuant to GX-2001.

12 THE COURT: Received.

13 (Government Exhibit 763 received in evidence)

14 MR. RAYMOND: Can we publish to the jury?

15 THE COURT: Yes.

16 MR. RAYMOND: Thank you.

17 Mr. Bianco, can you publish.

18 Q. Ms. Katz, can you just read out the date first.

19 A. February 6, 2022.

20 Q. Could you read the tweet.

21 A. I'm honored and excited to be testifying before the senate
22 AG committee on digital assets Wednesday, along with CFTC
23 Behnam.

24 Also before I joined the company.

25 MR. RAYMOND: Your Honor, the government will now read

1 the first sentence of paragraph 9 of GX-2000, which is the
2 stipulation between the parties:

3 Samuel Bankman-Fried testified before the United
4 States Senate Committee on Agriculture Nutrition and Forestry
5 on February 9, 2022.

6 Your Honor, the government next offers GX-764,
7 pursuant to stipulation GX-2001.

8 THE COURT: Received.

9 (Government Exhibit 764 received in evidence)

10 MR. RAYMOND: May we publish?

11 THE COURT: Yes.

12 MR. RAYMOND: Thank you.

13 Mr. Bianco, can you publish 764.

14 Q. Ms. Katz, could you just read out the date of this tweet
15 first.

16 A. February 9, 2022.

17 Q. And the embedded tweet from SBF underscore FTX, can you
18 just read that?

19 A. I'll be testifying before the senate AG committee today.
20 Starts in 45 minutes. My panel probably starts an hour after
21 that or so.

22 Q. Can you read the FTX underscore official tweet on top of
23 that.

24 A. To download Sam's testimony, please go to FTX US. If you
25 would like to view all of our policy briefs, please see

1 ftxpolicy.com.

2 Also tweeted before I joined.

3 Q. Ms. Katz, ftxpolicy.com, that's a different URL than the
4 one we looked at before, correct?

5 A. I believe so.

6 Q. Did you ever look at what was on ftxpolicy.com?

7 A. I believe so.

8 Q. And what was that?

9 A. A blog where FTX would post Sam's testimonies and other
10 thought pieces related to digital assets.

11 MR. RAYMOND: Your Honor, the government now offers
12 GX-914-1, which consists of, according to the stipulation, a
13 true and correct video of excerpts of his testimony on February
14 9, 2022.

15 THE COURT: Received.

16 (Government Exhibits 914-1 received in evidence)

17 MR. RAYMOND: Your Honor, can we play it for the jury?

18 THE COURT: Yes.

19 MR. RAYMOND: Thank you.

20 Mr. Bianco, can you pull it up.

21 (Video played)

22 MR. RAYMOND: Your Honor, the government next offers
23 GX-914-T, which, pursuant to GX-2000, is a true and correct
24 transcript of excerpts of Mr. Bankman-Fried's testimony before
25 the senate.

1 THE COURT: Received.

2 (Government Exhibit 914-T received in evidence)

3 MR. RAYMOND: Your Honor, may we publish?

4 THE COURT: Yes.

5 MR. RAYMOND: Thank you.

6 Mr. Bianco, can you go to the next page, and the page
7 after that. Could you just highlight Mr. Bankman-Fried's
8 statement below.

9 Q. Ms. Katz, is that a transcript of the video we just saw?

10 A. I believe so.

11 THE COURT: You played the video.

12 MR. RAYMOND: Yes. Thank you, your Honor.

13 THE COURT: I don't think we have to go through the
14 transcripts of the video. You can put them in.

15 MR. RAYMOND: Thank you, your Honor. Will do.

16 Your Honor, the government next offers GX-914-A,
17 which, according to the stipulation, is a true and correct copy
18 of excerpts of Mr. Bankman-Fried's submissions to the senate
19 committee.

20 THE COURT: Received.

21 (Government Exhibit received 914-A in evidence)

22 MR. RAYMOND: May we publish?

23 THE COURT: Yes.

24 MR. RAYMOND: Mr. Bianco, can you first highlight at
25 the very top the testimony of Sam Bankman-Fried, cofounder.

1 Q. Ms. Katz, do you recognize this document?

2 A. Yes.

3 Q. What is it?

4 A. Sam Bankman-Fried's testimony before the senate agriculture
5 committee on February 9, 2022.

6 Also before I joined FTX.

7 Q. What is Mr. Bankman-Fried's role listed as in this
8 document?

9 A. Cofounder and CEO of FTX.

10 MR. RAYMOND: Mr. Bianco, could you go down to page 2
11 of this document, and could you highlight this portion.

12 Q. Ms. Katz, could you just read the first sentence of the
13 highlighted portion.

14 A. FTX released this week FTX's key principles for ensuring
15 investor protections on digital asset platforms (investor
16 protection key principles) where we identified the most
17 important components of an investor-protection regime (which
18 the CEA and CFTC rules also reflect) and how FTX offers those
19 protections today with the direct membership model.

20 Q. Ms. Katz, as part of your responsibilities at FTX US, were
21 you aware of FTX's key principles?

22 A. Yes.

23 Q. Had you reviewed a document by that title?

24 A. That document was published before I joined FTX, but I had
25 seen it on the blog.

1 Q. And could you just read the components listed below.

2 MR. COHEN: Objection.

3 THE COURT: Sustained.

4 Let's move it along.

5 MR. RAYMOND: Thank you, your Honor.

6 Mr. Bianco, could you go to page 5 of the document.

7 Could you pull up the top.

8 Q. Ms. Katz, is this the key principles document you were
9 talking about a moment ago?

10 A. I believe so.

11 MR. RAYMOND: Mr. Bianco, can you highlight on the
12 next page of the document the introduction, just the first
13 sentence: FTX strongly believes ensuring investor protections
14 is critical to the successful operations of digital asset
15 platformings, including our own, as well as to ensuring
16 positive user experience for our customers.

17 Q. Ms. Katz, when you were working at FTX, did you have any
18 reason to believe this statement was false?

19 A. No.

20 MR. RAYMOND: Mr. Bianco, can you go to the next page
21 of this document. Under the -- the page after this. At the
22 very top, maintaining adequate resources.

23 Q. Is maintaining adequate resources to return a customer's
24 assets, a hallmark of the --

25 MR. COHEN: Objection.

1 THE COURT: What is the objection?

2 MR. COHEN: The document speaks for itself. We have
3 gone over this.

4 THE COURT: I'll allow him to draw attention to it in
5 this way.

6 MR. RAYMOND: Thank you, your Honor.

7 A hallmark of the investor protection regimes for
8 markets globally and in the U.S. are requirements to ensure the
9 intermediary holding a customer's assets has adequate liquid
10 resources available at all times to ensure the customer can
11 redeem her assets when she chooses.

12 Q. Ms. Katz, when you were working at FTX, did you have any
13 reason to believe that this statement was false?

14 A. No. I was not involved with the inner workings of these
15 issues and had no familiarity with them, so no.

16 MR. RAYMOND: Mr. Bianco, can you highlight the bottom
17 part of this page: FTX's policies and procedures. It should
18 go over to the next page as well. FTX has policies and
19 procedures for its platforms today that reflect this basic
20 principle by maintaining liquid assets for customer
21 withdrawals, including a sufficient balance of digital assets
22 funded by the company for its non-U.S. platform.

23 Q. Ms. Katz, did you have any reason to believe that this
24 statement was false when you were working at FTX?

25 A. No.

1 MR. RAYMOND: And, finally, Mr. Bianco, could you go
2 to page 10 of this document. I think it's the next page.

3 Do you see the line additionally as a general
4 principle, Mr. Bianco, in the middle of the page? Can you just
5 highlight the middle of the page. Thank you.

6 Additionally, as a general principle, FTX segregates
7 customer assets from its own assets across our platforms.

8 Q. Ms. Katz, when you were working at FTX, did you have any
9 reason to believe this statement was false?

10 A. No. These were issues that I had no visibility or I didn't
11 pay attention to and had nothing to do with what I was doing
12 there.

13 Q. Ms. Katz, did you draft this document?

14 A. No.

15 MR. RAYMOND: Mr. Bianco, you can pull this document
16 down and can you pull up GX-873, which is in evidence. Could
17 you go to page 8.

18 Q. Ms. Katz, can you read out the date of this tweet.

19 A. Yes. February 9, 2022.

20 Q. Can you also read out the time.

21 A. 7:40 p.m.

22 MR. RAYMOND: Your Honor, the government next offers
23 GX-839, pursuant to stipulation GX-2001.

24 THE COURT: Received.

25 (Government Exhibit 839 received in evidence)

1 MR. RAYMOND: May we publish?

2 THE COURT: Yes.

3 MR. RAYMOND: Thank you.

4 Q. Ms. Katz, can you read the date and time of this tweet as
5 well.

6 A. 7:29 p.m., February 22, 2022.

7 Again, before I joined the company.

8 MR. RAYMOND: Your Honor, the government now offers
9 GX-844, pursuant to stipulation GX-2001.

10 THE COURT: Sorry. I couldn't quite make out what
11 number.

12 MR. RAYMOND: 844, your Honor.

13 THE COURT: Received.

14 (Government Exhibit 844 received in evidence)

15 MR. RAYMOND: May we publish it?

16 THE COURT: Yes, sir.

17 MR. RAYMOND: Thank you.

18 Q. Ms. Katz, could you read this tweet and the date.

19 A. Yes. I'm honored to be testifying before the house
20 agriculture committee tomorrow at 10 a.m. 10:42 p.m., May 11,
21 2022.

22 Q. Ms. Katz, were you working at FTX in May 2022?

23 A. Yes.

24 Q. Did Mr. Bankman-Fried in fact testify before the house
25 agriculture committee on that day?

1 A. I believe so.

2 Q. Did you attend the hearing?

3 A. Yes.

4 MR. RAYMOND: Your Honor, the government now offers
5 GX-845, pursuant to stipulation GX-2001.

6 THE COURT: Received.

7 (Government Exhibit 845 received in evidence)

8 MR. RAYMOND: May we publish it?

9 THE COURT: You may.

10 Q. Ms. Katz, can you read the date of this tweet.

11 A. May 11, 2022.

12 Q. Can you read just the top number 3 tweet and then letter C
13 below that.

14 A. We think that by granting federal oversight of digital
15 asset markets, it would, C, protect customers.

16 Q. Thank you.

17 MR. RAYMOND: Your Honor, the government next offers
18 GX-916-T, which, pursuant to stipulation GX-2000, is a document
19 submitted by Samuel Bankman-Fried to the United States House
20 Committee on Agriculture for a hearing held on June 23, 2022.

21 THE COURT: Received.

22 (Government Exhibit 916-T received in evidence)

23 Q. Ms. Katz, were you working at FTX US in June 2022?

24 A. Yes.

25 Q. Were you aware of a submission made to Congress around June

1 23, 2022?

2 A. Yes.

3 Q. Did you participate in preparing materials submitted to
4 Congress?

5 A. I can't recall exactly. I believe this is the compilation
6 of things that were posted on the FTX blog which were all
7 drafted before I joined the company, so I had nothing to do
8 with writing the content, but I might have helped submit it to
9 Congress.

10 Q. I think you mentioned the word compilation. Were you
11 involved in compiling the documents from the FTX blog?

12 A. I can't recall exactly, but that might have been something
13 that my boss at the time, Mark Wetjen, asked me to do, but I
14 can't recall exactly.

15 MR. RAYMOND: Your Honor, may we publish?

16 THE COURT: Yes.

17 MR. RAYMOND: Mr. Bianco, can you go to page 3 of this
18 document. Can you pull up just the top.

19 Q. Ms. Katz, do you recognize this document?

20 A. Yes. Something from an FTX blog post published before I
21 joined the company.

22 Q. And is this the company principles document that you
23 mentioned before?

24 A. I believe so.

25 MR. RAYMOND: Mr. Bianco, could you just return to the

1 first page of this document.

2 Q. Ms. Katz, can you just refresh, what is the date of this
3 hearing?

4 A. June 23, 2022.

5 MR. RAYMOND: Your Honor, the government now offers
6 GX-870, pursuant to stipulation GX-2001.

7 THE COURT: Received.

8 (Government Exhibit 870 received in evidence)

9 THE COURT: How much more of this, Mr. Raymond?

10 MR. RAYMOND: One more after this, your Honor.

11 May we publish it?

12 THE COURT: Yes.

13 Q. Ms. Katz, can you read the date first.

14 A. August 3, 2022.

15 Q. Could you just read the first tweet.

16 A. I'm really excited to see Senators Stabenow and John
17 Boozman introduce strong bill to bring customer protection and
18 federal oversight to crypto.

19 Q. Ms. Katz, were you aware of the legislation proposed around
20 this time related to the cryptocurrency industry?

21 A. Yes.

22 Q. Is your awareness part of your duties working for FTX US?

23 A. Yes.

24 MR. RAYMOND: Your Honor, the last one now. The
25 government offers GX-856, pursuant to GX-2001.

1 THE COURT: Received.

2 (Government Exhibit 856 received in evidence)

3 Q. Ms. Katz, first, can you read the date on these tweets.

4 A. October 19, 2022.

5 Q. For the second tweet can you just read 2A.

6 A. At a high level, we need regulatory oversight and customer
7 protection.

8 Q. Ms. Katz, during your testimony you've seen certain tweets
9 and public statements by Mr. Bankman-Fried. Did you believe
10 those statements about how FTX worked when you worked at FTX
11 US?

12 A. Yes.

13 MR. RAYMOND: No further questions, your Honor.

14 THE COURT: Thank you. Is there any cross?

15 MR. COHEN: Yes, your Honor.

16 CROSS-EXAMINATION

17 BY MR. COHEN:

18 Q. Just a few questions, Ms. Katz.

19 Just so the record is clear, when did you actually
20 work at FTX?

21 A. From April 2022 through November 2022.

22 Q. So about six, seven months?

23 A. Correct.

24 Q. And I think you mentioned a fellow named Mark Wetjen, is
25 that right?

1 A. Yes, sir.

2 Q. He was your boss?

3 A. Yes.

4 Q. Do you know his background?

5 A. Somewhat, yes.

6 Q. Do you know if he had ever worked for CFTC?

7 A. He did, yes.

8 Q. And what did he do there?

9 A. I believe he was a commissioner.

10 Q. He was one of the commissioners of the CFTC?

11 A. To my knowledge, yes.

12 MR. COHEN: Now, if we could call up just very quickly

13 GX-844.

14 Q. Do you recall Mr. Raymond just showed this document to you?

15 A. Yes.

16 Q. And it references testimony before the House Committee on
17 Agriculture. You see tractors and apples and so forth.

18 You see that, ma'am?

19 A. Yes.

20 Q. Do you know -- let me back up.

21 The House Committee on Agriculture had supervision
22 over the CFTC, isn't that correct?

23 A. Yes.

24 MR. COHEN: We can take that down.

25 Q. Now, you mentioned that during the time you were at FTX

1 there had been some written testimony submitted to Congress.

2 Do you recall that testimony, ma'am?

3 A. Yes.

4 Q. If I understand correctly, that was something that you did
5 not work on?

6 A. Correct.

7 Q. That was worked on by Mr. Wetjen and Mr. Bankman-Fried?

8 A. Correct.

9 MR. COHEN: I have nothing further. Thank you.

10 THE COURT: Thank you.

11 Anything else, Mr. Raymond?

12 MR. RAYMOND: No. Thank you, your Honor.

13 THE COURT: Ms. Katz, thank you. You are excused.

14 (Witness excused)

15 THE COURT: Next witness.

16 MR. ROOS: Yes, your Honor. The government calls
17 Peter Easton.

18 PETER DOUGLAS EASTON,

19 called as a witness by the government,

20 having been duly sworn, testified as follows:

21 THE COURT: Mr. Roos, you may proceed.

22 MR. ROOS: Thank you, your Honor.

23 DIRECT EXAMINATION

24 BY MR. ROOS:

25 Q. Good morning.

1 A. Good morning.

2 Q. Where do you work?

3 A. I work at the University of Notre Dame.

4 Q. What's your title or role at University of Notre Dame?

5 A. I'm a professor of accounting.

6 Q. What areas of accounting do you focus on?

7 A. I cover accounting largely at the border of finance and
8 accounting, valuation, financial statement analysis, those
9 kinds of things.

10 Q. Let me ask you a little bit about your background. Where
11 did you do your schooling?

12 A. I did undergraduate schooling and some postgraduate
13 schooling in Australia, then in the late '70s moved to
14 University of California Berkeley, where I completed the Ph.D.
15 in finance and accounting.

16 Q. What did you do after getting your Ph.D.?

17 A. My first appointment was at the University of Chicago. I
18 continued to work at the University of Chicago until 2008 on
19 and off. I also went back to Australia for five years, at Ohio
20 State for eight years, and I've been 20 years at the University
21 of Notre Dame.

22 Q. Since becoming a professor at the University of Notre Dame,
23 what roles have you had?

24 A. I've been director of a center for education and accounting
25 and research and accounting. I have taught accounting classes,

1 again on the border of finance and accounting.

2 Q. Are you a tenured professor?

3 A. Yes, I am.

4 Q. What are some of the requirements for becoming a tenured
5 professor?

6 A. The requirements are teaching, of course, but also
7 publication in the very top academic journals.

8 Q. What do you teach?

9 A. I teach essentially penetrating financial statements,
10 understanding the financial statements and understanding their
11 implications for security valuations or asset valuation of
12 various kinds.

13 Q. You mentioned, in addition to teaching, doing research.
14 What are your areas of research?

15 A. My areas of research for the entire 40 years of my research
16 career have been based on penetrating the details of financial
17 statements and understanding the implications of those
18 financial statements for securities markets, securities prices,
19 asset valuations in general.

20 Q. From your research have you published any books or
21 articles?

22 A. Yes. I published five books. I have published 50 articles
23 in the top journals.

24 Q. What types of books have you published?

25 A. My books are all on financial statement analysis,

1 penetrating the financial statements, and the implications for
2 valuation.

3 Q. Are they textbooks?

4 A. They are all textbooks, yes.

5 Q. I assumed not fictional books about penetrating, correct?

6 A. Right.

7 Q. Have you worked on any academic journals?

8 A. Yes. I've been editor on all of the top four journals in
9 the United States, on the top journal in Canada, top journal in
10 Europe, and the top journal in the Asia Pacific area.

11 Q. When you say top journals, you're referring to accounting
12 journals?

13 A. I am, yes.

14 Q. Have you ever worked on any litigation or court cases?

15 A. Yes, I have.

16 Q. At a high level, what kind of litigation?

17 A. This has, again, been penetrating the financial statements,
18 understanding issues in the accounting statements, things that
19 may have been omitted or incorrectly stated, and the
20 implications of that for valuation; generally, not always.

21 Q. Have you ever worked on any cases involving financial or
22 accounting fraud?

23 A. Yes, I have.

24 Q. What cases?

25 A. I have worked on three cases. These were cases in the

1 early 2000s: Enron, WorldCom, and Parmalat.

2 Q. Now, have you ever worked on any cases or matters related
3 to cryptocurrency?

4 A. Yes, I have.

5 Q. What have you worked on?

6 A. I worked on the *SEC v. Ripple* case.

7 MR. ROOS: At this time, your Honor, the government
8 would move to qualify --

9 THE COURT: Not necessary. Received.

10 MR. ROOS: Thank you, your Honor.

11 May we inquire on that basis?

12 THE COURT: Yes, of course.

13 Q. Professor Easton, I would like to ask you a few preliminary
14 questions about your involvement in this case before we get to
15 the substance.

16 To your knowledge, have you ever met any of the
17 witnesses in the case?

18 A. No, I have not.

19 Q. And have you ever met the defendant, Samuel Bankman-Fried?

20 A. No, I have not.

21 Q. Do you have any personal knowledge of the facts of the case
22 other than what you have learned over the course of your work
23 on the case?

24 A. No, I do not.

25 Q. Is there anyone who has assisted you in the work you've

1 done on this matter?

2 A. Yes.

3 Q. Who is that?

4 A. I've been assisted by a team from a litigation consulting
5 firm called Brattle.

6 Q. What kind of work did Brattle do to assist you?

7 A. Brattle did a lot of the investigation of the details of
8 the data, programming, penetrating details, helping me to
9 aggregate data together.

10 Q. When you do academic research, is it typical for you to be
11 assisted by others?

12 A. Absolutely.

13 Q. Whose direction did the individuals at Brattle work under?

14 A. Under mine.

15 Q. And were you compensated for your work on this case?

16 A. Yes, I was.

17 Q. Approximately how much have you billed on this case to
18 date?

19 A. I'm not sure, but in excess of 100,000.

20 Q. One hundred hours or dollars? What did you say?

21 A. In excess of \$100,000.

22 Q. Got it.

23 Will you bill for your time at this trial?

24 A. Yes, I will.

25 Q. And have you been paid yet for your work?

1 A. Yes, I have.

2 Q. You said you work with Brattle. Are you compensated for
3 the work that Brattle does in the case?

4 A. No, I'm not.

5 Q. Is your pay dependent in any way on the opinions you give
6 in the courtroom today?

7 A. No, it is not.

8 Q. Is your pay in any way dependent on the outcome of this
9 case?

10 A. No, it is not.

11 Q. In the binder in front of you there are a set of exhibits
12 for your review. Professor Easton, if you would just flip
13 through those and see if you're familiar with them.

14 For the record, the binder contains Government
15 Exhibits 1001 to 1005, 1010, 1011, 1013, 1014, 1017 and its
16 subparts, 1018, 1023-1033, 1035, 1039, 1040, 1041, 1044, 1045,
17 1050, 1051, and 3000 through 3016.

18 THE COURT: Mr. Roos, can you repeat those backwards.

19 MR. ROOS: Those are actually my lotto numbers also.

20 THE COURT: Good luck.

21 Q. Professor Easton, are you familiar with those exhibits that
22 are marked for identification?

23 A. Yes, I am.

24 Q. And, generally speaking, what is in the binder before you?

25 A. What is in the binder is a series of exhibits and backup

1 prepared by me and my team.

2 Q. Do they include tables and charts?

3 A. Yes, they do.

4 Q. Do those charts and tables summarize voluminous quantities
5 of data that you have looked at?

6 A. Yes, they do.

7 MR. ROOS: So at this time the government offers
8 Exhibits 1001 to 1005, 1010, 1011, 1013 --

9 THE COURT: A little slower.

10 MR. ROOS: Should I restart?

11 THE COURT: I'm with you as far as 1010.

12 MR. ROOS: 1010, 1011, 1013, 1014, 1017, including its
13 subparts, 1018, 1023 to 1033, 1035, 1039 through 1041, 1044,
14 1045, 1050, and 1051. The government also offers, pursuant to
15 stipulation S-2003, Government Exhibits 30, 56, 89, 188, 201,
16 213, 308, 310, 314, 317, 327, 344, 506. The government offers,
17 pursuant to stipulation S-2002, Government Exhibit 1735. And,
18 finally, the government offers as demonstrative aids Exhibits
19 3000 to 3016.

20 MR. LISNER: No objections beyond the one we resolved
21 yesterday for numbers 1017 through 1051.

22 THE COURT: They are all received.

23 (Government Exhibits 1001 to 1005, 1010, 1011, 1013,
24 1014, 1017, including its subparts, 1018, 1023-1033, 1035,
25 1039-1041, 1044, 1045, 1050, 1051, 30, 56, 89, 188, 201, 213,

1 308, 310, 314, 317, 327, 344, 506, 1735, 3000-3016 received in
2 evidence)

3 THE COURT: Members of the jury, Exhibits 3000 through
4 3016 are what we call demonstratives. They are exhibits
5 designed to illustrate for you other materials so that you can
6 understand the testimony, but they are not themselves evidence.
7 You won't have them in the jury room unless the parties agree
8 otherwise.

9 Let's go.

10 MR. ROOS: Thank you.

11 Q. Professor Easton, have you worked on financial analysis in
12 preparation for your testimony here today?

13 A. Yes, I have.

14 Q. What, at a very high level, was the topic of your analysis?

15 A. The topic of analysis was to understand the sources and
16 uses of fiat and cryptocurrency by Alameda and FTX.

17 Q. Before we talk about those findings further, I want to
18 discuss what went into your financial analysis and the
19 materials you considered. OK?

20 A. Yes.

21 Q. Let's start with the materials. Why don't you just list
22 them for us. What types of records or data or information did
23 you consider?

24 A. There was a large amount of materials, but the easiest box
25 to put them in is bank statements. The FTX database was a

1 massive source of data, the Blockchain, and third-party bank
2 statements.

3 Q. Why don't we break that down a little bit.

4 MR. ROOS: Can we please publish Government Exhibit
5 3000.

6 Q. Professor Easton, can you explain to the jury what we are
7 looking at on page 1 of Government Exhibit 3000.

8 A. Yes. These are bank statements of Alameda. On the left
9 you will see a statement of deposits. Excuse me. Of
10 withdrawals. So you will see these are withdrawals in late
11 September. You will see the amount in the second column. Then
12 you will see the identity of the individual who withdrew the
13 amount.

14 On the right-hand side you will see a similar
15 statement from the Silvergate and Alameda account, but in this
16 case it is deposits.

17 Q. At a high level, what did you and your team do with bank
18 statements like this?

19 A. These statements were extraordinarily important in
20 identifying when customer money was put into an Alameda account
21 and when it was withdrawn from an Alameda account.

22 Q. Did you process or code the data in any way?

23 A. Yes. Me and my team did. We identified individual
24 customers. This was a very time-consuming task because
25 individual customers could be labeled in very many ways. Peter

1 Easton, for example, could be P. Easton or Mr. Easton or Peter
2 Easton, so we set up a matching database so that we could tag
3 each customer and identify them very carefully in the flows
4 through the accounts.

5 MR. ROOS: Can we please go to page 2.

6 Q. Professor Easton what does this show?

7 A. This is a snapshot of the FTX database. This is a gigantic
8 database. You will see on the left-hand side tables. We only
9 go from A to B in the tables. Tables go way down, of course.
10 We access particular tables here. So this is all withdrawals,
11 all the deposits, pricing data, all kinds of data that were
12 required for the analysis.

13 MR. ROOS: Can we go to page 3.

14 Q. You mentioned cryptocurrency Blockchain records. Can you
15 explain what we are looking at?

16 A. Here we are looking at a Blockchain record. The top is the
17 unique identifier, 66 letters and digits. This uniquely
18 identifies a particular transaction. We can see the initiator
19 of that transaction also with a hashtag, and we can see the
20 contract itself. What is this contract? This is for the
21 transfer of -- you will see at the bottom, toward the bottom
22 that this is the transfer of 4400 ether, near enough, and those
23 are valued at \$6.5 million.

24 Q. And the transaction hash --

25 THE COURT: Just a minute.

1 Professor, you used the word hashtag. Would you tell
2 the jury what that is, please.

3 THE WITNESS: These hashtags are unique identifiers on
4 the Blockchain. You will see, I believe, that in the
5 transaction there are 66 alphanumeric identifiers. Because
6 there are so many combinations of these numbers and alphabetic
7 codes, you can see this will surely be unique. So later, if we
8 want to search for a particular transaction, we can uniquely
9 identify on the Blockchain every transaction that has ever
10 occurred.

11 THE COURT: Thank you.

12 Go ahead.

13 MR. ROOS: One moment, your Honor. Maybe there is a
14 juror having an issue with one of the monitors.

15 THE COURT: Are we having a problem with the monitor?

16 JUROR: Yes.

17 THE COURT: If you can get that one fixed, maybe you
18 can work on my PC.

19 We all set or not yet?

20 We are ready to go.

21 MR. ROOS: Thank you.

22 Let's go to page 4.

23 Q. Professor Easton, can you describe what we are looking at
24 on page 4 of this exhibit.

25 A. So I have also examined bank statements from third-party

1 lenders. In this case this is the beginning of a very long
2 bank statement from Genesis, one of the lenders, and it just,
3 in this particular snapshot, shows an invoice to Alameda
4 Research for the interest that's accrued for the month of
5 August 2022. In the left-hand column you will see the
6 currencies: BNB, Bitcoin, Ether, Link, etc. In the middle
7 column you will see the accrued interest on the cryptocurrency.
8 And in the right hand column you will see the accrued interest.
9 3.6 million on the U.S. dollar.

10 Q. How were documents like these statements from
11 cryptocurrency lenders like Genesis incorporated into your
12 overall analysis?

13 A. Again, for these, it was largely understanding the source
14 of funds to Alameda and FTX.

15 MR. ROOS: We can take the exhibit down.

16 Q. Once you had all of this data, what types of analyses did
17 you do?

18 A. Then I did both high-level analyses and analyses
19 penetrating individual transactions.

20 Q. Have you reached any conclusions from those analyses?

21 A. Yes, I have, some at a very high level and others at a very
22 transactional level.

23 Q. Starting at the high level --

24 MR. ROOS: Let's publish Government Exhibit 3001.

25 Q. What are these?

1 A. These are the 30,000-feet, high-level conclusions.

2 First of all, the amount of customer fiat deposits --
3 and all analysis are broken into fiat versus crypto -- the
4 amount of customer deposits held in Alameda Research and
5 FTX.com accounts was way less than was owed to customers on
6 FTX. And then the question, of course, is what happened to
7 that money. Well, Alameda Research used it for their own
8 expenditures.

9 Similarly, the amount of FTX hot and cold crypto
10 wallets was far less -- the amount owed in those wallets was
11 far less than the amount that was owed to FTX customers, and,
12 again, Alameda Research used customer crypto funds to pay for
13 the expenditures.

14 Also Alameda Research had the opportunity to borrow
15 against FTX, and there was not sufficient borrowing to cover
16 those expenditures.

17 (Continued on next page)

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25

1 BY MR. ROOS:

2 Q. And you're referring to through the spot margin program?

3 A. Through the spot margin program, yes, exactly.

4 Q. All right. We're going to go through these conclusions, so
5 why don't we take this down.

6 You mentioned some findings relating to fiat and some
7 findings related to cryptocurrency, and before we go through
8 the findings, I just want to talk about the differences there.

9 MR. ROOS: Why don't we publish Government
10 Exhibit 3002.

11 Q. And starting on page 1, Professor Easton, can you explain
12 to the jury what you mean by fiat currency.

13 A. So by fiat currency, I mean the currency that we are all
14 used to using. US currency is the fiat currency for the United
15 States. We have a hundred dollar bill. The pound, of course,
16 is the fiat currency for the UK. The euro is the fiat currency
17 for Europe. The yen is the fiat currency for Japan. These are
18 currencies we're used to seeing, and throughout my testimony, I
19 will use color codes to remind us of what we're talking about.
20 Fiat will always be shown as a green identity.

21 MR. ROOS: And let's go to page 2.

22 Q. What information has been added to the screen?

23 A. The other side of the screen points out that we've got this
24 alternative cryptocurrency. Cryptocurrency is recorded by
25 unique hashtag, and you'll see an example in the bottom

1 right-hand corner of this exhibit. Transactions are recorded
2 on the blockchain. Every time we have sufficient transactions
3 built up, a new block is created. The blocks are connected and
4 will never disappear. So the blockchain exists forever. An
5 example of three cryptocurrencies that will come up in the
6 testimony, Bitcoin, Ether, and USDT. USDT is somewhat
7 different to the others inasmuch as it is a stablecoin, meaning
8 that it is tethered to, tied to, the US dollar. One stablecoin
9 is essentially equal to one US dollar.

10 Q. All right. With that background, I want to talk about your
11 first two conclusions that we looked at, okay?

12 A. Yes.

13 MR. ROOS: We can take this down.

14 Q. Now you mentioned just now fiat currency and fiat deposits,
15 but what is a fiat deposit? What did you mean by that?

16 A. A fiat deposit is just like you or I would take money from
17 our wallet, our back-pocket wallet, and deposit at a bank.

18 MR. ROOS: Let's bring up Government Exhibit 3003.

19 Q. Professor Easton, what does this show?

20 A. So if we look at the top part of this diagram, it shows a
21 simple operation of a customer—you or I—putting a hundred
22 dollars into a bank account. The bank accounts in question
23 here are Alameda, North Dimension, and FTX. The lower part
24 shows the accounting, how the accounting would occur. The
25 accounting is a classic double-entry bookkeeping accounting

1 method, which has been around for centuries, and essentially
2 all the double-entry means is that we record the fact that
3 we've got \$100 of customer deposits in the green on the
4 right-hand at the bottom, but we will record a corresponding
5 liability. We've got that customer account of a hundred
6 dollars in green, but we owe the customer a hundred dollars, so
7 we've got a liability building up of a hundred dollars per
8 unit.

9 Q. And so just focusing here on the bottom section, for this,
10 you see the account—the box that says fiat@ftx.com Bookkeeping
11 Account?

12 A. Yes.

13 Q. How is that part of the double-entry bookkeeping accounting
14 system you described?

15 A. So this is the second entry or the negative entry to
16 balance the positive entry. We could use the term debits and
17 credits, but they are unnecessarily confusing.

18 Q. So let's say a customer deposits a hundred dollars into one
19 of these Alameda or North Dimension or FTX bank accounts. How
20 is that recorded in the FTX database bookkeeping account?

21 A. It should be recorded as a corresponding liability. In
22 this case we've got a hundred dollars deposited, and there will
23 be a corresponding amount owing against that deposit, a
24 liability.

25 Q. And how is it documented within the accounting system in

1 terms of the customer account, so this last box here on the
2 right?

3 A. It's an increase in the customer account. So we increase
4 by a hundred dollars a customer account, we increase the
5 negative amount in the liability.

6 Q. So how does this process work for fiat withdrawals?

7 MR. ROOS: Let's go to the second page.

8 A. So for fiat withdrawals, as you would expect, it's just the
9 opposite. So the transaction between you and—the customer and
10 the bank is at the top. At the bottom of this diagram is now
11 we've taken a hundred dollars out of the customer account and
12 in turn, in the fiat@ftx bookkeeping account, we no longer have
13 that liability. We've paid the cash back to the customer.

14 Q. And so just to be clear about the terms we're using, when
15 Alameda or FTX received a fiat deposit, would that result in a
16 positive or negative entry in that fiat@ftx bookkeeping
17 account?

18 A. When they received a deposit, it would result in a negative
19 entry in the fiat account.

20 THE COURT: And again, just for clarification, you
21 have the legend on the lower left side of the chart which reads
22 Exchange Ledger Activity. "Exchange" refers to what exactly?

23 THE WITNESS: FTX exchange.

24 THE COURT: And "ledger" in this context means what?

25 THE WITNESS: This means the general ledger at FTX.

1 THE COURT: In other words, a bookkeeping record.

2 THE WITNESS: Exactly.

3 THE COURT: And in this case it's an electronic
4 record.

5 THE WITNESS: Yes, it is.

6 THE COURT: All right. Let's go. Go ahead.

7 MR. ROOS: Thank you.

8 BY MR. ROOS:

9 Q. And you used the term "fiat liability." So the balance of
10 this account, I think you said, gets more negative with more
11 deposits. What about the liability—when you refer to
12 liability, what are you referring to?

13 A. Well, the—the balance gets less negative—more negative,
14 meaning that the liability increases.

15 Q. All right. And so we're on withdrawals. And let me ask
16 you: Did the balance of the fiat@ftx account change over time?

17 A. Yes, it did.

18 Q. How so?

19 A. I traced the month-by-month balance in that fiat account at
20 the time and it increased.

21 Q. So let's take a look.

22 MR. ROOS: Can we please publish Government
23 Exhibit 1003.

24 THE COURT: Yes.

25 Q. Professor Easton, what does Government Exhibit 1003 show?

1 A. So just to orient us on the—the graph here, the x or
2 horizontal axis denotes months, going from the beginning of
3 January 2021 through November 11, 2022. You'll see the
4 vertical axis, the y axis, is importantly billions of dollars.
5 What I plot here is the monthly month-end balance in the fiat
6 liability—in other words, the increase in the liability over
7 time. And you will see that it increases steadily to a peak of
8 11.3 billion in June of 2022.

9 Q. And what was the largest point of fiat liability?

10 A. What was the largest point?

11 Q. Yes.

12 A. 11.3 billion.

13 Q. And so how would that be expressed in the fiat@ftx.com
14 account?

15 A. That would be expressed as a negative amount, a liability.

16 MR. ROOS: All right. Let's take a look at Government
17 Exhibit 1004.

18 Q. And Professor Easton, can you explain what this exhibit
19 shows.

20 A. Yes. Well, first of all, we have the liability that we
21 just had on the previous account—previous exhibit; we've
22 repeated it here. So the liability, the amount that should
23 have been deposited to bank accounts, was 11.3 billion. The
24 amount that was actually in those accounts is the greenish-blue
25 line. You can see it's quite low, reaches around about

1 2 billion, 2.3 billion, at the time of the peak liability.

2 Q. And so just so we're sure we understand, the black line,
3 how, if at all, does that compare to the black line on the last
4 exhibit?

5 A. It's exactly the same line.

6 Q. And the green line represents what?

7 A. The green line represents the actual bank balance of
8 customer accounts, the amount of customer money that was really
9 there, whereas the black line represents the amount that should
10 have been there.

11 Q. And then the white boxes here represent what?

12 A. The—the discrepancy, the difference between what was there
13 and what should have been there at these two different points
14 in time. One point in time is the end of June 2022, the other
15 at the end of October 2022.

16 Q. All right. So let's go back to the diagram we were looking
17 at previously about fiat deposits, but use these June balance
18 numbers.

19 MR. ROOS: Could we bring up Government Exhibit 3004.

20 Q. What does this show, Professor Easton?

21 A. So now we're going back to—you'll see the accounting at
22 the bottom of this slide. The accounting requires that every
23 dollar a customer deposits has a corresponding amount in the
24 fiat liability. So the fiat liability should have been 11—is
25 11.3 billion. Yet if we look at what was actually in these

1 customer accounts to cover the fiat liability, it was just
2 2.3 billion, the amount at the top of this slide.

3 MR. ROOS: We can take this down.

4 Q. So let's talk about what happened with the money. And
5 first, have you analyzed the movement of money between or among
6 accounts?

7 A. Yes, I have.

8 MR. ROOS: Can we publish Government Exhibit 1050.

9 Q. And let's walk through this exhibit.

10 Professor Easton, can you explain what we're looking
11 at on the screen right now on the first page.

12 A. Well, to help understand how all of these accounts were
13 commingled—mixed together, in other words—I've separated the
14 accounts out into four blocks: One, the accounts Alameda and
15 FTX that were accepting customer deposits, I'll analyze those
16 in the green box; to the left-hand side, in blue, Alameda
17 Research bank accounts; and to the right are FTX bank accounts,
18 not accepting customer funds—they're all in the green; and in
19 the bottom right-hand corner you'll see another account, which
20 is uniquely a Sam Bankman-Fried entity. This is the yellow
21 box.

22 Q. And what significance, if any, do the colors have on these
23 boxes?

24 A. The color green represents customer accounts; the color
25 blue will always represent Alameda accounts, Alameda Research

1 accounts; black will always represent FTX bank accounts; and
2 yellow will always represent Paper Bird-SBF.

3 Q. And just to be clear about the blue, those are Alameda
4 Research accounts that do not receive customer funds.

5 A. That is correct.

6 Q. Now let's go to page 2.

7 And what information has been added to the exhibit?

8 A. So they were in fact 47 accounts that accepted customer
9 funds that I could have put in this box. Of course it would
10 have been unreadable, so what I've done is I've separated out
11 the 11 biggest. We can all see of course there's 12, but
12 there's a 12th, which is the customer withdrawals and deposits.

13 Q. Okay. Let's look at page 3.

14 And what information has been added to the exhibit
15 now?

16 A. Similarly, I've identified the main accounts in—the ones
17 with the largest amount of funds in Alameda Research, in FTX on
18 the right-hand side, and SBF on the bottom right-hand corner.

19 Q. Now you mentioned receiving fiat deposits. I think earlier
20 in your testimony you also mentioned stablecoins. To what
21 extent do the accounts in green also receive stablecoin
22 conversions?

23 A. They do also receive stablecoin conversions.

24 Q. Now let's go to the next page.

25 And can you explain what additional information has

1 been added to the exhibit.

2 A. So now what all of these arrows indicate is movement among
3 the accounts that hold customer deposits. It doesn't describe
4 all of the movements; it describes the biggest movements. A
5 thick line means a lot of movement, a thin line means much less
6 movement.

7 MR. ROOS: Could we please go to the next page.

8 Q. What additional information has now been added to the
9 exhibit?

10 A. It's important to notice that all of these lines on this
11 exhibit, they still remain green; in other words, this is
12 move—movement of customer funds. So this is now movement of
13 customer funds out of these customer bank accounts to Alameda
14 on the left-hand side, on your left-hand side of this chart,
15 and FTX on the right-hand side of this chart.

16 MR. ROOS: Could we please go to the next page,
17 page 6.

18 Q. What additional information has been added now?

19 A. Now we see that there's movement in both directions, from
20 Alameda Research to customer accounts, FTX bank to customer
21 accounts—in other words, movement in both directions—but also
22 movement from FTX accounts and customer accounts to Paper Bird,
23 SBF's entity on the bottom right-hand corner.

24 MR. ROOS: Could we go to page 7.

25 Q. I see a purple box has been added to the screen. What does

1 that represent?

2 A. Well, there's another important actor in this—this whole
3 sequence, and this is third-party investors who put money into
4 FTX, so their funds also were part of the mix.

5 MR. ROOS: And let's go to the last page, page 8.

6 Q. And what information is added now?

7 A. So this—these purple lines now show the flow of investor
8 funds, and you'll see that there's a flow of investor funds to
9 SBF bank accounts, there's a flow to Paper Bird, the SBF
10 entity, and there's a flow to North Dimension, which is the
11 Alameda bank account accepting customer funds.

12 Q. Focusing on those purple lines and the flow of them, have
13 you been able to determine which investors' funds were
14 transferred to the North Dimension Alameda accounts?

15 A. Yes, I have.

16 MR. ROOS: Could we please bring up Government
17 Exhibit 1023.

18 A. This is the list of investors.

19 Q. Okay. And the list of investors that were—that make up
20 those purple lines on the last slide?

21 A. Exactly.

22 Q. Okay. And what do—just so we understand, do you see where
23 it says Settled Date of Sources of Funds, and then next to it,
24 it says Source of Loaned Funds? What does Source of Loaned
25 Funds refer to?

1 A. The source of loaned funds refers to the entity that put
2 the money in, that made the investment in FTX, the date of that
3 investment is on the left-hand side.

4 MR. ROOS: All right. We can take this down.

5 Q. So now let's talk about what happened to the customer funds
6 that moved through these accounts. And was any of the customer
7 money spent?

8 A. Oh, yes.

9 MR. ROOS: Could we publish Government Exhibit 1044.

10 Q. And focusing on page 1, Professor Easton, can you explain
11 what this shows.

12 A. Yes. So this—this just is a schema that points out that
13 customer funds were used in various ways, and four ways that I
14 analyzed were: investment in businesses and financial
15 funds—I'll show some examples; political contributions;
16 charitable foundations; and in the purchase of real estate.

17 MR. ROOS: So let's go to page 2 of this exhibit.

18 Q. And focusing on investments in business and financial
19 funds, what are you referring to?

20 A. Here, it is investments by Alameda entities in businesses
21 and other financial activities.

22 Q. Now the top of your exhibit here says Uses of Customer
23 Funds. Have you been able to trace customer funds from
24 customer bank accounts to investments in businesses and
25 financial funds?

1 A. Yes, I have.

2 Q. Okay. Let's look at some examples.

3 MR. ROOS: Could we please bring up Government
4 Exhibit 1033.

5 Q. Professor Easton, what does this exhibit show?

6 A. So this—again, the color coding is helpful, I hope. So on
7 the left-hand side we have customer funds, which are in turn
8 transferred through a bank that handles customer deposits to
9 the right-hand side, where we have a purchase, in this case
10 it's of Modulo Capital, which was a startup hedge fund in the
11 Bahamas.

12 Q. And I want to talk to you a little bit, before we go deeper
13 into the actual tracing here, about the process of tracing, now
14 that you've used the term. What are you referring to?

15 A. So here, if we go from right to left—it's unusual, but we
16 always go from right to left. So the investment is in Modulo
17 Capital. I then can identify a transaction where the transfer
18 occurred from the bank to Modulo Capital. Going back further
19 to the left, I can see—if you look at the top line on
20 the—June 27th, there was a transfer to Modulo; on the same day
21 there was a transfer of customer funds to Alameda Research,
22 traced in turn to the purchase of Modulo Capital.

23 Q. So let's focus on the process of tracing.

24 MR. ROOS: Could we go to page 2.

25 Q. So just focusing on this first transaction, I want to talk

1 about what went into the tracing.

2 MR. ROOS: Why don't we go to page 3.

3 Q. And can you walk us through the process of using the
4 records and data in order to trace out this transaction.

5 A. Yes. So a summary of the record is in the spreadsheet, a
6 snapshot out of the spreadsheet that shows the tracing that we
7 actually did. So if you look at the first line of this—maybe
8 this first line could be highlighted?

9 Q. Yes. Next—I think the next page.

10 A. Okay. Next page, please?

11 Okay. So here we see a handshake that connects the
12 bank to Modulo Capital. Since there's never been a transaction
13 between these two before, this 1 dollar is sent to ensure the
14 integrity of the transaction, which later will be \$50 million.
15 So it's the first step. So it goes from the green, Alameda
16 Research bank, to the orange. This is the external entity in
17 which there's an investment.

18 If we go to the next, we'll see then there's a
19 transfer of customer funds via an intermediary, Circle Internet
20 Financial, to Alameda. So now it's in the bank.

21 And then next we see the transfer from the bank to
22 Modulo Capital.

23 All of these transfers are identified in the record,
24 so we can go back and see every one of those transactions.

25 MR. ROOS: Let's go to the next page.

1 Q. Beyond the tracing in the bank records, have you utilized
2 any other information?

3 A. Where possible, we used other information, and this is an
4 example. This is an example of a Slack message, an internal
5 email, if you like, between Sam Bankman-Fried—from Sam
6 Bankman-Fried, and it says this \$50 million which we've just
7 traced is for Modulo Capital LP, *we should send it via the*
8 *Signet account*, which is the Signet account labeled above,
9 9485, and then we see Jen says paid.

10 MR. ROOS: Now let's go back to the tracing slide.
11 Let's go to page 8. And I want to focus on the bottom sequence
12 as an example. And focusing on that bottom sequence. Let's go
13 to the next page.

14 Q. Can you walk us through this sequence.

15 A. Yes. So now this also involves Modulo Capital, and of
16 course the handshake doesn't have to occur anymore because
17 we've already established connection. So we'll see—if we go
18 to next, we'll see a transfer of a hundred million dollars
19 on—late on the 25th of September.

20 Then we see—if we go to the next, we'll see a further
21 transfer of what totals \$192 million. So we know that in the
22 immediate vicinity of this transfer, large chunks of money
23 totaling 292 million have been transferred from customer funds
24 to the bank account holding the customer funds and in turn to
25 Modulo Capital for the investment.

1 MR. ROOS: Okay. Can we go to the next.

2 Q. Is that what that shows?

3 A. I'm sorry. Yes, it does.

4 Q. All right.

5 MR. ROOS: And then let's go back to—let's go one
6 more page in.

7 A. So this then summarized, we've got a total of \$292 million.
8 We don't know exactly what customer this \$292 million comes
9 from, but we know it is only customer funds, it's not any other
10 source of funds, and so \$292 million of customer funds was used
11 to purchase Modulo Capital.

12 MR. ROOS: If we could please go to page 14, the next
13 page.

14 Q. And what additional information has been added?

15 A. So now again we have internal email messages. First of
16 all, *we're putting an additional 250 million into Modulo.*
17 *Would you be able to send over the funds to the same Signet*
18 *address. It would be great if this done tonight, and ideally,*
19 *250 million tonight.* Indeed, that's in—on September 26th at
20 5 p.m.—5 a.m. The money was transferred on the 26th, that
21 same day.

22 Q. All right.

23 MR. ROOS: Let's go back to the first page of this
24 Exhibit 1033, page 1.

25 Q. And so now, now that we've gone through the exercise of

1 tracing, what is your conclusion, expressed on Government
2 Exhibit 1033?

3 A. Okay. So we—we've looked in detail at the tracing of the
4 top transfer and the bottom transfer on this page. We did
5 similar analysis for the other two. So overall we can conclude
6 that all of the purchase of Modulo Capital was made using
7 customer funds.

8 MR. ROOS: Okay. We can take this exhibit down.

9 Let's put up Government Exhibit 1027A, please.

10 Q. And Professor Easton, what does Government Exhibit 1027A
11 show?

12 A. So this is a similar demonstration. Now a payment to
13 Genesis Digital Assets, which was a crypto miner. It's a
14 little more complicated because we get a flow through many
15 Alameda accounts accepting customer deposits, and you'll see on
16 the left-hand side we've got a flow into North Dimension at the
17 top of this slide, mostly of customer funds, 145 million, but
18 some other inflows, not identified as customer funds.

19 Similarly, at the bottom left-hand corner, you'll see
20 flows into Alameda Research of 539 million customer funds, and
21 other inflows during this period of time of 24.9 million. So
22 some of the 100 million that eventually went to Genesis Digital
23 may have come from customer funds, but you can see that the
24 total of 32.6 million, the other inflows on the top and the
25 24.9 million, the other inflows at the bottom, does not sum to

1 100. And therefore, some must have come out of the customer
2 funds. And given this disproportionate amount of funds that
3 came from customers versus other inflows, it's likely that more
4 than the 50-odd million came from customer funds.

5 MR. ROOS: Let's put up Government Exhibit 1027B,
6 please.

7 Q. Professor Easton, what does this exhibit show?

8 A. So again, if we focus on the right-hand side where we've
9 got the expenditure of customer—of funds, on the left-hand
10 side we have the source of those funds. Again, it gets a
11 little more complicated because we've got more bank accounts
12 that—through which the money is traced, but ultimately we'll
13 see that there is customer funds totaling 1.1 million plus
14 another .6 million, 1.7 million. And other inflows, just the
15 sum of 9.4 million and 48 million. All of this has to fund
16 550.9 million. So a large amount of this 550 million must have
17 come from customer funds.

18 Q. And I just noticed on this exhibit, it says 550.9. Is that
19 dollars or million?

20 A. That is million.

21 Q. And how are you able to conclude that it was customer funds
22 and not these other inflows that funded this payment to Genesis
23 Digital?

24 A. I can conclude that the majority of the payment was
25 customer funds because the total other funds is 9.4 plus

1 48 million, you have 57 million, and the total payment was
2 550 million, so it must have come—large portion must have come
3 from customer funds.

4 MR. ROOS: We can take this down.

5 Could we please publish Government Exhibit 3005.

6 Q. And Professor Easton, directing your attention to the top,
7 have you performed any analysis relating to an investment in
8 Skybridge Capital in September 2022?

9 A. Yes.

10 Q. Can you explain what types of materials you've reviewed
11 that are on the screen.

12 A. So in this case there's a subscription agreement from
13 Alameda, signed by Sam Bankman-Fried, an agreement to subscribe
14 to buy, if you like, shares in Skybridge Capital, which is a
15 venture capital fund in New York, run by Scaramucci. It's the
16 purchase of 30 percent ownership in Skybridge.

17 Q. And have you done any type of financial analysis or tracing
18 relating to this investment in Skybridge Capital?

19 A. Yes, I have.

20 MR. ROOS: Could we please bring up Government
21 Exhibit 1028.

22 Q. Professor Easton, what does this show?

23 A. Again, we got similar flows—customers on the top left-hand
24 corner to Skybridge Capital on the bottom right. But
25 importantly, we have an addition here. We've now got blue,

1 Alameda Research. This is separate entity Alameda Research,
2 except that, like the entire flow, you'll see it says
3 45 million on September 7th from Alameda Research, and that
4 amount was in turn used on the next day to invest in Skybridge
5 Capital.

6 Q. Now what's your conclusion about the source of funds for
7 the Skybridge investment?

8 A. So at most—again, if we look from the left-hand side where
9 we've got 18 million in other inflows, 438 in customer funds,
10 the 45 million may have been funded by 18 million of other
11 inflows.

12 MR. LISNER: Objection, your Honor.

13 THE COURT: Sorry. What's the objection?

14 MR. LISNER: Speculation, to the witness's conclusion
15 using the words "may," "may have."

16 MR. ROOS: I think he's appropriately saying that it
17 could but it's not all of it.

18 THE COURT: Overruled.

19 BY MR. ROOS:

20 Q. Go ahead, Professor.

21 A. So you can see that other inflows are 18 million, so I
22 think I really mean that 18 million may have come—of the
23 45 million may have come from other inflows, but it also could
24 have come from customer funds. But at least 45 minus 18 must
25 have come from customer funds.

1 MR. ROOS: We can take that down.

2 Could we please publish Government Exhibit 3006.

3 Q. Professor Easton, have you done any analysis relating to an
4 investment in Dave Inc. in March 2022?

5 A. Yes. So this was a purchase of a 100 million stake in Dave
6 Inc. This again was a Alameda venture, signed by
7 Bankman-Fried, and I traced this.

8 Q. Okay. So let's look at the tracing.

9 MR. ROOS: Can we please bring up Government
10 Exhibit 1029.

11 Q. Can you describe what your tracing shows.

12 A. So again, the pattern is the same as before. However,
13 notice now that we have this entity called Paper Bird. Paper
14 Bird is an entirely owned Bankman-Fried entity, and you'll see,
15 if we go from the bank accounts, Alameda Research, the transfer
16 among two of them, Alameda Research 9485 and Alameda Research
17 4061, these are customer depositories. Out of that customer
18 depository, 105 million was transferred on the—March 22nd to
19 Paper Bird, an entity outside of Alameda and FTX, and then on
20 the next day was used by Paper Bird to purchase the investment
21 in Dave.

22 Q. Were you able to conclude the source of the funds used for
23 the Dave Inc. investment?

24 A. Yes. So if we trace all the way back to customers on the
25 top left-hand corner, we can say—see that we can identify

1 113.8 million of customer funds, but at the same time
2 2.4 million of other inflows that may not have been customer
3 funds. 2.4 million is a small part of 100 million, and
4 therefore the majority of this payment for Paper Bird—by Paper
5 Bird for Dave must have come from customer funds.

6 THE COURT: Professor, the figure you used in relation
7 to the phrase "customer funds" was 113.8, not 130, yes?

8 THE WITNESS: That is correct. I apologize.

9 MR. ROOS: Thank you. And Judge, I don't know if—I
10 see you're standing, but if you want to take a break right now,
11 I'm about to move to the next exhibit.

12 THE COURT: No, I just stand once in a while because I
13 sit so long.

14 We can take our morning break, 15 minutes.

15 THE DEPUTY CLERK: All rise.

16 (Recess)

17 (In open court; jury present)

18 THE COURT: Please be seated.

19 The defendant and the jurors are all present, as they
20 have been throughout.

21 You may continue, Mr. Roos.

22 MR. ROOS: Thank you.

23 Why don't we put up Government Exhibit 3007.

24 BY MR. ROOS:

25 Q. Professor Easton, have you reviewed an investment in K5

1 Global Holdings?

2 A. Yes, I have.

3 Q. And just starting with the materials on the screen, what do
4 these relate to?

5 A. This is an agreement between SBF—Sam Bankman-Fried—and K5
6 Global, which is a venture capital firm, to obtain a general
7 partnership with K5.

8 Q. And then I want to focus on the payment confirmation we
9 have on the right side.

10 What's the date on this and what's the wire transfer
11 amount?

12 A. The date is April 14, 2022, and the wire transfer amount is
13 \$300 million.

14 Q. Okay. And then just the date on the Summary of Terms?

15 A. 6th of March 2022.

16 Q. Have you conducted any form of financial analysis relating
17 to the investment in K5 Global Holdings?

18 A. Yes, I have.

19 MR. ROOS: Let's put up Government Exhibit 1030,
20 please.

21 Q. Professor Easton, what does this show?

22 A. So again, the flow is—is similar to the flows we've had
23 before. On the bottom right-hand side is the entity K5 in
24 which Sam Bankman-Fried, through Alameda Research Ventures,
25 invested \$300 million. I traced it back through several bank

1 accounts, including Alameda Research 4016 and 9485, back to
2 customer deposits of 765 million from customers and 127 million
3 other.

4 Q. And what was your conclusion about what funds were used to
5 fund the K5 Global Holdings?

6 A. So given that there was only 127 million to cover a
7 possible 300 million, some of the investment in K5 Global must
8 have come from customer funds.

9 MR. ROOS: We can take this down.

10 Could we please publish Government Exhibit 3008.

11 Q. Now have you looked into an investment in Anthropic PBC?

12 A. Yes, I have.

13 Q. And could you describe what materials are on this exhibit.

14 A. So this is—first of all, in the middle, the big block is
15 what was the investment in. It was an investment in a
16 fundraising effort by Anthropic, which is an AI company. The
17 Slack message indicates we have to wire—Sam Bankman-Fried
18 suggests, *we have to wire 500 million to Anthropic. This*
19 *should come from an Alameda Research Ventures bank account.*

20 Q. And have you conducted any form of financial analysis
21 relating to the source of funds used to make this investment?

22 A. Yes, I have.

23 MR. ROOS: All right. Why don't we publish Government
24 Exhibit 1041.

25 Q. Professor Easton, what does this show?

1 A. So again, similar to the analyses before, we have a
2 transfer of customer funds through a series of Alameda Research
3 customer depository accounts, through to an Alameda Research
4 external account—in other words, this is an account that does
5 not hold customer funds—of 500 million, and in turn, the
6 bottom right-hand corner, a payment for the investment in
7 Anthropic.

8 Q. And how does the amount of the investment in Anthropic
9 relate to the amount we saw on that Slack message on the last
10 exhibit?

11 A. It is that amount.

12 MR. ROOS: We can take this down.

13 Could we please publish Government Exhibit 1032.

14 Q. Professor Easton, starting on page 1 of this exhibit, can
15 you explain what the exhibit shows.

16 A. Yes. So this is a summary of a purchase by Alameda
17 Research of Robinhood shares—here, a brokerage account called
18 ED&F Man. Importantly, this exhibit shows that customer funds
19 primarily were used to fund a transfer of 292 million out of
20 customer funds—of customer funds out of customer depositories
21 to Alameda Research to an account that already had 196 million
22 worth of Robinhood shares. In turn, Alameda Research purchased
23 another 292 million of Robinhood shares.

24 Q. And by "Robinhood shares," what are you referring to?

25 A. These are shares in a trading firm called Robinhood.

1 Q. When you say "shares," are they like shares of stock?

2 A. Yes.

3 Q. Okay. Let's look at what happens next.

4 MR. ROOS: Could we go to page 2 of this exhibit.

5 Q. And some additional information has been added to the
6 exhibit. What does it depict?

7 A. So in the first flow, the flow that we saw before we added
8 this piece, I was trying to summarize essentially what
9 happened. But in addition, Alameda Research—there was a
10 transfer out of Alameda Research of 491 million to Sam
11 Bankman-Fried and 54.6 million to Gary Wang. This amount was
12 exactly equal to the amount that was used to purchase Robinhood
13 shares.

14 MR. ROOS: So let's go to the next page.

15 Q. And what information is now added to the exhibit?

16 A. So this 468—400—\$546 million—I apologize—is—this
17 \$546 million was then transferred to an entity wholly owned by
18 Gary Wang and Sam Bankman-Fried called Emergent Fidelity
19 Technologies. This is the yellow box, identified yellow
20 because now it's a Bankman-Fried entity.

21 MR. ROOS: And let's go to the next page.

22 Q. And what does this new information on the exhibit depict?

23 A. Recall that the 546.1 million which went to Gary and Sam
24 Bankman-Fried goes to Emergent Technologies but then was
25 transferred back to Alameda Research, so there's a round-trip

1 transaction, if you like, that makes Alameda Research whole.

2 Q. And what then happened, if anything, in response to this
3 \$546.1 million transfer? And could we go to the next page.

4 A. So in turn, Robinhood shares were transferred to this
5 brokerage fund in the name of Bankman-Fried and Wang.

6 MR. ROOS: And let's go to the last page.

7 Q. So what does this last page now depict?

8 A. So the end result of all of those transactions, which I've
9 tried to summarize as clearly as possible—I hope it is
10 clear—is that customer funds ultimately went through Alameda
11 Research and did this big round-trip transaction so that they
12 ended up in an account owned by Wang and Bankman-Fried, which
13 then in turn purchased Robinhood shares.

14 Q. And so just to be clear, we've looked at straight green
15 lines previously. What do the sort of dashes indicate here?
16 Was this actually the flow of funds?

17 A. No. The dashes are there to indicate all of this—these
18 transactions that occurred in the background.

19 MR. ROOS: Okay. We can take this exhibit down.

20 Let's put back up Government Exhibit 1044. And if we
21 go to page 3.

22 Q. Professor Easton, we've talked about a bunch of instances
23 of payments or investments in businesses. Have you done any
24 analysis relating to payments for political contributions?

25 A. Yes, I have.

1 MR. ROOS: Why don't we bring up Government Exhibit
2 3009.

3 Q. Now, Professor Easton, have you done any analysis relating
4 to a political donation by Ryan Salame?

5 A. Yes, I have.

6 Q. I want to first direct your attention to the message on the
7 left-hand side of the screen. Do you see where it says: The
8 GMI PAC needs some more funding in order to support Senator
9 Boozman in his primary. Spoke to Sam yesterday. Ryan, do you
10 have any appetite for giving more to GMI.

11 You see that message?

12 A. I do see it.

13 Q. You see below it, it says 500,000 to 1 million?

14 A. Yes, I do.

15 MR. LISNER: Objection, your Honor. Can we ask for a
16 sidebar, please?

17 THE COURT: Yes.

18 (Continued on next page)

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1 (At sidebar)

2 THE COURT: Mr. Lisner.

3 MR. LISNER: I think Mr. Cohen is going to cover this
4 one.

5 MR. COHEN: Your Honor, we have no objection to the
6 tracing analysis that the witness is putting forward. But at
7 least from the -- she is getting the exhibit -- from the
8 exhibit there is also commentary about the nature of the
9 political spending, the reasons for it. We would ask for a
10 limiting instruction with respect to that.

11 THE COURT: What limiting instruction are you asking
12 for?

13 MR. COHEN: Along the same lines you gave yesterday
14 about, the defendant has not been charged in this case with
15 political and campaign contribution violations. This is -- as
16 I understand it, this is a flow-of-funds analysis that we are
17 hearing and not commentary on the validity or invalidity of the
18 contributions themselves.

19 MR. ROOS: There is a real difference here, which is
20 that yesterday the limiting instruction came after the witness
21 said he conspired with the defendant in committing a violation
22 of the campaign finance laws, and your Honor appropriately gave
23 an instruction right before he said we conspired with.

24 Here, as Ms. Sassoon has argued previously in sidebar
25 and as we briefed, its spending on donations is direct evidence

1 of the use of customer funds, so it's direct evidence of the
2 wire fraud, it's direct evidence of the money laundering.

3 The reason I'm calling the witness' attention to these
4 particular messages is, the next thing I am going to ask him is
5 whether he did any tracing of \$500,000 to a million dollars to
6 the GMI PAC.

7 MR. COHEN: Can I just see it?

8 MR. ROOS: I will note, this exhibit is in evidence,
9 also, this and the underlying exhibit.

10 MR. COHEN: The first section in yellow is the point
11 we are making. This is Mr. Wetjen commenting on needs more
12 support in the primary. I don't think this witness is
13 qualified to talk about the nature of the donations. I
14 understand he's an accountant --

15 THE COURT: He's not talking about the nature of the
16 donations.

17 MR. ROOS: I will definitely not ask whether his views
18 on Boozman or the nature of the donations or anything. I am
19 just going to ask him, did he trace this money.

20 MR. COHEN: With that limitation, that's fine.

21 (Continued on next page)

1 (In open court)

2 THE COURT: Let's proceed. Restate your question.

3 MR. ROOS: Thank you, your Honor.

4 Q. Just to pick up where we are, Professor Easton, the first
5 highlighted message about GMI PAC, the second highlighted
6 message about an amount, 500K to a million, and then a blue
7 message that says: @Samuel Bankman-Fried, I can wrap more
8 funds through my name.

9 Have you done any sort of analysis of the movement of
10 funds relating to a payment for the GMI PAC in an amount of
11 500,000 to \$1 million?

12 A. Yes, I have.

13 MR. ROOS: Let's bring up an exhibit. Can we please
14 publish Government Exhibit 1039.

15 Q. Professor Easton, what does this exhibit show?

16 A. Again, starting from the right, moving to the left, we see
17 the transfer of the half a million dollars on June 3 from Ryan
18 Salame's personal account to the GMI PAC. On the day -- a few
19 days before, on the 25th of May, there was a transfer of 5.5
20 million into Ryan Salame's account. We can trace that 5.5
21 million to either 11 million in customer funds or .2 million in
22 other inflows.

23 The bottom line of all of this is that we have got
24 other inflows of .2 million funding, .5 million contribution to
25 the GMI PAC, and, therefore, at least three-fifths of that

1 contribution must have come from customer funds.

2 MR. ROOS: We can take this down.

3 Can we publish Government Exhibit 3010?

4 THE COURT: Yes.

5 Q. Professor Easton, have you done any analysis relating to a
6 political contribution by Nishad Singh?

7 A. Yes, I have.

8 Q. Directing your attention to the email excerpts we have up
9 on the screen, do you see, first, the highlighted portion that
10 says: Your \$1 million pledge to our operating expenses. This
11 is in the top email from Barbara Fried to Sam at Alameda
12 Research and Nishad Singh.

13 Do you see the part where it says: Your \$1 million
14 pledge to our operating expenses?

15 A. Yes, I do.

16 Q. It says: Since this is going to our 527 and hence is
17 disclosed, I'm assuming that Nishad would be the better person
18 to have his name on it.

19 You see then the bottom email of a day later, April
20 22, 2021, from Nishad Singh: Sounds good. I am happy to
21 pledge the 1 million for MTG operating, agreed on optics.

22 A. Yes.

23 Q. Have you analyzed a political donation of an amount of 1
24 million by Nishad Singh?

25 A. Yes, I have.

1 MR. ROOS: Can we please bring up Government Exhibit
2 1031.

3 Q. Professor Easton, can you explain what this exhibit shows.

4 A. Similar to the previous exhibit, if we look to the
5 right-hand side, we will see the transfer of the \$1 million
6 from Nishad Singh's personal bank account to mind the gap.
7 That \$1 million on the same day came from an Alameda Research
8 bank account; in fact, transferred across two or at least two.
9 This is something of a simplification of the transfers among
10 the green Alameda Research accounts. The same day 1 point
11 million came -- was transferred among Alameda accounts.

12 We then traced that back. And this is a case where
13 it's very difficult, it was impossible to in fact trace the
14 million directly to some customer funds. But what we know is,
15 in the immediate vicinity of that transfer of a million, there
16 was 1.5 billion of customer funds that were transferred into
17 Alameda Research, 4456, and roughly half a billion of other
18 inflows.

19 So this is a case where we cannot directly trace the
20 money to customer funds, but it seems likely -- I'm purely
21 looking at the numbers here -- it seems likely, given that we
22 have got roughly two billion of customer funds and half a
23 billion of other inflows, that it may have come from customer
24 funds.

25 MR. ROOS: We can take that down and put up Government

1 Exhibit 1044, page 4.

2 Q. Professor Easton, have you done any analysis concerning the
3 use of customer funds for charitable foundations?

4 A. Yes, I have.

5 Q. I'm sorry?

6 A. Yes, I have.

7 MR. ROOS: Can we take this down and publish
8 Government Exhibit 3011.

9 Q. Now, do you recognize this as a Slack message between or
10 among Delaney Ornelas, Fab, Jen, Lynn, Ryan Salame, and Sam
11 Bankman-Fried?

12 A. Yes, I do.

13 Q. Can you just read the highlighted portions of the message.

14 A. From Delaney: Did we request another wire be sent out to
15 Guarding Against Pandemics from Alameda. There is the 20
16 million wire that was sent out from Alameda Silvergate
17 operating account last week on 10/01. Yeah. I got the message
18 from Ryan Salame and, finally, from Ryan Salame, yes. It's a
19 donation.

20 Q. Are you familiar with Guarding Against Pandemics?

21 A. Yes, I am.

22 Q. What is it?

23 A. It's a charitable fund essentially guarding against
24 pandemics.

25 Q. Have you done any financial tracing relating to just

1 payment?

2 A. Yes, I have.

3 MR. ROOS: Let's bring up Government Exhibit 1035.

4 Q. Can you explain what Government Exhibit 1035 shows.

5 A. Yes. Again, moving from the right to the left, the 20
6 million donation that we have just identified in the Slack
7 messages went from Alameda Research 6056 on the 1st of October
8 2021. On that same day there was a transfer from another
9 Alameda account to Silvergate, 6056. The amount going into the
10 Alameda Research 4456 account in the immediate vicinity all
11 came from customer funds. Therefore, the \$20 million wire to
12 Guarding Against Pandemics must have come from customer funds.

13 MR. ROOS: Now, why don't we put up Government Exhibit
14 1040, please.

15 Q. What does Government Exhibit 1040 depict?

16 A. This is a similar flow from customer funds to FTX
17 foundation, which was a charitable foundation set up by FTX.

18 Q. Can you describe what your analysis shows.

19 A. The analysis shows that, on the 5th of October, starting
20 from the right to the left, there was five wires totaling \$20
21 million from North Dimension to the FTX foundation. That same
22 day, there was a transfer from an Alameda account to another
23 Alameda account, both depositories of customer funds. And on
24 the day before, the customer funds going into Alameda Research
25 totaled 25 million, all customer funds, no other deposits. In

1 other words, the 20 million donation to FTX foundation must
2 have come from customer funds.

3 MR. ROOS: Let's bring back Government Exhibit 1044
4 and go to page 5.

5 Q. Focus on the last category now, have you done any analysis
6 relating to use of customer funds to purchase properties?

7 A. Yes, I have.

8 MR. ROOS: Please publish Government Exhibit 3012.

9 Q. Professor Easton, what does this show?

10 A. This is a list of real estate purchased in the Bahamas.

11 Q. What exhibit is this information drawn from?

12 A. This exhibit is drawn from a spreadsheet that is in fact
13 Government Exhibit 3 that indicates all of the purchases. It's
14 a much more detailed spreadsheet than this summary.

15 Q. Where are these properties located?

16 A. In the Bahamas.

17 Q. Have you done any analysis relating to payments for these
18 properties?

19 A. Yes, I have.

20 MR. ROOS: Can we please bring up Government Exhibit
21 1026.

22 Q. Professor Easton, what does this show?

23 A. So this shows a purchase of a number of pieces of real
24 estate in the Bahamas, again going to the right-hand side of
25 this chart, for a total of 96.5 million between December 29 and

1 March 16, 2022. The payment for those Bahamian properties go
2 from FTX digital markets. A fund, black, owned by FTX does not
3 hold, should not hold customer funds.

4 On the 29th of December there is a transfer from
5 another FTX account to FTX digital markets. Now, tracing back
6 to the customers, the customer funds were traced from an FTX
7 depository trading account 9964 on the 12th of December -- 24th
8 of December, on that same day, a transfer from another Alameda
9 account, and, in turn, in the preceding days, all of the funds
10 were coming from customers into Alameda 9485. Therefore, the
11 hundred million -- excuse me -- the 96.5 ultimately paid for
12 the properties must have come from customer funds.

13 MR. ROOS: Why don't we put up next to Government
14 Exhibit 1026 Government Exhibit 3012 and go to page 2.

15 Q. Focusing on the Bahamas real estate properties in the
16 orange box, were you able to determine some of the properties
17 that were paid for using those customer funds?

18 A. Yes. Some, but not all. There is -- the total on the
19 right-hand side is less than 96.5.

20 Q. Just to be clear, what is depicted on page 2 of Government
21 Exhibit 3012?

22 A. This is a subset of the properties that were purchased with
23 the \$96.5 million.

24 Q. And then what was the purchase price of the second
25 property?

1 A. \$30 million.

2 Q. That was for the Orchid penthouse?

3 A. Yes, it is.

4 Q. Now, did you do any other tracing of payments for
5 properties?

6 A. Yes, I did.

7 MR. ROOS: Why don't we take these two down and put up
8 Government Exhibit 1025.

9 Q. Professor Easton, how, if at all, is this exhibit different
10 from the last one we were looking at?

11 A. Now you will notice another purple color hits the diagram,
12 and this is now investor funds. This is investor funds put
13 into FTX, in turn transferred within FTX to FTX digital
14 markets, and then used to purchase Bahamian properties. In
15 other words, in this case we have got to invest the funds, to
16 which I can trace the purchase of 70.5 million in property in
17 the Bahamas.

18 Q. Have you been able to determine some of the properties that
19 were paid for by the investor funds?

20 A. Yes, I have.

21 MR. ROOS: Why don't we put up next to this Government
22 Exhibit 3012, page 3.

23 Q. What does page 3 of Government Exhibit 3012 show?

24 A. It shows some of the properties that were included in the
25 purchase of 79.5 million in real estate in the Bahamas.

1 MR. ROOS: Just focusing on this last property here,
2 can we go to page 4.

3 Q. What information has been added to the exhibit?

4 A. This is in fact the deed of ownership of the property at
5 Old Fort Bay Real Estate.

6 Q. What's the price and who are the owners?

7 A. The price was 1.64 million -- 16.4 million, plus value
8 added tax of 1.64 million.

9 Q. Who was it deeded to?

10 A. The deed is to Alan Joseph Bankman and Barbara Helen Fried.

11 MR. ROOS: We can take those two down.

12 Let put back up Government Exhibit 1004.

13 Q. Professor Easton, directing your attention to this period
14 in June of 2022, what was the difference between the amount of
15 fiat and the amount reflected in FTX's database?

16 A. \$9 billion.

17 Q. Have you analyzed what that \$9 billion was spent on?

18 A. Yes, I have.

19 MR. ROOS: We can take this down and can we please put
20 up Government Exhibit 1045.

21 Q. Starting on page 1 of Government Exhibit 1045, can you show
22 what -- can you explain what this represents.

23 A. This is a whole pie of the amount of money that should be
24 available to cover customer funds, \$11.3 billion.

25 Q. This is as of that June date?

1 A. This is as of June 30, 2022.

2 MR. ROOS: Let's go to page 2.

3 Q. What information has been added to the exhibit?

4 A. This is the slice of the pie that still exists in Alameda
5 bank accounts. This is the amount that is in fact present to
6 cover the funds, the 11.6 billion. The whole chart should be
7 green, but it's not.

8 MR. ROOS: Let's put them side by side, Government
9 Exhibit 1004 and Government Exhibit 1045, page 2.

10 Q. How, if at all, do the colors on Government Exhibit 1004
11 relate to the colors on Government Exhibit 1045?

12 A. So the black piece of the pie, so to speak, represents the
13 black line or the total liability for customer funds. The
14 green slice out of the pie represents the green line. And this
15 pie is a diagram as at June 30, the time when the peak
16 liability, 11.3, exists and the associated customer deposits,
17 2.3.

18 Q. Have you been able to fill in the rest of the pie?

19 A. Much of it, yes.

20 MR. ROOS: Let's go back to just looking at Government
21 Exhibit 1045 and go to page 3.

22 Q. Professor Easton, what does this show?

23 A. So this shows the pieces of this pie that had been used for
24 various purposes. I will point out just some of them. But
25 some of these things are familiar.

1 Genesis, we traced 50 and 650 million largely back to
2 customers. Similarly, the investment in K5 we have talked
3 about. Similarly, the investment in Anthropic, the investment
4 in Dave, the investment in Modulo. The Modulo analysis was for
5 a related time period, so there's only 50 of the 450 taken out
6 of this pie. Other ventures we haven't traced I did trace,
7 another 1.4 billion. Paper Bird we have seen, 430 million.
8 Then we have another big chunk, brokerage and outflows, almost
9 a billion, 970.7 million. We have real estate, some of which
10 we have analyzed. We have other expenses, 305 million. And we
11 have got the two charitable donations that I've indicated.

12 Q. Just a few follow-up questions on this.

13 The outflows to insiders, what's that a reference to?

14 A. The outflows to insiders are the payments to, how can I
15 say, the inner circle of FTX and Alameda.

16 Q. Now, the expenses category, it's not something we have
17 traced in the past slides you've gone through. Give us an
18 example what type of thing falls into that category.

19 A. This is going to be payment for equipment, rent on
20 property, payment of salaries, those kinds of things.

21 Q. And then you have this large other category. Just give us
22 an example or two of things that would fall within the other
23 category.

24 A. I really haven't analyzed that. There was a limit to the
25 resources we have to analyze this material, but a lot of this

1 was in fact investing -- investment in crypto.

2 MR. ROOS: We can take this down.

3 Let's change topics.

4 Q. At the beginning of your testimony this morning you had a
5 few conclusions relating to fiat deposits and then I think two
6 relating to cryptocurrency.

7 Do you remember that?

8 A. Yes, I do.

9 MR. ROOS: Let's turn to the cryptocurrency
10 conclusions. Let's put up Government Exhibit 3013.

11 Q. Professor Easton, I just want to start first by talking
12 about the process.

13 Can you explain what Government Exhibit 3013 shows.

14 A. So you know how this describes a deposit in fact occurs in
15 practice, a crypto deposit occurs. So I may have -- it would
16 be great if I did, but I may have a 100 Bitcoins in my own
17 personal world, and I might put those -- would put those in
18 FTX. I might choose to put it in FTX. It would go into an FTX
19 crypto wallet with my name on it, but then it is transferred to
20 a sweep wallet within FTX that includes my deposit and everyone
21 else's.

22 Q. I'm sorry. You said sweep wallet?

23 A. Sweep, yes.

24 Q. Just to be cheer, is a sweep wallet one of these online
25 wallets?

1 A. Yes, it is.

2 Q. How about the process for withdrawals.

3 MR. ROOS: Can we go to page 2.

4 Q. Can you explain this.

5 A. Then the withdrawal bypasses the individual account. It
6 has already been mingled into this sweep wallet. I would
7 withdraw my 100 Bitcoins back out. It gets transferred from
8 the sweep wallet back to my personal wallet.

9 Q. Earlier in your testimony you described analysis comparing
10 the balances within FTX's ledger or database to the amount of
11 fiat deposits in bank accounts. Have you done a similar
12 exercise comparing the database to what was in these crypto
13 wallets?

14 A. Yes, I have.

15 MR. ROOS: Why don't we bring up Government Exhibit
16 1051.

17 MR. LISNER: Hold on. Objection, your Honor. This
18 relates to the exhibit that we talked about yesterday. I
19 believe your Honor reserved at the time.

20 THE COURT: Overruled.

21 Q. Professor Easton, why don't you orient us. What are we
22 looking at here?

23 A. So this is similar to the chart that I put up for fiat
24 currency, but now we are looking at crypto. We have got much
25 finer data which we can get off the Blockchain. So you will

1 see the black line. The black line represents the customer
2 deposits of crypto on the FTX exchange. So this is the amount
3 of crypto that should have been held in FTX.com in order to
4 cover yours and my deposits.

5 The orange line or yellow line, however it is
6 appearing, represents the actual balances that were in the FTX
7 crypto wallets. In short, you can see that there is a huge
8 deficiency. There is a big difference. There is much less
9 money in the crypto wallets than there should have been.

10 Q. Just to be clear, what is the yellow -- what sort of
11 balances does the yellow line represent?

12 A. This is the balance of -- in fact, this whole diagram
13 reflects just -- the nine biggest cryptocurrencies are the ones
14 that we investigated. It shows the amount of those nine
15 currencies that were in fact held on the Blockchain.

16 Q. If you included more currencies, like every currency, would
17 that change the size of the difference over time?

18 A. It could. It can only increase the difference. Inasmuch
19 as if there is another cryptocurrency, which we didn't analyze,
20 the best-case scenario would be that the black line and the
21 orange line coincide.

22 Q. Just to then focus on an example of the difference, you
23 have got a marker here for October 31, 2022. What was the
24 difference between the amount listed on FTX.com's customer
25 balances and what was actually in the crypto wallets?

1 A. The difference was \$11.3 billion.

2 Q. What was the difference, as opposed to the top?

3 A. I'm sorry. The amount that should have been in the wallets
4 was 11.4 billion. The amount that was in the wallets was 1.1.,
5 so there is a difference of 11.3 billion.

6 Q. Let me ask you, have you analyzed accounts within the FTX
7 database -- sorry. Withdrawn.

8 Let me start by just asking you about the difference
9 and what caused it. OK?

10 A. OK.

11 Q. Have you done any analysis relating to accounts with a
12 feature called allow negative?

13 A. Yes, I have.

14 MR. ROOS: Why don't we take down this exhibit and why
15 don't we look at Government Exhibit 3014.

16 Q. Professor Easton, can you explain what Government Exhibit
17 3014 shows.

18 A. Yes. First of all, this comes out of the big FTX database.
19 And what it represents, going from left to right, the blocks
20 that I have highlighted, ID number is an Alameda account, which
21 was a much-used Alameda account. You can see that it's indeed
22 identified as an Alameda account under user name
23 info@AlamedaResearch.com.

24 If we go to the next -- fifth column, you will see
25 borrowed. This says that there was a borrowing limit on this

1 account of a bit more than \$65 billion. The check in the next
2 chart says that account 9 is permitted to withdraw, become
3 negative.

4 Q. Have you done any analysis relating to the number of
5 accounts that had this allow-negative box checked?

6 A. Yes, I have.

7 MR. ROOS: Can we please bring up Government Exhibit
8 1001.

9 Q. Professor Eaton, what does Government Exhibit 1001 depict?

10 A. This shows the accounts that were permitted to go into the
11 red, so to speak, go to negative. You will see account 9, the
12 account that I have just referred to, and a whole bunch of
13 other Alameda Research accounts. You will also note that no
14 other customer accounts outside of Alameda were permitted to go
15 negative.

16 Q. Now, have you reviewed the balances of these allow negative
17 accounts over time?

18 A. Yes, I have.

19 Q. The Alameda ones?

20 A. Yes, I have.

21 Q. And before I ask you about those balances over time, I just
22 want to ask you a few questions about how you got the balance
23 data. OK.

24 MR. ROOS: Why don't we publish Government Exhibit
25 3015.

1 Q. Professor Easton, what does this exhibit show?

2 A. This is, again, from the FTX database. In this particular
3 case you will see, on the 2nd of November 2022, going from left
4 to right, account ID 9 and a balance which is not particularly
5 readable. But if we go to the right-hand side, where we will
6 see a lot of detailed data, you will see that it might be
7 useful -- can we expand the green section.

8 MR. ROOS: Can we zoom in on the four red boxes in the
9 green section.

10 A. You will see dollars, U.S. dollars, are coded 1. You will
11 see that there is a negative balance of 67 million, almost 68
12 million U.S. dollars in this account. It is allowed to go
13 negative and it has gone negative to the tune of 67 million.

14 Q. Let me just add some little commas there and ask you what
15 the number is again.

16 A. Have I missed a comma? I'm sorry. 676 million, not 67
17 million.

18 Q. What do the three others show?

19 A. Then the code for Bitcoin is 43, so there is 69,111
20 Bitcoins borrowed by Alameda. This is a negative to the tune
21 of 65,000 Bitcoins. Tether, the stablecoin, is coded 44, and
22 again, you see a large negative number, 157 million. Finally,
23 45 is Ether, and you will see 605,000 Ethers negative.

24 Q. Have you used data like this to determine balances over
25 time?

1 A. Yes, I have.

2 Q. When you did that analysis, which currencies did you focus
3 on?

4 A. I focused on these four: Dollars, Bitcoin, Tether, and
5 Ether.

6 Q. Why did you focus on those currencies?

7 A. Because they are the most used.

8 Q. Were you able to ascertain Alameda's balances in those
9 currencies over time?

10 A. Yes, I was.

11 MR. ROOS: Would you please publish Government Exhibit
12 1002.

13 Q. Professor Easton, what does Government Exhibit 1002 show?

14 A. Again, let me just orient the graph. So the X axis is the
15 same going from January '21 through November 11, 2022. The
16 vertical axis is still in billions of dollars, but notice it's
17 going more negative as we go -- less negative as we go up the
18 chart. So the X axis is in fact at the top of the chart,
19 indicating that at all times over this period the balance in
20 these allow negative accounts was indeed negative going up to
21 around about 12 billion at the end of the period.

22 Q. When you say going up, you mean going up to a negative
23 number?

24 A. Exactly. Increasing to a more negative number of 12
25 billion.

1 Q. Have you analyzed the spending out of these allow negative
2 accounts?

3 A. Yes, I have.

4 MR. ROOS: You can take this down, and can we please
5 publish Government Exhibit 3016.

6 Q. Professor Easton, at the top of the screen it says:
7 Buyback of FTX stock from Binance.

8 Have you analyzed a transaction relating to a buyback
9 of FTX's stock from Binance?

10 A. Yes, I have.

11 Q. Can you describe the materials on the screen that you have
12 reviewed.

13 A. The material on the left-hand side shows that share
14 transfer agreement of the repurchase of Binance stock back to
15 FTX. On the right-hand side you will see the purchase amount
16 and you will see -- again, I have to get the commas right. So
17 we have 1 billion BNB, we have 500 million BUSD, which is the
18 Bitcoin stablecoin, and in fact you will see also some FTT
19 indicated on the bottom of the left-hand side.

20 Q. Who is the email from?

21 A. The email is from Samuel Bankman-Fried.

22 Q. Have you analyzed the source of funds used to buy back
23 FTX's stock from Binance?

24 A. Yes, I have.

25 MR. ROOS: Can we please bring up Government Exhibit

1 1024.

2 Q. Professor Easton, can you describe what Exhibit 1024 shows.

3 A. Yes. This shows that of the 2.2 billion that are buyout --
4 buyback of Binance stock, 1.2 billion, or a little more than
5 half of that 2.2 billion, came from customer funds on the FTX
6 exchange.

7 Q. Professor Easton, we looked at some of these tracing slides
8 previously for bank accounts, and they had green colors on
9 them.

10 How if at all, are these slides different?

11 A. The big difference is, now we are tracing cryptocurrency,
12 not fiat.

13 THE COURT: Excuse me. So the customer funds
14 indicated on this chart reflect customer deposits not of fiat
15 but of Bitcoin and other cryptocurrencies, is that correct?

16 THE WITNESS: Yes, that's correct.

17 THE COURT: Thank you.

18 MR. ROOS: Thank you, your Honor.

19 Q. Professor Easton, I want to draw your attention to some
20 information on this chart.

21 MR. ROOS: Can we go to page 2.

22 Q. Now, the red box that's appeared, focusing on the source of
23 the customer funds, what was that?

24 A. The account was account number 9, the account we have seen
25 a few times already.

1 Q. That was the account with the allow negative?

2 A. That's right.

3 Q. And what was the balance in that account on the day of the
4 Binance buyout?

5 A. On the day of the first part of that buyout, it was
6 negative 1.8 billion, meaning that a payment out of that
7 account must have made it more negative.

8 THE WITNESS: Your Honor, I felt as if I should
9 elaborate on my answer.

10 THE COURT: Go ahead.

11 THE WITNESS: So the tracing is for every type of
12 cryptocurrency that was used to pay, so the tracing is at each
13 individual crypto level.

14 THE COURT: Thank you.

15 Q. Professor Easton, you're referring to Judge Kaplan's
16 question about -- focusing on Bitcoin, you're elaborating that
17 it's for all the cryptocurrencies.

18 A. Yes. Individually considered.

19 Q. In addition to the spending on the Binance buyout, have you
20 analyzed any other spending using cryptocurrency?

21 A. Yes, I have.

22 Q. Just give us a category. What type of spending?

23 A. Spending to pay off third-party lenders.

24 Q. So to repay loans?

25 A. To repay loans, yes.

1 Q. Before we talk about that, let's talk about -- sorry.

2 Whose lenders?

3 A. Lenders to FTX.

4 Q. To FTX?

5 A. To Alameda. I beg your pardon.

6 Q. So let's talk about just the borrowing and lending before
7 we talk about the use of funds.

8 MR. ROOS: Can we please publish Government Exhibit
9 1013.

10 Q. Focusing on the first page of 1013, what does this exhibit
11 show?

12 A. So Alameda also borrowed funds from other -- from
13 third-party lenders outside of the firm.

14 Q. Like the Genesis you showed us in the beginning?

15 A. For example.

16 Q. What does this diagram or chart show?

17 A. This is, again, a daily chart. The Y axis is, again,
18 billions. You can see the amount borrowed increased over time
19 through the end of November 2021 to a max of 15.4 billion and
20 then declined over time.

21 MR. ROOS: Let's go to page 2 to add a marker.

22 Q. Do you see that this marker that was added on May 12, 2022,
23 it says Terra Luna (Luna collapse)?

24 A. Yes.

25 Q. What happened to cryptocurrency prices after that Terra

1 Luna collapse on May 12?

2 A. Terra Luna -- the Terra Luna collapse introduced a lot of
3 uncertainty to the market and crypto prices collapsed.

4 Q. Have you analyzed what happened with loans after this
5 period?

6 A. Yes, I have.

7 MR. ROOS: Let's go to the next page.

8 Q. What additional information has been added to the exhibit?

9 A. This is simply saying that, in the month of May 2022, there
10 were a total of three payments of \$1.3 billion to third-party
11 lenders.

12 Q. So Alameda repaid \$1.3 billion in May. What about in June?

13 MR. ROOS: Can we go to the next page.

14 A. So in June, a further 2.9 billion.

15 Q. What about July.

16 MR. ROOS: Can we go to the next page.

17 A. July, almost three-quarters of a billion repayments.

18 Q. During this period, have you been able to determine whether
19 any new loans were made to Alameda?

20 A. Yes, I have.

21 MR. ROOS: Why don't we go to the next page.

22 A. New loans were 1.7 billion during this period.

23 Q. And over what period were those new loans extended?

24 A. From the beginning of May through the end of FTX, 1111.

25 Q. We have added one more marker here at the end, and what

1 does that refer to?

2 A. So this just points out that at the end of FTX, or at least
3 on 1111, the loans still unrepaid were \$1.3 billion.

4 MR. ROOS: Just to zoom in on this, can we look at
5 Government Exhibit 1014.

6 Q. Professor Easton, what does this show?

7 A. This is the zoom in, so it shows the repayments in May, it
8 shows the repayments in June, the repayments in July, and --
9 excuse me -- in July, and, finally, an amount outstanding of
10 1.3 billion. And during this time period we had new loans of
11 1.7 billion.

12 Q. Focusing on this period that we zoomed in on that's in
13 gray, does the red line continue to show the total amount of
14 loans during those periods?

15 A. Yes, it does.

16 Q. Now, have you analyzed the source of funds used to repay
17 these third-party lenders at Alameda?

18 A. Yes, I have.

19 MR. ROOS: Let's bring up Government Exhibit 1017A.

20 Q. Professor Easton, what does Government Exhibit 1017A show?

21 A. This shows that of the repayment to the crypto lender
22 Genesis of 3.5 billion, 1.7 of that came out of customer crypto
23 funds on the FTX exchange.

24 Q. Which account was used to make that payment?

25 A. Again, it was account 9, which had a negative balance of

1 7.2 billion at the time that the first payment was made.

2 MR. ROOS: Can we please put up Government Exhibit
3 1017B.

4 Q. Professor Easton, what does Government Exhibit 1017B show?

5 A. This is a similar exhibit. It shows a payment to BlockFi,
6 the third-party lender. The entire one point million payment
7 came out of customer funds.

8 Q. Just focusing again on the account and the balance, what
9 was that?

10 A. It came out of account number 9, which had a negative
11 balance at the time that the billion was paid. In other words,
12 the negative balance went to 2 billion from 1 billion negative.

13 Q. Professor Easton, have you done a similar type of tracing
14 and analysis for other lenders?

15 A. Yes, I have, many of them.

16 Q. Many of them. OK.

17 To keep us moving, what I am going to do is, we will
18 just put up the exhibit, we will ask you to name the lender and
19 then describe what the source of funds were rather than walk
20 you through the whole thing. OK?

21 A. OK.

22 MR. ROOS: Do why don't we put up Government Exhibit
23 1017C.

24 A. This describes the lender Voyager. You can see that the
25 majority of the funds to pay Voyager came from customers.

1 MR. ROOS: Can we put up 1016D.

2 A. Similarly to Celsius, roughly four-fifths of the payment
3 came from customer funds.

4 MR. ROOS: How about 1017E.

5 A. This is repayment to Abra all from customer funds.

6 MR. ROOS: 1017F, please.

7 A. To Maple, all from customer funds.

8 MR. ROOS: We will add another to this slide, 1017H.

9 A. To Anchorage, all from customer funds.

10 MR. ROOS: Can we please add 1017J.

11 A. To Nexo, all from customer funds.

12 MR. ROOS: Can we please put up 1017G.

13 A. Payment to TrueFi was roughly two-thirds from customer
14 funds.

15 MR. ROOS: Can we please publish 1017I.

16 A. Payment to Ledn. Roughly, again, two-thirds from customer
17 funds.

18 MR. ROOS: Finally, 1017K.

19 A. Payment to BitGo, only about a fifth from customer funds,
20 but still some customer funds.

21 Q. For each of these repayments, which Alameda account did the
22 funds come out of?

23 A. Every one of them came out of account 9.

24 Q. When those repayments began, was the account positive or
25 negative?

1 A. It was negative.

2 MR. ROOS: Let's put up Government Exhibit 1018.

3 Q. Professor Easton, what does Government Exhibit 1018 show?

4 A. So this pie chart again is -- demonstrates the entire
5 analyses of all of the repayments to third-party lenders. And
6 to summarize 68 percent of the payments to third-party lenders,
7 repayments to third-party lenders came from customer funds.
8 Only 32 percent came from other funds.

9 Q. What was the amount of customer funds that made up that 68
10 percent?

11 A. \$4.5 billion.

12 MR. ROOS: Let's put back up Government Exhibit 1002,
13 please, which was Alameda's negative accounts. Can we zoom in
14 on this period of May 2022 to the end of the calendar.

15 Q. Professor Easton, can you describe what happened to
16 Alameda's balances in its allow-negative accounts over the
17 period it was repaying those letters?

18 A. It started at roughly 6-- 6 billion negative, increased a
19 little bit, in other words, became slightly less negative, but
20 then you can see continued to become quite negative, to the
21 tune of eventually something like 12 billion negative.

22 MR. ROOS: If we can zoom out.

23 Q. Professor Easton, you've been focusing on these accounts
24 with this allow-negative feature enabled. Have you also done
25 analysis of all of the Alameda accounts?

1 A. Yes, I have.

2 MR. ROOS: Let's put up first Government Exhibit 1005.

3 Q. What does this show?

4 A. This is all accounts now, not just those that were allow
5 negative that did go negative. There were some that did not
6 have allow negative and, obviously, therefore, they didn't go
7 negative. So you will see that this chart, which is almost
8 always in the red, so to speak, that's very negative. It's
9 slightly less negative than the previous chart.

10 Q. Just to call out a few points in time in 2022, first, what
11 was the balance on May 12, 2022 across all the accounts?

12 A. A negative \$12.6 billion.

13 Q. What about on June 14, 2022?

14 A. Still very negative, \$10.9 billion.

15 Q. What about on November 1, 2022?

16 A. Negative \$9.2 billion.

17 Q. Just to be clear, this includes all of Alameda's accounts
18 on FTX?

19 A. This is all of Alameda bank accounts, yes, on FTX.

20 Q. And all currencies?

21 A. Yes.

22 Q. Let me ask you, have you analyzed whether Alameda's
23 negative balance here can be explained through borrowing in the
24 spot-margin program?

25 A. Yes, I can.

1 MR. ROOS: Let's put up Government Exhibit, for
2 starters, 1011.

3 Q. Professor Easton, can you explain what this chart shows.

4 A. First of all, the red line is the same red line as we were
5 seeing before, so this is a negative balance. I chose to put
6 it as a positive chart because we are going to compare it -- I
7 am going to compare it to the actual borrowing.

8 So the Alameda balance reached the peak that we have
9 seen before of 12.6 billion. The actual Alameda borrowing on
10 this spot-margin program was far less than the amount needed to
11 cover this negative balance. So you can see from the bluish
12 line, bluish green line, that the amount was way, way less than
13 the amount that would have had to be borrowed to cover this
14 negative balance. For example, on May 12, the deficiency or
15 the deficit, the negative amount, the difference between what
16 we would have needed and what we did have is 10.8 billion.

17 Q. What's your conclusion as to whether Alameda's negative
18 balance can be explained by its own borrowing in the
19 spot-margin program?

20 A. It cannot be explained.

21 Q. Let's say Alameda borrowed every dollar in every crypto
22 available in the spot-margin program.

23 Could that explain its negative balance?

24 A. No, it could not.

25 MR. ROOS: Let's look at another exhibit, Government

1 Exhibit 1010.

2 Q. Professor Easton, can you explain what Government Exhibit
3 1010 shows.

4 A. The difference between this chart and the one we have just
5 seen is that the bluish green line shows the total borrowing on
6 the spot margin. Clearly, it's not enough to cover the Alameda
7 negative amount.

8 Q. What's your conclusion as to whether Alameda's negative
9 balance on FTX can be explained by all the borrowing through
10 the spot margin?

11 A. It cannot be.

12 Q. What's your conclusion as to the source of the money that
13 was used when Alameda incurred a negative balance?

14 A. It must have been customer funds.

15 MR. ROOS: No further questions.

16 THE COURT: Thank you. Why don't we take our lunch
17 break a little early and come back at 1:45.

18 (Luncheon recess)

1 AFTERNOON SESSION

2 1:49 p.m.

3 (In open court; jury not present)

4 MS. SASSOON: Your Honor?

5 THE COURT: Yes.

6 MS. SASSOON: Two very quick things. For a later
7 witness this afternoon, the defense has a few objections to
8 exhibits that perhaps we could take up at the beginning or end
9 of the afternoon break.

10 THE COURT: Okay.

11 MS. SASSOON: And second, in an absent-minded moment,
12 I walked into the wrong room, which was the jurors' room. I
13 walked right out but not before they all laughed at me. And I
14 told the defense, but I also wanted to put it on the record.

15 THE COURT: Mr. Cohen, do you want me to do anything
16 else about this?

17 MR. COHEN: No. We just asked that it be put on the
18 record, your Honor.

19 THE COURT: Okay. That's fine.

20 And before we call the jury, I just want to put on the
21 record, with respect to the objection to Exhibit 1051 this
22 morning, it was overruled because I regard the disclosure as
23 having been adequate and in any case find no substantial
24 prejudice to the defense.

25 All right. Let's get the jury.

1 (Jury present)

2 THE COURT: Be seated, please.

3 The record will reflect that the defendant and the
4 jurors all are present.

5 Professor Easton, you're still under oath.

6 You may cross-examine, Mr. Lisner.

7 CROSS EXAMINATION

8 BY MR. LISNER:

9 Q. Good afternoon, Professor Easton.

10 A. Good afternoon.

11 Q. I want to go through some of the things you testified
12 earlier this morning about.

13 Do you recall testifying about a number of
14 acquisitions from your analysis FTX or Alameda relied on
15 customer funds to pay for?

16 A. I do.

17 Q. And your analysis was based on reviewing the accounts from
18 which the entity receiving the funds received them, correct?

19 A. That is correct.

20 Q. And that in turn brought you to an Alameda account, and I
21 believe your opinion was that customer money was going into the
22 account, and then you followed that through to the investment,
23 which would cause you to conclude customer funds were used.

24 A. Several Alameda accounts, yes.

25 MR. LISNER: Can we bring up GX 1033, Brian. This is

1 in evidence. It's one of Professor Easton's demonstratives.

2 Q. And this is the Modulo demonstrative, correct?

3 A. Yes, it is.

4 Q. And here what you're indicating, if I have this right, all
5 the green boxes down the middle indicate that—or on the left,
6 sorry, those green boxes indicate that 100 percent of the funds
7 came from customer assets, true?

8 A. True.

9 MR. LISNER: Can we jump to the second to last page,
10 Brian.

11 Q. Okay. And here, I'm looking at the green I guess in the
12 one, two, three—in the fifth column. These are the customers
13 Circle Internet Financial and TrueCoin, right?

14 A. No, they're not the customers. What they are is an
15 intermediary that transfers customer stablecoins into dollars.

16 Q. I believe you testified earlier that all the funds came
17 from customer assets. Where on this—in this analysis are the
18 customers?

19 A. The customers' funds are transferred—and I traced this—to
20 Circle Internet, and there at Circle Internet were changed from
21 a stablecoin to dollars, but it was customer funds that are in
22 the background of this transaction, and I traced them back to
23 the original bank statements.

24 Q. And how did you trace those, sir?

25 A. Through the FTX database and bank statements.

1 MR. LISNER: If we could jump to GX 1030, Brian.

2 That's the flow chart with respect to K5.

3 Now how do I delete the—there we go.

4 Q. Okay. And here you're showing that customer funds flowing
5 in were at 765 million and other inflows approximately
6 127 million, correct?

7 A. Correct.

8 Q. And what I want to do is go to your spreadsheet backup on
9 this to trace that through.

10 A. Okay.

11 MR. LISNER: Brian, are you able to bring up—this is
12 a spreadsheet for GX 1030. It's No. 3574.

13 MR. ROOS: Objection. So the document he's pulling up
14 is not in evidence, and I'm not sure there is—what the
15 question is that precedes going to the 35—looking to a
16 document not in evidence.

17 THE COURT: Well, it can be shown to the witness—

18 MR. LISNER: Just for the witness.

19 THE COURT: —and we'll see where it goes from there.
20 But I don't know whose Exhibit 3574 it's supposed to be.

21 MR. LISNER: Yes. Can you pull up only for the
22 witness, Brian, spreadsheet 3574-431.

23 THE COURT: Is that defendant's exhibit or government
24 exhibit?

25 MR. LISNER: It's neither. It's 3500 material.

1 THE COURT: All of which are GX exhibits, right? Or
2 am I missing something?

3 MR. LISNER: We can identify it as GX.

4 THE COURT: No, I need to know what it is. That's not
5 a hard question, is it?

6 MR. ROOS: It's 3500 material produced by the
7 government. It's neither marked as a defense nor as a
8 government exhibit.

9 THE COURT: All right. So let's mark it as a defense
10 exhibit now.

11 MR. LISNER: We'll mark it as DX 3574-431.

12 THE COURT: Okay.

13 MR. LISNER: All right. Can you bring that up just
14 for the witness and myself.

15 BY MR. LISNER:

16 Q. Now this is the backup for your chart at GX 1030, the
17 investment in K5?

18 A. Yes.

19 Q. Got it. And same issue here. In green, there are a number
20 of sources of customer—of claimed customers in green that are
21 stablecoin issuers, true?

22 MR. ROOS: Objection.

23 THE COURT: Sustained as to form.

24 MR. LISNER: Okay. We can move on.

25 You can take that off the screen, Brian.

1 Okay. Let's move to GX 1018.

2 Q. I want to ask you some questions about your analysis of
3 repayments by Alameda made to Genesis—well, made to
4 third-party lenders.

5 Does this chart reflect your conclusions about the
6 amount of customer funds versus other assets that were repaid
7 to third-party lenders in the period May through November?

8 A. Yes, it does.

9 Q. Okay. And one of those lenders was Genesis?

10 A. Yes.

11 MR. LISNER: Okay. Can we pull up just quickly,
12 Brian, GX 1017A.

13 Q. Okay. And that's your analysis from this morning about
14 repayments to Genesis?

15 A. It's the summary, yes.

16 Q. Okay. And these payments, do they reflect only principal
17 repayments or do these payments include any collateral
18 repayments as well?

19 A. They reflect crypto-by-crypto payments for loans from
20 Genesis.

21 Q. Okay. So there wouldn't be any collateral postings based
22 on this payment.

23 A. I don't understand the question. Sorry.

24 Q. The 3.5 billion that was paid to Genesis, is your testimony
25 that this entire amount was made of principal repayment?

1 A. I'm not certain of that.

2 Q. You're not certain of that?

3 A. It is payment of an amount owing to the third party,
4 Genesis. Whether it's payment of owed interest as well as
5 principal, I'm not sure as I sit here now.

6 Q. Okay. Well, let's see if we can show you some things to
7 refresh your recollection. Is that fair?

8 A. Yeah.

9 MR. LISNER: Brian, for the witness only, could we
10 please bring up—this is in the backup to GX 1017 and 18.
11 There's a spreadsheet labeled 3574-474D.

12 THE COURT: Which will be marked Defendant's
13 Exhibit 3574-474D.

14 MR. LISNER: Yes. Thank you, your Honor.

15 And can you go to the bottom, the tab for returned
16 loans. And you see column E, there's a return date? If you
17 could sort by return date. Just sort the oldest to newest, and
18 then let's jump to May 11th.

19 BY MR. LISNER:

20 Q. Okay. What I want to do is point out three transactions
21 here. And for May 11th, there is a 90,000 Ethereum payment
22 made on May 11th. Do you see that?

23 MR. ROOS: Objection.

24 THE COURT: What is the objection?

25 MR. ROOS: I believe up here it says he was trying to

1 refresh his recollection, so the form of the question.

2 THE COURT: Certainly. Sustained.

3 Q. Do you recall, Professor Easton, specific payments made by
4 Alameda to Genesis on or about May 11th, 12th, and 13th?

5 A. I recall seeing this document at some point, and yes, I can
6 see those two payments.

7 Q. Okay. And does it refresh your recollection whether a
8 90,000 Ethereum payment was made on May 11th?

9 A. That's what it says here, yes.

10 Q. 155,000—

11 MR. ROOS: Objection to form.

12 THE COURT: Yes. The answer is stricken. The
13 question is: Does it refresh your recollection? The answer is
14 not, I'm reading this document back to you. That's
15 inappropriate. And let's not do that.

16 MR. LISNER: Understood, your Honor.

17 BY MR. LISNER:

18 Q. Okay. Can I ask you to keep in mind, Professor Easton, the
19 payments made on May 11th, May 12th, and May 13th in Ethereum.

20 THE COURT: He's been asked to have that in mind. Do
21 you have another question?

22 MR. LISNER: I do. I'm going to go between
23 spreadsheets that were used.

24 THE COURT: Ask your questions, please.

25 MR. LISNER: Understood.

1 Okay. Can we go—you could take this down, Brian.

2 Can you please bring up GX 1235.

3 My understanding is this is in evidence as a
4 third-party business record under the government's stipulation.

5 THE COURT: If it's in evidence, it's in evidence.

6 Does everybody agree that it's in evidence?

7 MR. ROOS: I'm not—it's not in evidence.

8 THE COURT: That confirms what I see.

9 MR. LISNER: Okay. Can you bring up, just for the
10 witness, Brian, GX 1235.

11 BY MR. LISNER:

12 Q. Do you recognize this document as Genesis's loan
13 repayments?

14 A. Yes, I do.

15 MR. LISNER: Okay. And Brian, same thing. If you'd
16 sort the return dates and jump to May 11th, May 12th, May 13th,
17 2022.

18 Okay. Leave that place, and if you could just take
19 that down, Brian.

20 Q. I'm going to ask you a question without the need for that.
21 Do you recall if those loan payments we discussed a minute ago
22 were repaid for principal repayments?

23 A. I don't recall seeing that on the document that I just
24 looked at.

25 THE COURT: The question is whether, in your memory,

1 you remember that or you don't remember that. He's not asking
2 you what you may have read on the screen.

3 THE WITNESS: I apologize.

4 A. No, I don't recall.

5 Q. Okay. Would it refresh your recollection to look at
6 Genesis's loan repayment summary?

7 A. It may.

8 MR. LISNER: Brian, could you please bring up 1235 to
9 the same place we were, GX 1235.

10 Q. Does this refresh your recollection whether those Ethereum
11 payments we discussed were repaid as loan principal?

12 A. No, it does not.

13 MR. LISNER: Okay. You could take that down.

14 Q. And do you recall whether those loan repayments—let me
15 rephrase.

16 Do you recall whether those payments we discussed were
17 paid to Genesis as collateral for borrowings by Alameda?

18 A. No.

19 Q. Okay. Would it refresh your recollection to look at a
20 collateral summary produced by Genesis?

21 A. Possibly.

22 MR. LISNER: Brian, could you please bring up GX 1238.

23 Okay. Can you scroll down to rows 185 through 187.

24 Q. Does this refresh your recollection whether the payments we
25 discussed were collateral postings on Genesis by Alameda?

1 A. No, it does not.

2 Q. Does not.

3 MR. LISNER: Okay. You can take that down.

4 Q. All right. Let's switch topics.

5 You testified on direct that Alameda used customer
6 funds to repay third-party lenders between May and July 2022,
7 correct?

8 A. Correct.

9 Q. And just kind of rounding out the numbers, I believe you
10 testified in May it was approximately 1.3 billion. Sound
11 right?

12 A. Sounds right.

13 Q. 2.9 billion in June?

14 A. Sounds right.

15 Q. And approximately 750 million in July.

16 A. Yes.

17 Q. Okay. And I think you testified on direct that if a
18 payment was made, you would expect the account balance,
19 Alameda's account balance to become more negative.

20 A. Correct.

21 MR. LISNER: Okay. Can we bring up GX 1002, which is
22 in evidence.

23 Q. So focusing here on the period we just talked about, May
24 through approximately July—let me rephrase.

25 In your direct, Mr. Roos asked you to look at the

1 downward-trending line from about May until the end of the
2 year, May 2022 to I guess November 2022. Do you recall that?

3 A. I do.

4 Q. Okay. But if we focus on the period only between
5 approximately May—and I'll do my best to draw a line—and what
6 appears to be approximately June, July, the line is sloping
7 upwards, correct?

8 A. That was my testimony, yes.

9 Q. And during this period, approximately, we just talked—we
10 just mentioned—rephrase.

11 During this period, approximately 5 billion in loans
12 were repaid?

13 A. Yes.

14 Q. And if there was a payment, you testified you'd expect the
15 numbers to get more negative, but here it's doing the opposite,
16 true?

17 A. Yes.

18 MR. LISNER: Okay. You could take that down, Brian.
19 And if you could put up GX 1005, which is also in evidence.

20 Q. Same question. If I focus on the period between—I'll do
21 my best to draw the line—May 2022 through approximately
22 June-July, the line is sloping upwards as well, correct?

23 A. Yes.

24 Q. And if there were payments remade from the Alameda account,
25 you'd expect that to go down, true?

1 A. No. Incorrect.

2 Q. Incorrect. Why is that incorrect?

3 A. The payment in and of itself would make the line go down,
4 but other things are happening during this time period.

5 Q. Okay. What else is happening?

6 A. Changes in the—

7 MR. LISNER: You could take this down, Brian.

8 A. There were new loans for that time period, for example.

9 Q. There were new loans? Do you know when those were taken
10 out?

11 A. Not specifically as I sit here now, no.

12 Q. So new loans from third-party lenders. So you're meaning
13 that more funds would flow into Alameda and it would go up
14 instead of down.

15 A. Right.

16 Q. Right. You didn't testify to any of that in your direct,
17 did you?

18 MR. ROOS: Objection. Misstates—

19 THE COURT: Sustained.

20 Q. Okay. A clarification on 1002 versus 1005. 2?

21 MR. LISNER: Can you bring up, Brian, side by side,
22 1002 and 1005.

23 Q. Now you testified on direct that these were different, and
24 if I recall correct, 1002 is a limited set of accounts for a
25 limited set of currencies, correct?

1 A. Correct.

2 Q. And the limited accounts were Alameda's "Allow Negative"
3 accounts, true?

4 A. Correct.

5 Q. And for currencies, the US dollar, USDT, which is a
6 stablecoin, Bitcoin, and Ethereum, correct?

7 A. Correct.

8 Q. And then 1005 was meant to reflect all Alameda balances in
9 all currencies.

10 A. Correct.

11 Q. Does that include fiat as well?

12 A. Yes.

13 Q. Okay. So if we look at the period that is approximately
14 April 2nd—April 1st, April 2nd, 2022—again, I'll do my best
15 to draw it—but on 1002, in April 2022, it looks like it's
16 about here—that appears to be approximately 7½ billion? I'll
17 try to draw the line. Forgive the shaky finger. Does that
18 appear to be approximately negative 7½ billion?

19 A. Yes.

20 Q. Okay. And if we compare that with the line on GX 1005,
21 same date, April 1, 2022, it's zero, correct?

22 A. Right.

23 Q. So your summaries of the Alameda account balance on the
24 same day is different by \$7 billion depending on the variables
25 you chose to include.

1 A. Yes.

2 Q. Let's talk about some of those variables.

3 MR. LISNER: Brian, you could take those down.

4 Q. For the specific accounts, how did you select the "Allow
5 Negative" accounts?

6 A. All of those that were allowed to turn negative.

7 Q. And how did you identify them as associated with Alameda?

8 A. I—I knew which accounts were Alameda and which accounts
9 were not.

10 Q. Are there any accounts—

11 MR. LISNER: Well, let's bring up 1001. I think
12 that's the account listings.

13 Q. Is it your understanding that all of these accounts are
14 associated with the Alameda Research user name—user ID?

15 A. Yes.

16 Q. Okay. And if there are accounts here that weren't
17 associated with the Alameda account ID, they shouldn't have
18 been included, true?

19 A. True.

20 MR. LISNER: Okay. I'll ask this to set up the next
21 question, your Honor.

22 Q. Do you recall whether any accounts are included on this
23 1001 exhibit in the Alameda account column that are not
24 associated with the Alameda user ID?

25 A. I do not recall such an account.

1 MR. LISNER: Okay. Can we pull up for the witness
2 only GX 1702.

3 Q. Does this appear to be the list of accounts, list of
4 Alameda accounts that you used as a basis to select the
5 accounts in 1001?

6 A. I believe so, yes.

7 MR. LISNER: Okay. Brian, if I could ask you, in
8 column—well, first, in the first row, if you could put the
9 filters on, and then I'll ask you to show only "Allow Negative"
10 where it's true in column J.

11 Your Honor, request to publish this to the jury as
12 something that Professor Easton relied on, not for its truth
13 but for material Professor Easton relied on.

14 THE COURT: I don't understand.

15 MR. ROOS: Me neither.

16 MR. LISNER: I think we're entitled to ask Professor
17 Easton about the bases for his conclusions.

18 THE COURT: I don't understand the question.

19 MR. LISNER: Well, I didn't ask—I don't have a
20 pending question to the witness. The question to your Honor
21 was whether we could publish this to the jury.

22 THE COURT: I don't even know if it's in evidence.

23 MR. ROOS: It's not.

24 THE COURT: I believe it is not.

25 MR. LISNER: It's not. So the request is—

1 THE COURT: Therefore, you're not going to show it to
2 the jury.

3 MR. LISNER: Understood, your Honor.

4 BY MR. LISNER:

5 Q. Okay. Column J, we've sorted this so it only shows "Allow
6 Negative" accounts.

7 MR. ROOS: Objection to asking a witness about a
8 document that's not in evidence.

9 THE COURT: Sustained.

10 Q. Does this refresh your recollection to the accounts that
11 are included in your Exhibit 1001?

12 MR. ROOS: Objection.

13 THE COURT: Sustained. There's been no failure of
14 recollection.

15 MR. LISNER: Okay. You could take that down.

16 THE COURT: The only thing we know about this document
17 up to now is that it appears to be a list of accounts that he
18 used in listing accounts on 1001. That is 100 percent—unless
19 I'm missing something—of the information known about this
20 exhibit, apart from the fact that it's not in evidence.

21 MR. LISNER: Yes, your Honor.

22 THE COURT: So if you want it in evidence, you have to
23 have a foundation. If you want to read it to the jury or show
24 it to the jury, you've got to get it into evidence.

25 MR. LISNER: Okay. Let's put that back up, Brian.

1 BY MR. LISNER:

2 Q. Can you tell us what this document is, Professor Easton.

3 A. This is a document from which I originally determined the
4 accounts with the "Allow Negative" flag.

5 Q. Does this appear to be a document maintained in the
6 ordinary course by FTX?

7 MR. ROOS: Objection, foundation.

8 THE COURT: Sustained.

9 MR. LISNER: All right. We'll move on. We'll move
10 on.

11 Sticking with loan repayments, Brian, if you could
12 please bring up 1017J, GX 1017J, which is in evidence.

13 BY MR. LISNER:

14 Q. I think you testified earlier that the 1017 series reflects
15 the loan repayments made by Alameda from its account 9 to
16 third-party lenders; is that right?

17 A. That is correct.

18 Q. Okay. And looking at this one, J, you testified that at
19 the bottom came from account 9 and then there was the
20 balance—I'll circle here—in account 9 on the day before the
21 transfer was made, or right before the transfer was made.

22 A. The first transfer, yes.

23 Q. Okay. So then after the transfer was made this number
24 should become more negative, true?

25 A. Immediately, at that instant, yes.

1 Q. Okay. So here we're looking at May 1 in GX 1017J, and it
2 reflects account 9 had a balance of 7.3 billion, correct?

3 A. Correct.

4 Q. Okay. And I'm going to go through these quickly just to
5 get through the numbers.

6 MR. LISNER: Could we get to 1017C, Brian.

7 Q. This is eight days later, on May 9th. And there's an
8 account balance of minus 6.42 billion, correct?

9 A. Correct.

10 Q. And that's approximately 900 million less negative than
11 May 1st.

12 A. Yup.

13 Q. And during that period significant loan repayments were
14 made out of the account?

15 A. Yes.

16 Q. Okay. And then we could skip a few days just to cut to the
17 chase.

18 MR. LISNER: If we could pull up 1017G.

19 Q. And this reflects that on June 17th, minus 5 billion or
20 500 million remains in the account, correct?

21 A. Correct.

22 Q. That's almost a \$7 billion increase in the balance of
23 account No. 9 when you testified significant loan payments were
24 made.

25 A. This is balance in crypto. Crypto balances can fluctuate

1 all the time.

2 MR. LISNER: Could I have my question read back,
3 please.

4 THE COURT: Yes.

5 (Record read)

6 Q. Can you answer that yes or no, sir?

7 A. Yes.

8 Q. Thank you.

9 MR. LISNER: Okay. You can take that down.

10 Q. Let's switch gears to fiat.

11 MR. LISNER: If you could bring up GX 1004, Brian.

12 Q. Okay. And I think you testified—correct me if I'm
13 wrong—on direct that here what we have on the top is the fiat@
14 balance in the black line—I'm sure everyone here has heard
15 more about the fiat@ account than they'd like to—and then the
16 bottom, the bank balance such that the difference represents
17 the gap of what Alameda would have spent.

18 A. Correct.

19 Q. Okay. So the bigger the gap means there's more spending by
20 Alameda, and the smaller gap means that there would be less.

21 A. Correct.

22 Q. One clarifying question: How was it that this line is
23 negative in the beginning period, in January 2021? It appears
24 that it's only a little bit, but the fiat line is below zero.

25 A. This was associated with, as best I understand it, where

1 there were deposits of crypto and of fiat, and the exchange
2 between crypto and fiat result in a slight positive difference.

3 Q. Got it. Got it. Okay. So same concept that we discussed
4 earlier. If I look at the period between May, which is where
5 your maximum point is, 11.3 billion, thereafter, in May, June,
6 and July, it looks like the gap either remains the same or
7 decreases, correct?

8 A. Correct.

9 Q. And that's the period when 5 billion in loans was paid.

10 A. Correct.

11 Q. Okay. Now at the bottom here—let me clear this line—the
12 green line in the legend indicates that this is the balance in
13 Alameda, North Dimension, and FTX bank accounts. Is it your
14 understanding that FTX, over different periods of time, relied
15 on different accounts?

16 A. Yes.

17 Q. And is it fair to say that the amount of fiat kept in the
18 FTX account should not appear as a liability for Alameda?

19 A. I don't know what FTX account you're referring to, sir.

20 Q. The one reflected on your graph here. So FTX bank
21 accounts.

22 A. Would you repeat the question, please.

23 Q. Is it fair to say that fiat customer deposits received in
24 FTX bank accounts should not be treated as a liability of
25 Alameda's?

1 A. I'm not sure I understand the question, but if fiat
2 deposits have been included in an FTX bank account that
3 includes customer deposits, they should be included as a
4 liability.

5 Q. For FTX.

6 A. For FTX.

7 Q. Not Alameda.

8 A. Not Alameda.

9 MR. LISNER: Okay. If you could take that down.

10 Brian, if you could put up GX 1005.

11 Q. This we talked about briefly earlier. This reflects all of
12 Alameda's balances across all currencies, including fiat@
13 liability, true?

14 A. Correct.

15 Q. And is it your understanding that this graph includes the
16 fiat line that we just looked at across all bank accounts?

17 A. Yes.

18 Q. Okay. But if that includes an FTX liability and not an
19 Alameda liability, fair to say the FTX portion should not be
20 included in this 1005?

21 A. This is the balance in the accounts that accepted customer
22 deposits.

23 Q. So this includes the full fiat@ subaccount entry.

24 A. Yes, it does.

25 Q. Okay. Does the subaccount entry for fiat@ include customer

1 deposits regardless if they were made in an Alameda account, a
2 North Dimension account, and an FTX account?

3 A. Yes.

4 Q. Okay. Should the portion in the FTX account be included in
5 the fiat@ liability attributed to Alameda?

6 A. No.

7 Q. Okay. Did you exclude that in this graph?

8 A. No, I did not.

9 Q. Okay. You're, by the way, not offering any opinion on what
10 information or aspects of the fiat account that

11 Mr. Bankman-Fried did or did not see over the years.

12 MR. ROOS: Objection.

13 THE COURT: Sustained.

14 MR. LISNER: Okay. Let's take that down, Brian.

15 Q. Let's stick with the fiat for a moment.

16 MR. LISNER: If you could pull up GX 3003.

17 Q. This was your demonstrative about the basic mechanics of
18 how customers would deposit fiat onto FTX, correct?

19 A. Correct.

20 Q. Okay. And here you list the numbers. I know they're for
21 illustrative purposes, but it's listed in USD, so the customer
22 account in FTX here has a positive 100 US dollars, correct?

23 A. Correct.

24 Q. Okay. Do you have an understanding that credits on FTX,
25 credits on a customer account on FTX don't reflect actual cash

1 or legal tender?

2 MR. ROOS: Objection.

3 THE COURT: Sustained.

4 Q. Is it your understanding that the \$100 entry there reflects
5 legal tender?

6 MR. ROOS: Objection.

7 THE COURT: Sustained.

8 MR. LISNER: Okay. Can we bring up, only for the
9 witness, Brian, DX 1022.

10 Okay. These are the May 2022—

11 MR. ROOS: Objection. Could we have a sidebar?

12 THE COURT: Yes.

13 (Continued on next page)

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1 (At the sidebar)

2 MR. ROOS: The objection is that the document he was
3 about to announce the name of is the FTX terms of service.
4 It's not a basis for his opinion. It's not in evidence. I
5 can't imagine how this witness can lay a foundation for it,
6 particularly given—I'm not saying it won't come in ever, but
7 there are hearsay questions about the circumstances in which it
8 can be offered—is it for its truth, is it for the effect on
9 the listener—and ultimately if it is shown to him, it's a
10 legal document, and we all know the expert witness is the last
11 person who should be opining on legal obligations, given his
12 role in the case.

13 MR. LISNER: Your Honor, I don't think the foundation
14 objection is an issue because there's a stipulation on
15 authenticity as to this document. This is a document that the
16 expert reviewed, and we think it's admissible as a nonhearsay
17 document. It's a contract. It's a verbal act. It's in the
18 materials he relied on. I want to ask him about how—

19 THE COURT: How do you know it's in the materials he
20 relied on?

21 MR. LISNER: The government produced 3500 material
22 that the expert relied on, and this is one of them.

23 THE COURT: Relied on or saw?

24 MR. LISNER: So I could ask. I don't know. We have
25 not had access to the witness before.

1 MR. ROOS: I guess if he wants to show it without
2 saying what the document is and ask him if it's something he
3 relied on in reaching his opinion, then if the answer is yes,
4 he can ask another question; if the answer is no, that's the
5 end of it.

6 THE COURT: You can do that much anyway.

7 (Continued on next page)

1 (In open court)

2 MR. LISNER: Okay. Thank you, your Honor.

3 Could you bring up for the witness only, Brian,

4 DX 1022.

5 BY MR. LISNER:

6 Q. Just yes or no, two questions: Did you—do you recognize
7 this document?

8 A. No.

9 MR. LISNER: Okay. You can take that down, Brian.

10 Q. Do you agree with the statement that the net asset
11 valuation model is commonly applied when valuing privately held
12 companies?

13 A. Yes.

14 Q. And your presentation this morning relied exclusively on
15 Alameda balances held on the FTX platform, true?

16 MR. ROOS: Objection. Misstates testimony.

17 THE COURT: Well, he can say.

18 MR. LISNER: It's a question.

19 A. Yes.

20 Q. Okay. Do you understand that Alameda traded on multiple
21 exchanges in addition to FTX?

22 A. Yes.

23 Q. Held assets on those exchanges?

24 A. Excuse me?

25 Q. That it held assets on those exchanges?

1 A. Yes.

2 Q. And Alameda held significant assets in venture capital?

3 A. Yes.

4 Q. And Alameda was required to post collateral for the loans
5 it received?

6 MR. ROOS: Objection, foundation.

7 THE COURT: Sustained.

8 Q. You didn't perform a net asset value analysis in this case,
9 did you?

10 A. No, I did not.

11 MR. LISNER: Okay. If we could bring up GX 1039,
12 which is in evidence.

13 Q. I believe you testified earlier this morning that this
14 reflects a flow of funds in connection with the donation made
15 by Ryan Salame, true?

16 A. True.

17 Q. Now if you look in the upper left here, there's two sources
18 of funds, customer funds from customer bank accounts and other
19 inflows, and there's a date window for each of them, May 23rd
20 to May 25th. How did you pick what window to use for your
21 analysis?

22 A. So I went back in time, recognizing that the data is daily
23 data, not time-stamped data, until I found sufficient funds to
24 cover 5.5 million in this example.

25 MR. LISNER: Okay. And if you bring up—take that

1 down and bring up GX 1041.

2 Q. Which is another example of your flow chart analysis. Here
3 there is only one date window here. Why are there different
4 windows across different analyses?

5 A. Because in this example, unlike a previous example where I
6 had to go back two days to find sufficient funds, I found
7 sufficient funds to cover 540 in just one day.

8 Q. Would your conclusion about which assets were used be
9 affected if you used longer or shorter date windows?

10 A. Absolutely not, and I've checked that out.

11 Q. Okay. You didn't present any of that analysis today?

12 A. No.

13 Q. You understand that FTX had significant positive revenues,
14 true?

15 MR. ROOS: Objection, foundation.

16 MR. LISNER: I'll rephrase. I'll rephrase. Sorry.

17 Q. Do you have an understanding of whether FTX generated
18 positive revenue?

19 A. I haven't analyzed the generation of revenue by FTX.

20 Q. In the documents you reviewed, have you seen any evidence
21 that FTX generated positive revenue?

22 MR. ROOS: Objection.

23 THE COURT: Ground?

24 MR. ROOS: He just said he didn't know, he didn't
25 under—he didn't analyze this at all.

1 THE COURT: I'll allow the question.

2 A. Would you repeat the question, please.

3 Q. Have you seen evidence in your work on this case of FTX
4 generating positive revenue?

5 A. No.

6 MR. LISNER: Just one moment, your Honor.

7 Q. Switching topics, approximately how many people at the
8 Brattle Group assisted you in your analysis?

9 A. Ten to twelve.

10 Q. And you testified how much you billed on this matter. Do
11 you know how much the Brattle Group earned—billed in this
12 matter?

13 A. No.

14 Q. Did you originate this matter for the Brattle Group?

15 A. No.

16 Q. Do you receive any compensation from the Brattle Group
17 other than your hourly rate for this matter?

18 A. No.

19 MR. LISNER: Just one moment.

20 No further questions, your Honor.

21 THE COURT: Thank you.

22 Any redirect?

23 MR. ROOS: Just briefly.

24 Please put up Government Exhibit 1017A.

25

1 REDIRECT EXAMINATION

2 BY MR. ROOS:

3 Q. Professor Easton, you were asked some questions about
4 whether this was loan principal or loan interest. Regardless
5 of whether it was loan principal or loan interest, what did you
6 determine was the source of the funds that paid Genesis?

7 MR. LISNER: Objection. Mischaracterizes the
8 question.

9 THE COURT: I didn't hear him characterizing it.

10 Well, no, sustained. Rephrase it.

11 Q. Do you recall being asked about repayment of loan
12 principal, just yes or no?

13 A. Yes, I do.

14 Q. Do you remember being asked questions about repayment of
15 loan interest?

16 A. Yes.

17 Q. Irrespective of whether loan interest or loan principal was
18 repaid, what was the source of the funds?

19 A. The source of funds for either payment was either customer
20 flows or other inflows. That was my focus.

21 Q. Now I want to just ask you—you were shown several—several
22 points in times and several negative balances. Do you remember
23 that?

24 A. I do.

25 Q. And I think you testified about the balances, the negative

1 balance account going up and down over time; is that right?

2 A. Yes.

3 Q. And at some points I think Mr. Lisner asked you about where
4 the number wasn't as negative; is that right?

5 A. That is correct.

6 Q. Okay. Now throughout all those instances Mr. Lisner asked
7 you about, was the number still negative?

8 A. Yes, it was.

9 Q. And what are some of the reasons why the balance can change
10 besides the repayment of loans?

11 A. Well, in crypto it's very obvious that cryptocurrencies
12 fluctuate a great deal up and down.

13 Q. And besides the cryptocurrency fluctuations, were there
14 other inflows and outflows of these accounts at the times
15 looked at?

16 A. Yes. In the last few months there was 1.7 billion of
17 inflows.

18 MR. ROOS: No further questions.

19 THE COURT: Thank you.

20 Any recross?

21 MR. LISNER: Briefly.

22 If you could bring up 1017 again, Brian.

23 1017B. That one's fine. A is fine.

24 RE CROSS EXAMINATION

25 BY MR. LISNER:

1 Q. You were just asked about this. I want to understand your
2 methodology on this. If Alameda deposited—let me set up a
3 hypothetical.

4 If Alameda set up—deposited one Bitcoin before this
5 payment was made and then immediately transferred it to Genesis
6 from its account, so it took a off-chain Bitcoin, took a
7 Bitcoin off the platform, put it into account No. 9, and then
8 used account No. 9 to pay Genesis, how would that Bitcoin be
9 reflected in your analysis as coming from a customer fund or an
10 other inflow?

11 MR. ROOS: Objection, to the form and the scope.

12 THE COURT: I'll allow it.

13 A. So I think the easiest way or most straightforward way to
14 answer your question is to say what I would have done if the
15 one Bitcoin resulted in a positive balance in Alameda account
16 9. The payment would be seen as an other flow. If the balance
17 was negative, that would mean it would be dipping into customer
18 funds.

19 Q. Just let me make sure I understand the test. The test is
20 if when the payments were made the full amount came from a
21 negative balance; is that right?

22 A. I'm not sure what the question is. I'm sorry.

23 Q. I'm trying to make sure I understand the test you applied
24 for determining whether customer funds were used to pay a
25 third-party lender. And you said—correct me if I'm wrong—if

1 the account balance is negative, then the payment would be
2 considered using customer funds.

3 A. If the account balance of the particular cryptocurrency was
4 negative and that particular cryptocurrency was used to pay the
5 loan, it would be considered dipping into customer funds.

6 Where else could it have come from?

7 Q. Okay. So then using my example, if the account is negative
8 15, Bitcoin—are you with me?—and then Alameda deposits one
9 Bitcoin from off the platform, so now it's negative 14, and
10 then it pays 10 to somebody, all use of customer funds?

11 A. It's paid out of the 14, which is what's left. It's
12 customer funds.

13 Q. And there's no distinction in your analysis between deposit
14 of Bitcoin put on and the negative Bitcoins that are there.

15 A. It must have come out of customer funds because the balance
16 is negative. It would be dipping further into customer funds.

17 MR. LISNER: No further questions.

18 THE COURT: Thank you.

19 MR. ROOS: Thank you, your Honor.

20 THE COURT: Thank you, Professor Easton. You're
21 excused.

22 (Witness excused)

23 THE WITNESS: Thank you.

24 THE COURT: Next witness.

25 MR. RAYMOND: Your Honor, the government calls Cory

1 Gaddis.

2 THE COURT: You may proceed, Mr. Raymond.

3 MR. RAYMOND: Thank you, your Honor.

4 CORY GADDIS,

5 called as a witness by the Government,

6 having been duly sworn, testified as follows:

7 DIRECT EXAMINATION

8 BY MR. RAYMOND:

9 Q. Mr. Gaddis, where do you work?

10 A. I work at Google.

11 Q. What is your title at Google?

12 A. I'm a records custodian.

13 (Continued on next page)

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1 Q. How long have you worked at Google?

2 A. A little over three years now.

3 Q. What are your responsibilities as a records custodian?

4 A. I respond to legal processes from government agencies, such
5 as subpoenas, search warrants, and court orders.

6 Q. You said you respond to legal process. What do you do in
7 response to legal process?

8 A. I take a search of a particular record that they are
9 looking for, make a copy of that, and return that to the
10 requesting government agency.

11 Q. Have you ever testified in a court before?

12 A. Yes.

13 Q. As part of your duties, do you sometimes cross-check Google
14 systems to confirm that certain documents were in fact provided
15 by Google?

16 A. Yes.

17 Q. In your role as a custodian of records, have you become
18 familiar with records maintained by Google?

19 A. Yes.

20 Q. Did you learn what kind of services Google offers its
21 customers?

22 A. Yes.

23 Q. What are those?

24 A. Internet services such as email, file sharing.

25 Q. Are you familiar with the product called Google Workspace?

1 A. Yes.

2 Q. What is Google Workspace?

3 A. Google Workspace is a collection of products for our
4 enterprise customers, such as Google Docs, Google Sheets.

5 Q. You mentioned Google Docs. What is Google Docs?

6 A. It's a word-editing software similar to like Microsoft
7 Word.

8 Q. Can users share documents in Google Docs with others?

9 A. Yes.

10 Q. Can a user allow others to view a Google Doc?

11 A. Yes.

12 Q. Can a user allow others to edit a Google Doc?

13 A. Yes.

14 Q. You also mentioned Google Sheets. What is Google Sheets?

15 A. It's a data-entry software, such as like Microsoft Excel.

16 Q. And can a user share a Google Sheet with another user?

17 A. Yes.

18 Q. Can a user allow others to view a Google Sheet?

19 A. Yes.

20 Q. Can a user allow others to edit a Google Sheet?

21 A. Yes.

22 Q. In the course of your duties as a records custodian, have
23 you learned the type of information Google stores about its
24 users?

25 A. Yes.

1 Q. What are those types of information?

2 A. That would be like subscriber information, metadata, and
3 user content.

4 Q. You mentioned metadata. What is metadata?

5 A. Metadata would be like transactional information associated
6 with a particular file.

7 Q. So what type of information is that?

8 A. That might be things such as who created the document,
9 where it was uploaded from, where it was edited.

10 Q. Does a user manually enter metadata or is it generated
11 automatically?

12 A. It would be generated automatically.

13 Q. Does Google then store the metadata?

14 A. Yes.

15 Q. Taking a Google Doc as an example, does Google generate
16 metadata when a Google Doc is first created?

17 A. Yes.

18 Q. What type of metadata does Google generate?

19 A. That would be such as where it was created from, who
20 created it.

21 Q. How frequently thereafter would the metadata on such a
22 Google document upload, update?

23 A. At the time or shortly thereafter.

24 Q. At the time or shortly thereafter what?

25 A. That document was created or edited.

1 Q. So each time it's edited, the metadata is expanded?

2 MR. EVERDELL: Objection.

3 THE COURT: Sustained. Form.

4 Q. How frequently does the metadata update?

5 A. At the time of and shortly thereafter.

6 Q. Does Google systems save new information each time a record
7 is accessed or changed?

8 A. Yes.

9 Q. In your role as a records custodian, do you know of whether
10 this process of saving information on an ongoing basis occurs
11 automatically, at or soon after the time the metadata is
12 changed?

13 A. Yes.

14 MR. EVERDELL: Objection.

15 THE COURT: Overruled.

16 Q. Does Google then store that metadata?

17 A. Yes.

18 Q. Does Google maintain that metadata in the course of its
19 regularly conducted activity?

20 A. Yes.

21 Q. Is that regularly conducted activity a regular practice of
22 Google's?

23 A. Yes.

24 Q. Under what circumstances does Google provide a customer's
25 Google Docs or sheets to a U.S. Government agency?

1 A. Pursuant to a search warrant.

2 Q. When Google produces a Google Doc in response to a search
3 warrant, what file format does the Google Doc come in?

4 A. It would typically come in a doc format, such as like a
5 DOCX.

6 Q. Do you understand, is that accessible through Microsoft
7 Word?

8 A. Yes.

9 Q. How about when Google produces a Google Sheet, what format
10 does that come in?

11 A. That would come in an Excel format or a CSV file.

12 Q. When Google produces documents in response to a search
13 warrant, does it also provide the metadata associated with
14 those documents?

15 A. Yes.

16 Q. When Google provides the metadata, what file format does
17 the metadata come in?

18 A. Typically, comes in a JSON file.

19 Q. What is a JSON file?

20 A. It's an extension for a particular file type, typically
21 contains the metadata on there.

22 Q. How is that information provided in response to legal
23 process?

24 A. It's provided alongside the requested content that's being
25 sought.

1 MR. RAYMOND: Your Honor, may I approach to give the
2 witness a thumb drive?

3 THE COURT: Yes.

4 Q. Mr. Gaddis, do you recognize that thumb drive?

5 A. Yes.

6 Q. How do you recognize it?

7 A. I saw the files being added to that thumb drive.

8 Q. Does it have your initials on it?

9 A. Yes.

10 Q. Did you have an opportunity to review the contents of the
11 thumb drive prior to it being shown to you in court today?

12 A. Yes.

13 Q. What is on the thumb drive?

14 A. Records pursuant to a search warrant that we received.

15 Q. Have you reviewed whether the documents on the thumb drive
16 have been marked with government exhibit numbers?

17 A. Yes.

18 Q. Have you reviewed whether those are Government Exhibit
19 numbers 5M, 5F, 18M, 18F, 19M, 19F, 28M, 28F, 42M, 42F, 44M,
20 44F, 50M, 50F, 325M, 325F, and 340M, 340F?

21 MR. EVERDELL: Objection, your Honor.

22 THE COURT: What is the objection?

23 MR. EVERDELL: It's leading.

24 THE COURT: Do you want him to remember the numbers
25 without being prompted? Is that the point?

1 MR. EVERDELL: Your Honor, just simply lodging the
2 objection.

3 THE COURT: I understand. Overruled.

4 MR. RAYMOND: Thank you, your Honor.

5 Q. Mr. Gaddis, do you know whether the documents contained on
6 this thumb drive were the ones that Google in fact maintained
7 and produced to the government?

8 A. Yes.

9 Q. How do you know that?

10 A. I ran a hash script on the original zip folders that these
11 filed were provided from.

12 Q. Did you review whether the files actually uploaded to that
13 thumb drive came from the zip folder you mentioned?

14 A. Yes.

15 Q. And did they?

16 A. Yes, they did.

17 Q. And were the files on the thumb drive created -- was the
18 data of the thumb drive entered or transmitted by the user and
19 were those records kept in the course of Google's ordinary
20 course?

21 MR. EVERDELL: Objection. Form.

22 THE COURT: Sustained. Form.

23 MR. RAYMOND: Your Honor, my colleague just passed me
24 a note. I don't think the witness answered the question about
25 the list of government exhibits I asked him about. Is it

1 possible to have that question read back? Without all the
2 details, maybe.

3 THE COURT: We will do it without commercials.

4 Would you read back the list of exhibits to the
5 witness.

6 (Record read).

7 A. Yes.

8 Q. Mr. Gaddis, moving on to the files on the thumb drive, have
9 you reviewed whether Google servers recorded information about
10 those documents at the time the documents were created?

11 A. Yes.

12 Q. And were they?

13 A. Yes.

14 Q. And is maintaining that data kept in the course of Google's
15 regularly conducted activity?

16 A. Yes.

17 Q. And was it made by regularly conducted activity as a
18 regular practice of Google's?

19 A. Yes.

20 MR. RAYMOND: Your Honor the government offers -- I'm
21 happy to read them again, your Honor: Government Exhibits 5M,
22 5F, 18M, 18F, 19M, 19F, 28M, 28F, 42M, 42F, 44M, 44F, 50M, 50F,
23 325M, 325F, 340M, 340F.

24 THE COURT: Any objection, Mr. Everdell?

25 MR. EVERDELL: No objection.

1 THE COURT: Received.

2 (Government Exhibits 5M, 5F, 18M, 18F, 19M, 19F, 28M,
3 28F, 42M, 42F, 44M, 44F, 50M, 50F, 325M, 325F, 340M, 340F
4 received in evidence)

5 MR. RAYMOND: Thank you, your Honor.

6 THE COURT: Did you mean to offer the thumb drive too?

7 MR. RAYMOND: No, your Honor.

8 THE COURT: Good.

9 MR. RAYMOND: Mr. Bianco can you pull up Government
10 Exhibit 44M.

11 Q. Mr. Gaddis, what is this document?

12 A. This is a JSON file.

13 Q. JSON file, what does that mean again?

14 A. This is a file containing metadata for one of the files
15 that we have produced in response to that search warrant.

16 MR. RAYMOND: Mr. Bianco, can you pull up Government
17 Exhibit 44F and put it next to 44M.

18 Q. Mr. Gaddis, looking at 44M, do you see where it says email
19 address?

20 A. Yes.

21 Q. It says caroline@alameda-research.com?

22 A. Yes.

23 Q. Right above that it says: Gaia ID.

24 What is that?

25 A. Gaia ID is a unique identifier for a Google account.

1 Q. You said it's unique. Can a single person have multiple
2 Gaia IDs?

3 A. Yes.

4 Q. How could that happen?

5 A. It could be through various emails. So one email may have
6 one Gaia ID and then another email would have a completely
7 different one.

8 Q. For example, if a person had multiple email accounts, would
9 they potentially have multiple Gaia IDs?

10 A. Correct, yes.

11 Q. Are Gaia IDs typically associated with email addresses?

12 A. Typically, yes.

13 MR. RAYMOND: Mr. Bianco, if you go to control F in
14 44M for the word Sam. I think it's row 3043.

15 Q. Mr. Gaddis, do you see it says: Email address:
16 Sam@alameda research.com?

17 A. Yes.

18 Q. You see above there is a Gaia ID ending in 8013?

19 A. Yes.

20 MR. RAYMOND: Now, Mr. Bianco, can you scroll all the
21 way to the top and look for a Gaia ID ending in 8013, which is
22 in row 1636. Scroll up a little.

23 Q. Mr. Gaddis, is that the same Gaia ID?

24 A. Yes.

25 Q. A couple of rows above that, what does it say under time?

1 A. It says 2022 June 19 at 11:49:37 UTC.

2 Q. Mr. Gaddis, just to confirm, the information you have read
3 in this exhibit was created at or near the time it was
4 generated by Google systems.

5 A. Yes.

6 MR. EVERDELL: Sorry, your Honor. Did the witness say
7 11:49?

8 Oh, yes. Just translating UTC time. I understand.

9 MR. RAYMOND: No further questions.

10 THE COURT: Thank you.

11 Cross-examination.

12 MR. EVERDELL: Just one moment, your Honor.

13 THE COURT: Please proceed.

14 MR. EVERDELL: Thank you, your Honor.

15 CROSS-EXAMINATION

16 BY MR. EVERDELL:

17 Q. Good afternoon, Mr. Gaddis.

18 You were testifying about the JSON files that you were
19 given, correct?

20 A. Yes.

21 Q. And we were looking at one of the JSON files in particular
22 that pertained to -- I believe GX-44M was the JSON file, is
23 that right?

24 A. Yes.

25 Q. I think you were shown -- let me step back.

1 The metadata includes certain fields, is that right?

2 A. Yes.

3 Q. And those fields can have meaning, depending on what the
4 field is called, right?

5 A. Yes.

6 Q. There is a field that is called view, is that right?

7 A. Yes.

8 Q. What does the view field mean?

9 A. I believe that means that it's viewed.

10 Q. You believe it means it's viewed?

11 A. Yes. I'm not super familiar with all the intricacies in
12 all of the fields.

13 Q. You are not familiar with what the fields mean?

14 A. No, not all of the fields.

15 Q. What is your responsibility at Google, Mr. Gaddis?

16 A. I respond to legal process such as search warrants,
17 subpoenas, and court orders.

18 Q. How much experience do you have with metadata on certain
19 files?

20 A. Not particularly any good amount of experience with it.

21 Q. So you are not someone sort of steeped in the tech of
22 metadata, so to speak?

23 A. No, I'm not.

24 MR. EVERDELL: Give me one moment.

25 No further questions, your Honor.

1 THE COURT: Anything else for the witness,

2 Mr. Raymond?

3 MR. RAYMOND: No. Thank you very much.

4 THE COURT: Mr. Gaddis, you're excused.

5 (Witness excused)

6 THE COURT: It seems like a good time for a break.

7 Counsel, stay.

8 (Jury not present)

9 THE COURT: May I know why we just did that?

10 MR. RAYMOND: Your Honor, we had tried to reach a
11 stipulation.

12 THE COURT: Mr. Everdell, why did we just do that?

13 MR. EVERDELL: Your Honor, it's really the
14 government's case to put on. I assumed that they were going to
15 introduce metadata that somehow showed something about how
16 maybe my client interacted with certain documents, but he
17 wasn't able --

18 THE COURT: And the metadata came in and you wouldn't
19 stipulate to it.

20 MR. EVERDELL: Your Honor, he wasn't able to explain
21 what the metadata meant.

22 THE COURT: Yes, I understood that. That only makes
23 it worse.

24 Where did he fly in from?

25 MR. RAYMOND: Texas, your Honor.

1 THE COURT: This is a joke.

2 MS. SASSOON: Your Honor, the exhibits for the next
3 witness, do you want to take it up at the end of the break?

4 THE COURT: No. We will do it now.

5 We had a witness this morning, who knew absolutely
6 nothing and spent the time saying I had nothing to do with any
7 of that, read documents that are public records. And this
8 afternoon we fly somebody in from Texas to put in documents
9 about what he knows nothing or next to nothing that are
10 obviously stipulatable.

11 We have 18 people devoting time here to this case and
12 it's really a crime, that part of it. Obviously, it's a
13 serious case. Obviously, there are all kinds of important
14 things to be determined. But lawyers are supposed to do a
15 little better than this. I am talking to both sides.

16 What are the evidence problems here?

17 MS. SASSOON: Just to preview, we are going to be
18 calling a law enforcement witness and admitting certain Twitter
19 exhibits through that witness, and I do intend to have the
20 witness explain certain things about the tweets and to read
21 some tweets. I don't intend to belabor the point. We are
22 going to finish this witness and another by the end of the day.
23 We only have two more witnesses tomorrow, Can Sun and
24 Boroujerdi, and we expect to end well before the end of the day
25 tomorrow.

1 With respect to this witness, I handed you up several
2 exhibits that the defense is objecting to. These are direct
3 messages between the defendant and another Twitter user
4 @KelseyTuoc. I think the defense has some objections they
5 wanted to raise.

6 THE COURT: Let's hear them.

7 MR. EVERDELL: Yes, your Honor. This is Government
8 Exhibits 803A through D. We both object on both relevance and
9 403 grounds.

10 Your Honor, if you look at these statements, these are
11 all messages with this person Kelsey Tuoc with the defendant,
12 they are all from a date of November 16, 2022. This is after
13 the alleged conspiracies charged in the indictment were over.

14 And so it appears that the relevance of these
15 documents, if any, are going to a state of mind at the time the
16 statements were made, but that isn't relevant or probative of
17 his guilt at the time that the conspiracy was going on.

18 In addition, your Honor, we think that the probative
19 value is substantially outweighed by the prejudicial effect
20 because these are communications he is making with someone who
21 he knew for a decade, who he considered a friend, and these are
22 just off-the-cuff musings about past events that we think were
23 devoid of context that could be substantially misconstrued by
24 the jury. We think that the first is really simply the
25 defendant talking about how history may be written by the

1 winners, but it contains some inflammatory language that we
2 think is more prejudicial than probative.

3 THE COURT: This is 803(a)?

4 MR. EVERDELL: Yes, your Honor.

5 THE COURT: What are you talking about here?

6 MR. EVERDELL: This is part of the communication with
7 Kelsey Tuoc. She is asking about some statements that
8 Mr. Bankman-Fried has made in the past about -- there is some
9 swear words in here, your Honor. I will block them out. It
10 said: Doing something unethical, s-h-i-t, and what he said
11 about doing that sort of thing in the past, and it then moves
12 into a discussion with CZ, head of Binance.

13 THE COURT: Speak a little more slowly.

14 MR. EVERDELL: Yes, your Honor.

15 Then it moves into a discussion about CZ, the head of
16 Binance, who there has been testimony about. He makes a
17 statement here a month ago: CZ was a walking example of don't
18 do unethical s-h-i-t, or your money is worthless.

19 THE COURT: I have heard it before.

20 MR. EVERDELL: I'm happy to say it out here.

21 Unethical shit or your money with worthless. Now he is the
22 hero. Is it because he's virtuous or because he had a bigger
23 balance sheet.

24 THE COURT: Slower. I can't take it this fast.

25 MR. EVERDELL: I will slow down.

1 THE COURT: I listen to 33 RPM records, not 45.

2 MR. EVERDELL: I'll slow it way down, your Honor. My
3 apologies.

4 THE COURT: Nobody listens to records.

5 MR. COHEN: I may be the only one who remembers 33,
6 your Honor.

7 THE COURT: You may remember 78s. We both do.

8 MR. EVERDELL: I hate to swear yet again, but I will
9 do it slower this time.

10 A month ago, CZ was a walking example of, quote, don't
11 do unethical shit, or your money is worthless.

12 THE COURT: We are talking about the guy from Binance.

13 MR. EVERDELL: That's correct, your Honor.

14 Now he's a hero. Is it because he's virtuous or
15 because he had a bigger balance sheet, and so he won.

16 The discussion continues about this sort of thing.

17 This seems to be just a reflection, sort of musings on
18 nothing more than the concept of history being written by the
19 winners, let's call it, but it has enough inflammatory language
20 in here that I think it's prejudicial to the defendant to put
21 this in front of the jury when they are discussing topics like
22 unethical shit.

23 So I think that the topic of the conversation has very
24 little probative value, but the rhetoric and the language used
25 has prejudicial effect, and it's all after time period.

1 THE COURT: That's 803A, several exhibits.

2 MR. EVERDELL: Correct, 803A.

3 THE COURT: Next.

4 MR. EVERDELL: 803B is, again, more sort of musings
5 about the past and about just his sort of -- the issue here is
6 that they are speaking in terms of -- Kelsey Tuoc says: Did
7 they feel, Gary and Nishad, ashamed and guilty because all the
8 customer deposits are gone?

9 We are using the word guilty. It is not in the sense
10 of legal guilt. It's in the sense, I guess, of some sort of
11 personal feelings of guilt.

12 Again, these are sort of just abstract musings after
13 the fact, your Honor, after the alleged conspiracy is over.
14 And because you have the word guilt, guilty in this tweet or in
15 this Signal, I guess, it's very prejudicial and it is again not
16 very probative of the defendant's state of mind.

17 THE COURT: How does it stack up against the fact that
18 they both pleaded guilty to multiple felonies and that's before
19 the jury?

20 MR. EVERDELL: Understood, your Honor. This is, of
21 course, the defendant making a comment on these facts himself.

22 THE COURT: What you just read to me I thought was
23 Kelsey Tuoc. Is that wrong?

24 MR. EVERDELL: If you follow the thread --

25 THE COURT: At one point your client says that Nishad

1 is the same, then guilty. That's really prejudicial in light
2 of the fact that Nishad just got off the stand and pled guilty
3 to six felonies or seven.

4 MR. EVERDELL: Understood, your Honor.

5 THE COURT: What about the next one?

6 MR. EVERDELL: So this, your Honor, is a discussion
7 about interactions with regulators and regulations. Kelsey
8 Tuoc says: You said a lot of stuff about how you wanted to
9 make regulations, just good ones. Was that pretty much just PR
10 too? There is some statements at the beginning, and then at
11 the end it says: Yeah, just PR. I'll say another swear word,
12 because I'm sure you've heard it before, your Honor. Fuck
13 regulators.

14 This, I think, again, is Mr. Bankman-Fried after the
15 fact expressing some frustration about regulators at the time.
16 I believe the government might want to use this to show that
17 his efforts at engaging with regulators prior to this was all a
18 sham, which it wasn't.

19 THE COURT: Which might gain some support from his
20 saying, yeah, just PR in relation to his efforts with
21 regulators.

22 MR. EVERDELL: Your Honor, it's being spoken at a time
23 after the conspiracy at a time when he may have developed some
24 frustration with what had happened before, but it doesn't
25 reflect his honest intent at the time when he was engaging with

1 the regulators. This is an after-the-fact statement maybe
2 about his mental state on November 16, but it's not probative
3 of his mental state prior to November 16 and it could be taken
4 out of context, and the jury could use it inappropriately
5 against my client.

6 THE COURT: Let me hear from the government, please.

7 MS. SASSOON: Your Honor, these are admissions by the
8 party opponent. And just to take one obvious example, courts
9 routinely admit postarrest statements which are after the fact
10 where a defendant is making admissions.

11 The fact here that, as defense counsel said, he's
12 talking to someone he trusted in what he thought was a private
13 context is highly probative that what he's saying here is
14 truthful.

15 The government has offered evidence of the defendant's
16 public representations. This shows the falsity of many of
17 those representations. The fact that it's prejudicial is
18 because it's inculpatory, but that does not make it unfairly
19 prejudicial.

20 And keep in mind too that although this is after the
21 collapse of FTX, contemporaneous with these messages, the
22 defendant is going out and making public statements saying, I
23 did nothing wrong, and here he is simultaneously in these
24 private communications showing a very different face in
25 private. It's highly probative of his guilt and it's

1 admissible under the hearsay rules.

2 THE COURT: What was the date of the bankruptcy?

3 MS. SASSOON: The 11th.

4 THE COURT: I'll let you know when I come back
5 downstairs.

6 We have one other one, don't we, 881?

7 MR. EVERDELL: Very quickly, your Honor, and this is
8 related.

9 Government's 881 is the opening page of Kelsey Tuoc
10 and it's a hearsay document, your Honor.

11 MS. SASSOON: Your Honor, we are seeking to admit this
12 for its effect on the listener. The final exhibit relating to
13 Kelsey Tuoc is a message from the defendant saying: I thought
14 that was all off the record, can you please take it down. And
15 that's because Kelsey Piper, the journalist associated with
16 this account, published an article that quoted many of these
17 messages.

18 THE COURT: I don't see that in the exhibit.

19 MS. SASSOON: It says: Kelsey Piper, senior writer at
20 Vox's Future Perfect.

21 The defendant was corresponding with this person on
22 Twitter and, therefore, would be aware that she was a writer at
23 Vox and it puts in context his statement to her saying, I
24 thought this was off the record. You can't understand his
25 message without appreciating that he understood her to be a

1 reporter.

2 THE COURT: Where do I find the statement, I thought
3 this was off the record?

4 MS. SASSOON: I believe that's 803D.

5 Just one more comment on the messages about Nishad
6 being guilty. Obviously, the message sent by Kelsey Tuoc in
7 the form of a question, the defendant adopts it when he writes
8 back: Yeah.

9 THE COURT: I'll let you know.

10 (Recess)

11 THE COURT: I have reviewed 803A, B, C, D, and I think
12 there is a fourth, 881.

13 MR. EVERDELL: Yes, your Honor.

14 THE COURT: And the defense objections are overruled.

15 Let me say a minute about what happened a moment ago.

16 Ms. Katz was called by the government this morning.

17 It was perfectly obvious, and she made it clear in response to
18 almost every question, whether it was responsive or not, that
19 she knew nothing with anything that happened here, nothing
20 whatever, and she was called essentially as a manikin to read
21 to the jury documents in evidence and the transcripts of
22 videotapes in evidence, and that was a waste of her time, it
23 was a waste of the jury's time, and it was a waste of everybody
24 else's time. I expect different behavior from counsel.

25 And then we are treated to this Mr. Gaddis being

1 hailed up here from Texas to authenticate metadata on, I
2 believe it was five documents, maybe it's seven or eight, as to
3 which there was no dispute at all to get them into evidence.

4 Now, the defense was supposed to have had all of the
5 government's exhibits a long time ago.

6 Did you have them, Mr. Everdell?

7 MR. EVERDELL: Your Honor, this particular metadata we
8 only got very recently.

9 THE COURT: When?

10 MR. EVERDELL: It was produced a few days ago.

11 THE COURT: But you had it, you knew what it was, and
12 I assume you were asked to stipulate to the admissibility of
13 the metadata.

14 MR. EVERDELL: We were not, your Honor.

15 THE COURT: You were not.

16 MR. EVERDELL: No.

17 THE COURT: Did you offer it?

18 MR. EVERDELL: Your Honor, the issue of metadata was
19 being -- let me step back.

20 We have had discussions about metadata before. I see
21 the government is shaking their head. I want to be accurate
22 about this. There were discussions about stippling to metadata
23 before. We got new metadata. We did not have discussions
24 about stippling to the new metadata. I didn't know exactly what
25 the testimony was going to be because it wasn't clear from the

1 3500 material whether there were things that could be disputed.

2 THE COURT: Did you ask? Did you ask? I expect
3 lawyers to talk to each other. Frankly, earlier in this case
4 that was going fine, and I appreciate that, and I expressed
5 that thought earlier more than once.

6 But the idea of hauling this guy up here from Texas
7 and treating the jury to whether those exhibit numbers could be
8 read three times or four times, or whatever it was, was just
9 unreasonable. Obviously, there is some fault on both sides,
10 now that I hear you, but these people are giving up weeks of
11 their lives, and I care about that, and in the abstract I'm
12 sure you all do too. But it's a hard-fought case. But you got
13 to get over that and that goes for both sides.

14 MR. EVERDELL: Understood, your Honor.

15 THE COURT: We are not going to do this again.

16 Let's get to the next witness.

17 MS. SASSOON: The government calls Shamel Medrano.

18 (Jury present)

19 THE COURT: Defendant and the jurors --

20 SHAMEL MEDRANO,

21 called as a witness by the government,

22 having been duly sworn, testified as follows:

23 THE COURT: The defendant and the jurors all are
24 present, as they have been throughout.

25 Ms. Sassoon, you may proceed.

1 MS. SASSOON: Yes, your Honor.

2 The government calls Shamel Medrano.

3 DIRECT EXAMINATION

4 BY MS. SASSOON:

5 Q. Mr. Medrano, where do you work?

6 A. I work for the U.S. Attorney's Office in the Southern
7 District of New York.

8 Q. What is your title at the U.S. Attorney's Office?

9 A. I am an investigative analyst.

10 Q. What are some of your job responsibilities as an
11 investigative analyst?

12 A. I assist Assistant United States Attorneys and special
13 agents during the course of their investigations.

14 Q. What type of things do you do to assist?

15 A. I do social media analysis, I do forensic analysis for
16 phones, I review business records. Varies on the nature of the
17 case.

18 Q. Are you familiar with Twitter?

19 A. Yes, I am.

20 Q. And do any of your job responsibilities involve Twitter?

21 A. Yes.

22 Q. What is Twitter?

23 A. Twitter is a social media platform.

24 Q. And with respect to this case, have you reviewed certain
25 tweets provided to you by prosecutors in this case?

1 A. Yes, I have.

2 Q. What is a tweet?

3 A. A tweet is basically a post on Twitter. It's a way for a
4 user on Twitter to interact with other users.

5 Q. And have you reviewed certain Twitter direct messages
6 provided to you by prosecutors in this case?

7 A. Yes, I have.

8 Q. What are Twitter direct messages?

9 A. Direct messages are private messages between multiple
10 parties, one or more party.

11 Q. And is that on Twitter?

12 A. Yes, it is, it's on Twitter.

13 Q. And apart from your review of certain tweets and direct
14 messages, did the prosecutors provide you any other documents?

15 A. Yes. They provided me, I believe, business records.

16 Q. Apart from that, what role, if any, did you have in this
17 case?

18 A. Initially, I loaded some Twitter search warrant returns
19 into one of our investigative databases, and I also created
20 some maps. Other than that, nothing else.

21 MS. SASSOON: At this time, pursuant to stipulation
22 2001 between the parties, the government offers Government
23 Exhibits 770, 783, 788, 794, 796, 803A through D, 823, 853,
24 861, 865, 870, and 881.

25 MR. EVERDELL: Subject to your Honor's prior ruling.

1 THE COURT: I am just trying to catch up with you.

2 MS. SASSOON: I'll try not to read the list four more
3 times, your Honor.

4 THE COURT: We all appreciate that.

5 They are all received.

6 (Government Exhibits 770, 783, 788, 794, 796, 803A-D,
7 823, 853, 861, 865, 870, and 881 received in evidence)

8 MS. SASSOON: Mr. Bianco can you publish Government
9 Exhibit 823.

10 Q. Mr. Medrano, is this a tweet?

11 A. Yes, it is.

12 Q. And do you see at the top it says: @FTX official has
13 closed 900M at a valuation of 18B?

14 A. Yes.

15 Q. Do you say how @FTX official is in blue, as are a number of
16 other names beneath it: @Sequoia, @Paradigm, @Ribbit.

17 Do you see that?

18 A. Yes.

19 Q. What is the significance of the at names that are in blue?

20 A. The at is a mention, sort of a tag, so it's notifying these
21 other users of this activity that is taking place on the
22 platform.

23 Q. Were those other user names on Twitter?

24 A. Correct, other user names on Twitter.

25 Q. Do you see at the bottom where it says: 77 reposts, 70

1 quotes, 906 likes, 32 bookmarks?

2 A. Yes.

3 Q. What is a repost?

4 A. A repost is when a Twitter user reposts an actual post that
5 is in front of us, so 77 other Twitter users reposted this
6 tweet.

7 Q. What are likes?

8 A. Likes are users who have liked a tweet or post.

9 MS. SASSOON: Mr. Bianco, if you could now publish
10 Government Exhibit 853.

11 Q. Mr. Medrano, do you see where it says @SBF FTX at the
12 bottom. FTX's venture investing is concentrated under FTX's
13 ventures. That's different from Alameda's ventures.

14 What's the date of that tweet?

15 A. August 25, 2022.

16 MS. SASSOON: Mr. Bianco, if you could pull up
17 Government Exhibit 871, the third page.

18 Q. Mr. Medrano, do you see where it says FTX ventures and @SBF
19 FTX are acquiring a stake in @Skybridge?

20 A. Yes.

21 Q. Who posted this tweet originally?

22 A. @Scaramucci.

23 Q. What is the user name associated with that account?

24 A. Anthony Scaramucci.

25 Q. You see above that there is a symbol and it says SBF

1 retweeted. What does that mean?

2 A. SBF -- this means that the SBF account retweeted this post,
3 so he took it, which was originally on Anthony Scaramucci's
4 account. He reposted it on his account.

5 Q. And when somebody retweets a tweet, where does it appear,
6 if anywhere?

7 A. It appears on both now, the user who originally posted it
8 and whoever retweeted it or reposted it on their account.

9 MS. SASSOON: Mr. Bianco, if you could pull up next to
10 this retweet Government Exhibit 201, which is already in
11 evidence.

12 Q. I want to direct your attention to the top where it says:
13 The subscription agreement by and between Skybridge Capital and
14 Alameda Research Ventures LLC.

15 What's the date in that paragraph?

16 A. It is September 7, 2022.

17 MS. SASSOON: We can take that down.

18 At this time the government offers four exhibits,
19 pursuant to stipulation 2003, and that's Government Exhibit 80,
20 which is a document titled name change, Clifton Bay Investments
21 LLC, dated September 8, 2022; Government Exhibit 84, which is a
22 document titled written resolutions of the director's change of
23 company name, dated September 25, 2022; Government Exhibit 86
24 titled updated certificate of incorporation Clifton Bay
25 Investments, dated October 6, 2022; and Government Exhibit 192

1 titled Alameda Research Investments LTD, dated September 12,
2 2022.

3 THE COURT: They are received.

4 (Government Exhibits 80, 84, 86, and 192 received in
5 evidence)

6 MS. SASSOON: Your Honor, may I briefly publish each
7 of them?

8 THE COURT: Yes.

9 MS. SASSOON: Mr. Bianco, if we can publish Government
10 Exhibit 80.

11 Mr. Bianco, can you just highlight where it says
12 Alameda Research Ventures LLC changing its name to Clifton Bay
13 Investments.

14 Q. Mr. Medrano, what's the date on this document?

15 A. September 8, 2022.

16 MS. SASSOON: If we can now pull up Government Exhibit
17 84.

18 Mr. Bianco, can you highlight where it says resolved
19 that the name of the company be changed from Alameda Ventures
20 LTD to MacLaurin Investments.

21 Q. Mr. Medrano, what's the date on this document?

22 A. September 23, 2022.

23 MS. SASSOON: Mr. Bianco can you zoom in on the
24 signature, Samuel Bankman-Fried.

25 We can take this down.

1 Mr. Bianco, if you can publish Government Exhibit 86.

2 Can you please highlight where it says Alameda

3 Research Ventures LTD has changed its name to Clifton Bay

4 Investments LTD.

5 Q. Mr. Medrano, what's the date on this document?

6 A. September 22, 2022.

7 MS. SASSOON: Finally, if we could publish Government

8 Exhibit 192, Mr. Bianco.

9 Can you please highlight where it says the company

10 intended to change its name from Alameda Research Investments

11 LTD to Goodman Investments LTD.

12 Q. What is the date on this document, Mr. Medrano?

13 A. September 12, 2022.

14 MS. SASSOON: Mr. Bianco, if you could zoom in on the

15 signature block of Sam Bankman-Fried.

16 We can take that down.

17 Mr. Bianco, can you now publish Government Exhibit

18 783.

19 If you could zoom in on the top messages.

20 Q. What type of document are we looking at here, Mr. Medrano?

21 A. These are Twitter direct messages.

22 Q. And this particular Twitter direct message, who is it

23 between?

24 A. This is between Cosmo and SBF.

25 Q. What is the date of the messages by the defendant that says

1 LOL and the messages following that?

2 A. May 20, 2021.

3 MS. SASSOON: You can take that down.

4 Pursuant to Government Exhibit 2003, the government
5 offers Government Exhibit 267, which the parties have
6 stipulated is a document called Silvergate initial due
7 diligence questionnaire for traders, which was an attachment to
8 setting up new accounts for Silvergate under Alameda Research
9 LLC.

10 THE COURT: Received.

11 (Government Exhibit 267 received in evidence)

12 MS. SASSOON: Mr. Bianco, can you publish this
13 document.

14 Q. Mr. Medrano, can you please read the entity name at the top
15 of this initial due diligence questionnaire.

16 A. North Dimensions Inc.

17 Q. And in box number 1 that says description of business, what
18 boxes are checked?

19 A. Proprietary trading firm and over-the-counter trading firm.

20 MS. SASSOON: Let's go to the third page of this
21 initial due diligence questionnaire.

22 Q. Who signed this, Mr. Medrano?

23 A. Samuel Bankman-Fried.

24 Q. What's the date of this questionnaire signed by Sam
25 Bankman-Fried?

1 A. December 9, 2020.

2 MS. SASSOON: We can take that down.

3 Mr. Bianco, can you please publish Government Exhibit
4 788.

5 Q. What type of document is this, Mr. Medrano?

6 A. This is a Twitter direct message.

7 Q. And who is it between?

8 A. Matty Sino and SBF.

9 Q. Do you see at the top where SBF sent a message: We bought
10 out Binance's stake in FTX. What's the date of that message?

11 A. July 19, 2021.

12 MS. SASSOON: We can take that down.

13 Mr. Bianco, can you publish Government Exhibit 770.

14 Q. Who posted this tweet, Mr. Medrano?

15 A. The original tweet was posted by the FTX underscore
16 official account.

17 Q. And then what about on top of that? What is that?

18 A. Shaq posted.

19 Q. Who is Shaq?

20 A. He's a former basketball player.

21 MS. SASSOON: Mr. Bianco, can you show the witness
22 what's been marked as Government Exhibit 1476.

23 Q. Do you recognize anyone in this photo?

24 A. Yes.

25 Q. Who?

1 A. Shaquille O'Neal.

2 Q. Anyone else?

3 A. Yes. And Sam Bankman-Fried.

4 MS. SASSOON: The government offers Government Exhibit
5 1476.

6 MR. EVERDELL: No objection.

7 THE COURT: Received.

8 (Government Exhibit 1476 received in evidence)

9 MS. SASSOON: Mr. Bianco, you can now publish this to
10 the jury.

11 Q. Mr. Medrano, can you point out the people you recognize in
12 this photo.

13 A. In the center, the tallest man is Shaquille O'Neal, and to
14 the left of him is SBF.

15 MS. SASSOON: We can take that down.

16 Mr. Bianco, can you please publish Government Exhibit
17 794.

18 Q. What type of document is this, Mr. Medrano?

19 A. It's a Twitter direct message.

20 Q. And can you read at the top who these messages are between?

21 A. It's Matt Ballensweig and SBF.

22 Q. What's the date of the first message from Matt Ballensweig
23 saying what a good partner Alameda has been to Genesis?

24 A. June 19, 2022.

25 MS. SASSOON: We can zoom out.

1 Mr. Bianco can you zoom in where it says: Hit me in
2 five with a phone number.

3 Q. What's the date of that message from Matt Ballensweig, Mr.
4 Medrano?

5 A. June 20, 2022.

6 MS. SASSOON: We can take that down.

7 Mr. Bianco, if you can now publish Government Exhibit
8 870 and zoom in at the top, the first tweet.

9 Q. Mr. Medrano, can you remind us what it means when there is
10 blue font where it says @Senator Stabenow and @John Boozman?

11 A. It's a mention of these other Twitter accounts.

12 Q. And beneath that is there something embedded in the tweet?

13 A. Yes. A web address, a link.

14 Q. And what's the web address that's embedded in the tweet?

15 A. Agriculture.senate.golf.

16 MS. SASSOON: Mr. Bianco, you can zoom out and if you
17 can please publish next to this exhibit Government Exhibit 796.

18 Q. What type of document is this, Mr. Medrano?

19 A. This is a Twitter direct message.

20 Q. Who is it between?

21 A. Frank Chaparro and SBF.

22 Q. Do you see where Frank Chaparro wrote: What do you mean by
23 not pushing against the community strategy? Like will you stop
24 lobbying for the Stabenow/Boozman bill if crypto Twitter tells
25 you to stop.

1 What's the date of that message?

2 A. October 29, 2022.

3 MS. SASSOON: Mr. Bianco, can you zoom in on the
4 responses from the defendant.

5 Q. What is the date of Sam Bankman-Fried's responses in this
6 direct message?

7 A. October 29, 2022.

8 MS. SASSOON: We can take that down.

9 Mr. Bianco, if you could now publish Government
10 Exhibit 863 and publish alongside it Government Exhibit 861.

11 Q. Mr. Medrano, what are the dates of the defendant's tweets
12 on the left?

13 A. November 6, 2022.

14 (Continued on next page)

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1 BY MS. SASSOON:

2 Q. And I want to direct your attention to the exhibit on the
3 right, Government Exhibit 861. What's the date of this tweet?

4 A. November 6.

5 Q. And who posted this tweet on the right?

6 A. Based Carbon.

7 Q. And do you see where it says "Replying to @SBF_FTX"? What
8 does that mean?

9 A. That account is replying to a tweet that was originally
10 posted on the SBF account.

11 Q. And can you read that tweet.

12 A. "Thanks Sam. I just deposited more money in my FTX account
13 and updated my browser. Ready to go."

14 Q. And above that, do you see where it says SBF and Likes?
15 What is signified by that?

16 A. In this one, it signifies that SBF liked this tweet.

17 MS. SASSOON: And if we could take down 861 and put up
18 in its place on the right Government Exhibit 865.

19 Q. Who posted this tweet originally?

20 A. This tweet was originally posted by Crypto_Bitlord7.

21 Q. What's the date of this tweet?

22 A. November 6.

23 Q. And right beneath that, what is signified by replying to
24 @SBF_FTX?

25 A. Signifies that Crypto_Bitlord is replying to a tweet that

1 was originally on the SBF_FTX account.

2 Q. And can you read the first two lines beneath that.

3 A. Yes. "Thank you for clearing this up Sam. It sounds like
4 our funds are safe? But what exactly is CZ talking about!?"

5 Q. And what is signified at the top here where it says "SBF
6 Likes"?

7 A. It's that SBF liked this tweet.

8 MS. SASSOON: Okay. We can take that down.

9 And Mr. Bianco, if you could publish Government
10 Exhibit 866. And zoom in.

11 Q. Mr. Medrano, it's a little faint, but what's the date on
12 this tweet?

13 A. I believe November 7, 2022.

14 MS. SASSOON: And now I'm going to read from a
15 stipulation between the parties, Government Exhibit 2001,
16 paragraph 4, which says that:

17 "The exhibits set forth in Attachment B of this
18 stipulation are for authentic copies of tweets and retweets
19 posted at the dates and times indicated on the exhibits but
20 which were later deleted at the dates and times listed in
21 Attachment B."

22 And Mr. Bianco, can you please pull up page 9 of
23 Government Exhibit 2001, the stipulation.

24 BY MS. SASSOON:

25 Q. And Mr. Medrano, what does it say here under Attachment B,

1 in the parenthetical?

2 A. Beneath it?

3 Q. Yes.

4 A. Oh, "Deleted Tweets."

5 Q. And under Government Exhibit 866, what have the parties
6 stipulated was the date and time of deletion of Government
7 Exhibit 866?

8 A. November 8, 2022, at 5:37 p.m.

9 MS. SASSOON: We can take that down.

10 Mr. Bianco, can you please publish Government
11 Exhibit 803A. And can you zoom in on the upper half of this
12 exchange.

13 Q. So what are we looking at here, Mr. Medrano?

14 A. Twitter direct messages.

15 Q. And who are the participants in these direct messages?

16 A. Kelsey Tuoc and SBF.

17 Q. And at the top, where it says, "I was just relistening to
18 that conversation we had this summer about whether you should
19 do unethical shit for the greater good." Who sent that
20 message?

21 A. Kelsey Tuoc.

22 Q. And what was the date of her message?

23 A. November 16, 2022.

24 Q. And where it says, "You were like nah, don't do unethical
25 shit, like if you're running Philip Morris no one's going to

1 want to work with you on philanthropy," who sent that message?

2 A. Kelsey Tuoc.

3 Q. And what was the response?

4 A. "Heh."

5 Q. Looking toward the bottom of what's been zoomed in here, do
6 you see where Kelsey Tuoc wrote, "I was trying to figure out
7 like if that was kind of the PR off-the-cuff answer." What was
8 the date of that message?

9 A. November 16, 2022.

10 Q. And can you read the response from SBF.

11 A. "Man all the dumb shit I said. It's not true, not really."

12 MS. SASSOON: And Mr. Bianco, if you could scroll
13 down. Keep scrolling down.

14 Q. And Mr. Medrano, can you please read the last two messages
15 here.

16 A. "I feel bad for those who get fucked by it. By this dumb
17 game we woke westerners play where we say all the right
18 shibboleths and so everyone likes us."

19 MS. SASSOON: Okay. We can take that down.

20 And Mr. Bianco, if you could publish Government
21 Exhibit 803B.

22 Q. And what is this?

23 A. Direct message on Twitter.

24 Q. And so just to be clear, are these public?

25 A. They are not.

1 Q. And who is a party to seeing what's viewed in a direct
2 message?

3 A. The parties that are in the direct message, so in this
4 scenario, it's Kelsey Tuoc and SBF.

5 Q. And who wrote "Gary and Nishad are gone," on November 16,
6 2022?

7 A. Kelsey Tuoc.

8 Q. And what did the defendant respond?

9 A. "Yeah, scared. Or Gary is scared, Nishad is ashamed and
10 guilty."

11 Q. And who wrote "ashamed and guilty because all the customer
12 deposits are gone"?

13 A. Kelsey Tuoc.

14 Q. And what did SBF respond?

15 A. "Yea."

16 Q. Who wrote, "people I've talked to have said Nishad was much
17 more into the ethics/not being sketchy stuff than you were"?

18 A. Kelsey Tuoc.

19 Q. And can you read SBF's response.

20 A. "Yea. It hit him hard. I mean it hit all of us hard. But
21 it hit him HARD."

22 MS. SASSOON: And Mr. Bianco, you can take that down.

23 And can you please publish Government Exhibit 803C.

24 Q. Mr. Medrano, are these also direct messages?

25 A. Yes.

1 Q. And who are the participants here?

2 A. Kelsey Tuoc and SBF.

3 Q. Who wrote, "you said a lot of stuff about how you wanted to
4 make regulations, just good ones, was that pretty much just PR
5 too??"

6 A. Kelsey Tuoc.

7 Q. And can you read the defendant's response on November 16,
8 2022.

9 A. "There's no one really out there making sure good things
10 happen and bad things don't. Usually there's only one
11 toggle--do more or do less. Yeah, just PR. Fuck regulators."

12 MS. SASSOON: Okay. We can take that down.

13 And Mr. Bianco, can you publish Government
14 Exhibit 803D.

15 Q. And who are the participants in these direct messages?

16 A. Kelsey Tuoc and SBF.

17 Q. And what's the date of the defendant's message saying
18 "didn't mean those to all be on the record. Could you take it
19 down?"

20 A. November 16, 2022.

21 MS. SASSOON: And Mr. Bianco, can you pull up
22 alongside this Government Exhibit 881.

23 Q. What are we looking at here, Mr. Medrano?

24 A. Kelsey—the Kelsey Tuoc Twitter account.

25 Q. And is this publicly visible to Twitter users?

1 A. Yes, it is.

2 Q. And underneath Kelsey Tuoc, can you read what it says in
3 the next line?

4 A. "Senior writer at VOX's Future Perfect.
5 Kelsey.piper@vox.com.

6 Q. What is VOX?

7 A. I'm not sure.

8 MS. SASSOON: No further questions.

9 THE COURT: Thank you.

10 Cross-examination?

11 MR. EVERDELL: Thank you, your Honor.

12 THE COURT: Mr. Everdell.

13 MR. EVERDELL: Just briefly, your Honor.

14 CROSS EXAMINATION

15 BY MR. EVERDELL:

16 Q. Good afternoon, Mr. Medrano.

17 A. Good afternoon.

18 Q. Mr. Medrano, you said that you were an investigator; is
19 that right?

20 A. Yes, I'm an investigator analyst.

21 Q. Okay. And you work at the U.S. Attorney's Office, correct?

22 A. That is correct.

23 Q. And so you work at the same office as the prosecutors.

24 A. That is correct.

25 Q. In your direct examination you were shown a number of

1 messages, correct?

2 A. Yes, the prosecutors showed me the messages.

3 Q. Right. And they were messages between Mr. Bankman-Fried
4 and other people, right?

5 A. Correct.

6 Q. Okay. And as you just said, the prosecutors gave you those
7 messages to review before your testimony; is that right?

8 A. That is correct.

9 Q. Okay. You didn't select these messages yourself, correct?

10 A. I did not.

11 Q. Okay. So you don't know, for example, if there are other
12 messages with the same people that my client may have had
13 besides the ones you reviewed.

14 A. That is correct.

15 Q. Okay. Okay. Now you looked at I think a few Twitter
16 direct messages; is that right?

17 A. That is right.

18 Q. And we saw those on the screen before, right?

19 A. Right.

20 Q. And they were with a number of different parties, right?

21 A. Yes.

22 Q. I think one was Cosmo, right?

23 A. Yes.

24 Q. Another was Matt Ballensweig?

25 A. Yes.

1 Q. And we just looked at some with Kelsey Tuoc, right?

2 A. Yes.

3 Q. Now, Mr. Medrano, you don't know these people yourself,
4 correct?

5 A. I do not.

6 Q. And you don't know yourself what the nature of
7 Mr. Bankman-Fried's relationship was with the people on the
8 messages, correct?

9 A. I do not.

10 Q. Okay. You don't know whether he knew them well, for
11 example?

12 A. I do not know.

13 Q. Or whether they were total strangers to him, right?

14 A. Correct.

15 Q. Okay. And you don't know, for example, the context that
16 the conversation in the messages was happening in, correct?

17 A. Correct.

18 Q. You don't know the events that may have happened before
19 that conversation took place?

20 A. No. I only know what I was seeing, correct.

21 Q. You know what you saw.

22 A. Correct.

23 Q. Okay. And you don't know from reading the messages
24 themselves what the tone of the conversation was.

25 MS. SASSOON: Objection.

1 THE COURT: Sustained.

2 MR. EVERDELL: Okay. One moment.

3 Nothing further, your Honor.

4 THE COURT: Thank you.

5 Anything else?

6 MS. SASSOON: No, your Honor.

7 THE COURT: You're excused, sir. Thank you.

8 (Witness excused)

9 THE COURT: Next witness?

10 MR. REHN: The government calls Paige Owens.

11 (Witness sworn)

12 THE DEPUTY CLERK: Please state your full name and
13 spell it.

14 THE WITNESS: Paige Owens. P-A-I-G-E, Owens,
15 O-W-E-N-S.

16 THE DEPUTY CLERK: You may be seated.

17 THE COURT: You may proceed, Mr. Rehn.

18 PAIGE OWENS,

19 called as a witness by the Government,

20 having been duly sworn, testified as follows:

21 DIRECT EXAMINATION

22 BY MR. REHN:

23 Q. Good afternoon, Ms. Owens.

24 A. Good afternoon.

25 Q. Where do you work?

1 A. I work at the FBI.

2 Q. Is that the Federal Bureau of Investigation?

3 A. Yes, it is.

4 Q. What is your position at the FBI?

5 A. My position is forensic accountant.

6 Q. Do you work in any particular unit?

7 A. Yes, I work in the public corruption unit.

8 Q. And what are your job duties as a forensic accountant in
9 the public corruption unit at the FBI?

10 A. Yup. So my job duties include analyzing bank statements
11 for different investigations, including campaign finance, fraud
12 against the government, and corruption of public officials.

13 Q. How long have you worked for the FBI?

14 A. For two years.

15 Q. Where did you work prior to that?

16 A. I was an auditor at PricewaterhouseCoopers for five years.

17 Q. What sort of work did you do there?

18 A. There I analyzed financial statements for different private
19 equity funds.

20 Q. Do you have any professional certifications?

21 A. Yes. I'm a certified public accountant.

22 MR. REHN: Mr. Bianco, could you bring up Government
23 Exhibit 3000, page 1. This is a demonstrative aid that was
24 admitted for demonstrative purposes earlier today.

25 Q. Ms. Owens, were you asked by the government to review

1 certain bank statements in connection with this case?

2 A. Yes.

3 Q. And on the screen do you see there's some excerpts from
4 some bank statements from an Alameda Research market maker
5 account and also from a North Dimension account?

6 A. Yes.

7 Q. What are the last four digits of the Alameda Research
8 market maker account?

9 A. The last four digits of Alameda Research ends in 4456.

10 Q. And what are the last four digits of the North Dimension
11 bank account?

12 A. 8738.

13 MR. REHN: At this time, pursuant to stipulation, I'm
14 just going to identify certain exhibits pursuant to stipulation
15 S2004.

16 Government Exhibit 1246 are authentic copies of
17 business records from Greylock Financial Credit Union, and
18 those relate to Ryan Salame.

19 Government Exhibits 1308, 1313, and 1312 are authentic
20 business records from Prime Trust, and those relate to Nishad
21 Singh, Samuel Bankman-Fried, and Alameda Research.

22 Government Exhibit 1320 contains true and correct
23 copies of authentic business records from Signature Bank, and
24 those relate in particular to Ryan Salame and Sam
25 Bankman-Fried.

1 And Government Exhibits 1336, 1337, and 1338 are
2 authentic copies of business records from Silvergate Bank, and
3 those relate to North Dimension and Alameda market maker bank
4 account, and FTX Digital Market bank account.

5 If we could bring that back up.

6 BY MR. REHN:

7 Q. Now, Ms. Owens, did you review the bank statements that
8 I've just identified that were identified in stipulation S2004?

9 A. Yes, I did.

10 Q. And did that include the bank statements for the two
11 accounts that we see on the screen here?

12 A. Yes.

13 Q. And do these—approximately how many pages were there in
14 the bank statements that you reviewed?

15 A. A couple thousand for each.

16 MR. REHN: We can bring that down.

17 Q. Ms. Owens, in front of you there should be a binder that
18 contains what's been marked for identification as Government
19 Exhibits 1088, 1089, and 1090.

20 A. Yep.

21 Q. What are those exhibits?

22 A. These exhibits are charts that I produced in conjunction
23 with the government that details the flow of funds from various
24 business accounts to certain individuals and the eventual
25 political contributions made.

1 Q. And is the information contained in Government
2 Exhibits 1088, 1089, and 1090 taken from the bank statements
3 that I just identified that you reviewed?

4 A. Yes.

5 Q. And have you reviewed all the information contained in
6 Government Exhibits 1088, 1089, and 1090?

7 A. Yes.

8 Q. And have you confirmed that this is a—that the information
9 contained within these exhibits is taken from the bank
10 statements that I listed previously?

11 A. Yes.

12 Q. And do these charts accurately convey information that was
13 in those bank statements?

14 A. Yes.

15 MR. REHN: Your Honor, the government offers Exhibits
16 1088, 1089, and 1090.

17 THE COURT: Any objection?

18 MR. EVERDELL: No objection, your Honor.

19 THE COURT: They are received.

20 (Government's Exhibits 1088, 1089, and 1090 received
21 in evidence)

22 MR. REHN: So if we could bring up Government
23 Exhibit 1089.

24 BY MR. REHN:

25 Q. And before we get into the details, Ms. Owens, at a high

1 level, could you explain what is summarized on these charts.

2 A. Yeah. So reading from left to right, you'll see money
3 flowing from two business bank accounts—Alameda Research's
4 Prime Trust and Silvergate account; the flow of funds was then
5 sent to Sam Bankman-Fried's Prime Trust and Signature Bank
6 accounts, in orange; and then the ultimate place where the
7 funds were sent, which are political contributions, and those
8 are the boxes in green.

9 Q. And so we're seeing a flow of funds from the accounts
10 listed on the left through the accounts in the middle to the
11 accounts on the right?

12 A. Correct.

13 Q. Is there a particular methodology you used for the flow of
14 funds that is listed on these charts?

15 A. Yes, I used the LIFO method—last in, first out.

16 Q. Can you explain how the last in, first out method works?

17 A. Yes, so the last in, first out method works—the last
18 payment that was received into an account is then going to fund
19 the following outgoing flows until there's no more money left.

20 Q. Did the government ask you to calculate the flow of funds
21 using the last in, first out method?

22 A. Yes.

23 Q. Is that a common method used for tracing the flow of funds
24 through bank accounts?

25 A. Yes.

1 Q. And does it require you to exercise any judgment or
2 discretion?

3 A. No.

4 Q. Okay. So let's look here at Government Exhibit 1089. And
5 if we could focus on the top part of the chart. What do we see
6 on the top half of this chart?

7 A. Yes, so the top half of the chart shows money moving from
8 Alameda Research's Prime Trust account. There were seven wires
9 totaling \$46 million sent from January 14, 2022, to April 14,
10 2022; the seven wires were then deposited into Samuel
11 Bankman-Fried's Prime Trust account, and then ultimately used
12 to fund political contributions.

13 Q. So looking, for example, at the one in the middle, if you
14 could explain the flow of funds on April 4th.

15 A. Yes. So on April 4, 2022, there was a \$6 million wire sent
16 from Alameda Research's Prime Trust account to Samuel
17 Bankman-Fried's Prime Trust account; on the same day,
18 \$6 million was then wired from Samuel Bankman-Fried's Prime
19 Trust account to House Majority PAC.

20 Q. So based on the bank records that you reviewed, what was
21 the source of funds that were used for the donation to the
22 House Majority PAC?

23 A. Alameda Research's Prime Trust account.

24 Q. Now let's go ahead and look at the bottom of this chart.

25 MR. REHN: And if we could expand the bottom half.

1 Q. What is shown here?

2 A. Yes. So what's shown here is four wires sent on August 15,
3 2022, and October 3, 2022, totaling \$16 million, from Alameda
4 Research's Silvergate account to Samuel Bankman-Fried's
5 Signature Bank account, and then the ultimate political
6 contribution sent on August 16th and October 3rd of 2022.

7 Q. And so focusing on the first one listed here, if you could
8 explain the flow of funds on August 15th and August 16th.

9 A. Yep. So on August 15, 2022, there were three wires which
10 totaled \$10 million sent from Alameda Research's Silvergate
11 account to Samuel Bankman-Fried's Signature Bank account. The
12 next day, on August 16, 2022, there was a \$10 million wire sent
13 from Samuel Bankman-Fried's Signature Bank account to One
14 Nation.

15 Q. So based on the bank records that you reviewed, what was a
16 source of funds that were used for this donation to One Nation?

17 A. Alameda Research Silvergate account ending 4456.

18 MR. REHN: Mr. Bianco, could I ask you to bring up
19 Government Exhibit 28, which is in evidence.

20 I'm sorry. 28. I think it's a spreadsheet. So it
21 may be—and on this first tab that says SBF—Mr. Bianco, could
22 I ask you to scroll to line 76.

23 Q. Ms. Owens, could I ask you to read the type that is listed
24 here.

25 A. "Political Donation."

1 Q. And what is the recipient here?

2 A. House Majority PAC.

3 Q. And what was the date?

4 A. The date was April 4, 2022.

5 Q. And the amount?

6 A. \$6 million.

7 Q. And referring you back to Government Exhibit 1089, does
8 this match one of the payments you traced that we just looked
9 at?

10 A. Yes.

11 MR. REHN: All right. Mr. Bianco, could you scroll
12 down to line 133.

13 Q. And if I could ask you to read the type listed here.

14 A. "Political Donation."

15 Q. And who's the recipient?

16 A. One Nation.

17 Q. And is there something in parentheses there as well?

18 A. "One Nation (McConnell)."

19 Q. And what's the amount of this particular donation?

20 A. \$10 million.

21 Q. And going back to Government Exhibit 1089, does this appear
22 to match one of the flow of funds that you traced?

23 A. Yes, the amount matches, and the date is just off by one
24 day.

25 MR. REHN: We can bring that down.

1 Q. Ms. Owens, I'd now like to bring up Government
2 Exhibit 1090.

3 And can you explain what we see here on the first page
4 of 1090.

5 A. Yes. So in this chart, you see on the left the blue box
6 says FTX Digital Markets and Alameda Research sending wires to
7 Nishad Singh's Prime Trust account. That account then sends
8 wires to various political entities in the green boxes on the
9 right.

10 Q. Okay. So let's focus in on the top one.

11 Could you explain what we see with respect to the
12 first donation that's listed here.

13 A. Yes. So on April 21, 2022, there was a \$2.65 million wire
14 sent from FTX Digital Markets's Silvergate account to Nishad
15 Singh's Prime Trust account. That then funded three donations,
16 which are shown on the right side.

17 Q. So based on your tracing, what was a source of funds for
18 the July 7th wire to the LGBTQ Victory Fund Inc.?

19 A. The wire that was received from FTX Digital Markets.

20 Q. And what was the date of that donation?

21 A. July 7, 2022.

22 MR. REHN: Mr. Bianco, could I ask you to bring up
23 Government Exhibit 477 alongside Government Exhibit 1090.

24 Q. Ms. Owens, do you see some messages here on the right-hand
25 side?

1 A. Yes.

2 Q. What is the date of these messages?

3 A. July 5, 2022.

4 Q. And could I ask you to read the third message down.

5 A. "Anyway, what's up with the LGBT Victory Fund?"

6 MR. REHN: And Mr. Bianco, could I ask you to go to
7 the next page.

8 Q. And Ms. Owens, if I could ask you to read, sort of two
9 thirds of the way down, the message beginning "but in general."

10 THE COURT: Didn't we do this with another witness?

11 MR. REHN: Excuse me, your Honor?

12 THE COURT: Didn't we do this with Mr. Singh on the
13 stand?

14 MR. REHN: We looked at these messages but not in
15 connection with this summary chart, your Honor.

16 THE COURT: Isn't it redundant?

17 MR. REHN: We can take it down.

18 Mr. Bianco, could I please ask you to bring back up
19 Government Exhibit 1090.

20 And if we could now go to the second page of
21 Government Exhibit 1090.

22 BY MR. REHN:

23 Q. Ms. Owens, could I ask you to explain what is summarized on
24 page 2 of Government Exhibit 1090.

25 A. Yes. So on September 30, 2022, Alameda Research's

1 Silvergate account sent two wires totaling a million dollars to
2 Nishad Singh's Prime Trust account ending 5753. Between
3 October 4, 2022, and October 7th of 2022, 16 wires were then
4 sent to the following political entities listed on the right.

5 Q. So with respect to the 16 donations that are listed on the
6 right, based on your tracing, what was the source of funds for
7 those donations?

8 A. Alameda Research's Silvergate account.

9 MR. REHN: Okay. We can now turn to Government
10 Exhibit 1088. Mr. Bianco, if you could bring that up.

11 Q. And Ms. Owens, if you could just explain at a high level
12 what is depicted on Government Exhibit 1088.

13 A. Yes. So on 1088, you see money flowing from North
14 Dimension Inc.'s Silvergate account on the left. At the top
15 you'll see that there was—

16 MR. REHN: If we could expand the top, Mr. Bianco.

17 A. —12 wires sent to Ryan Salame's Signature Bank account
18 totaling \$34.5 million, which were then used to fund the
19 following—the political donations that are on the right in
20 green.

21 Q. And so based on the tracing method that you applied, were
22 the original wires from—

23 MR. REHN: If you could bring that down so we can
24 identify the original source. I mean, Government Exhibit 1090.
25 Or 1089. Or, I'm sorry, 1088. Excuse me.

1 Q. So for all the political contributions listed on the
2 right-hand side, were you able to identify the source of funds
3 for those contributions?

4 A. Yes. The source was North Dimension Inc.'s Silvergate
5 account.

6 MR. REHN: Okay. And Mr. Bianco, could I ask you to
7 expand the bottom part of this exhibit.

8 Q. Ms. Owens, do you see that there are also some wires listed
9 on the bottom here? Could you explain what this shows.

10 A. Yes. So North Dimension's account sent seven wires between
11 April 22nd and May 23rd, 2022, totaling \$12.6 million to Ryan
12 Salame's Greylock bank account, which were then used over a
13 period of time to fund the political donations in the green
14 boxes on the right.

15 Q. And if I could ask you to read the two middle boxes on the
16 right.

17 A. Yup. So on April 22nd and May 12th of 2022, \$700,000 was
18 donated to Results for North Carolina Incorporated; and on
19 April 25th, '22 and May 2nd, '22, \$500,000 was given to
20 Defending Main Street Super PAC.

21 Q. And what was the source of funds for these donations?

22 A. The North Dimension bank account.

23 MR. REHN: Mr. Bianco, could we please bring back up
24 Government Exhibit 28.

25 And if we could go to the tab that says RDS at the

1 bottom.

2 Q. And Ms. Owens, could I ask you to read the line 2, what the
3 type of donation is there.

4 A. Political.

5 Q. And does the date match one of the transfers that you
6 traced on Government Exhibit 1088?

7 A. Yes.

8 Q. And if I could ask you to read line 3. And identify the
9 type.

10 A. Political.

11 Q. And does the recipient and the date match one of the
12 transfers that you traced in Government Exhibit 1088?

13 A. Yes.

14 MR. REHN: We can bring that down.

15 Q. Ms. Owens, aside from your work in helping to prepare and
16 review the exhibits we've been looking at, have you had any
17 other involvement with this case?

18 A. No.

19 MR. REHN: Nothing further, your Honor.

20 THE COURT: Thank you.

21 Any cross?

22 MR. EVERDELL: Yes, your Honor.

23 CROSS EXAMINATION

24 BY MR. EVERDELL:

25 Q. Good afternoon, Ms. Owens.

1 A. Good afternoon.

2 Q. Ms. Owens, you said you're an accountant with the FBI; is
3 that right?

4 A. Yes.

5 Q. And you were asked by the prosecutors in this case to
6 perform an analysis of various bank records, right?

7 A. Yes.

8 Q. In particular, you were asked to trace money flows from
9 different bank accounts belonging to Alameda Research and North
10 Dimension to bank accounts belonging to Mr. Bankman-Fried,
11 Nishad Singh, and Ryan Salame, right?

12 A. Yes.

13 Q. Okay. And from those accounts, you were asked to trace the
14 outflows from the accounts belonging to the individuals to
15 various political organizations, right?

16 A. Yes.

17 Q. The prosecutors were the ones who gave you the dates of the
18 money transfers that they wanted you to look at, right?

19 A. Yes.

20 Q. And they specified which accounts you should look at.

21 A. Yes.

22 Q. And they told you the names of the political organizations
23 that they wanted you to look at as well, right?

24 A. Yes.

25 Q. Okay. Ms. Owens, you testified that the accounting method

1 that you used to determine whether the transfers from the
2 Alameda accounts, whether those were the source of the
3 political donations at the end, was called LIFO; is that right?

4 A. Yes.

5 Q. And you said that stands for last in, first out; is that
6 right?

7 A. Correct.

8 Q. Okay. And I think you said that method assumes that when a
9 bank account receives a deposit, then any distributions out of
10 that bank account after the deposits received come from that
11 last deposit, right?

12 A. Correct.

13 Q. Okay. LIFO isn't the only method that you can use, right?

14 A. Correct.

15 Q. You can also use, for example, the FIFO method, correct?

16 A. Correct.

17 Q. FIFO stands for first in, first out, right?

18 A. Correct.

19 Q. And that's also a common method of accounting method to do
20 this sort of analysis, right?

21 A. Yes.

22 Q. And that method assumes that the outflows from the bank
23 account are the product of the earliest deposit, not the most
24 recent deposit, correct?

25 A. Correct.

1 Q. Okay. So just to use a simple example, if I deposit a
2 thousand dollars into a bank account in January and another
3 thousand in February and another thousand in March, and then I
4 withdraw a thousand in April, then under the FIFO method, the
5 thousand that was withdrawn in April was the result of the
6 thousand that was deposited in January, right?

7 A. Correct.

8 Q. Okay. Because that was the first deposit that came in,
9 right?

10 A. Yes.

11 Q. And under LIFO, on the other hand, the thousand withdrawn
12 in April would have been the result of the thousand that was
13 deposited in March, right?

14 A. Correct.

15 Q. Okay. Because that was the last deposit that came in.

16 A. Yes.

17 Q. And if you use FIFO rather than LIFO, the results can
18 differ, can't they?

19 A. Correct.

20 Q. Okay. And the reason why you have to adopt one of these
21 methods at all, right, is because money is fungible, correct?

22 A. Yes.

23 Q. Okay. And fungible just means that any dollar is the same
24 as any other dollar, right?

25 A. Correct.

1 Q. So if you're depositing money into an account that already
2 has money in it, there's no way to distinguish one dollar from
3 another, right?

4 A. Correct.

5 Q. So these methods you use are a way of sort of using a
6 method that has parameters to try to trace funds, right?

7 A. Yes.

8 Q. Even though the money itself is fungible.

9 A. Correct.

10 Q. Okay. I want to just take a look at one of the donations
11 that you just were asked about, okay?

12 A. Yes.

13 MR. EVERDELL: Okay. So if we can put up what's
14 already in evidence as Government Exhibit 1088.

15 I might have to ask the government's assistance on
16 this since we don't have it in our system yet.

17 THE COURT: Sure.

18 Q. Okay. That's Government's 1088; is that right? Do you
19 recognize that, Ms. Owens?

20 A. Yes.

21 Q. Okay. And these you said are the deposits to the political
22 organizations that relate to Ryan Salame, right?

23 A. Correct.

24 MR. EVERDELL: Okay. And if we could just blow up
25 down at the bottom, that bottom portion. Thank you. I

1 appreciate the help.

2 Q. All right. So those are wires that came from the North
3 Dimension account, went into Ryan Salame's Greylock account,
4 and then out to political organizations, right?

5 A. Correct.

6 Q. Okay. And you said that there—it shows here that there
7 are seven wires, right, going to the Greylock account between
8 April 22nd and May 23rd of 2022, right?

9 A. Yes.

10 Q. And then seven wires going out, April 22nd to May 25th,
11 right?

12 A. Yes.

13 Q. Okay. And then you see one of those wires down at the
14 bottom is a \$250,000 wire to VIEW PAC, right?

15 A. Yes.

16 Q. And that's on May 16th of 2022, right?

17 A. Yes.

18 MR. EVERDELL: Okay. If we could now pull up what is
19 now in evidence as Government Exhibit 1246. I believe it was
20 just received by stipulation.

21 MR. REHN: Your Honor, we didn't actually offer the
22 underlying bank records so it's not in evidence.

23 THE COURT: It is not in evidence, but—take it from
24 there.

25 MR. EVERDELL: Sure. Thank you, your Honor.

1 BY MR. EVERDELL:

2 Q. All right. Well, let me ask you this, Ms. Owens: Do you
3 recall reviewing the Greylock records for Ryan Salame's
4 Greylock bank account?

5 A. Yes.

6 Q. Okay. And did you review the records that relate to—that
7 are around that May time, May 2022 time period when that
8 donation to VIEW PAC was made, right?

9 A. Yes.

10 Q. Okay. And do you recall looking at the deposits that came
11 in and the withdrawals that went out, right?

12 A. Yes.

13 Q. And do you recall seeing that there were deposits that came
14 in around that time from the North Dimension bank account,
15 right?

16 A. Yes.

17 Q. Okay. Do you recall in particular a deposit was made on
18 May 13th from the North Dimension bank account of 3.25 million,
19 approximately?

20 A. I believe so.

21 Q. Okay. But do you recall also a deposit that came in later
22 that same day from Heller & Robbins PC?

23 A. I don't recall.

24 Q. All right. Let's see if I can refresh your recollection.

25 MR. EVERDELL: If we can pull up Government

1 Exhibit 1246. And if you could scroll down, first to page 14,
2 of the pdf. Well, first off, stay at this page. Well, let's
3 go down to—I take it back. Let's go down to page 14 of the
4 pdf, if we could. Is that something you're able to do?

5 Oh, sorry. Right. If you could go down to page 15.

6 Okay. And just look first down at the bottom of the
7 page, on the May 13th. If you could just highlight the last
8 couple entries down there.

9 BY MR. EVERDELL:

10 Q. All right. First take a look at that. And then if you
11 could take a look at the page that follows up at the top.

12 MR. EVERDELL: If we could go to the next page.

13 Thank you.

14 Q. Okay. Now why don't you take a look at that.

15 A. Yep.

16 Q. And does this refresh your recollection about whether a
17 wire came in from Heller & Robbins PC at the same—later that
18 same day, on May 13th, after the North Dimension wire?

19 A. Yes.

20 Q. Okay. And then do you recall whether or not the outflow to
21 VIEW PAC was made after that wire from Heller & Robbins?

22 A. I'd have to review it myself.

23 MR. EVERDELL: Okay. If we could just minimize the
24 bottom one and highlight a little bit more of that same page,
25 from the top. No, sorry, go from the top. Yup. Yup. That's

1 right. Fine. Right there. Thanks.

2 Q. Why don't you take a look at that blowout and see if that
3 refreshes your recollection.

4 A. Yes.

5 Q. Okay. Does it refresh your recollection about a wire,
6 whether the Heller & Robbins wire came in before the wire going
7 out to VIEW PAC?

8 A. Yes.

9 Q. Okay. So what is your recollection, having been refreshed?

10 A. Looking at these statements, using the LIFO method, the
11 source of VIEW PAC was Heller & Robbins.

12 Q. And not North Dimension, correct?

13 A. Looking at these statements, yes.

14 MR. EVERDELL: Okay. Now we can put that down.

15 Q. Ms. Owens, in each of the exhibits you talked about, your
16 analysis on the left side of the exhibit begins with the source
17 of funds, right?

18 A. Yes.

19 Q. And in each of your exhibits the funds originate at bank
20 accounts that either belong to Alameda Research or North
21 Dimension, Inc.; is that right?

22 A. Yes.

23 Q. Okay. Now as part of your analysis, you did not analyze
24 where the money in those accounts came from, right?

25 A. Correct.

1 Q. All right. So you don't know whether those funds came from
2 Alameda's trading profits, for example.

3 A. Correct.

4 Q. Your analysis simply shows that money flowed out of those
5 Alameda and North Dimension accounts into other accounts on
6 particular dates, correct?

7 A. Yes.

8 Q. And that's it.

9 A. Yes.

10 MR. EVERDELL: One moment, your Honor.

11 Nothing further, your Honor.

12 THE COURT: Thank you.

13 Anything else, Mr. Rehn?

14 MR. REHN: Briefly, your Honor.

15 THE COURT: Proceed.

16 REDIRECT EXAMINATION

17 BY MR. REHN:

18 Q. Ms. Owens, do you recall you were asked some questions
19 about the difference between the first in, first out method and
20 the last in, first out method?

21 A. Yes.

22 MR. REHN: If we could bring up Government
23 Exhibit 1089.

24 Q. And if we look at the wires here, what do you see? Let's
25 focus first on the top half of this page. Do the wires coming

1 from Alameda Research account into the Sam Bankman-Fried
2 account tend to line up in terms of date with the wires coming
3 out?

4 MR. EVERDELL: Objection.

5 THE COURT: Sustained as to form.

6 Q. Let's focus on the March 11th wire, coming from Alameda
7 Research into the Samuel Bankman-Fried Prime Trust account. Do
8 you see that?

9 A. Yes.

10 Q. When was the wire correlating to that amount that was sent
11 to Guarding Against Pandemics?

12 MR. EVERDELL: Objection, form.

13 THE COURT: Overruled.

14 A. The wire from Sam Bankman-Fried's account to Guarding
15 Against Pandemics was sent on March 11, 2022.

16 Q. And if we go to the next line, when was the wire that was
17 sent from Alameda Research to Prime Trust?

18 A. March 11, 2022.

19 Q. I'm sorry. The next line down.

20 A. Oh. Oh, April 4, 2022.

21 Q. And when was the wire sent to the House Majority PAC?

22 A. April 4, 2022.

23 Q. And if we can just do one more. What about the next one?

24 A. January 31, 2022.

25 Q. And when was the wire sent out from that Prime Trust

1 account?

2 A. January 31, 2022.

3 MR. REHN: We could bring that down.

4 Q. Do you recall being asked some questions about the chart
5 you prepared for Ryan Salame's bank accounts?

6 A. Yes.

7 MR. REHN: Your Honor, the government would now offer
8 Government Exhibit 505 pursuant to stipulation 2003. This is a
9 Slack chat between Ryan Salame and an individual identified as
10 Scott.

11 MR. EVERDELL: It's beyond the scope.

12 THE COURT: I don't know what it is yet.

13 I'm sorry. Is there a part of this you want to invite
14 my attention to or not?

15 MR. REHN: Yes, your Honor. This is responsive to the
16 questioning about the Ryan Salame tracing that the witness did.

17 THE COURT: Yes, I assume that's so, but is there a
18 part of it that you want me to look at?

19 MR. REHN: On the second page, your Honor. We're just
20 going to pull up the third message down.

21 THE COURT: Show me the preceding chart, the chart
22 that contains the money moving through Salame.

23 MR. REHN: Yes. If we could go to Government
24 Exhibit 1088 for the judge.

25 THE COURT: Larger, please.

1 And the date we're looking at?

2 MR. REHN: So the dates range from May of 2022—or
3 actually April of 2022 through I believe November of 2022. And
4 in the prior exhibit the dates are from I believe November of
5 2021.

6 THE COURT: Back to the 505, please.

7 And your objection, Mr. Everdell?

8 MR. EVERDELL: Your Honor, it's beyond the scope. The
9 message is from November of 2021. The analysis is
10 from—sorry—April 2022. This witness has only testified about
11 money flows. This has nothing to do with the money flows or
12 the particular political organizations that the money
13 supposedly went to. It's completely beyond the scope of her
14 testimony, and I'm fairly confident she's never seen this
15 communication before. I think it's completely beyond the
16 scope.

17 MR. REHN: Your Honor, the witness was asked about the
18 tracing through the Ryan Salame bank account, and the
19 cross-examination was clearly meant to suggest that the tracing
20 that the witness performed was inaccurate, and I think that
21 evidence of a statement of one of the defendant's agents is
22 responsive to that cross.

23 MR. EVERDELL: Your Honor, this has nothing to do with
24 the accuracy of the defendant's analysis. This is a statement
25 by Ryan Salame purportedly about political donation. It has

1 nothing to do with her testimony about the money flows in
2 particular, coming from one bank account to another and donated
3 to a particular organization, none of which is mentioned
4 anywhere in this—

5 THE COURT: This objection is sustained.

6 MR. REHN: Thank you, your Honor. Nothing further.

7 MR. EVERDELL: No recross, your Honor.

8 THE COURT: Then you are excused, Ms. Owens.

9 (Witness excused)

10 THE COURT: Now, members of the jury, we're going to
11 have what I hope is a shorter day tomorrow because we're only
12 going to have, as I understand it—correct me if I'm wrong—two
13 witnesses tomorrow, and then we are off till next Thursday.
14 And on next Thursday we may also have a short day; is that
15 right?

16 MS. SASSOON: Your Honor, it depends on some issues
17 we'd like to raise with you.

18 THE COURT: I'll stop with tomorrow. Tomorrow we're
19 going to have a short day. And now I'll find out what the
20 issues are. But I'll see you in the morning at 9:30.

21 THE DEPUTY CLERK: All rise.

22 (Continued on next page)

1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Lest I forget it, when we're done, I would appreciate
4 the government taking back all the used witness binders and so
5 on which are beginning to threaten the stability of the bench
6 here.

7 Okay. Now what do I need to know about?

8 MS. SASSOON: The government expects to rest early in
9 the day of a week from tomorrow, but it's our position that the
10 defense should have to begin its case at that point.

11 THE COURT: Should or should not?

12 MS. SASSOON: Should, given that we're going to have
13 this long break between now and next week for them to prepare.
14 I don't think the witnesses we have on tap for that week
15 are—they're going to be short, but I also think that they're
16 not so material that it would affect, you know, the decision to
17 put on a defense case.

18 We'd also ask that the Court set a deadline for the
19 defense to notify us of its first witnesses in the defense case
20 prior to Thursday.

21 THE COURT: Mr. Cohen?

22 MR. COHEN: I'm not sure I follow.

23 THE COURT: They would like you to plan on the
24 commencement of your case, if any, promptly after they rest a
25 week from tomorrow, I guess. First point.

1 Second point, they would like you to be obliged to
2 identify, if you're putting in a case, who the witnesses will
3 be, at least the first few, if there are going to be more than
4 one, and the sequence by a date certain.

5 MR. COHEN: Well, your Honor, we will be prepared to
6 go forward on the 26th if we do put on a case.

7 THE COURT: Is that the right date?

8 MR. EVERDELL: 26th, your Honor, that's a Thursday.

9 THE COURT: I think that's right.

10 MR. COHEN: I'm looking at your Honor's calendar.

11 THE COURT: Well, let's hope it's right.

12 MR. COHEN: I carry this with me all the time.

13 THE COURT: I'll treasure that thought. Especially if
14 I can find my own calendar.

15 Thursday is the 26th. Next Thursday.

16 Okay. Now it would seem to me—well, Ms. Sassoon,
17 when do you want notice?

18 MS. SASSOON: As it stands, rebuttal expert notice
19 would then be due that Monday, and we'd like notice of the
20 other witnesses by that Monday as well.

21 THE COURT: Okay. What do you say to that?

22 MR. COHEN: Your Honor, for the last several weeks,
23 well, the entire trial, we've been getting notice from the
24 government on the Friday before the week of all the witnesses
25 for the week, without being told who will be called in what

1 order, so in keeping with the symmetry of that, I would propose
2 that we provide our notice on the 24th, which is two days
3 before, which is how we've been receiving notice throughout the
4 trial.

5 THE COURT: Do you think you could negotiate a
6 reasonable compromise here, folks?

7 MR. COHEN: We can certainly try.

8 THE COURT: And if you can manage that, I'm going to
9 send you to the Middle East.

10 MR. COHEN: That's above my pay rate, your Honor.

11 THE COURT: What about that?

12 MR. COHEN: Let us try. If your Honor will permit us,
13 we'll try.

14 THE COURT: You'll let me know in the morning. But
15 the rebuttal expert notices are due October 23rd.

16 MR. ROOS: And on that, your Honor, in case it's
17 helpful for the defense and the Court, your Honor's order on
18 the defense experts and the possibility of rebuttal experts
19 basically attached or keyed various potential defense experts
20 to various government experts or witnesses. The government is
21 not calling the—

22 MR. RAYMOND: Andria van der Merwe, the expert on
23 commodities.

24 MR. ROOS: So the only one is the one who testified,
25 Easton.

1 THE COURT: So can we rely at this point on what
2 constitutes the universe of potential defense expert notices?

3 MR. COHEN: Your Honor, we're still working through
4 that, and we would—we can have a more concrete answer for your
5 Honor tomorrow. We're certainly not going to rebut the expert
6 that they didn't call, but—

7 THE COURT: That seems reasonable.

8 MR. COHEN: As much as we'd like to hear about corn
9 and all the other things on their charts. But there is one
10 issue that I do want to talk with my colleagues and my client
11 about tonight.

12 THE COURT: Sure. Okay.

13 All right. Anything else tonight?

14 MS. SASSOON: One issue, your Honor. We're calling
15 tomorrow an attorney from FTX. His name is Can Sun.

16 THE COURT: And he's a former attorney from FTX,
17 right?

18 MS. SASSOON: Yes.

19 THE COURT: Yes.

20 MS. SASSOON: I reached out to counsel over the lunch
21 break to ask that they flag if there are any issues they're
22 going to raise on cross-examination related to their potential
23 presence of counsel defense, and so hopefully we can work that
24 out tonight and raise any issues before the witness takes the
25 stand with your Honor. And we also are anticipating at least

1 one lawyer from the FTX debtors to be here in court to protect
2 what hasn't been waived in terms of privilege. I don't—our
3 direct is not going to touch on anything that they're asserting
4 privilege over, and I'm not aware of anything on
5 cross-examination at this point that's going to touch on the
6 privilege, but they will be here in the event that it's
7 necessary.

8 THE COURT: Okay.

9 MR. COHEN: We will talk to them tonight, your Honor.

10 THE COURT: Good.

11 MR. COHEN: A lot of it depends on what they're
12 planning to do in the direct, so maybe they can give us a hint.

13 THE COURT: Yes. Well, I urge communication. Thank
14 you, folks.

15 THE DEPUTY CLERK: All rise.

16 (Adjourned to October 19, 2023, at 9:30 a.m.)
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GOVERNMENT EXHIBITS

Exhibit No.	Received
913-1 and 913-2	.1684
914-1	.1690
.	.1691
1001 to 1005, 1010, 1011, 1013, ...	.1709
1014, 1017, including its	
subparts, 1018, 1023-1033,	
1035, 1039-1041, 1044, 1045,	
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267	.1842
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GOVERNMENT EXHIBITS

Exhibit No.	Received
844	.1696
845	.1697
856	.1700
870	.1699
913-T	.1684
913-A	.1685
914-T	.1691
916-T	.1697
1476	.1844

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

-----x

7
8 New York, N.Y.
9 October 19, 2023
10 9:32 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
17 Southern District of New York

18 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

Anthony Imperato, USAO Paralegal Specialist

1 (In open court; jury not present)

2 THE COURT: Good morning, everyone.

3 MS. SASSOON: Good morning.

4 THE DEPUTY CLERK: Please be seated.

5 THE COURT: Just before we get the jury, Andy. Did
6 you work out an arrangement?

7 MR. ROOS: On the schedule?

8 THE COURT: Yes. And notice to each other?

9 MR. COHEN: Yes, your Honor.

10 THE COURT: So what's the schedule?

11 MR. COHEN: There's one piece to it that we need to
12 obviously—well, your Honor has to approve everything, but we
13 now believe that if there's a defense case at all, your Honor,
14 it will be one week or less. In light of that, we would—I
15 think the government agrees with us that we will give them any
16 rebuttal expert disclosures on October 23rd, and that we will
17 disclose our other witnesses to them two days before they
18 testify. The current status is that the trial will resume on
19 October 26th, and I guess the government has some witnesses for
20 that day. Our request for the Court is that if we could begin
21 any defense case on the morning of the 27th. If the Court was
22 okay with that, we would make our disclosures to the defense on
23 the 25th.

24 THE COURT: What's the government's point of view
25 about this?

1 MR. ROOS: So we oppose starting the next day, and the
2 reason is, the government currently has three potential
3 witnesses, were we to call any of them, for the 26th. One is
4 an FBI Agent, and we proposed a stipulation to just eliminate
5 him. One is an investor witness. The length of the first
6 investor witness in this case was 30 minutes. One is a
7 customer witness. The length of the last customer witness was
8 about 20 minutes. So were the government to put on all three
9 of those folks, I could see it being an hour and ten minutes.
10 So I think it's wasteful to take a whole day, after we've had a
11 break, to have the jury come in and then go home.

12 THE COURT: Look, ordinarily, Mr. Cohen, I would
13 accommodate what you've asked except that you have almost a
14 full week with no court here preceding the government's brief
15 presentation on the 26th, and in those circumstances, I'm going
16 to hold you to what you said last night, which was that you
17 would be ready to start with any defense case as soon as the
18 government rests. Obviously we have to deal with motions,
19 but—so that's what we're going to do.

20 And I would appreciate it if counsel on both sides
21 kept my chambers posted as you post each other about what
22 disclosures have been made and witnesses that you intend to
23 call and the like so that I know what is going to be happening
24 on the 26th.

25 MR. COHEN: Your Honor, might I ask, if it's going to

1 be the 26th, that we not be required to start any defense case
2 until after the lunch break so we have—

3 THE COURT: That's okay.

4 MR. COHEN: —a time certain.

5 THE COURT: That's okay.

6 Okay. Let's get the jury.

7 MR. ROOS: Judge, one other thing. You earlier in the
8 week asked for our letters on jury instructions today by the
9 close of business, and not to be cute about it, but I was
10 wondering what time the close of business is.

11 THE COURT: 5:00.

12 MR. ROOS: Got it.

13 THE COURT: And if they're going to be submitted in
14 the form of a whole new set of proposed instructions, as
15 opposed to—

16 THE DEPUTY CLERK: Jury entering.

17 THE COURT: —specific proposed changes, I'm going to
18 have to have a redline with it, from whichever side does it
19 that way.

20 MR. ROOS: Ours are just specifics. It will be a
21 short letter.

22 THE COURT: All right.

23 (Continued on next page)

1 (Jury present)

2 THE COURT: Good morning, everyone.

3 The record will reflect that the defendant and the
4 jurors all are present.

5 Members of the jury, I talked to you a little bit
6 about the schedule yesterday. My current best
7 estimate—subject to change always—is that the taking of
8 testimony in the case will finish not later than November 3rd.
9 If it were to finish on November 3rd, of course we would be
10 into the beginning of the next week for your deliberations and
11 the like, but we're now moving along a little faster than I had
12 hoped.

13 Okay. Next witness for the government.

14 MS. SASSOON: The government calls Can Sun.

15 THE DEPUTY CLERK: Sir, if you could please step
16 around and raise your right hand.

17 (Witness sworn)

18 THE DEPUTY CLERK: Thank you. Please be seated.

19 If you could please state your name and spell your
20 first and last names for the record.

21 THE WITNESS: My name is Can Sun, C-A-N, S-U-N.

22 THE COURT: You may proceed.

23 MS. SASSOON: Thank you, your Honor.
24
25

1 CAN SUN,

2 called as a witness by the Government,

3 having been duly sworn, testified as follows:

4 DIRECT EXAMINATION

5 BY MS. SASSOON:

6 Q. Good morning, Mr. Sun. What is your profession?

7 A. I'm an attorney.

8 Q. Where did you grow up?

9 A. I grew up in a number of countries—China, Singapore,
10 Canada, and the US.

11 Q. And I'll just ask you to slow down a bit.

12 Where did you go to law school?

13 A. I went to Yale.

14 Q. And what did you do after Yale Law School?

15 A. First I worked at a boutique firm in DC doing human rights
16 work; after that, I worked at Davis Polk here in New York; and
17 after that, moved to Fenwick & West in Seattle.

18 Q. What kind of legal work did you do at these law firms?

19 A. At the first boutique firm in DC I did human rights work;
20 and at Davis Polk, I did corporate mergers, acquisitions, IPO
21 work; and at Fenwick, I did startup and blockchain,
22 crypto-related work.

23 Q. At any of these jobs did you practice criminal law?

24 A. No.

25 Q. Did there come a time when you left the law firms for a

1 different type of job?

2 A. Yes. In August '21 I left Fenwick & West to join FTX.

3 Q. I believe you said, but can you just repeat when you joined
4 FTX.

5 A. End of August 2021.

6 Q. What was your position when you joined FTX?

7 A. I was general counsel.

8 Q. What were your general responsibilities as general counsel
9 at FTX?

10 A. I headed up legal at FTX International.

11 Q. And what types of duties did that involve?

12 A. Included licensing regulatory strategy, internal corporate
13 work, everything from fundraising, cap tables, employment
14 agreements, stuff like that.

15 Q. As part of your responsibilities as general counsel, were
16 you involved in any work related to how FTX treated and dealt
17 with customer assets?

18 A. Yes.

19 Q. At any time as general counsel, did you approve lending FTX
20 customer money to Alameda Research?

21 MR. COHEN: Objection.

22 THE COURT: What's the objection?

23 MR. COHEN: Leading.

24 THE COURT: Sustained.

25 Q. At any time as general counsel, Mr. Sun, what, if anything,

1 did you approve related to lending FTX customer money to
2 Alameda?

3 MR. COHEN: Same objection.

4 THE COURT: Overruled.

5 A. Never approved anything like that, and I would never have
6 done it either.

7 Q. And if you could just speak up a little bit, Mr. Sun. I
8 want to make sure the jury can hear you.

9 A. No, absolutely not.

10 Q. While you worked at FTX, did you have conversations with
11 the defendant about how FTX treated its customer assets?

12 A. Yes.

13 Q. And what, if anything, did the defendant tell you about how
14 FTX received customer fiat or dollar deposits?

15 A. That they were received, safeguarded, and segregated from
16 FTX's customer funds—sorry—from FTX's proprietary funds.

17 Q. And you mentioned that the defendant told you that customer
18 funds were segregated from FTX proprietary funds. What did you
19 mean by FTX proprietary funds?

20 A. So FTX's own funds as a company, funds that it uses to pay
21 for bills, to pay for, you know, website services, pay vendors,
22 those were FTX's own funds. FTX customers' funds were always
23 separated from those.

24 Q. And you referred to the defendant telling you that FTX
25 customer funds were segregated from proprietary funds. What

1 does "segregated" mean?

2 A. It means it is held separately, in a separate account from
3 FTX's own proprietary funds.

4 Q. What did you understand was the purpose of segregating
5 customer funds from FTX proprietary funds?

6 A. To clearly identify them as customer funds so that they
7 would not be misappropriated.

8 Q. And when you say "misappropriated," what do you mean by
9 that?

10 A. Stolen, used for anything else other than what the customer
11 instructs us to do.

12 Q. Did you at any time observe public statements by the
13 defendant about how FTX treated customer assets?

14 A. Yes.

15 Q. In what forums?

16 A. On Sam's tweets; his public congressional testimonies; his,
17 you know, statements to investors; to regulators; other
18 conversations.

19 Q. And what kinds of things do you recall observing the
20 defendant say publicly about how FTX treated customer assets?

21 A. That all customer assets of FTX were safeguarded,
22 segregated, protected.

23 Q. You talked about customer dollar or fiat deposits. What,
24 if anything, did the defendant tell you about how
25 cryptocurrency deposits were received at FTX?

1 A. They were received and kept in an omnibus wallet for all
2 customer funds that was separated from FTX's own proprietary
3 funds as well.

4 Q. And just to be clear, is that what the defendant told you?

5 A. Yes.

6 Q. And you mentioned—

7 THE COURT: I didn't hear that. I'm sorry. I didn't
8 hear an answer.

9 THE WITNESS: Yes.

10 THE COURT: Thank you.

11 Q. You mentioned that the defendant described an omnibus
12 wallet for customers. What do you mean by an omnibus wallet?

13 A. Right. So say if two customers each had one Bitcoin and
14 they deposit it into the platform. We would not have one
15 Bitcoin wallet for each customer; instead, we would keep both
16 of those customers' assets into one combined wallet, so that
17 one wallet would have two Bitcoins, but that is all customer
18 assets and it is separated from all of the remaining FTX
19 proprietary assets.

20 Q. As general counsel of FTX, were you familiar with something
21 called the key principles of FTX?

22 A. Yes.

23 Q. And what were those?

24 A. I used to be able to recite this, but—

25 Q. So before you recite them, can you explain what we're

1 talking about when we talk about the key principles.

2 A. Sure. So Sam was on a movement to create a sensible
3 regulatory framework for regulating the crypto industry, and so
4 as part of that framework, FTX had a list of five
5 investor—sorry—key principles for investor protection, things
6 like market manipulation, things like market integrity,
7 prevention of financial crimes, safeguarding of customer
8 assets, and I can't remember the last one off the top right
9 now.

10 Q. And these principles, were they documented?

11 A. Yes.

12 Q. How were they documented?

13 A. It was on FTX policies website; it was in Sam's testimony
14 to Congress; and we also described it in various forums with
15 regulators we were working with around the world.

16 Q. And so based on your work with the defendant, what's your
17 understanding of his role in crafting and disseminating these
18 key principles?

19 A. He was very, very much involved.

20 Q. And what do you recall, at a general level, about what
21 these key principles said about the treatment of customer
22 assets?

23 A. Safeguarded and protected.

24 Q. As general counsel of FTX, did you get questions from
25 regulators about how FTX handled customer deposits?

1 A. Yes.

2 Q. And what about from FTX customers?

3 A. Yes.

4 Q. And did you respond to those inquiries?

5 A. Yes.

6 Q. And how did you get the information to respond to those
7 inquiries?

8 A. Based on the information that Sam gave me, based on
9 information I got from other management at FTX, from the
10 finance team, and obviously all of the public statements that
11 we had talked about earlier.

12 Q. And so what types of things were you saying to regulators
13 and customers about how FTX treated customer assets?

14 A. They were safeguarded, segregated, and protected.

15 Q. Did you personally verify how customer dollar or crypto
16 deposits were treated by FTX?

17 A. I did not.

18 Q. Were you involved in any way in monitoring FTX's bank
19 accounts?

20 A. No, I was not.

21 Q. Did you have login access to the bank accounts or the
22 wallets?

23 A. No, I did not.

24 Q. You've talked about how assets were received. What, if
25 anything, did the defendant tell you about how customer

1 deposits were treated upon being received into FTX's accounts
2 or wallets?

3 A. Are you talking about fiat or crypto or both?

4 Q. Why don't we start with fiat.

5 A. So fiat, it would be transferred into what we call FBO bank
6 accounts held by FTX at various financial institutions and,
7 again, separated from FTX's own proprietary assets.

8 For crypto assets, they would come in to what we call
9 a suite wallet and then combined into an omnibus wallet and
10 also separated and segregated from FTX's own proprietary
11 assets.

12 Q. You mentioned a term called an FBO account. What does that
13 mean?

14 A. For the benefit of. Basically where a bank account is
15 owned in the name of one entity but that entity does not
16 actually have beneficial ownership of the funds in that
17 account, and the funds in that account are actually held for
18 the benefit of others—in this case, FTX's customers.

19 Q. Yes or no: In your role as FTX's general counsel, did you
20 have expectations about how customer assets should be treated?

21 A. Yes.

22 Q. And if you could just speak up. I see you're nodding,
23 but—

24 A. Yes, yes.

25 Q. And what were the expectations you had about how customer

1 assets should be treated based on?

2 A. What is it based on? So my understanding is FTX protects,
3 safeguards customer assets a hundred percent, and it was based
4 on, you know, my conversations with Sam, conversations with
5 other management, conversations with the finance team, FTX's
6 general standing in the industry, our regulatory requirements,
7 Sam's public statements. Everything was unequivocally that FTX
8 protects customer assets a hundred percent.

9 Q. Did you believe that FTX customer deposits could
10 permissibly be commingled with other funds of the business?

11 A. No.

12 Q. And why not?

13 A. Those funds belongs to the customers and does not belong to
14 FTX.

15 Q. Based on your conversations with the defendant, what was
16 your understanding about how, if at all, FTX could use customer
17 assets?

18 A. Only at the direction of the customer.

19 Q. And what does that mean?

20 A. So if the customer wants to trade it, they can trade it; if
21 they want to withdraw it, they can withdraw it; but nothing
22 else.

23 Q. And what was your understanding as to whether FTX could
24 borrow customer money without express authorization?

25 A. None whatsoever.

1 Q. What about whether Alameda could borrow customer money
2 without express authorization?

3 A. None whatsoever.

4 Q. When you say "none whatsoever," what do you mean?

5 A. So there's—there's none. There's none. There's, you
6 know, there's a borrow-lending program. If a user wants to
7 voluntarily, affirmatively choose to lend out their assets on
8 the platform, Alameda or other borrowers could borrow it, but
9 without express authorization from the user that they want to,
10 let's say, lend out their funds, neither FTX, Alameda, or
11 anyone had any rights to those assets because it belongs to the
12 user.

13 Q. While you worked at FTX, were you aware of an entity called
14 North Dimension?

15 A. Yes.

16 Q. What did you know about North Dimension based on your work
17 at FTX?

18 A. First time I saw it I think was in the spring of '22. I
19 was putting together an organization chart showing the
20 different FTX and Alameda entities. I saw that entity, wasn't
21 sure what it did, asked our finance team, and they mentioned
22 that it made some payments on behalf of FTX—of Alameda.

23 Q. Were you aware whether North Dimension was receiving
24 customer deposits of FTX into its bank account?

25 A. No, I was not.

1 Q. And were you aware, prior to November 2022, of Alameda
2 receiving FTX customer deposits into its bank accounts?

3 A. I was not.

4 Q. As general counsel, would you have approved of Alameda
5 receiving FTX customer deposits?

6 MR. COHEN: Objection.

7 THE COURT: Sustained.

8 Q. If you had been told that Alameda was receiving FTX
9 customer deposits, would that have raised concerns for you as
10 general counsel of FTX?

11 MR. COHEN: Same objection.

12 THE COURT: What is it? What is the objection?

13 MR. COHEN: Calls for speculation and hypothetical.

14 MS. SASSOON: Your Honor, he was the general counsel.

15 THE COURT: Yes, I understand.

16 MR. COHEN: The phrase begins "If you had been told."

17 THE COURT: Sustained.

18 BY MS. SASSOON:

19 Q. While you worked as general counsel at FTX, were you aware
20 of an account within the FTX database called the fiat@ftx.com
21 account?

22 A. I was not aware.

23 Q. Did there come a time when you started working on terms of
24 service for FTX?

25 A. Yes.

1 Q. What are terms of service?

2 A. It is a legal document that sets out the rights and
3 responsibilities of FTX and our users, how they relate to each
4 other.

5 Q. As you understood it, were the terms of service the only
6 place where FTX spelled out the company's obligations to
7 customers?

8 A. It was not.

9 Q. Where else did the company spell out its obligations to
10 customers?

11 A. FTX had a variety of other documents. For instance, on our
12 Zendesk help page, there was literally dozens of articles
13 spelling out how our liquidation program works, how market
14 maker program works, and obviously that's in addition to public
15 statements made by Sam, his tweets, his congressional
16 testimonies, and stuff like that.

17 Q. As far as you know, were the terms of service accessible on
18 the FTX website?

19 A. Yes.

20 MS. SASSOON: And can we please pull up Government
21 Exhibit 587, which is in evidence.

22 Q. Do you recognize this?

23 A. Yes.

24 Q. What is it?

25 A. This is the sign-up page when a new user wants to sign up

1 for an account on FTX.

2 Q. And as far as you know, did a customer have to agree to the
3 terms of service to open an account?

4 A. Yes.

5 THE COURT: Well, I'm going to strike the answer and
6 ask you to rephrase the question, because "as far as you know"
7 leaves this pretty delphic.

8 MS. SASSOON: Yes.

9 Q. Were you familiar with how this page operated in terms of
10 setting up an account?

11 A. Yes. So the user has to type in an email, a proposed
12 password, and click to agree to the FTX terms of service in
13 order to create the account.

14 Q. How do you know that?

15 A. It was—it was on our website.

16 Q. Around when did you work on the terms of service?

17 A. Right when I joined, in late August/early September '21.

18 Q. And what was the status of FTX's terms of service when you
19 started working on them?

20 A. It was about 80, even 90 percent done, and I came in and
21 brought it to completion.

22 Q. And just to be clear, were there terms of service already
23 in place for the company at that time?

24 A. Yes.

25 Q. And so the terms of service that you were working on, how

1 did they relate to the preexisting terms of service?

2 A. It was intended to be a replacement of the existing terms
3 of service.

4 Q. And why were the existing terms of service being replaced?

5 A. We were getting licensed in the Bahamas, and in order to
6 comply with regulatory requirements. And also, the older terms
7 of service, which I did not draft, as I understand it, was more
8 of a, you know—more for a startup company. As we were growing
9 bigger, we wanted a more robust set of terms and conditions.

10 Q. What was the defendant's role, if any, in finalizing these
11 terms of service that you reviewed?

12 A. He approved of it.

13 Q. How did the defendant approve those terms of service?

14 A. When we were going to go live with the terms of service in
15 May of '22, we created a—a chat group, and I notified everyone
16 in the group, including Sam, that basically we were going to go
17 live with the new terms of service, we were going to move all
18 customers to FTX Bahamas, and he approved of it.

19 Q. You said that the terms of service were going live in May
20 of 2022. When was the language of these terms of service
21 actually finalized?

22 A. September '21.

23 Q. Did the terms of service that you reviewed have a provision
24 on the use of customer assets?

25 A. Use of customer assets.

1 Q. Or the treatment of FTX customer digital assets.

2 A. Yes.

3 MS. SASSOON: At this time the government offers
4 Government Exhibit 558 pursuant to stipulation 2000, which the
5 parties have stipulated is FTX terms of service dated May 13,
6 2022. The government is not offering this document or the
7 statements in it for their truth but for their effect, if any,
8 on readers of the terms of service.

9 MR. COHEN: No objection, your Honor.

10 THE COURT: Received on a limited basis stated by
11 counsel.

12 (Government's Exhibit 558 received in evidence)

13 MS. SASSOON: Can we publish Government Exhibit 558,
14 please.

15 MR. COHEN: Your Honor, may we briefly be heard at
16 sidebar?

17 THE COURT: Yes.

18 (Continued on next page)

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1 (At the sidebar)

2 MR. COHEN: Your Honor, we would also ask that they be
3 admitted as a verbal act and not just for the effect on the
4 listener. It's something I'd like to cover in my exam, and I
5 figured we could deal with it now since it's been put in, your
6 Honor.

7 THE COURT: What exactly do you mean and what
8 significance would doing or not doing what you ask have?

9 MR. COHEN: Well, what we plan to do—I don't know
10 what counsel is going to do, but I assume she's going to call
11 out certain sections of the terms of service and ask the
12 witness about them, and we would like to do the same thing, not
13 to say that what the sections relate to was actually done but
14 that—

15 THE COURT: Not to say that the sections?

16 MR. COHEN: In other words, not that the contract
17 terms—calling out the contract terms means the performance was
18 actually made or not made but simply that this is what they
19 say.

20 MS. SASSOON: Two things, your Honor.

21 One, it's the government's direct exam right now so if
22 the defense wants to admit an exhibit or for another purpose,
23 it's not the appropriate time.

24 But two, what counsel described is also not a purpose
25 for the document's truth, as I understood his explanation, and

1 so the limited purpose of not offering it for its truth is not
2 undermined by what counsel just described.

3 THE COURT: I'll leave this for cross.

4 MR. COHEN: Okay.

5 THE COURT: If there's anything to do here, I'm
6 puzzled by what you're doing with this, but that's another
7 matter.

8 MS. SASSOON: With the terms of service?

9 THE COURT: Yes. But I'll listen.

10 MR. COHEN: Okay.

11 THE COURT: I mean, counsel, I trust you understand my
12 ruling that legal import of the terms of service is, in all
13 likelihood, a question of law for me, it's not a jury question.

14 MS. SASSOON: Yes, your Honor. I do think, to the
15 extent that this was disseminated to users of FTX, what's in
16 there is potentially relevant for its effect on the listener.
17 To the extent the defendant was aware of certain provisions, it
18 will be relevant to his state of mind, and to the extent that
19 these provisions are consistent with discussions that the
20 witness had with the defendant, that's also relevant to the
21 defendant's state of mind. So Mr. Sun reviewed these terms of
22 service, he thought that the provisions about the treatment of
23 customer digital assets was consistent with company policy, and
24 he therefore approved this terms of service.

25 THE COURT: Okay. You have a different view,

1 Mr. Cohen?

2 MR. COHEN: I'm going to listen to the direct, your
3 Honor.

4 THE COURT: Okay.

5 MS. SASSOON: One more thing, your Honor, just for
6 clarity. We also plan to ask this witness about a provision
7 that the defense highlighted in its opening because they opened
8 on it, they're making an argument about a provision here, and
9 so we want to contextualize it.

10 THE COURT: I'll listen.

11 (Continued on next page)

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1 (In open court)

2 MS. SASSOON: Mr. Imperato, if we could publish
3 Government Exhibit 558.

4 BY MS. SASSOON:

5 Q. Mr. Sun, what is this? And just make sure the mic is
6 positioned so that we can all hear you.

7 A. Yes. This is the FTX terms of service.

8 Q. And which version of the terms of service?

9 A. This is the new version that was published May 13, '22.

10 Q. And are these the terms of service you described the
11 defendant approving?

12 A. Yes.

13 MS. SASSOON: If we could go to page 10, and look at
14 provision 8.2.6.

15 Q. Mr. Sun, is this a provision that you reviewed in the
16 course of finalizing the terms of service?

17 A. Yes.

18 Q. I want to direct your attention to (A), which says, "Title
19 to your Digital Assets shall at all times remain with you and
20 shall not transfer to FTX Trading."

21 First of all, what is FTX Trading?

22 A. That is the FTX entity providing services to customers
23 under the terms of service.

24 Q. And so how does this entity relate to ftx.com, the
25 international exchange?

1 A. It was the entity providing services at ftx.com on the
2 website.

3 Q. And where it says, "Title to your Digital Assets shall at
4 all times remain with you," what did you understand that to
5 mean?

6 A. It means when a user deposits their assets onto the
7 exchange, they continue to own those assets.

8 Q. Directing your attention to provision (B), do you see where
9 it says, "None of the Digital Assets in your Account are the
10 property of, or shall or may be loaned to, FTX Trading"?

11 A. Yes.

12 Q. How does the language there correspond to discussions you
13 had with the defendant about the treatment of FTX customer
14 assets?

15 A. It's fully consistent.

16 Q. How so?

17 A. That customer assets, when deposited onto the platform,
18 continued to belong to the customers and FTX has no rights to
19 customers' assets.

20 Q. No. (C), it says, "You control the Digital Assets held in
21 your Account." What does it mean to control the digital assets
22 in your account?

23 A. You can choose to do whatever you want with the assets; you
24 can withdraw it, trade it, lend it, you know, do whatever you
25 want with it.

1 Q. "Digital Assets," what does that mean?

2 A. Cryptocurrencies.

3 Q. So this paragraph does not mention fiat currency. Did you
4 understand fiat currency to be treated differently by the
5 exchange?

6 A. No. Exactly the same.

7 Q. As far as you know, did this provision, 8.2.6, regarding
8 Digital Assets, exist in prior versions of FTX's terms of
9 service?

10 A. This exact language, not to my recollection.

11 Q. And in your view as general counsel, did the addition of
12 this exact language represent a change in FTX policy?

13 MR. COHEN: Objection.

14 THE COURT: Overruled.

15 A. No, it did not. It was the same policy.

16 Q. And so how do you explain the addition of this provision?

17 A. Again, it was fully consistent with FTX's policy
18 throughout. I like to make everything clear so the user knows,
19 you know, that assets deposited on the exchange continued to be
20 owned by them.

21 Q. So when was this language in the terms of service actually
22 finalized?

23 A. September '21.

24 Q. And at that point, in September 2021, did you consider the
25 obligations set out here to be an existing FTX policy?

1 A. Yes.

2 MS. SASSOON: Okay. We can take this zoom-out down
3 and go to page 16.

4 Q. And I want to direct your attention to what is titled
5 Section 16. Do you see where it says "MARGIN TRADING"?

6 A. Yes.

7 Q. And do you see at the top, 16.1 says, "This Section 16
8 applies only to the extent you are permitted to engage in
9 margin trading on the Platform"?

10 So if a customer was not doing margin trading on FTX,
11 did this section apply to that customer?

12 A. It would not.

13 Q. Let's go to a subsection of Section 16, MARGIN TRADING, on
14 page 17, provision 16.4.

15 So first of all, is 16.4 within the Section 16 called
16 MARGIN TRADING?

17 A. Yes.

18 Q. And so does this provision apply only to people doing
19 margin trading?

20 A. Yes.

21 Q. Are you familiar with this provision?

22 A. Yes.

23 Q. Just looking at the first sentence, it says, "Under certain
24 market conditions, it may become difficult or impossible to
25 liquidate a position."

1 As general counsel, did you hear the defendant
2 describe FTX's liquidation protocols?

3 A. Yes.

4 Q. And based on what the defendant described, what did you
5 understand to be the procedure for liquidating positions on the
6 FTX exchange?

7 A. So it is a multistep process. The first step happens is,
8 if your collateral—if the value of your account on the
9 exchange starts to decrease and it hits 3 percent of your
10 position size, that's when FTX's trading engine starts to
11 liquidate you on the market. If the market moves further
12 adversely to you, it goes further down. Let's say your
13 collateral, your value of your account drops to 1.5 percent of
14 your total position, notional size, then what happens is, your
15 positions are now moved to what we call backstop liquidity
16 providers, which are basically large market makers on the
17 exchange who signed up to accept these positions. Now if it
18 goes even further negative and the backstop liquidity program
19 is not able to actually take on these positions, then there's
20 an insurance fund that kicks in, which is basically money that
21 is set aside specifically for the purpose of covering these
22 losses that cannot be satisfied on the platform. And if that
23 insurance fund gets depleted, runs out, then there would be,
24 you know, socialized losses. But it has been FTX's consistent
25 position that they have never depleted the insurance fund, we

1 have never clawed back users, and we have no intention of
2 clawing back users as well. It was one of FTX's main marketing
3 and selling points.

4 Q. So what you just described, are those things that you heard
5 the defendant talk about?

6 A. Yes.

7 Q. And where did you hear the defendant describing FTX's
8 liquidation engine and the selling points of that engine?

9 A. So it comes up in conversations with regulators, our
10 regulators around the world who asks us about our liquidation
11 and margin programs; it comes up in questions from our users
12 who asks about, you know, how our liquidation waterfall works;
13 it's something that a lot of large traders are very much
14 focused on because many other crypto exchanges do not have a
15 good liquidation program, and FTX won a lot of customers
16 because, you know, we marketed it as having a really good
17 program, you have an insurance fund that's never been depleted,
18 we've never done clawbacks.

19 Q. I want to break that down a little bit.

20 First of all, you said this was a selling point for
21 the exchange. Why was this a selling point?

22 A. So other crypto exchanges have had a lot of these losses in
23 the past basically where you have positions stuck in the system
24 that are in the negative that they have not been able to
25 liquidate, and so what other exchanges do—and there's a whole,

1 you know, variety of ways as to how they do them—is they would
2 take people who make money in those markets and give it to the
3 people who lost money, to cover the losses. That is typically
4 known as a clawback—people who make money had their profits
5 taken away from them. And you can imagine that this is not
6 something that traders like. And so FTX prided itself on the
7 lowest rate of liquidations, on having an insurance fund, has
8 never been depleted, and not doing clawbacks.

9 Q. You talked about an insurance fund. Based on the
10 defendant's statements, what did you understand was the
11 insurance fund?

12 A. I understand that it was \$250 million sitting on the
13 ftx.com exchange and made readily available to cover losses.

14 Q. And I think you said earlier that you understood that the
15 insurance fund was money that was set aside. Why did you
16 understand that that money had been set aside?

17 A. Sorry. Why did I understand that money had been set aside?
18 It was a program created specifically for that purpose.

19 Q. And what, if anything, did the defendant tell you about how
20 the insurance fund had been used over time?

21 A. It started small, obviously, but it, you know, it grew as
22 FTX grew, and one of the key things I remember is that the
23 maximum drawdown from the insurance fund, meaning payouts to
24 cover losses from the insurance fund, is less than the profits
25 made by FTX on that day.

1 THE COURT: And just for the sake of clarification,
2 this insurance fund did not involve any insurance in the normal
3 sense of buying a policy from MetLife or John Hancock or
4 Fireman's Fund; is that right?

5 THE WITNESS: Yes, that's right.

6 THE COURT: Thank you.

7 BY MS. SASSOON:

8 Q. And just to be clear, your understanding that—can you
9 repeat your understanding about the drawdowns from the
10 insurance fund and explain that.

11 A. Sure. So when there are these losses that couldn't be
12 liquidated into the system, there would be payouts from the
13 insurance fund to cover those losses, and, you know, what I
14 learned is that the maximum payout from the insurance fund on
15 any given day, since FTX started, is less than the amount of
16 money that FTX made on that day.

17 Q. And just to be clear, where did you learn that from?

18 A. From Sam; it was written on our FTX policy website; it was
19 in a lot of our regulator communications.

20 Q. Did you personally verify that?

21 A. I did not.

22 MS. SASSOON: And if we could pull this exhibit back
23 up and look at—zoom in on 16.4, please.

24 Q. The last sentence here says, "In addition, even if you have
25 not suffered any liquidations or losses, your Account balance

1 may be subject to clawback due to losses suffered by other
2 Users."

3 In your conversations with the defendant, what, if
4 anything, did he say to you about clawbacks?

5 A. So I've not discussed the specific provision, to my
6 recollection, with Sam, but when I talked to Sam about
7 clawbacks, he's always made it clear that FTX does not claw
8 back money from users.

9 Q. And what, if anything, are you aware of that the defendant
10 said publicly about clawbacks?

11 A. That we do not claw back against users as well.

12 Q. And so you said that you don't recall discussing this
13 provision with the defendant. Did he ever say anything to you
14 that suggested he was aware of this provision?

15 MR. COHEN: Objection, leading.

16 THE COURT: Sustained.

17 Q. In your discussions with the defendant, what, if anything,
18 did he ever say to you about this provision, specifically?

19 A. I do not recall any conversations with Sam specifically
20 about this provision.

21 Q. And how does this last sentence in 16.4 compare to the
22 defendant's public statements about clawbacks?

23 MR. COHEN: Objection.

24 THE COURT: Sustained.

25 MS. SASSOON: Your Honor, he described hearing public

1 statements about clawbacks.

2 THE COURT: I understand, and he told us what he
3 heard.

4 MS. SASSOON: Okay. Now we can take this down.

5 BY MS. SASSOON:

6 Q. You talked about liquidations. Did there come a time when
7 you learned that Alameda Research was exempted from
8 auto-liquidation?

9 A. Yes.

10 Q. When was that?

11 A. That was either August or September of '22.

12 Q. And when you learned this, what was your recollection to
13 that?

14 A. I was shocked. It was—it went against everything we had
15 told regulators, told our users about the relationship between
16 FTX and Alameda, and I asked for it to be removed.

17 Q. When you asked for Alameda's exemption from
18 auto-liquidation to be removed, what were you told?

19 A. I was told that the no-liquidation carveout for Alameda had
20 never been triggered and—but Sam and Nishad did not want to
21 remove it.

22 Q. And how did you know that Sam and Nishad did not want to
23 remove it?

24 A. I was told by Zach Dexter.

25 Q. And what did you understand happened next?

1 A. I pushed for it to be removed, continuously, and we got
2 them to agree to remove it and do a couple things: (1) it would
3 be replaced by a delayed-liquidation mechanism instead of a
4 no-liquidation mechanism; (2) we were going to make it clear to
5 all of the regulators, all of our users who had been, you know,
6 misrepresented in the past, that this program is in place; and
7 (3) we were going to offer the program on a nondiscretionary
8 basis to all large market makers on the platform.

9 Q. And as far as you know, were those changes actually
10 implemented prior to November of 2022?

11 A. I had done everything on the legal side of things to make
12 it happen, but as I understand it, it was stuck on the business
13 side of things.

14 Q. So is that a no?

15 A. No. Yes. So it didn't—as far as I know, it was not put
16 in place by the time FTX collapsed in November.

17 Q. And at that point did you have any indication that as a
18 result of the exemption from auto-liquidation that Alameda was
19 using FTX customer funds?

20 MR. COHEN: Objection.

21 THE COURT: Sustained, at least as to form.

22 Q. Now, Mr. Sun, if Alameda was exempted from
23 auto-liquidation, would that have been relevant to your views
24 about the risks associated with potential losses on the
25 exchange?

1 A. Yes.

2 Q. How so?

3 A. So when losses occur, if you have a margin-leveraged
4 trading system, the way to prevent these losses is to liquidate
5 the user before their account value goes negative. So just to
6 maybe use a basic example, you have \$10,000, you get a 20,000
7 Bitcoin position. Bitcoin falls from 20,000 down to 5,000, you
8 know, normally you would have a minus 5,000 account balance.
9 Now if you're just trading on the exchange and you have a minus
10 5,000 account balance, you're not going to bring your assets
11 from out of the exchange onto the exchange just to cover that
12 hole, so the way to prevent that from happening is before your
13 account goes even a single dollar negative, when you're at
14 1.5 percent, you would liquidate that position by basically
15 selling it to other people. Now if Alameda is exempt from this
16 no liquidation—it's exempt from liquidation, that would mean
17 that Alameda could go infinitely negative and there would be
18 nothing to prevent those losses from being, you know, stuck on
19 the system.

20 Q. Now at that point when you learned about this exemption,
21 what, if anything, were you aware of with respect to Alameda
22 using customer funds?

23 MR. COHEN: Objection.

24 THE COURT: What's the objection?

25 MR. COHEN: Leading.

1 THE COURT: Overruled.

2 A. I was not aware.

3 Q. And as far as you know, were customers ever informed that
4 Alameda had been exempted from auto-liquidation?

5 A. Not to my knowledge.

6 Q. Once the terms of service that we looked at went live in
7 May of 2022, what did you do with the terms of service?

8 A. It was uploaded onto our website. It replaced the prior
9 terms of service. We notified our institutional investors of
10 the change in the terms of service, and since then, between May
11 and November, when FTX collapsed, we made a few more updates to
12 comply with local regulatory requirements.

13 Q. You mentioned institutional investors. Are those customers
14 of the exchange?

15 A. Yes.

16 Q. And what's an institutional customer?

17 A. So there are two types of customers on the exchange. One
18 is, you know, a natural person, so like an individual; the
19 other one is like corporate entity, and we typically refer to
20 those as institutional customers.

21 Q. And did your job responsibilities include some
22 communication with institutional customers of FTX?

23 A. Yes.

24 Q. What is Sculptor?

25 A. Sculptor is one of the institutional customers on the

1 exchange who requested changes to our terms of service.

2 MS. SASSOON: Mr. Imperato, can you please show the
3 witness what's been marked as Government Exhibit 326.

4 Q. And do you recognize this email?

5 A. Yes.

6 Q. Are you on this email exchange?

7 A. Yes.

8 Q. And who are you communicating with on this email?

9 A. I was communicating with Sculptor.

10 MS. SASSOON: The government offers Government
11 Exhibit 326.

12 THE COURT: Received.

13 (Government's Exhibit 326 received in evidence)

14 MR. COHEN: Your Honor, can we have a limiting
15 instruction as to, other than Mr. Sun, the speakers.

16 THE COURT: Give me a moment to read it.

17 Can you enlarge it, please.

18 MS. SASSOON: None of this is being offered for the
19 truth, your Honor, but just for the fact that it was said to
20 Sculptor.

21 THE COURT: That resolves your objection, doesn't it,
22 Mr. Cohen?

23 MR. COHEN: It does, your Honor. Thank you.

24 THE COURT: Okay. Received on that basis.

25 BY MS. SASSOON:

1 Q. Mr. Sun, do you—

2 MS. SASSOON: Mr. Imperato, can you please publish
3 Government Exhibit 326.

4 Q. And Mr. Sun, do you see that this is an email thread on
5 May 13, 2022?

6 A. Yes.

7 Q. And who generally are the participants in this email
8 exchange?

9 A. So generally speaking, when a customer requests
10 modifications to our terms of service, they would reach out to
11 our institutional BD team, who would then refer it either to
12 myself or someone else on the legal team.

13 Q. And so are you on this email exchange?

14 A. Yes.

15 Q. And are there representatives of Sculptor on this email
16 exchange?

17 A. Yes.

18 Q. May 13, 2022, what happened on that date?

19 A. Our new terms of service was published that became the
20 governing terms of service going forward.

21 Q. And if I could direct your attention to the bottom email
22 from cansun@ftx.com. On May 13, 2022, you wrote, "Hi, Elise."
23 Where did Elise work?

24 A. Sculptor.

25 Q. And in this email, you wrote, "Our new terms of service

1 just went online today." And what is the link that you
2 included there?

3 A. That is the link to our new terms of service.

4 MS. SASSOON: And we can take that down.

5 At this time, Mr. Imperato, can you show the witness
6 what's marked as Government Exhibit 514.

7 Q. Who are the participants in this email exchange, Mr. Sun?

8 A. This is Sculptor and someone from the legal team, Adrian.

9 MS. SASSOON: Your Honor, the government offers
10 Government Exhibit 514, not for its truth.

11 MR. COHEN: May we be heard at the sidebar, your
12 Honor?

13 THE COURT: Yes. But somebody please bring up a hard
14 copy.

15 (Continued on next page)

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1 (At the sidebar)

2 THE COURT: What's the issue here?

3 MR. COHEN: Your Honor, we would object to this, the
4 admission of Government Exhibit 514. It's very different from
5 the one that was just admitted, 326. Mr. Sun is not on this
6 document at all. And there may well be, and I think there are,
7 hearsay issues as to it, but more importantly—

8 THE COURT: It's not offered for the truth. That was
9 the first thing.

10 MR. COHEN: Okay. But more importantly, your Honor,
11 this is about a different set of policies issued by a different
12 entity, FDM.

13 THE COURT: A different entity?

14 MR. COHEN: There was a newly created Bahamas entity
15 called FDM, which was not FTX International, the company we've
16 been talking about in this case. These were different policies
17 issued by a different entity that—and it's an email chain
18 which Mr. Sun is not on. I believe the government is going to
19 try to argue that these policies also should be considered
20 either construing the set of policies we just looked at or on
21 their own, and we submit that under 403 it would be both
22 confusing for the jury to be dealing with policies issued by
23 different corporate entities perhaps for a different purpose
24 that Mr. Sun was—on an email he wasn't on, and also
25 substantially prejudicial to my client. So that's the

1 objection.

2 MS. SASSOON: Your Honor, FTX Digital Markets was the
3 Bahamian entity created with respect to the ftx.com exchange.
4 Sculptor is a customer of the ftx.com exchange. These are
5 statements by representatives of FTX to a customer referring to
6 policies that Mr. Sun will be able to explain what they are.
7 He's not on this email, but all I'm going to ask him are about
8 what these policies are, and I'm going to show him those
9 policies, and those were policies that governed the ftx.com
10 exchange.

11 MR. COHEN: They were policies that governed the new
12 company, your Honor, as to which there's been no testimony as
13 to the existence or relationship of.

14 THE COURT: I just heard a proffer that he's going to
15 testify that they're on the ftx.com exchange.

16 MR. ROOS: Didn't he say the new terms of service were
17 for that entity?

18 MS. SASSOON: That was FTX Trading. But before we
19 admit it, I can ask him what's FTX Digital Markets, and based
20 on his answer, if your Honor is satisfied, then we can offer
21 this exhibit.

22 THE COURT: Well, let's take it a step at a time.

23 MR. COHEN: This exchange points out how confusing
24 this is under 403. So—

25 THE COURT: I'm not confused yet.

1 MR. COHEN: You're not confused, your Honor, but I
2 think the rest of us are.

3 THE COURT: Okay.

4 (Continued on next page)

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1 (In open court)

2 THE COURT: Proceed.

3 MS. SASSOON: Mr. Imperato, let's pull back up

4 Government Exhibit 326 just for a moment.

5 BY MS. SASSOON:

6 Q. And Mr. Sun, I want to direct your attention to your email
7 at the bottom. And in this email to Sculptor on May 13, 2022,
8 you wrote, "we've actually just changed the operating entity
9 for ftx.com to our Bahamas DARE Act-licensed entity FTX Digital
10 Markets Ltd." So can you explain what FTX Digital Markets Ltd.
11 was.

12 A. It's our Bahamian subsidiary that was licensed under the
13 Bahamian DARE Act. Under the new terms of service, that was
14 going to be the default and predominant entity that serviced
15 our customers going forward.

16 Q. So just to be clear, how did FTX Digital Markets relate to
17 ftx.com?

18 A. It is the entity providing the bulk of the services that
19 are available to users on ftx.com.

20 MS. SASSOON: We can pull that down now.

21 And Mr. Imperato, can you pull back up Government
22 Exhibit 514, just for the witness.

23 And at this time the government offers Government
24 Exhibit 514.

25 MR. COHEN: Same objection.

1 THE COURT: Overruled.

2 (Government's Exhibit 514 received in evidence)

3 MS. SASSOON: Mr. Imperato, can you please publish
4 this exhibit for the jury.

5 BY MS. SASSOON:

6 Q. Now just to be clear, Mr. Sun, are you on this email
7 exchange?

8 A. I am not.

9 Q. Who is Adrian Guye?

10 A. He is a member of our legal team.

11 Q. And Elise Knaus, does she work at Sculptor?

12 A. Yes.

13 Q. And do you see in Adrian's June 23, 2022, email to Elise,
14 he wrote, "Please find attached the FTX Digital Markets
15 policies that I can share with you," and a little farther down,
16 he wrote, "as reflected in the attached safeguarding of assets
17 policy"?

18 A. Yes, I see that.

19 Q. Were you familiar with the safeguarding of assets policy?

20 A. Yes.

21 Q. And what was it?

22 A. It's one of the policies that we put together and was
23 required to be bound by under our Bahamian license to safeguard
24 and protect customer assets.

25 Q. And do you see at the end of that paragraph Adrian Guye

1 wrote, "As further reflected in this policy under safeguarding
2 and segregation, in the unlikely event that FDM becomes
3 insolvent, customer funds will be ring-fenced from such
4 insolvency"? First of all, what does FDM stand for?

5 A. FDM stands for FTX Digital Markets Ltd., our Bahamian
6 subsidiary.

7 Q. What does it mean to ring-fence customers from insolvency?

8 A. Keep it separate and segregated so in the event of an
9 insolvency in FTX Digital Markets, FTX Digital Markets's
10 customers will be able to receive their funds back.

11 (Continued on next page)

1 Q. Just to be clear, when you say FDM's customers, how does
2 that relate to FTX.com's customers?

3 A. They are the same.

4 Q. Now you are not on this email, but is that sentence there,
5 how does that relate to what your understanding was about --

6 MR. COHEN: Objection.

7 THE COURT: Sustained.

8 Q. What, if any, understanding did you have, separate and
9 apart from this email, about what would happen to customer
10 funds in the event of insolvency?

11 A. It would be fully protected and segregated and returned to
12 customers.

13 MS. SASSOON: We can take that down. Mr. Imperato, if
14 you can pull up for the witness.

15 THE COURT: I'm sorry. Let me just --

16 Was that true in your mind with respect to FTX Digital
17 Markets, FTX.com, or both?

18 THE WITNESS: It would be both. If FDM -- FTX Digital
19 Markets, the payment subsidiary, provides the bulk of the
20 services that are available on FTX.com.

21 THE COURT: Explain what that means to the jury.

22 THE WITNESS: There are a number of services available
23 on FTX.com. Not all of them are provided by FTX Digital
24 Markets Limited. We are a Bahamian subsidiary. For instance,
25 if you are from Japan or Australia and you were trading on

1 FTX.com, you were not serviced by FTX Digital Markets. You
2 were serviced by our Japan and Australian subsidiaries.

3 THE COURT: Would it be fair to say that the legal
4 department that dealt with all of this dealt with it for all
5 these FTX companies?

6 THE WITNESS: Yes, for the most part. We don't
7 practice local law, your Honor, obviously.

8 THE COURT: Local law meaning, for example, the
9 Bahamas.

10 THE WITNESS: Bahamas, Japan, Australia, yup.

11 THE COURT: Were the people supervising the services
12 provided by these various entities the same?

13 THE WITNESS: For the most part, we have in each
14 jurisdiction wherever you are licensed a local team as well to
15 make sure that whatever we do locally is also in compliance
16 with local laws.

17 THE COURT: Go ahead.

18 MS. SASSOON: Mr. Imperato, can you please pull up
19 Government Exhibit 340 for the witness.

20 Q. Do you recognize this?

21 A. Yes.

22 Q. What is it?

23 A. This is the safeguarding of assets and digital management
24 policy.

25 Q. Did this apply to FTX.com?

1 A. Yes.

2 Q. As general counsel, did you review this?

3 A. Yes.

4 Q. And did this document go through an approval process?

5 A. Yes.

6 Q. For what purpose?

7 A. This was one of the documents for our Bahamian license
8 application, so it had to be approved by the CEO and typically
9 approved by the board as well.

10 Q. When you say it had to be approved by the CEO, who was the
11 CEO?

12 A. It was Ryan Salame.

13 Q. What about the board, who was on the board?

14 A. It was Ryan, Sam. I think we might have added Nishad later
15 down the road, but I can't remember exactly when.

16 Q. But Sam Bankman-Fried was on the board that would approve
17 these policies?

18 MR. COHEN: Objection. Leading.

19 THE COURT: Sustained in that form.

20 Q. When you said Sam was on the board, which Sam are you
21 referring to?

22 A. Sam Bankman-Fried.

23 MS. SASSOON: The government offers Government Exhibit
24 340.

25 MR. COHEN: Same objections as made at the sidebar,

1 your Honor.

2 THE COURT: Overruled. It's received.

3 (Government Exhibit 340 received in evidence)

4 Q. I just want to clarify. You said Ryan Salame was CEO. CEO
5 of what entity?

6 A. FTX Digital Markets Limited, our Bahamian subsidiary.

7 MS. SASSOON: Mr. Imperato --

8 THE COURT: Excuse me.

9 Who owned the shares of digital markets, the Bahamian
10 subsidiary?

11 THE WITNESS: It was owned 100 percent by FTX Trading
12 Limited, our holding company in Antigua.

13 THE COURT: Who owned the shares of that entity?

14 THE WITNESS: So Sam has a majority, followed by Gary
15 Wang and Nishad Singh.

16 THE COURT: Thank you.

17 Let's go on.

18 MS. SASSOON: Mr. Imperato, can you publish Government
19 Exhibit 340.

20 Q. Looking at this cover page, can you read the title of this
21 document.

22 A. FTX Digital Markets Limited, safeguarding of assets and
23 digital token management policy.

24 Q. At a high level, what is this document?

25 A. This sets out the policies and processes by which FTX

1 Digital Markets Limited safeguards customer assets.

2 Q. Was this a document that was shared with FTX customers?

3 A. Not to my knowledge. So there are some cases where an
4 investor -- sorry -- a user could potentially ask, but it is
5 not a document that is generally made available to users.

6 Q. Just to be clear, was it sometimes made available to users?

7 A. Yes.

8 MS. SASSOON: Let's go to page 4.

9 Q. Can you read the first sentence beneath introduction.

10 A. This policy outlines FDM's approach to the safeguarding of
11 assets.

12 Q. Under the objectives section, what is the first bullet
13 point under this policy's objectives are to?

14 A. Emphasize our stringent commitment to safeguarding assets
15 belonging to both FDM and its customers.

16 MS. SASSOON: Let's go to page 5.

17 Q. Do you see where it says FDM's responsibilities?

18 A. Yup.

19 Q. What does it say beneath that?

20 A. Appropriately account for the difference between its own
21 assets and its customers' assets.

22 Q. Sorry. The sentence right beneath the header, FDM's
23 responsibilities.

24 A. FDM is ultimately responsible for the safeguarding of its
25 customers' assets.

1 Q. Do you see beneath that it says: DFM's key roles and
2 responsibilities in relation to safeguarding of assets are
3 outlined below.

4 Now, can you read the first bullet beneath that.

5 A. Appropriately account for the difference between its own
6 assets and its customers' assets.

7 Q. And can you read the third bullet.

8 A. All third-party providers are aware that customer assets
9 are held in trust.

10 Q. What does it mean for assets to be held in trust?

11 A. It means that you hold them, that you are not the
12 beneficial owner of them, and you are holding it for the
13 benefit of someone else; in this case, customers.

14 MS. SASSOON: Let's go to page 7.

15 Q. Do you see the section entitled safeguarding and
16 segregation?

17 A. Yes.

18 MS. SASSOON: Can you please, Mr. Imperato, zoom in.

19 Q. Mr. Sun, can you read the first sentence below that
20 heading.

21 A. FDM has a responsibility to ensure that customer assets are
22 appropriately safeguarded and segregated from its own funds.

23 Q. Can you read the first bullet, please.

24 A. Customer assets, both fiat and virtual assets, are
25 segregated from its own assets.

1 MS. SASSOON: Can you highlight, Mr. Imperato, the
2 sentence after the bolded words SCB where it says: Customer
3 accounts will be designated as such, and the money contained
4 therein will be appropriately ring-fenced and protected from
5 claims against FDM.

6 Q. Can you remind us what it means to appropriately ring-fence
7 assets from claims against FDM?

8 A. Sure. Customer assets belongs to the customer. When they
9 come in, they are kept in separate accounts, protected and
10 separate from FDM OR FTX's own assets, so that if FTX or FDM
11 has a bankruptcy event, customer assets, which belongs to the
12 customer, does not belong to FTX, will be returned to
13 customers.

14 Q. What, if any, conversations did you have with the defendant
15 about the subject matters that we have just been looking at
16 related to protection of customer assets?

17 A. In all my conversations with Sam, it has always been
18 represented to me that customer assets are protected,
19 segregated, as set out in the policy.

20 MS. SASSOON: You can take that down.

21 Mr. Imperato, can you please show the witness
22 Government Exhibit 26. Can you go to the series B tab.

23 Q. Do you recognize this spreadsheet, Mr. Sun?

24 A. Yes.

25 Q. What is it?

1 A. This is a spreadsheet that was maintained in connection
2 with our fundraisers. So each of the tabs, series B, B1, C,
3 C1, those are different rounds of fundraising that we have been
4 doing, and in each of these tabs it lists the name of the
5 investor, their contact information, and so on and so forth.

6 Q. As general counsel, did you review the spreadsheet?

7 A. Yes.

8 Q. And were you familiar with the content?

9 A. Yes.

10 MS. SASSOON: The government offers Government Exhibit
11 26.

12 MR. COHEN: No objection.

13 THE COURT: Received.

14 (Government Exhibit 26 received in evidence)

15 MS. SASSOON: Mr. Imperato, if we can publish this to
16 the jury and stay on the series B tab where you have it.

17 Q. Now that the jury has the benefit of seeing the
18 spreadsheet, can you explain what series B refers to.

19 A. So series B was our fundraising round that was completed in
20 July of 2021, before I joined. So this is basically a
21 fundraising event whereby investors invest money into FTX and
22 in return get shares in the company.

23 Q. Do you see the column A that says name?

24 A. Yes.

25 Q. What is listed under name?

1 A. That is the name of the investor.

2 Q. Can you just read the first nine names there.

3 A. Sequoia, Paradigm Capital, Thoma Bravo, Soft Bank, Third
4 Point LLC, Insight Partners, Robbitt Capital, Lightspeed
5 Venture Partners.

6 Q. You can stop there.

7 Were the names you read and the ones following
8 investors in FTX?

9 A. Yes.

10 MS. SASSOON: If we can scroll to column R.

11 Q. Do you see this column where it says amount?

12 A. Yes.

13 Q. What does this refer to?

14 A. That is the amount of money that they invested into FTX.

15 Q. The next tab is called series B1. What does that refer to?

16 A. That is our subsequent investment round that was completed
17 in October of 2021.

18 Q. And the first name here is OTPP. What does that stand for?

19 A. Ontario Teachers' Pension Plan.

20 Q. Can you read the name of the investor in row 5.

21 A. Temasek.

22 Q. There is another tab here called series C. What does that
23 refer to?

24 A. That was our next fund-raising round that was completed in
25 January of 2022.

1 Q. So here the first two names are Paradigm and Temasek, which
2 we saw in earlier tabs. What does that mean that they are
3 reappearing here?

4 A. That they invested a gain into FTX at the new round.

5 Q. You see that there is a tab called series C1. What is
6 that?

7 A. That is -- that was a round that we started in, I think,
8 late summer and fall of 2022, but it never closed.

9 Q. When you say it never closed, what does that mean?

10 A. So the investors did not actually put money into FTX.

11 Q. As general counsel, did you participate in any
12 conversations with FTX investors?

13 A. Yes.

14 Q. And what, if anything, did you tell investors about the
15 relationship between FTX and Alameda?

16 MR. COHEN: Objection.

17 THE COURT: Ground.

18 MR. COHEN: Hearsay.

19 MS. SASSOON: Not offered for its truth, your Honor.

20 THE COURT: Of course. Overruled.

21 A. Consistently told our investors that FTX and Alameda are
22 two fully independent and separate companies.

23 Q. Where did you get that information from when you told
24 investors that FTX and Alameda were two separate companies?

25 A. Based on representations made to me by Sam.

1 Q. I want to talk about investments for a moment. What
2 involvement, if any, did you have with venture investments by
3 the defendant?

4 A. From time to time, there would be investments that needed
5 legal support, and sometimes I was brought in to help to review
6 investment negotiation investment agreements.

7 Q. At all times prior to November 2022, what did you believe
8 about where the money came from for these investments?

9 A. That it was all profits of Alameda, basically house money
10 that was made by Alameda.

11 Q. What, if anything, did anyone ever tell you about whether
12 the investments involved customer money?

13 A. Nothing whatsoever.

14 Q. And what role, if any, did you have with any loans from
15 Alameda to parties related to the company of FTX?

16 A. Yes. I documented a series of loans made by Alameda to
17 Sam, Gary, Nishad, and others.

18 Q. Can you describe what you did.

19 A. Yes. So it generally happens in two ways.

20 MR. COHEN: Can we have a time frame, your Honor?

21 THE COURT: Yes.

22 Q. Over what time period did you document loans for Sam and
23 others?

24 A. From the time when I joined FTX in late August '21 until
25 the collapse in November '22, throughout my time there.

1 Q. Throughout your time there, can you describe your
2 involvement in documenting loans?

3 A. Sure. These loans typically come up in two ways.

4 One way is, if I were working on a transaction myself,
5 such as an acquisition, and we needed certain funds in order to
6 close the transaction, I would go to Sam or other members of
7 management and say, hey, we need a capital injection in order
8 to close this transaction.

9 The second way it comes up is, if there is a
10 transaction that I'm not working on but apparently needs a
11 capital injection, then Sam or someone will pull me aside and
12 say, hey, we need to put X amount of dollars of a capital
13 injection into one of these companies.

14 Q. What were you told, if anything, about why these
15 investments were being funded through loans to the defendant
16 and others?

17 A. So the way that these loans were structured was in place
18 when I joined, and even after I joined we had worked with
19 outside counsel on structuring these loans. So all of the
20 loans I worked on came -- the lender was Alameda and the
21 borrower was typically Sam, Gary, Nishad.

22 So what would happen is, let's say there is a need for
23 a \$250 million injection into FTX.US, which was the case in
24 December '21, when FTX.US needed that for its CFTC margin
25 application, I would discuss with Sam how to make the capital

1 injection, and the preferred way of doing it is to have Alameda
2 make a personal loan to each of the founders, Sam, Gary, and
3 Nishad, and then they would actually invest the funds into FTX
4 US in the form of an investment.

5 Q. What was your view of this practice that you were involved
6 in?

7 A. I had no idea that customer funds were being used. We had
8 worked with outside counsel on structuring these transactions.

9 Sorry. Your question?

10 Q. Can you describe what was your view of just the practice of
11 using loans to the defendant to fund investments?

12 A. Under the circumstances, back then, we did not know it was
13 customer funds, and we worked with outside counsel on it, and
14 we thought it was legal and it was fine to do that.

15 Q. Did you have any views beyond that?

16 A. Yes. It was probably -- from an optics perspective, it was
17 probably not the most transparent, but under those
18 circumstances back then we did not know it was customer funds.

19 MS. SASSOON: Your Honor, at this time I would ask
20 permission to hand the witness a binder which has within it
21 Government Exhibits 211, 225, 236 through 242, and what's
22 already in evidence as Defense Exhibits 15, 16, 20, 22 through
23 24, 34, 184, and 211.

24 THE COURT: You can hand him the binder.

25 MS. SASSOON: Thank you.

1 Q. Mr. Sun, do you recognize this binder?

2 A. Yes.

3 Q. How do you recognize it?

4 A. The initial on the cover.

5 Q. What's inside this binder?

6 A. These are series of loans that I documented from Alameda to
7 the founders.

8 MS. SASSOON: The government offers Government
9 Exhibits 211, 225 and 236 through 242.

10 THE COURT: Received.

11 (Government Exhibits 211, 225 and 236-242 received in
12 evidence)

13 MS. SASSOON: Let's just take one example.

14 Mr. Imperato, can you please pull up Government
15 Exhibit 236. If you can zoom to the first paragraph and
16 everything above that.

17 Q. You see here it says promissory note. Is that a loan?

18 A. Yes.

19 Q. What's the date of this loan?

20 A. April 30, '22.

21 Q. Who is the recipient?

22 A. Sam Bankman-Fried.

23 Q. What's the amount of this loan from Alameda to Sam
24 Bankman-Fried?

25 A. \$369,667,182.50.

1 Q. Is this an example of a loan that you were involved in
2 documenting while general counsel?

3 A. Yes.

4 Q. You mentioned a few times not knowing anything about use of
5 customer funds. Would you have documented loans that involved
6 the use of customer funds?

7 MR. COHEN: Objection.

8 THE COURT: I will allow that. Overruled.

9 A. Absolutely not.

10 Q. What awareness, if any, did you have of loans to Ryan
11 Salame?

12 A. There were three loans that were documented to Ryan.

13 Q. Apart from three loans that you documented to Ryan Salame,
14 were you told anything about any other loans to Ryan Salame?

15 A. I was not.

16 MS. SASSOON: Can we show the witness what's been
17 marked as Government Exhibit 79.

18 Q. Do you recognize this?

19 A. Yes.

20 Q. What is it?

21 A. This is the spreadsheet that I maintained to keep track of
22 all of the loans.

23 Q. Did you maintain this as the loans were being documented?

24 A. Yes.

25 MS. SASSOON: The government offers Government Exhibit

1 79.

2 MR. COHEN: No objection.

3 THE COURT: Received.

4 (Government Exhibit 79 received in evidence)

5 MS. SASSOON: Mr. Imperato, if you can publish this,
6 please.

7 Q. Now that the jury can see it, can you explain what this
8 spreadsheet is.

9 A. Sure. So this includes -- on a row-by-row basis every
10 single row is a loan that I documented. The amount of the loan
11 is in column D. The borrower is column B. The lender in all
12 of these was Alameda. And the purpose of each loan is
13 described in column A.

14 MS. SASSOON: If we could scroll down to see how many
15 rows are here. This goes down to row 35.

16 Q. How does the content here relate to the total loans that
17 you were involved in documenting?

18 A. So all of the loans that came through my desk that I
19 handled is documented on these except for two personal loans
20 that was part of a management incentive program for two
21 employees, including myself, to purchase property in the
22 Bahamas, but everything else is on here.

23 Q. Apart from those loans that you just mentioned that are not
24 on here, does this spreadsheet reflect the total amount of the
25 loans that you were involved in documenting?

1 A. Yes.

2 Q. And where is that?

3 A. Cell D38, 2.17 billion.

4 Q. Apart from these loans that you were involved in
5 documenting, were you informed of other loans to Gary, Nishad,
6 and Sam?

7 A. No. All the loans I was aware of that I documented is on
8 the spreadsheet.

9 MS. SASSOON: We can take that down.

10 At this time the government offers Government Exhibit
11 141A, which the parties have stipulated is an excerpt from the
12 Alameda Research general ledger, dated November 13, 2022.

13 MR. COHEN: No objection.

14 THE COURT: Received.

15 (Government Exhibit 141A received in evidence)

16 MS. SASSOON: Mr. Imperato, if you can publish that,
17 please.

18 Q. Mr. Sun, prior to your meetings with the government, had
19 you seen this document before?

20 A. No, I had not.

21 MS. SASSOON: Mr. Imperato, if you can zoom in on the
22 top half.

23 Q. Do you see a number of transaction types labeled expense
24 that are described as outgoing money transfers to Samuel
25 Bankman-Fried?

1 A. Yes.

2 Q. In your time as general counsel, had you been aware of
3 these transfers?

4 A. If they are not on my spreadsheet, I was not aware of them.

5 Q. Do you see the column called amount?

6 A. Yes.

7 Q. Just taking an example, do you see a September 16, 2022
8 transfer to Sam Bankman-Fried in the amount of \$4 million?

9 A. Yes.

10 Q. And were you aware of that transfer?

11 A. I was not.

12 Q. As far as you know, were any of these transfers documented
13 in any form of promissory note or loan?

14 A. No, they were not documented.

15 MS. SASSOON: If we could zoom in on the bottom half
16 of this document.

17 Q. Do you see here a number of transfers to Ryan Salame in the
18 millions of dollars?

19 A. Yes.

20 Q. Do any of these look familiar to you?

21 A. No. These do not look like any of the loans that are
22 documented for Ryan.

23 MS. SASSOON: We can take that down.

24 Q. Mr. Sun, did you personally get any loans from Alameda? I
25 think you mentioned one.

1 A. Yes, I did.

2 Q. And besides that one, did you receive any others?

3 A. No. That was the only loan I got.

4 Q. What was the amount of that loan?

5 A. 2.3 million.

6 Q. And for what purpose did you receive that loan?

7 A. As part of a management incentive program to incentivize
8 employees to move to the Bahamas. A hundred percent of it was
9 used for the purchase of a house in the Bahamas.

10 Q. When you got that loan, where did you think that money was
11 coming from?

12 A. Alameda's own money, profits.

13 Q. Mr. Sun, did you enter any agreements with the government
14 prior to your testimony today?

15 A. Yes.

16 Q. What type of agreement?

17 A. A nonprosecution agreement.

18 Q. What's your understanding of your obligations under the
19 nonprosecution agreement?

20 A. That I shall speak the truth.

21 Q. What, if anything, do you understand the agreement to
22 provide in return?

23 A. That I will not be prosecuted by the government if I speak
24 the truth.

25 Q. Did you request a nonprosecution agreement from the

1 government?

2 A. Yes.

3 Q. Why?

4 A. I had no idea that customer funds were being used. I
5 didn't do anything wrong. As general counsel I was involved in
6 transactions that now, in hindsight, may have involved the
7 misappropriation of customer funds, so, out of an abundance of
8 caution, I asked the government for protection.

9 MS. SASSOON: Your Honor, I have one more section. I
10 can continue and finish and then we can take a break, or we can
11 take a break now, whatever you prefer.

12 THE COURT: How long a section is it?

13 MS. SASSOON: Maybe 15 minutes.

14 THE COURT: Let's get it done.

15 Q. I want to talk to you about November of 2022, Mr. Sun.

16 Did there come a time in November 2022 when you
17 assisted in efforts to raise capital for FTX?

18 A. Yes.

19 Q. Who did you try to raise capital from?

20 A. Apollo Capital.

21 Q. What is Apollo Capital?

22 A. It's a large investment fund.

23 Q. What was your role in discussions with Apollo about raising
24 money for FTX?

25 A. So it was on the afternoon of November 7, at around 1 p.m.,

1 I was asked to join a call with Apollo without much context.

2 There was myself and Ramnik, our head of product, and they
3 asked for Apollo -- for them to invest in FTX to help solve a
4 liquidity problem that FTX had for customer withdrawals.

5 Q. Did your discussions with Apollo involve reference to any
6 documents?

7 A. Yes. So on the call with Apollo that we had, they asked
8 for a copy of FTX's financial statements describing FTX's
9 financial condition. Neither Ramnik for myself had that
10 information, so we took that offline and prepared that after
11 the call.

12 Q. And so was a spreadsheet prepared with some financial
13 information?

14 A. Yes. So what happened after the call is, neither Ramnik
15 nor myself had that information. We sat down in a room and
16 asked for that information. After about 30, 45 minutes or so,
17 I got a spreadsheet from either Sam or Ramnik that included
18 various financial information relating to FTX and Alameda.

19 Q. Where were you when you received this spreadsheet with
20 information about FTX and Alameda?

21 A. I was in an apartment in Albany in the Bahamas.

22 Q. Just to be clear, you said you were in an apartment in
23 Albany. What's Albany?

24 A. Albany is an apartment complex situated at the southwestern
25 end of the Bahamas.

1 Q. Who were you with you when you received the spreadsheet at
2 the apartment in Albany?

3 A. There was Sam, Nishad, Ramnik, and Joe.

4 Q. Did you review the spreadsheet in the presence of those
5 individuals?

6 A. Yes.

7 Q. What, if anything, did you learn in looking at this
8 spreadsheet?

9 A. I was shocked because it showed that FTX was short \$7
10 billion to satisfy customer withdrawals, and there was a
11 separate tab in that spreadsheet that showed the amounts of
12 money that Alameda could return to FTX to satisfy customer
13 withdrawals.

14 Q. Why did that information shock you?

15 A. Because as we have talked about, it has been my
16 understanding throughout my time at FTX that FTX has
17 safeguarded, segregated customer assets, that we do not misuse,
18 we do not touch customer assets. So -- and not just Alameda,
19 but anyone. So when there is a \$7 billion deficit and FTX
20 relied on Alameda to return money to be able to plug in that
21 hole, I was shocked.

22 Q. So as you are reviewing this spreadsheet in the Albany with
23 Sam, Nishad, and others, what, if anything, were you saying?

24 A. I was asking questions. I was asking questions about how
25 the arithmetic was calculated. The way that the Excel

1 spreadsheet was set up was not straightforward. I asked about
2 different line items, how those were calculated. But I did not
3 get straight responses.

4 Q. You said you were not getting straight responses. How, if
5 at all, was anyone responding to you?

6 A. Most often I was throwing a question out there and no one
7 was responding. And sometimes when I asked a question about,
8 for instance, whether this line item is inclusive or exclusive
9 of certain other line items, I would get a very vague answer.

10 Q. What was the defendant doing while you were asking these
11 questions about the spreadsheet?

12 A. Sam was in a room, he was typing away on his computer, and
13 after a while he stepped out to make some calls.

14 Q. What about Nishad?

15 A. Nishad was sitting there. His entire face was pale, gray.
16 It looked like his soul had been plugged away from him.

17 Q. What did you conclude from reviewing this spreadsheet?

18 MR. COHEN: Objection.

19 THE COURT: Sustained at least as to form.

20 Q. What views, if any, did you form in reviewing the
21 spreadsheet?

22 A. I had a growing suspicion that FTX did not have the
23 customer money and that it had been misappropriated most likely
24 by Alameda.

25 Q. Did you share this information with Apollo?

1 A. We shared the spreadsheet with Apollo.

2 Q. What happened after that?

3 A. About an hour or two after we sent out the spreadsheet, Sam
4 pulls me aside and he says he heard an update from Apollo.

5 They asked him for a legal justification as to why the funds
6 were missing and were at Alameda, and he asked me to come up
7 with legal justifications.

8 Q. Once the defendant asked you to come up with legal
9 justifications about the missing funds, what do you understand
10 had happened to the customer funds?

11 A. I mean, basically confirmed my suspicion that had been
12 rising all day that FTX did not have the funds to satisfy
13 customer withdrawals and that they had been misappropriated by
14 Alameda.

15 Q. And this conversation with the defendant where he asked you
16 to come up with a legal justification, where did it take place?

17 A. In the same Albany apartment.

18 Q. And in that conversation did the defendant identify any
19 legal justifications that he was aware of?

20 A. No.

21 Q. And in that moment did either of you provide a legal
22 justification?

23 A. No.

24 Q. What, if anything, did the defendant tell you in that
25 conversation had actually happened with the customer money?

1 A. He did not say anything about that.

2 Q. After this conversation where the defendant asked you to
3 come up with a legal justification, did you explore possible
4 legal justifications for the missing customer money?

5 A. Yes.

6 Q. And did you come to any conclusions?

7 A. Yes. That there were no legal justification for the money
8 being taken away.

9 Q. Did you have a subsequent discussion with the defendant
10 about those conclusions?

11 A. Yes.

12 Q. Where did that conversation take place?

13 A. So it was right around 7:00 that evening, November 7. It
14 was still in the same Albany apartment. And Sam pulls me aside
15 and says he is talking to Apollo in 10, 15 minutes. He asked
16 me to go on a walk with him. I go on a walk with him and
17 basically tell him that there was no legal justification for
18 the funds being missing and taken by Alameda. I did tell him
19 that there were theoretical arguments, but none of them was
20 supported by the facts.

21 Q. You just testified that you told the defendant there were
22 some theoretical arguments but none were supported by the
23 facts. Did you walk through those theoretical arguments with
24 the defendant during this walk?

25 A. Yes.

1 Q. And what was the first one that you spelled out for the
2 defendant?

3 A. The first argument is section 9 of our terms of service,
4 which deals with escheatment, or otherwise known as abandoned
5 property.

6 What happens is, if there is a prolonged period of
7 time where FTX is not able to contact the customer, then in
8 that scenario FTX would be able to charge a dormancy fee for
9 administering the user's funds.

10 Q. What, if anything, did you tell the defendant about whether
11 this was an adequate legal justification?

12 A. Yes. I told Sam that this would not justify the amount
13 that was taken away by Alameda.

14 Q. Why not?

15 A. The amount of active users on the exchange was very few,
16 and FTX had only been around since 2019, so the amount of funds
17 that we could even call dormant is very little.

18 Q. I just want to be clear. When you said certain users or
19 very few, did you say active or inactive?

20 A. Sorry. Inactive users with large account balances.

21 Q. Were what?

22 A. Very few.

23 Q. How did the defendant respond to what you said?

24 A. He acknowledged it.

25 Q. How did he acknowledge it?

1 A. Yup, yup.

2 Q. I'm sorry. When you just went yup, yup, is that what he
3 was saying?

4 A. Yes. That is what Sam said.

5 Q. And did you raise any other potential arguments with the
6 defendant on this walk?

7 A. Yes. The second theoretical argument is section 16 of our
8 terms of service, which provides that if a user voluntarily
9 affirmatively chooses to lend out their money to other users on
10 the platform, then if the borrower then defaults and unable to
11 return the money, then the lender's money is gone.

12 Alternatively, also under section 16 of our terms of
13 service, if a user decides to take his assets and use it as
14 collateral to trade on leverage, then he is pledging those
15 collateral -- pledging his assets as collateral to trade on
16 margin, and if he or she is liquidated, then those assets will
17 be taken away as well.

18 Q. What, if anything, did you explain to the defendant about
19 whether this argument was supported by the facts?

20 A. I had previewed this argument with Nishad and Ramnik before
21 the walk, and they had pulled some numbers that showed that it
22 was not supported by the facts as well.

23 Q. Did you relay that to the defendant?

24 A. Yes.

25 Q. And how did he respond to that?

1 A. He acknowledged as well.

2 Q. How did he acknowledge it?

3 A. He said yup, yup.

4 Q. Were there any other theoretical arguments you described to
5 the defendant?

6 A. Yes. There was a third one, which is some crypto exchanges
7 do not make it clear what is the relationship between a user
8 when they deposit funds onto the exchange and the exchange. I
9 told him that unfortunately that is not even feasible for us
10 because our terms of service makes it very clear that when a
11 user deposits assets onto the exchange, those assets continue
12 to belong to the user.

13 Q. Did the defendant respond to this explanation?

14 A. Yes. He acknowledged as well.

15 Q. Did you offer any other theoretical arguments, or was it
16 primarily those three?

17 A. It was those three.

18 Q. Once you walked through those three arguments on this walk,
19 how did the defendant react to what you had told him?

20 A. I was actually expecting a bigger response, but it was very
21 muted. Sam basically said something like, got it. He was not
22 surprised at all.

23 Q. Did the defendant push back on what you said?

24 A. No.

25 Q. I couldn't hear you.

1 MR. COHEN: Objection.

2 THE COURT: Couldn't hear the answer.

3 A. No.

4 THE COURT: Overruled, Mr. Cohen.

5 Q. During this discussion, what, if any, of his own
6 justifications did the defendant provide?

7 A. I do not recall any.

8 Q. That same day did you have any conversations with Nishad
9 Singh?

10 A. Yes.

11 Q. What do you recall about that?

12 A. It was later that evening, around 11 p.m., Nishad pulled me
13 aside, and we went for a quick walk around the building as
14 well. Nishad basically asked me about his personal exposure,
15 about the loans he had taken from FTX, about the bonuses that
16 he had received. The one thing he had mentioned as well is
17 that the no-liquidation mechanism that Alameda had is also the
18 same mechanism by which Alameda was able to withdraw customer
19 assets from the exchange.

20 Q. Had you known that before this conversation with Nishad?

21 A. No, I did not.

22 Q. What, if anything, did Nishad tell you about his prior
23 conversations with the defendant?

24 A. Yes. He said that he found out about the hole, basically
25 that Alameda was taking FTX customer assets in late summer of

1 '22, so August or September of 2022. He said that he talked
2 to -- he confronted Sam directly about it, and Sam told him
3 back then that it is what it is and there is nothing we can do
4 about it. The only thing we can do is to grow the company and
5 fill in the hole.

6 Q. When did you leave FTX?

7 A. The next day.

8 Q. Under what circumstances?

9 A. I resigned.

10 MS. SASSOON: At this time the government offers
11 Government Exhibit 923B, which the parties have stipulated is
12 an excerpt from a Good Morning America interview with Sam
13 Bankman-Fried, dated December 1, 2022.

14 THE COURT: Received.

15 (Government Exhibit 923B received in evidence)

16 MS. SASSOON: Mr. Imperato, if you can please play
17 this interview excerpt from December 1, 2022 for the jury.

18 (Video played)

19 Q. Mr. Sun, the demeanor of the defendant that you observed on
20 this video, how does that compare to your interactions with
21 him?

22 MR. COHEN: Objection.

23 THE COURT: Sustained.

24 Q. How would you generally describe the defendant's demeanor
25 during your interactions with him?

1 MR. COHEN: Same objection.

2 THE COURT: Overruled.

3 A. Very confident.

4 Q. And on this video did you hear the defendant mention a
5 borrow-lend facility on FTX?

6 A. Yes.

7 Q. And was the borrow-lend facility one of the potential
8 justifications you had discussed --

9 MR. COHEN: Objection. Leading.

10 THE COURT: Overruled.

11 Q. Was the borrow-lend facility a potential justification that
12 you had discussed with the defendant on November 7, 2022?

13 A. Yes.

14 Q. And what had you said to the defendant about that?

15 A. It was not supported by the facts.

16 Q. And what was his response?

17 A. He acknowledged it.

18 MS. SASSOON: No further questions.

19 THE COURT: Thank you.

20 We will take a 15-minute break.

21 (Recess)

22 (Continued on next page)

23

24

25

1 (In open court; jury not present)

2 MS. SASSOON: Your Honor, it seems unlikely to arise,
3 but as I mentioned yesterday, we do have lawyers from the FTX
4 debtors here.

5 THE COURT: Understood. Thank you.

6 (Continued on next page)

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1 (Jury present)

2 THE COURT: The defendant and the jurors all are
3 present, as they have been throughout.

4 THE DEPUTY CLERK: Please be seated, everyone.

5 THE COURT: The witness is reminded he's still under
6 oath.

7 THE WITNESS: Yes.

8 THE COURT: Mr. Cohen, cross-examination, please.

9 MR. COHEN: Thank you, your Honor.

10 CROSS EXAMINATION

11 BY MR. COHEN:

12 Q. Good morning, Mr. Sun.

13 A. Good morning.

14 Q. Now you testified earlier today that you went to Yale Law
15 School; is that correct?

16 A. Yes.

17 Q. Before that you took a degree from the University of
18 Toronto in electrical engineering?

19 A. Yes.

20 Q. And then you did a PhD program at Princeton; is that
21 correct?

22 A. That's right.

23 Q. And after graduating from Yale Law School you worked for a
24 firm called Davis Polk in New York.

25 A. That's right.

1 Q. And you became admitted to the New York bar?

2 A. That's right.

3 Q. And you're still admitted to the New York bar.

4 A. Yes.

5 Q. Okay. Davis Polk is one of the premier financial law firms
6 in the world?

7 A. Yes.

8 Q. And then you went from there to—you moved out to Seattle
9 and you worked for Fenwick & West, correct?

10 A. That's right. That's right.

11 Q. And they're also a major law firm, correct?

12 A. Yes.

13 Q. Specializing in startup companies?

14 A. That's right.

15 Q. And when you were at Fenwick, Alameda and then FTX were
16 clients of Fenwick, correct?

17 A. That's right.

18 Q. And they remained clients of Fenwick during the time you
19 were there.

20 A. That's right.

21 Q. And then after you moved over to FTX, Fenwick continued to
22 provide legal work for FTX and Alameda.

23 A. That's right.

24 Q. And that's called outside counsel?

25 A. That's right.

1 Q. Now I think you told us you began at FTX in August of 2021
2 and you were there through November 2022; is that correct?

3 A. That's right.

4 Q. And at first, when you first started at FTX, where were you
5 physically located?

6 A. I was in Hong Kong. I flew to Hong Kong. So before that I
7 was in Seattle. I flew to Hong Kong to start the job.

8 Q. And there came a time when you decided to move to the
9 Bahamas, correct?

10 A. That's right.

11 Q. And that was to be in the FTX corporate headquarters.

12 A. Yes.

13 Q. And that was the end of 2021?

14 A. I moved to Bahamas late September '21.

15 Q. Okay. September 2021. And you mentioned that you received
16 a management incentive compensation loan to buy a house in the
17 Bahamas. Do you recall that?

18 A. Yes.

19 MR. COHEN: Okay. Let's call out for identification,
20 for the witness only, Defendant's Exhibit 268, please.

21 Q. So the first question, Mr. Sun, is: Take a moment to look
22 through this document and let me ask you if you recognize it.

23 A. Yes.

24 Q. And is this the promissory note that you entered into in
25 connection with the loan?

1 A. That's right.

2 MR. COHEN: Your Honor, we offer Defendant's
3 Exhibit 268.

4 MS. SASSOON: No objection.

5 THE COURT: Received.

6 (Defendant's Exhibit 268 received in evidence)

7 Q. Now if you can see at the top, sir, this is—you're the
8 borrower and you're receiving a loan of \$2.34 million, correct?

9 A. That is correct.

10 Q. And this was the loan you were going to use to buy the
11 house in the Bahamas.

12 A. That's right.

13 MR. COHEN: If we could scroll down to the next
14 paragraph. Can you call out those terms.

15 If you look at the first—the first sentence is on the
16 first to occur. If we can go from there all the way down to
17 maturity date.

18 Q. And just to simplify this, Mr. Sun—correct me if I'm
19 wrong—you didn't have to start paying back the loan right
20 away, correct?

21 A. Give me a moment to review it.

22 Q. Take as much time as you need.

23 A. Yes, no immediate payments.

24 Q. Right. So there was a maturity date five years out,
25 correct?

1 A. Or earlier—yeah.

2 Q. So unless—well, let me go through it. You didn't have to
3 pay back the loan for five years unless the property was sold
4 or you ceased to work for the company, correct?

5 A. At a high level, yes.

6 MR. COHEN: Okay. Continuing on to the next—the next
7 entry, Brian, next paragraph, "Interest shall accrue."

8 Q. "Interest shall accrue on any unpaid principal based on a
9 simple interest rate of the midterm AFR." Do you see that,
10 sir?

11 A. That's right.

12 Q. And my question simply is: What does "Interest shall
13 accrue" mean?

14 A. So the midterm applicable federal rate, the AFR, as of
15 December 2021.

16 Q. Did it mean you had to make monthly interest payments?

17 A. No.

18 Q. So the principal and the interest were deferred until some
19 future date, correct?

20 A. Right.

21 Q. Now you then moved to the Bahamas in September, you said?

22 A. That's right.

23 MR. COHEN: Okay. You can take that down, Brian.

24 Q. And you purchased the home, correct?

25 A. That's right.

1 Q. Okay. And is it fair to say that in January of 2022, you
2 received a bonus?

3 A. That's right.

4 Q. Also for \$2.3 million.

5 A. I think it was actually 3.5 total.

6 Q. And what was the purpose of receiving that bonus?

7 A. To—to incentivize me to join the company as well as bonus
8 for the work I had done at FTX.

9 Q. And you had been at FTX since August.

10 A. That's right.

11 Q. So six months, and you received a \$3.5 million bonus after
12 signing a promissory note to pay back 2.3; is that correct?

13 A. No. There were separate—the 3.5 is separate and apart
14 from the 2.3.

15 Q. You didn't see them connected at all.

16 A. So depends on what you mean by connected. Now one of them
17 is obviously related to my employment, and, you know, the
18 house—the payment terms we just went through is also related
19 to my employment.

20 Q. So you believe that the loan to buy the house was a valid
21 loan.

22 A. Yes.

23 Q. Now you described some of your duties as the general
24 counsel at FTX, so I don't want to go through all of them, but
25 let me just ask you: General counsel is the chief legal

1 officer of the company, correct?

2 A. Generally, yes. I would just note that Dan Friedberg was
3 also, so I was reporting to both him and Sam.

4 Q. Okay.

5 A. So he was managing some of the legal as well.

6 Q. So Dan Friedberg was someone you had known at Fenwick &
7 West, correct?

8 A. Yes.

9 Q. You had both been attorneys at Fenwick?

10 A. Yes.

11 Q. And you both came in-house to work for FTX.

12 A. Yes, so he joined much earlier than I did, a year and a
13 half earlier.

14 Q. Okay. With the exception of Mr. Friedberg and the
15 relationship you just described, were you the senior-most legal
16 officer at FTX?

17 MS. SASSOON: Objection, form.

18 THE COURT: Sustained.

19 Q. Did you supervise other attorneys at FTX?

20 A. Yes.

21 Q. Okay. Who supervised you?

22 A. As I said, I reported to Dan and Sam.

23 Q. And I think you mentioned that one of the projects you took
24 on at the beginning was trying to get licenses for FTX. Do you
25 recall that, sir?

1 A. That's right.

2 Q. And can you explain to the jury what you meant by that.

3 A. Sure. So in the summer of 2021, a lot of FTX's competitors
4 were getting hit by fines, investigations, subpoenas, by
5 regulators around the world, and when I joined FTX, one of my
6 main mandates was—FTX was unregulated at that time, and one of
7 my main mandates was to help FTX get regulated and licensed in
8 as many countries as possible.

9 Q. And you worked on that.

10 A. That's right.

11 Q. With other attorneys in the legal department.

12 A. That's right.

13 Q. About how large was the legal department?

14 MS. SASSOON: Objection.

15 THE COURT: What's the objection?

16 MS. SASSOON: Relevance.

17 THE COURT: Sustained.

18 Q. Were there other attorneys in the legal department besides
19 you and Mr. Friedberg?

20 MS. SASSOON: Objection.

21 THE COURT: Sustained.

22 He already testified he supervised other attorneys.

23 MR. COHEN: Okay. I understand, Judge. I'll move on.

24 Q. And were you successful in obtaining those licenses?

25 A. Yes, we got a good number of licenses over the course of

1 the year, year and two months I was there.

2 Q. Okay. Now I believe you testified that another project you
3 took on was handling the corporate structure, corporate setup
4 of the company, correct?

5 A. That is correct.

6 Q. And when you got there, your view was that the corporate
7 housekeeping was sort of a mess, correct?

8 A. That is right.

9 Q. So you had to organize many different companies that had up
10 to that point not been organized properly, in your view,
11 correct?

12 A. That is right.

13 Q. Now if we could turn to another topic, Mr. Sun.

14 Do you recall giving testimony earlier this morning
15 about various loans that were made to Sam, Gary, and others?

16 A. That's right.

17 Q. And you kept track of them you said on a spreadsheet that
18 you kept.

19 A. That's right.

20 Q. And Ms. Sassoon went over that spreadsheet with you. There
21 was about 15 to 20 of them, correct?

22 MS. SASSOON: Objection, form.

23 THE COURT: Sustained.

24 Q. How many loans, to your recollection—we can always bring
25 it up, but how many loans were there?

1 A. There were about 30 to 40, but as you said, it's on that
2 spreadsheet.

3 Q. Okay. And you told us that you worked with others on how
4 the loans should be structured as a legal matter; is that
5 correct?

6 A. That's correct.

7 Q. Did the others include Fenwick & West?

8 A. Yes.

9 Q. Who else worked on the loans?

10 A. Myself, Dan, Fenwick, we also had valuation consultants,
11 and our tax and accounting firms were also brought in from time
12 to time.

13 Q. Okay. Just so we're clear, what's a valuation consultant?

14 A. Sure. So it's a company that tries to calculate the value
15 of the shares of the company. So unlike a public company
16 where, you know, shares are traded, there's always a price for
17 it, for a private company that's not gone public yet, the
18 valuation firm tries to guesstimate as best as they can what
19 the valuation of the shares are.

20 Q. Valuation, tax attorneys. Okay.

21 Now let's talk about Sam and Gary. They were the
22 owners of Alameda, correct?

23 A. Right.

24 Q. Now they could have taken these funds out as dividends,
25 correct?

1 MS. SASSOON: Objection.

2 THE COURT: What's the objection?

3 MS. SASSOON: Form and speculative.

4 THE COURT: Sustained.

5 Q. As a general counsel of FTX, did you have a view as to
6 whether Sam and Gary could have received these funds in a
7 different form than a loan?

8 A. Yes. There were probably different ways—again, the
9 fundamental assumption we were working under is that Alameda
10 was owned 90 percent by Sam, 10 percent by Gary, and that all
11 of the money that was at Alameda, because of their ownership,
12 belonged to them. We were not aware that they were customer
13 money.

14 Q. And in terms of structure, there were other ways, in
15 alternative to the loan structure, correct?

16 A. Yes, probably so.

17 Q. But after the process you just described, the loan
18 structure was selected, correct?

19 A. So the loan structure was actually in place at the time
20 that I joined FTX. It was—it was one that I inherited. But,
21 you know, throughout my time there, we worked with outside
22 consultants to identify potential issues with it and to take,
23 you know, measures to mitigate those risks.

24 Q. So you inherited this structure.

25 A. Yes.

1 Q. But as you took it over, you didn't change it.

2 A. That's right.

3 Q. Okay.

4 A. That's right. For the most part. So there were a few
5 changes that we, you know, worked with outside consultants to
6 make.

7 Q. All right. Let's move to another topic, Mr. Sun.

8 MR. COHEN: If we could pull up Government Exhibit 558
9 in evidence.

10 Q. These are the May 13, 2020 terms of service. Do you recall
11 giving testimony about these this morning?

12 MS. SASSOON: Objection. It's not 2020.

13 MR. COHEN: 2022. I apologize.

14 A. Yes.

15 MR. COHEN: Too many twos.

16 Q. Okay. And I believe you told us that when you came on
17 board, they were 80 to 90 percent drafted?

18 A. That's right.

19 Q. Who had drafted them?

20 A. So this was part of a Bahamian license application. I know
21 that we had hired an external consultant working with Dan,
22 Adrian, and our outside counsels, Fenwick and Herbert Smith.

23 Q. And Herbert Smith is a different law firm than Fenwick?

24 A. That is right.

25 Q. And that's headquartered in London, correct?

1 A. I actually don't know where they're headquartered.

2 Q. Which office of Herbert Smith were you working with?

3 A. Singapore.

4 Q. So basically you took the draft that they had started and
5 then you brought it to the—brought it to conclusion.

6 THE COURT: Sustained as to form. Who's "they"?

7 MR. COHEN: Let me start again, your Honor.

8 Q. So you mentioned that the two law firms that had worked on
9 it, to your knowledge, were Fenwick & West and Herbert Smith;
10 is that correct?

11 A. That's right.

12 Q. Okay. And then is it your testimony, sir, that you then
13 completed the work?

14 A. Working with them, yes.

15 Q. And I believe you told us that what you were trying to do
16 in the terms of service was to lay out the obligations of FTX
17 and its customers, correct?

18 A. That's right. That's what the terms of service spells out.

19 Q. Okay. Why don't we take a look at the terms of service.

20 MR. COHEN: Let's take a look at page 10 at the
21 bottom, please.

22 Okay. If you can go, Brian, up to the top, 8.2.

23 Q. That section is headed Digital Assets. Do you see that,
24 sir?

25 A. Yes.

1 Q. And you testified about that this morning on your direct,
2 correct?

3 A. Yes.

4 Q. Okay. And if we could go down to 8.2.6. Do you see that?

5 A. Yup.

6 Q. And you told us that this provision related to digital
7 assets and title to digital assets and all the other things
8 laid out in A, B, and C. I'm not going to go through it again.
9 Is that correct?

10 A. Yes.

11 Q. Now is it fair to say, Mr. Sun, that fiat was addressed in
12 different sections of the terms of service?

13 A. Yes, it's not covered by the definition of digital assets
14 here.

15 Q. Okay. Fiat is something different than digital assets,
16 correct?

17 A. Under the definitions, yes.

18 MR. COHEN: Okay. If we could look to the next page,
19 page 11, bottom of the page. Call out 8.3.

20 Q. This is a section called "Fiat currency," correct, sir?

21 A. Yes.

22 Q. And it called out whatever the obligations that FTX and the
23 customers had with regard to fiat, correct?

24 A. Yes.

25 MR. COHEN: All right. Continuing in the document, if

1 we could go to page 27.

2 Q. Top of the page. Do you see that section, sir? What does
3 that relate to?

4 A. The governing law of the—

5 MS. SASSOON: Objection.

6 THE COURT: Well, it says what it says, and the
7 agreement is in evidence, but I would suggest caution.

8 MR. COHEN: I'm just going to ask one question.

9 Q. Could you read that out, sir.

10 A. "The terms and any dispute shall be governed by, and
11 construed in accordance with, English law."

12 Q. Okay. Thank you, sir.

13 MR. COHEN: Now if we could go back to page 17.

14 Excuse me. 16. And go to the heading 16.

15 And Brian, if you could highlight 16, just the
16 heading.

17 Q. That refers to the section about margin trading, correct,
18 sir?

19 A. Yes.

20 Q. And you told us earlier there was an entire section devoted
21 to margin trading.

22 A. Yup.

23 Q. Based on your experience working at FTX, did you have a
24 view about what percentage of the assets were participating in
25 the margin trading program?

1 MS. SASSOON: Objection, foundation.

2 THE COURT: Sustained.

3 Q. In connection with your work at FTX, did you ever—did you
4 ever look into how many—how many users took advantage of the
5 margin trading program?

6 MS. SASSOON: Objection. Also vague as to time frame.

7 Q. During the time you were the general counsel.

8 A. I do not recall.

9 Q. Okay. Before we—well, let me—before we move on, if you
10 could look at Section 16.4.

11 Do you recall giving testimony about that today, sir?

12 A. Yes.

13 Q. And if I might go through it with you.

14 MR. COHEN: At the top of the first—if you could
15 highlight the first sentence.

16 Q. It says, "Under certain market conditions, it may become
17 difficult or impossible to liquidate a position."

18 And then you described for us, sir, how, if there was
19 a difficulty liquidating a customer's account, the backstop
20 liquidity providers might have to be brought into it, correct?

21 A. That's right.

22 Q. And let's continue on.

23 MR. COHEN: If you could go, Brian, to the sentence
24 that begins, "In such an event." Right here. Highlight that
25 sentence.

1 Q. "In the event that the customers did not have sufficient
2 assets, in such event, our backstop liquidity provider program
3 may come into play, but there is no assurance or guarantee that
4 any such program activities will be sufficient or effective in
5 liquidating your position." Do you see that, sir?

6 A. Yes, I see that.

7 Q. That was the next step you described to us earlier.

8 A. That's right.

9 Q. Okay. And then to complete that, "as a result, you may
10 lose all of your assets or incur a negative balance in your
11 account. In addition, even if you have not suffered any
12 liquidations or losses, your account balance may be subject to
13 clawback due to losses suffered by other users."

14 So is that—let me not try to—let me just ask you
15 your understanding of those sentences, sir.

16 A. So as it described, this is—describes our liquidation
17 waterfall. I would just maybe caveat by saying this is a very
18 shortened version that is drafted mostly for disclaimer
19 purposes. There is a much more detailed description of our
20 liquidation and risk engine on our help desk web page and also,
21 as I mentioned earlier today, that, you know, this does not
22 actually describe the insurance fund, which is something that
23 we have, and as I mentioned earlier today, my understanding is
24 that our insurance fund has never been depleted.

25 Q. You said this was describing, at least in part, something

1 you called the liquidation waterfall. What do you mean by
2 that?

3 A. It basically means the order in which liquidations occur.

4 Q. Okay. And so at least according to this provision, there
5 could be a time when, even if a customer had not suffered any
6 losses of their own, their balances could be subject to
7 clawback due to losses suffered by other users; is that
8 correct, sir?

9 MS. SASSOON: Objection.

10 THE COURT: Sustained. It says what it says and we've
11 been over this at least twice.

12 MR. COHEN: Your Honor, he's the author of the
13 document.

14 MS. SASSOON: Objection. No, he's not.

15 THE COURT: He's not the author of the document. He's
16 somebody who participated, starting at a point where it was 80
17 to 90 percent finished, and in any case, the words are on the
18 page, and it doesn't help to read them six times.

19 MR. COHEN: Okay. I won't go for six, your Honor.

20 BY MR. COHEN:

21 Q. Mr. Sun, have you ever heard of the term
22 "auto-deleveraging"?

23 A. Yes.

24 Q. What's your understanding of that?

25 A. It means that when there is significant volatility in the

1 market that could lead to losses, leveraged positions will be
2 automatically closed out as part of the liquidation mechanism.

3 Q. And in your understanding, sir, are there times when
4 auto-liquidation occurs when one customer's assets could be
5 used to cover the losses of another customer's assets?

6 MS. SASSOON: Objection.

7 THE COURT: What's the objection?

8 MS. SASSOON: Confusing and foundation.

9 MR. COHEN: He just said he knew it.

10 THE COURT: Give me a moment.

11 MS. SASSOON: Your Honor, the previous question was
12 about auto-deleveraging.

13 THE COURT: Yes, it was, and this question is about
14 something called auto-liquidation. Sustained. Let's try
15 again.

16 MR. COHEN: I'm sorry. Let's have the last question
17 read back, please. Two questions ago.

18 (Record read)

19 MR. COHEN: Okay. I take his Honor's point. I will
20 move on.

21 BY MR. COHEN:

22 Q. Now you were asked some questions about something called
23 segregation of assets. Do you recall that, Mr. Sun?

24 A. Yes.

25 Q. Can you describe for us what your understanding of

1 segregation of assets was.

2 A. Sure. Which is when FTX receives assets of customers,
3 whether it's fiat or crypto, that they will hold those assets
4 in segregated bank accounts or crypto wallets separate and
5 apart from FTX's own assets.

6 Q. So I want to just go through a couple things here.

7 You were talking about separation of FTX's operational
8 assets. I think you gave the example of payroll, for example,
9 for customer assets, correct?

10 A. Right.

11 Q. Now that's a different concept than separation of customer
12 A's assets versus customer B's assets, correct?

13 A. That's correct.

14 Q. And I think you said at FTX, with customer A, B, and so
15 on's deposited assets, they were all held in one account.

16 A. That's right. We do not maintain individual wallets or
17 accounts for each customer.

18 Q. And that was called an omnibus account, or omnibus wallet.

19 A. Yes. So we hold all customer assets in, you know, these
20 combined wallets, which we refer to as omnibus accounts.

21 Q. Okay.

22 THE COURT: Was that true generally or with respect
23 only to crypto assets?

24 THE WITNESS: My understanding it was the same for
25 both fiat and crypto assets.

1 THE COURT: Thank you.

2 THE WITNESS: Thank you.

3 BY MR. COHEN:

4 Q. Now let me move forward in time, Mr. Sun.

5 I think you described a situation in August of 2022
6 when you learned about Alameda having certain privileges on the
7 FTX exchange. Do you recall telling us about that?

8 A. Yes.

9 Q. And how did you learn of that?

10 A. I was informed by Zach Dexter and Ryne Miller.

11 Q. And this was about—this was in about—in or about August
12 of 2022?

13 A. About August or September.

14 Q. Okay. Did you discuss this with anyone else besides
15 Mr. Dexter and Mr. Miller around that time?

16 A. Yes. I discussed it with Dan Friedberg, Nishad, and Sam.
17 And David.

18 Q. And I believe you told us that when you first learned of
19 this, you were shocked.

20 A. That's right.

21 Q. And the take-away was that this was going to be changed to
22 a delayed liquidation?

23 A. Yes. After some back-and-forths, the take-away is that
24 they will change it to a delayed liquidation mechanism, make it
25 known to our users and our regulators, and also offer it on a

1 nondiscretionary basis to all large market makers.

2 Q. And that was going to be implemented sometime after August
3 of 2022, correct?

4 A. That's right.

5 Q. Okay. And I think you said that you were not aware of
6 whether that was ever implemented, correct?

7 A. That's right.

8 Q. Did you follow up?

9 A. So as I understand it, I had completed everything on the
10 legal front to implement that. It was passed on to the
11 business team, and they were stuck in a process of discussing
12 what other nondiscretionary terms that we were to offer to
13 other market makers on the exchange.

14 Q. So it never got implemented.

15 A. That's my understanding.

16 Q. And you left it to the business team.

17 A. That's my understanding.

18 Q. Did you think about resigning over it?

19 A. I did.

20 Q. But you didn't.

21 A. That's right. And the difference is, when I first heard
22 about it in August of 2022, there was—I did not know that that
23 was the same mechanism that Alameda used to withdraw customer
24 assets until Nishad told me around 11 p.m. on November 7.

25 Second, Nishad had assured me that that mechanism had

1 never been triggered.

2 And three, as we've discussed, you know, we had a path
3 to actually get rid of it.

4 Q. Okay, sir. Let me move to a different topic.

5 In your experience, have you ever heard the term
6 "document protection policies"?

7 A. Document protection, in what—in what sense?

8 Q. Or "data protection policies."

9 A. Yes.

10 THE COURT: Which one are you asking about?

11 MR. COHEN: The second one, your Honor; data
12 protection policies.

13 A. So again, if you could be a bit more specific, it would be
14 helpful. It could be—

15 Q. Sure. Have you ever heard of policies that companies use
16 to decide what data to keep or not keep?

17 A. Yes.

18 Q. What do you—how do you think of them? What term do you
19 use?

20 MS. SASSOON: Objection.

21 THE COURT: What's the objection?

22 MS. SASSOON: The "how do you think of them" seemed
23 vague, but if he's just asking for terminology, I'll withdraw
24 it.

25 THE COURT: Are you just asking for terminology?

1 MR. COHEN: For now, yes.

2 THE COURT: All right.

3 A. So—so yeah. So companies have policies to help guide them
4 as to their, you know, data retention, protection policies.

5 Q. Okay. Based on your experience at FTX, did FTX have such
6 policies?

7 A. So again, data protection policies can cover a very wide
8 range of things, from user privacy to, you know, separate
9 security, to, you know, document retention. I can't say that
10 FTX had all of them, but it had some of them.

11 Q. Did you ever participate in reviewing or drafting such
12 policies?

13 MS. SASSOON: Objection, vague. Which—

14 THE COURT: Sustained.

15 Q. I'll break it down.

16 Did you ever participate in reviewing such policies at
17 FTX?

18 MS. SASSOON: Objection. It's still vague. What such
19 policies? He just said it could be 20 different things.

20 THE COURT: Sustained, form.

21 Q. Okay. Let's break this down even more, Mr. Sun.

22 To your knowledge did FTX have any documentation that
23 dealt with data retention?

24 MS. SASSOON: Objection, form.

25 THE COURT: Overruled.

1 A. I can't remember off the top right now.

2 Q. Nothing comes to mind.

3 THE COURT: That's what he said.

4 Q. Answer the next questions yes or no, please.

5 Did you ever talk with Dan Friedberg about data
6 retention issues?

7 A. Yes.

8 Q. Answer this question yes or no, please: Did you ever talk
9 to anyone at Fenwick & West about data retention issues?

10 MS. SASSOON: Objection.

11 THE COURT: What's the objection?

12 MS. SASSOON: 401, 403, raised before trial.

13 THE COURT: Sustained, on all grounds.

14 Q. During the time you were the general counsel of FTX, did
15 FTX ever receive subpoenas?

16 A. Yes.

17 Q. Did you participate in responding to those subpoenas?

18 A. Yes.

19 Q. In connection with responding to those subpoenas, did
20 you—answer this yes or no—did you have to deal with data
21 retention issues?

22 A. Yes.

23 Q. Have you ever heard of communications called Signal and
24 Slack?

25 A. Yes.

1 Q. What are they?

2 A. Signal is a text messaging app, and Slack is a workspace
3 collaboration messaging app.

4 Q. And were they used at FTX?

5 A. Yes.

6 Q. Were they used by the legal department?

7 A. Yes.

8 Q. Let's move on, Mr. Sun.

9 MR. COHEN: If we could go back to Government
10 Exhibit 326 in evidence.

11 Q. Do you recall giving testimony about this document, sir?

12 A. Yes.

13 MR. COHEN: And if we look at the bottom of the page.
14 If you can highlight, Brian, the "from" and the "sent."

15 Q. So this is an email sent by you. Were you can@ftx.com?

16 A. Yes.

17 Q. And the date is Friday, May 13, 2022, correct?

18 A. Yes.

19 MR. COHEN: And go to the body of the email. And if
20 you can highlight the text of that, Brian, the first paragraph.

21 The whole first paragraph.

22 Q. You are providing to Ms. Knaus the new terms of service,
23 correct?

24 A. That's right.

25 Q. And then you give a place for her to click on. That's the

1 document we were just looking at as Government Exhibit 558,
2 isn't it, sir?

3 A. That's right.

4 MR. COHEN: Take that down.

5 Q. By the way, FDM was a different entity than FTX
6 International, correct?

7 A. So FTX International wasn't an entity by itself. It
8 was—you know, we had one parent holding company and we had
9 maybe 2,000 operating entities below.

10 Q. Thank you, sir.

11 Now do you recall giving testimony about some events
12 in November of 2022?

13 A. That's right.

14 Q. Okay. And you gave—you described a meeting you were in
15 with Sam and others where you went over a spreadsheet. Do you
16 recall that, sir?

17 A. That's right.

18 Q. And one of the things you took away from this meeting was
19 that in your view, the spreadsheet reflected a \$7 billion hole,
20 I believe you told us.

21 A. That's right.

22 Q. And as you understood it, Mr. Bankman-Fried was talking to
23 investors at the time, correct?

24 A. That's right.

25 Q. And this spreadsheet got sent to Apollo; that's one of the

1 investors you were mentioning at the time.

2 A. That's right.

3 Q. The spreadsheet with the hole in it got sent to Apollo.

4 A. That's right.

5 Q. And then you told us you went, you had a discussion with
6 Mr. Bankman-Fried, and I think you said you went on a walk with
7 him; is that correct?

8 A. That's right.

9 Q. Okay. And you went over possible justification for what
10 happened, correct?

11 A. That's right.

12 Q. And then after that, Mr. Bankman-Fried had a call with
13 Apollo?

14 A. He stepped out, saying that he was going to go for a call.

15 Q. And I take it you weren't on that call.

16 A. I was not on the call.

17 Q. You also mentioned that during the same period, that during
18 that same week, you had a conversation with Nishad Singh. Do
19 you recall that?

20 A. That's right.

21 Q. And he told you he was concerned about the loans he had
22 received from the company.

23 A. That's right.

24 Q. Did he tell you they weren't really his loans?

25 A. Sorry. What do you mean?

1 Q. Did he tell you he wasn't really on the hook for them?

2 A. That he was not really on the hook for them. I think his
3 conversation with me was he was worried about his ability to
4 repay those loans and what was going to happen to those loans.

5 Q. Okay. Understood.

6 Okay. Now one more topic, Mr. Sun.

7 You mentioned that you're here today pursuant to a
8 non-prosecution agreement.

9 A. That's right.

10 MR. COHEN: Okay. Can we pull up Government
11 Exhibit 12 in evidence.

12 Oh, I'm sorry. I'm sorry. It's 3524-012 in evidence.

13 MS. SASSOON: This is not in evidence, your Honor.

14 MR. COHEN: Oh, it's not in? I'm sorry. I thought
15 you moved it in. Well, then let's do this. Just show it to
16 the witness.

17 THE COURT: I'm still not clear what it is you're
18 proposing to show to the witness. What exhibit?

19 MR. COHEN: 3524-012. It's in the 3500, your Honor.

20 THE COURT: And is it a government exhibit, is it a
21 defense exhibit, or has nobody bothered to mark it?

22 MR. COHEN: It's not marked outside of that, your
23 Honor. We could mark it.

24 THE COURT: Let's mark it.

25 MR. COHEN: Okay. What is the next DX number?

1 MS. SASSOON: Your Honor, I think yesterday we marked
2 it using the same number but adding a DX, so to keep with the
3 convention—

4 THE COURT: That's fine. So it will be Defendant's
5 Exhibit 3524-012 for identification.

6 BY MR. COHEN:

7 Q. Take a look at this document, sir, and my question is
8 whether you recognize it.

9 A. Yes, I do.

10 Q. What is it?

11 A. This is the non-prosecution agreement.

12 Q. And if you can turn to the second page.

13 Is that your signature?

14 A. Yes.

15 MR. COHEN: Your Honor, we offer DX 3524-012.

16 MS. SASSOON: No objection.

17 THE COURT: Received.

18 (Defendant's Exhibit 3524-012 received in evidence)

19 Q. So this is a document you are—you mentioned you're
20 testifying here pursuant to a non-prosecution agreement; is
21 that correct?

22 A. That's right.

23 Q. And this is the agreement?

24 A. That's right.

25 Q. If we could call your attention to the second full

1 paragraph.

2 MR. COHEN: And call that out.

3 Q. And look at the first sentence. It says, "On the
4 understandings specified below, the Office of the United States
5 Attorney for the Southern District of New York will not
6 criminally prosecute Mr. Sun for any crimes (except for
7 criminal tax violations, if any, as to which this Office cannot
8 and does not make any agreement) related to the schemes by
9 [Mr.] Bankman-Fried" and others, and so on.

10 So what is your understanding, Mr. Sun, of how this
11 provision works, or this agreement works?

12 A. My understanding of the agreement is I am to testify
13 truthfully on the stand. If I do so, I will not be prosecuted
14 by the government.

15 Q. And who makes the determination of whether you've been
16 truthful on the stand?

17 A. You know, I'm supposed to tell the truth here on the stand.
18 And that's—that's—

19 Q. Isn't it fair to say that's the government who makes the
20 determination?

21 A. I think I'm required to testify as to the truth on the
22 stand.

23 Q. If the government determines that you haven't been truthful
24 or you've provided incomplete or misleading testimony, this
25 agreement doesn't apply, correct?

1 MS. SASSOON: Objection, form.

2 THE COURT: Sustained.

3 MR. COHEN: Let's go down to the next paragraph.

4 Call it out.

5 If we can go to the first sentence, Brian, and

6 highlight it in yellow.

7 BY MR. COHEN:

8 Q. "It is understood that, should Mr. Sun commit any crimes
9 subsequent to the date of signing of this agreement, or should
10 the government determine that he has knowingly given false,
11 incomplete, or misleading testimony or information, or should
12 he otherwise violate any provision of this agreement, Mr. Sun
13 shall thereafter be subject to prosecution for any federal
14 criminal violation of which this Office has knowledge,
15 including perjury and obstruction of justice." Do you see
16 that, sir?

17 A. Yup.

18 Q. Is it fair to say that if the government determines that
19 you've knowingly given false, incomplete, or misleading
20 testimony or information, you could be subject to prosecution?

21 MS. SASSOON: Objection, form. The question is his
22 understanding.

23 MR. COHEN: Can we have a nonspeaking objection.

24 THE COURT: Sustained, form.

25 Q. Mr. Sun, what is your understanding of whether you can be

1 prosecuted?

2 A. If I tell the truth on the stand, I will not be prosecuted.

3 Q. Okay. And what is your understanding of who makes that
4 determination?

5 A. I guess, you know, who makes the determination about truth.

6 Q. You signed this—

7 MR. COHEN: Drop down. Drop the paragraph down.

8 Go back to the first page, Brian. I'm sorry.

9 Okay. Go to the top of the page. And the date. Just
10 up at the top, Brian.

11 Q. So you signed this agreement on October 17th; is that
12 correct?

13 A. That's right.

14 Q. That was earlier this week?

15 A. That's right.

16 Q. And then did you meet with the government after you signed
17 it?

18 A. Yes.

19 Q. That was yesterday?

20 A. That's right.

21 MR. COHEN: Okay. No further questions.

22 THE COURT: Thank you.

23 Any redirect?

24 MS. SASSOON: Just briefly.

25 Just keep that exhibit up, if you don't mind.

1 REDIRECT EXAMINATION

2 BY MS. SASSOON:

3 Q. Mr. Sun, can you please read the second sentence of the
4 first paragraph of this agreement.

5 A. "This agreement is in furtherance of the request for
6 Mr. Sun to testify, and should not be construed as a legal or
7 factual determination that Mr. Sun has violated any federal
8 law."

9 MS. SASSOON: Thank you for zooming in on that. We
10 can take this down.

11 Q. You were asked about signing this on October 17, 2023.
12 Prior to that had you met with the government?

13 A. Yes.

14 Q. Sorry. I couldn't hear you.

15 A. Yes.

16 Q. And did you meet with the government voluntarily?

17 A. Yes.

18 Q. And where did you come from to testify in court today?

19 A. On this trip, from Japan.

20 Q. And why did you come from Japan to testify?

21 A. Because I wanted to tell the truth on the stand and make
22 the truth known.

23 MS. SASSOON: No further questions.

24 THE COURT: Thank you.

25 Anything else, Mr. Cohen?

1 MR. COHEN: No, your Honor.

2 THE COURT: All right. You're excused, Mr. Sun.

3 Thank you.

4 (Witness excused)

5 THE COURT: Do we have another witness today?

6 MR. REHN: We do, your Honor. It's a witness who I
7 think can probably be done by lunch if we extend a little bit
8 later, to 1:00 or so.

9 THE COURT: Can everybody hold their appetites?

10 Okay. Let's do it.

11 MR. REHN: The government calls Robert Boroujerdi.

12 THE DEPUTY CLERK: If you'd please step around and
13 remain standing and raise your right hand for a moment.

14 (Witness sworn)

15 THE DEPUTY CLERK: Thank you. Please be seated.

16 Sir, if you could please state your name and spell
17 your last name for the record.

18 THE WITNESS: Sure. Robert Boroujerdi. B as in boy,
19 O-R-O-U-J-E-R-D-I.

20 THE COURT: You may proceed, Mr. Rehn.

21 ROBERT BOROUJERDI,

22 called as a witness by the Government,

23 having been duly sworn, testified as follows:

24 DIRECT EXAMINATION

25 BY MR. REHN:

1 Q. Mr. Boroujerdi, I'd like to direct your attention to 2021.

2 Where were you working at that time?

3 A. Third Point.

4 Q. What is Third Point?

5 A. It's an institutional alternative asset manager.

6 Q. What is an alternative asset manager?

7 A. We invest across a broad spectrum of different types of
8 securities, both public and private companies, in different
9 asset classes, and we serve everything from pension funds,
10 endowments, foundations, and high-net-worth individuals as
11 clients.

12 Q. So your clients that you just mentioned invest money with
13 Third Point?

14 A. Yes.

15 Q. And then what? How does Third Point invest that money?

16 A. We look for opportunities where we think that what we would
17 invest in would appreciate in value over time.

18 Q. Where is Third Point located?

19 A. New York City.

20 Q. Where specifically in New York City?

21 A. Hudson Yards.

22 Q. What was your job at Third Point?

23 A. I was a managing director. I led our markets business and
24 strategy. I invested and helped manage portions of the firm.

25 Q. And so were you looking for investment opportunities for

1 Third Point?

2 A. Yes.

3 Q. And did you do research into potential investment
4 opportunities?

5 A. I did.

6 Q. What sort of markets were you researching?

7 A. Equity markets, interest rate markets, digital asset
8 markets, credit from time to time.

9 Q. And when you say digital asset markets, does that include
10 the cryptocurrency market?

11 A. It does.

12 Q. And cryptocurrency exchanges?

13 A. Yes.

14 Q. Did there come a time when you became aware of a company
15 called FTX?

16 A. Yes.

17 Q. When was that?

18 A. That would be late 2020, early 2021.

19 Q. Did there come a time when you began considering an
20 investment by Third Point in FTX?

21 A. Yes.

22 Q. And when was that?

23 A. That would be late Q1 of '21, early Q2 of 2021.

24 Q. And when you said Q1 and Q2, what are you referring to?

25 A. Sure. Take a calendar year and break it up into quarters.

1 So January, February, March would be quarter 1, and then so on
2 for quarter 2.

3 Q. How were you introduced to FTX?

4 A. A gentleman who was a salesperson at one of our brokers
5 made an introductory email to myself and a CIO of the firm to
6 individuals at FTX.

7 MR. REHN: Mr. Imperato, could you please pull up
8 Government Exhibit 523, just for the witness.

9 Q. Mr. Boroujerdi, do you recognize this document?

10 A. Yes, I do.

11 Q. And could you describe what the document is.

12 A. This is an email exchange, and I assume if we go down a
13 couple pages you'll see more of it, but email exchange where
14 there's an introduction made to myself and a colleague of mine
15 to Sam, and we were working to set up an introductory phone
16 call.

17 Q. And you mentioned Sam. Who were you referring to in
18 particular?

19 A. Sam Bankman-Fried.

20 Q. Did you have an understanding of who Sam Bankman-Fried was
21 when you received this email?

22 A. Yes.

23 Q. And who was he?

24 A. He was the CEO and founder of FTX.

25 MR. REHN: Your Honor, the government offers

1 Exhibit 523.

2 THE COURT: Received.

3 (Government's Exhibit 523 received in evidence)

4 MR. LISNER: No objection.

5 MR. REHN: And Mr. Imperato, could we go to the third
6 page of this exhibit. And bring it up for the jury.

7 And if you could expand the email that's in the middle
8 of this page.

9 BY MR. REHN:

10 Q. Mr. Boroujerdi, you mentioned that you were introduced to
11 FTX in the first quarter of 2021. Is this the email you were
12 referring to?

13 A. Yes, it is.

14 (Continued on next page)

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1 Q. After you got this introductory email, did you have some
2 email exchanges with Sam Bankman-Fried?

3 A. Yes. There was logistic based, trying to set up a call.

4 MR. REHN: We can bring that down, Mr. Imperato, and
5 go up to the next page.

6 If we could expand the email in the middle from
7 Sunday, March 14 of 2021.

8 Q. Mr. Boroujerdi, can I ask you to read the email that was
9 sent by the defendant on March 14, 2021.

10 A. Hey, would love to jump on a call and feel free to share
11 the data room with them as well.

12 Q. So there is a reference here to a data room. Could you
13 explain what that is.

14 A. Sure. In the investment world, when you are looking at
15 potential investments, a lot of documents can come across the
16 chasm, be it a strategic deck, set of financial statements, org
17 chart, kind of name it.

18 What happens is, you can set up a virtual room where
19 you're permissioned by your email or a user name, and the
20 company that you made or other investors would be looking at
21 were just one access in one place. It allows the company to
22 track who is looking at their stuff, but it also gives them a
23 degree of control. But it, by and large, has information, as
24 you begin to evaluate an investment or you're evaluating it, to
25 give you background and color.

1 Q. Did you go to the data room that the defendant shared with
2 you?

3 A. Yes.

4 Q. What do you recall was in the data room?

5 A. Best of my recollection, there was certainly a strategic
6 deck where it laid out kind of the goals and background of not
7 only the crypto industry, the exchanges that were in it, things
8 like market share and then what FTX wanted to do from a
9 strategic perspective, there was also an org chart of business
10 organization and a set of financial statements.

11 Q. Just to be clear, this isn't a physical room. Could you
12 explain in a little more --

13 A. Imagine if you wanted to just go in your bank account on
14 the Internet, you would log into that Internet and then your
15 account would pop up and you would look at it. Rather than
16 seeing the balance of your account, assume that there is a
17 Power Point presentation or Microsoft Word document.
18 Effectively, they are digital documents that you can click on,
19 view, and, if given permission, you can download them as well.

20 Q. I think you mentioned that one of the things that was in
21 that data room was some financial data?

22 A. Yes.

23 Q. What sort of financial data?

24 A. It was actual data. My recollection, this was financial
25 statement data that showed things like revenue and profit and

1 market share and growth over time.

2 Q. So it included information about FTX's revenues and costs?

3 A. Yes.

4 Q. And the profits calculated after taking into account those
5 revenues and costs?

6 A. Yes, that would be correct.

7 Q. In deciding whether to invest in FTX, did Third Point rely
8 on the financial data it received from the company?

9 A. Yes.

10 Q. Did you expect that the numbers that FTX provided you were
11 an accurate depiction of its revenues and costs?

12 A. We did.

13 Q. Did anyone ever tell you that certain expenses were not
14 included in the revenue and cost numbers that FTX was reporting
15 to you?

16 A. No.

17 Q. If you had been told that, would you have taken that into
18 account in deciding whether to invest in the company?

19 MR. LISNER: Objection.

20 THE COURT: Overruled.

21 A. Yes.

22 Q. Why is that?

23 A. When you receive financial statements from a corporate or
24 an investment, you believe that that representation is
25 accurate, and all flow of information should be reflected

1 there, good or bad.

2 MR. REHN: Mr. Imperato, we can bring this part down
3 and go up to the first page of this document.

4 If you could expand the top two emails.

5 Q. Mr. Boroujerdi, did you ultimately have a call with some
6 people from FTX?

7 A. Specifically, yes. It was a Zoom call, not a phone call.

8 Q. Approximately when was that Zoom call?

9 A. It was in the middle of March of 2021, middle to late March
10 of 2021.

11 Q. And who was on the Zoom call?

12 A. Myself and members of the investment team at Third Point,
13 half a dozen or so of us were on that, and then Sam was on it
14 from the FTX side. I don't recall if there were other people
15 from FTX on the call.

16 Q. When you say Sam, are you referring to the defendant?

17 A. Yes.

18 Q. Who did the majority of talking on that Zoom call?

19 A. Outside of us asking questions or more notation of answers,
20 Sam led and drove the entirety of the call.

21 Q. Did you have any other Zoom calls with the defendant prior
22 to investing?

23 A. Yes, we did. After that initial call, we continued our
24 process as a team and spoke to him several weeks later, again
25 on a Zoom call.

1 Q. Where you were when you participated on those Zoom calls
2 with the defendant?

3 A. Keep in mind at the time FTX was located in Hong Kong, so
4 this was at night. I was in my New York City apartment.

5 Q. In your Zoom calls with the defendant, what was the subject
6 matter that was discussed?

7 A. We discussed the state of the crypto industry broadly, we
8 spoke about FTX's competitive positioning, growth drivers,
9 strategic plans, and what that opportunity said could be for
10 the business.

11 Q. Do you recall any particular aspects of FTX's business that
12 were discussed?

13 A. Yes. We spent quite a bit of time talking about what we
14 would call a risk engine, which was a technology process inside
15 FTX that was different than what we had been used to. It was
16 an automated process which took a degree of humanity and
17 effectively treated every client the same.

18 Q. And focusing on that risk engine, what, if anything, did
19 the defendant say about that?

20 A. He stated that this technology had been built to
21 effectively take out human emotion, so people were treated
22 fairly and equitably, and it would also improve speed and
23 transparency.

24 Q. Was this conversation in the context of Third Point
25 considering whether to make an investment in FTX?

1 A. Yes.

2 Q. Why would you be considering the risk engine in deciding
3 whether to invest?

4 A. So exchanges, by and large, are interesting business models
5 and things we had looked at from an investing perspective
6 through time. You can think of the New York Stock Exchange or
7 you can think of eBay. These are auctions and marketplaces.
8 That means you match buyers and sellers. And if someone should
9 build a better mousetrap, quote/unquote, you could tend to
10 garner more share and more trust and more use.

11 Q. What in particular does the risk engine do to contribute to
12 the success of the business?

13 A. When you think about -- when you buy assets, you sometimes
14 don't put all the money down that you need to buy that asset,
15 and it creates margin. And what this did was ensure that you
16 would either post the amount of margin that was required for
17 that position automatically or that position would be sold out
18 if you did not post that.

19 Q. What sort of risks to the exchange would that account for?

20 A. Can you repeat the question or rephrase it, please.

21 Q. Would there be any risks to the exchange that would be
22 prevented by the risk engine?

23 MR. LISNER: Objection.

24 THE COURT: Overruled.

25 A. It would -- from our perspective, it would make -- it would

1 have less human interaction. It would be a speedier, more
2 potentially effective exchange.

3 Q. Now, on those Zoom calls with the defendant, did a company
4 called Alameda Research ever come up?

5 A. Yes, it did.

6 Q. And what, if anything, did the defendant say about Alameda
7 Research?

8 A. He spoke to Alameda Research as a hedge fund that he had
9 founded and started. The frustration at Alameda was about
10 trading on exchanges and that led to the birth of FTX. Beyond
11 that, we discussed the relationship of ownership and it was
12 conveyed to us that these -- this was an arm's length business,
13 that they operated independently, and served their own
14 self-interest.

15 Q. You used the term arm's length business. What, if
16 anything, did you understand that to mean?

17 A. These were independent businesses and, again, they operate
18 under their own self-interest. We understood that Alameda
19 could trade on the FTX exchange if needed, but these were
20 separate entities that Sam did control both from an equity
21 perspective, but that was the extent of it.

22 Q. In this conversation did the defendant ever say that
23 Alameda was exempt from the FTX risk engine?

24 A. No.

25 Q. Were you ever told by anyone at FTX that Alameda was exempt

1 from the exchange's risk engine?

2 A. No.

3 MR. LISNER: Objection. Form.

4 THE COURT: Sustained. Leading.

5 Q. Prior to investing in FTX, did you have an understanding as
6 to whether Alameda was exempt from the exchange's risk engine?

7 A. Can you ask the question again. Pardon me.

8 Q. Prior to investing in FTX, did you have any understanding
9 as to whether Alameda Research was exempt from the exchange's
10 risk engine?

11 A. No.

12 Q. Just to clarify, was your understanding that it was not
13 or --

14 A. We understood that Alameda was nonexempt.

15 Q. And if you had been told that Alameda was exempt, would
16 that have been something you took into account before deciding
17 whether to invest?

18 A. Yes.

19 MR. LISNER: Objection.

20 THE COURT: Overruled.

21 Q. Why would you have taken that into account?

22 A. There should be no preferential treatment on an exchange.
23 That would undermine the integrity of the exchange, upset
24 clients, and hurt the business model and thus the value, in our
25 view, of the asset over time.

1 Q. And if you had been told that Alameda was exempt from that
2 risk engine that was described to you, would you have invested
3 in FTX?

4 A. No.

5 Q. I don't think I heard --

6 A. No.

7 Q. In your Zoom calls with the defendant prior to investing,
8 did the subject of FTX custody of customer funds ever come up?

9 A. Yes.

10 Q. What, if anything, did the defendant say about that?

11 A. That they used a combination of hot and cold wallets,
12 largely hot wallets, that they worked with select banks to
13 shift -- to allow for people to move from one custodian to
14 another, themselves included, and individuals could hold assets
15 on the exchange and trade there.

16 Q. Did the defendant ever say that Alameda Research could
17 withdraw customer funds from the exchange?

18 A. No, that was never said.

19 Q. If you had been told that Alameda could withdraw customer
20 funds from the exchange, would you have still invested in FTX?

21 MR. LISNER: Objection.

22 THE COURT: Overruled.

23 A. No.

24 Q. Ultimately, did Third Point invest in FTX?

25 A. Yes.

1 MR. REHN: Mr. Imperato, can we bring up what's in
2 evidence as Government Exhibit 823.

3 Q. Mr. Boroujerdi, do you recognize this?

4 A. Yes, I do.

5 Q. What is this?

6 A. This is an announcement from Sam's Twitter account speaking
7 about a capital raise that occurred with a handful of investors
8 back in July of 2021.

9 Q. And is Third Point identified as one of the investors in
10 this tweet?

11 A. It is.

12 MR. REHN: Mr. Imperato, if we can highlight the Third
13 Point LLC.

14 Q. What's the date on this tweet?

15 A. July 20, 2021.

16 Q. Approximately how much did Third Point invest in FTX in
17 July of 2021?

18 A. 35 million.

19 Q. What was the purpose of FTX's fundraising, as you
20 understood it?

21 A. It was to hire staff, grow strategic initiatives, increase
22 market share, and look at new business lines that they could
23 potentially add.

24 Q. Were you told that FTX was taking money raised from this
25 investment round and transferring that money to Alameda

1 Research?

2 A. No.

3 Q. If you had been told that FTX would transfer the money
4 rates from investors to Alameda, would that have affected your
5 investment decision?

6 MR. LISNER: Objection.

7 THE COURT: Overruled.

8 A. Yes.

9 Q. How so?

10 A. These are two separate entities. This capital was for the
11 growth of FTX. It was not for any related party in
12 transactions or businesses.

13 MR. REHN: We can bring that down.

14 Q. Mr. Boroujerdi, after Third Point made its initial
15 investment in July of 2021, did you continue to pay attention
16 to FTX's business?

17 A. Yes.

18 Q. Why is that?

19 A. Well, as a steward of capital you are looking to obviously
20 watch that investment grow and improve. You try to provide
21 feedback. It's an important portion of the process.

22 Q. And did Third Point ever participate in additional
23 fund-raising rounds by FTX?

24 A. Yes.

25 Q. Approximately when were those?

1 A. That was later in 2021, that I recall.

2 Q. Approximately how much in total did Third Point invest in
3 FTX?

4 A. In FTX international, \$60 million.

5 Q. Have you ever met the defendant in person?

6 A. Yes.

7 Q. When was that?

8 A. I met him at a Bitcoin Miami conference, large industry
9 conference, in June of '21; I met him in an Equinox Hotel event
10 in Hudson Yards in New York City in September of 2021; as well
11 as an FTX Bahamas event in 2022 in the middle of the year.

12 Q. With reference to the Equinox Hotel event you mentioned,
13 what was the purpose of that event?

14 A. That was an event that was cohosted by a company called
15 Circle, a Blockchain technology company called Solana, and FTX.
16 The three of them were providing some of their leadership to
17 speak to customers, speak to investors, and industry
18 participants to get to know each other, talk a little bit about
19 what the strategic outlook was, areas of focus, and time to
20 spend.

21 Q. Aside from that event hosted by the FTX and other companies
22 at the Equinox Hotel, were there any other times where you saw
23 the defendant in New York City?

24 A. Yes. JP Morgan had a conference in December of 2021. Sam
25 was on the dais with the host and key speaker. They did a

1 fireside chat at that time.

2 Q. Where was that?

3 A. That was in JP Morgan's, I believe, headquarters --
4 corporate office that JP Morgan owns or leases in midtown
5 Manhattan.

6 Q. In 2022, did you ever learn that FTX was engaged in
7 additional fundraising?

8 A. Yes.

9 Q. How did you learn that?

10 A. Their head of product, who also dealt with investors, his
11 name was Ramnik Arora, and Ramnik reached out to keep us up --
12 to ask us about interest.

13 Q. Did you ever talk with the defendant about FTX fundraising
14 in 2022?

15 A. I don't recall, and I don't know if others at Third Point
16 did.

17 Q. In your conversations with Ramnik Arora, were you ever told
18 that FTX was raising funds because there was a hole in FTX's
19 balance sheet?

20 MR. LISNER: Objection. Form.

21 THE COURT: Sustained. Leading.

22 Q. What, if anything, did Mr. Arora tell you about the reason
23 FTX was continuing to raise funds in 2022?

24 A. It was largely about growth, some increased marketing, and
25 potential acquisitions.

1 MR. LISNER: Could we get a time period in 2022.

2 Q. Approximately when were the conversations that you had with
3 Mr. Arora in 2022?

4 A. They were towards the middle to later part of the summer
5 into the early fall.

6 Q. Going forward in time to November 2022, did there come a
7 time when you became aware that FTX was encountering financial
8 difficulties?

9 MR. LISNER: Objection. Form.

10 THE COURT: Overruled.

11 A. I became aware. One of the industry trade publications had
12 published what they had stated was the balance sheet of FTX in
13 a news article, and that found its way onto social media, and
14 Twitter in particular, and that's when it started to become
15 more prevalent.

16 Q. Were you following the defendant on Twitter?

17 A. I was not, but others at Third Point were.

18 Q. And did you instruct others at Third Point to keep you
19 updated on what the defendant was saying?

20 A. Yes. And to be clear, I did check his Twitter feed. I did
21 not -- I was not subscribed, but others were.

22 MR. REHN: If we could bring up for the witness
23 Government Exhibit 529.

24 If we could expand this for the witness.

25 Q. Mr. Boroujerdi, do you recognize this?

1 A. Yes, I do.

2 Q. And what is this?

3 A. This is a member of the investment team who had worked and
4 looked at FTX as well who had sent over an email with a set of
5 deleted tweets from Sam Bankman-Fried.

6 MR. REHN: Your Honor, the government offers
7 Government Exhibit 529.

8 MR. LISNER: No objection.

9 THE COURT: Received.

10 (Government Exhibit 529 received in evidence)

11 Q. This one seems to be a little hard to read, but are you
12 able to read the tweet that was sent to you on November 9 of
13 2022?

14 A. Is that the top one?

15 Q. The top tweet. Just the first two sentences.

16 A. FTX has enough to cover all client holdings. We don't
17 invest client assets, even in treasuries.

18 Q. Is this description of how FTX treats client assets
19 consistent with what you were told about FTX treatment of
20 client assets when Third Point made its investment?

21 MR. LISNER: Objection. Documents speak for
22 themselves.

23 THE COURT: Sustained.

24 Q. Is this description consistent with what your understanding
25 was of how FTX treated client assets?

1 A. That is -- yes, it is consistent with the terms of service
2 and agreement as well.

3 Q. What is the current value of the \$60 million investment
4 that Third Point made in FTX?

5 A. Zero.

6 MR. REHN: No further questions.

7 THE COURT: Thank you.

8 Cross-examination.

9 CROSS-EXAMINATION

10 BY MR. LISNER:

11 Q. Good afternoon. I know we are on the cusp of lunch, so I
12 will be brief.

13 You testified, Mr. Boroujerdi, that after the initial
14 investment you continued to pay attention to FTX, is that
15 right?

16 A. Yes.

17 Q. Do you recall reviewing audited financials for FTX after
18 your investment?

19 A. We looked at both unaudited and audited financials.

20 Q. And do you recall if the audited financial -- let me
21 rephrase.

22 Do you recall learning, from your review of FTX's
23 audited financials, that FTX relied on related parties or
24 currency and treasury management activities?

25 MR. REHN: Objection.

1 THE COURT: Ground.

2 MR. REHN: Hearsay.

3 THE COURT: Sustained.

4 Q. Did you have an understanding that FTX relied on related
5 parties for currency and treasury management activities?

6 MR. REHN: Same objection.

7 THE COURT: Overruled.

8 A. We understood that there were fiat on-ramps and off-ramps
9 and partners that would work with them on specific pieces.
10 Whether it was in the audited financials or not, it was part of
11 the diligence process.

12 Q. Did you have an understanding of whether related parties to
13 FTX served as conduits of fiat or crypto transactions for FTX?

14 A. We understood that partners like Signature Bank and others
15 could move fiat and USDC, which is a digital version of cash,
16 to and from FTX and other exchanges.

17 Q. My question was whether you are aware that related parties
18 had that relationship. Was Signature Bank a related party?

19 A. I would be unaware from a technical definition if that's
20 true.

21 Q. Were you aware of any related parties that performed that
22 function?

23 A. I do not know.

24 MR. LISNER: Can we put up for the witness only
25 Defendant's Exhibit 683.

1 Q. Would it refresh your recollection to review the document
2 on the screen?

3 MR. REHN: Foundation.

4 THE COURT: As to what?

5 MR. LISNER: I just asked --

6 THE COURT: I was here. I remember. I even have it
7 in writing in front of me.

8 Q. Do you recall knowing whether related parties served as
9 conduits of fiat or crypto transactions for FTX?

10 MR. REHN: Asked and answered.

11 THE COURT: Sustained.

12 MR. LISNER: No further questions. Enjoy lunch,
13 everybody.

14 THE COURT: Thank you.

15 Anything else, Mr. Rehn?

16 MR. REHN: Nothing further.

17 THE COURT: You are excused, sir. Thank you.

18 (Witness excused)

19 THE COURT: Anything else today?

20 MS. SASSOON: No.

21 THE COURT: Members of the jury, here comes your
22 intermission until next Thursday. Enjoy.

23 Do not do any research. Do not talk about this case.
24 Do not read anything. You understand that. With a big gap I
25 thought I had to say it again, but I know you know it.

1 See you at 9:30 next Thursday.

2 (Jury not present)

3 THE COURT: Anything else?

4 MS. SASSOON: Very quickly, your Honor.

5 We just wanted to put on the record that since our
6 discussion in the robing room, no issues have been raised with
7 us, and we are aware of none. It's our understanding that
8 everything with respect to that has been proceeding smoothly.

9 THE COURT: Thank you for doing that. I had meant to,
10 but I didn't remember.

11 Mr. Cohen, we have no problems on that front, right?

12 MR. COHEN: Your Honor, my client has been receiving
13 the extended-release medication that your Honor helped us to
14 obtain.

15 THE COURT: Since when?

16 MR. COHEN: Since yesterday.

17 THE COURT: OK.

18 MR. ROOS: Judge, one other thing.

19 Apparently, the record from yesterday, after speaking
20 with Andy, says Government Exhibit 1027. I had intended to say
21 1027, which includes the subparts A and B. So I just want to
22 put that on the transcript so that we have the right exhibit.
23 There is no 1027. It's 1027A and B.

24 THE COURT: Any problem with that, Mr. Cohen?

25 MR. COHEN: It's an outrage, your Honor.

1 THE COURT: I'm assuming that is consented to having
2 the necessary correction made.

3 I'll see you all next week.

4 (Adjourned to October 26, 2023, at 9:30 a.m.)

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Direct By Mr. Rehn 2002

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GOVERNMENT EXHIBITS

Exhibit No.	Received

558 1910

326 1927

514 1934

340 1939

26 1943

211, 225 and 236-242 1949

79 1951

141A 1952

923B 1965

523 2006

529 2021

DEFENDANT EXHIBITS

Exhibit No.	Received

268 1971

3524-012 1997

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 October 26, 2023
9:30 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

17 BY: DANIELLE R. SASSOON

NICOLAS ROOS

18 DANIELLE KUDLA

SAMUEL RAYMOND

19 THANE REHN

Assistant United States Attorneys

20 COHEN & GRESSER, LLP

Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

22 SRI K. KUEHNLENZ

DAVID F. LISNER

23 Also Present:

24 Luke Booth, FBI

Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present).

2 THE COURT: We have a note from alternate number 4 in
3 which he requested to be excused for the day because he doesn't
4 feel well and he's throwing up. I understand I have the
5 consent of the defense to excuse him. I have not yet heard
6 back from the government.

7 MR. ROOS: Your Honor, we consent as well.

8 THE COURT: Thank you.

9 In your absence I decided to excuse him. And when
10 that was conveyed to him he refused to leave because he says
11 he's involved and he -- if the price of leaving today is that
12 he's out of the case, he doesn't want to go. So I propose to
13 excuse him regardless. We are waiting for the nurse to come
14 see him. We have one particularly vulnerable juror from a
15 health standpoint that I know of. And of course who knows what
16 his problem is. And it may be infectious.

17 Is there any objection to my excusing him now, even if
18 the nurse hasn't made it up here?

19 MR. ROOS: No, your Honor.

20 MR. EVERDELL: No, your Honor.

21 THE COURT: Andy, he's out.

22 THE DEPUTY CLERK: Are we ready for the jury
23 otherwise?

24 THE COURT: We are ready for the jury otherwise.

25 Tell him, please, that we are all very appreciative of

1 his service, we wish he could stay, but in all the
2 circumstances we just can't allow that, and give him a hearty
3 thanks from everybody.

4 Thank you.

5 Mr. Roos, is there something that you wanted to raise?

6 MR. ROOS: Yes, your Honor. There are two items. One
7 relates to the conclusion of the government's case. Actually
8 three questions, I guess. I'll take them in order.

9 Number one, the parties have a disagreement over a
10 single exhibit, Government Exhibit 505, that the government
11 will admit during its conclusion of its case. As I understand
12 it -- I don't want to speak for the defense, what the objection
13 is. We thought maybe it makes sense to resolve this now before
14 the jury comes in.

15 The second is, I want to know how your Honor wanted to
16 handle any sort of motion by the defense after the close of the
17 government's case.

18 Third is, we have an objection relating to some 26 --

19 THE DEPUTY CLERK: Jury entering.

20 (Jury present)

21 THE COURT: I think that we should simply proceed and
22 deal with whatever issues need to be dealt with as we go along.

23 Ms. Kudla.

24 MS. KUDLA: Your Honor, at this time the government
25 calls agent Marc Troiano.

1 THE COURT: For the benefit of the jury, alternate
2 number 4, Mr. Akahoho, is unwell and he has been excused. I'm
3 simply not going to take a risk that he has something
4 infectious that could affect anyone else. Of course he has our
5 thanks.

6 MARC TROIANO,

7 called as a witness by the government,
8 having been duly sworn, testified as follows:

9 THE COURT: You may proceed, Ms. Kudla.

10 MS. KUDLA: Thank you, your Honor.

11 Before beginning the direct with Agent Troiano, the
12 government offers the following exhibits at this time: 38A,
13 200, 294, 312, 313, 315, 321, 322, 322A, 331, 348, 349, 449,
14 494, 495, 544, 766, 933, 1320A, 1360A, and S2005.

15 MR. EVERDELL: No objection, your Honor.

16 THE COURT: They are all received.

17 (Government Exhibits 38A, 200, 294, 312, 313, 315,
18 321, 322, 322A, 331, 348, 349, 449, 494, 495, 544, 766, 933,
19 1320A, 1360A, and S2005 received in evidence)

20 DIRECT EXAMINATION

21 BY MS. KUDLA:

22 Q. Good morning, Agent Troiano.

23 A. Good morning.

24 Q. Where do you work?

25 A. I work for the Federal Bureau of Investigation.

1 Q. What's your title there?

2 A. I'm a special agent.

3 Q. And how long have you been a special agent with the FBI?

4 A. About eight years.

5 Q. Are you assigned to any particular unit?

6 A. Yes.

7 Q. What unit is that?

8 A. I work on a corporate securities and commodities fraud
9 squad.

10 Q. What, if anything, were you asked to do for this case?

11 A. Sure. I was asked to review Signal groups found on two
12 different devices, one belonging to Gary Wang, which is a
13 laptop, and then one belonging to Caroline Ellison, which was a
14 phone, and review the Signal groups for information found
15 within there.

16 Q. Apart from your review, did you have any other involvement
17 in this case?

18 A. No, I did not.

19 MS. KUDLA: Now, your Honor, at this time the
20 government offers S2006, an authenticity stipulation regarding
21 electronic devices.

22 THE COURT: Received.

23 (Government Exhibit S2006 received in evidence)

24 MS. KUDLA: May we publish to the jury?

25 THE COURT: You may.

1 Q. Agent Troiano, you mentioned that you had reviewed Gary
2 Wang's laptop and Caroline Ellison's cell phone extraction, is
3 that correct?

4 A. Yes.

5 Q. While we are waiting for that to come up, I can read some
6 of the stipulation to the jury.

7 Paragraph 1 states that: On November 16, 2022, an
8 Apple iPhone with a particular IMEI number and FBI evidence
9 number ending in 1B10, the Caroline Ellison cell phone was
10 lawfully recovered by FBI agents, that Government Exhibit 1662
11 is a copy of certain contents and data extracted from the
12 Caroline Ellison cell phone. The information in Government
13 Exhibit 1662 was contained on the Ellison cell phone at the
14 time it was seized on November 16, 2022. And paragraph 2
15 states that, on November 17, 2022, a Dell laptop with a
16 particular serial number and FBI evidence item ending in 1B13,
17 the Gary Wang laptop, was lawfully recovered by FBI agents.

18 Q. Agent Troiano, are those the electronics that you reviewed
19 for your Signal group analysis?

20 A. Yes.

21 Q. Now, how would you describe the volume of data contained in
22 the Signal groups on the Wang laptop and the Ellison phone
23 extraction?

24 A. It was quite voluminous. There were hundreds of chats with
25 hundreds of participants.

1 MS. KUDLA: Mr. Bianco, can you please show the
2 witness what's marked for identification as Government Exhibit
3 1083.

4 Q. Agent Troiano, you should have a binder there and there
5 should be a printed copy as well.

6 Agent Troiano, what is Government Exhibit 1083?

7 A. This is a chart that shows the different Signal groups that
8 Samuel Bankman-Fried participated in from 2020 to 2022, and
9 they were taken from the -- the data was taken from Gary Wang's
10 laptop, the Signal group that he had there or Signal app that
11 he had there, and the Caroline Ellison phone extraction.

12 Q. Have you reviewed all of the information contained in this
13 chart?

14 A. Yes.

15 MS. KUDLA: Your Honor, the government offers
16 Government Exhibit 1083, pursuant to Rule 1006.

17 MR. EVERDELL: No objection, your Honor.

18 THE COURT: I'm sorry. I didn't hear you.

19 MR. EVERDELL: No objection, your Honor.

20 THE COURT: It's received.

21 (Government Exhibit 1083 received in evidence)

22 MS. KUDLA: Your Honor, may we publish?

23 THE COURT: You may.

24 Q. Agent Troiano, now that this is visible to the jury, at a
25 high level, can you summarize what this chart contains?

1 A. Sure. So this is a chart that shows the different Signal
2 groups that Samuel Bankman-Fried was in from 2020 to 2022.
3 You'll see the first column says group name and that's what the
4 group was called. Again, this data was pulled from the Gary
5 Wang laptop, his Signal app on there, and the Caroline Ellison
6 phone extraction.

7 The next column you will see is participants and
8 that's the people that were present in those Signal groups when
9 the review began once the devices were obtained.

10 And the last column is auto-deletion status. That
11 shows the different auto-deletion settings that were found in
12 the group when we obtained it.

13 Q. Agent Troiano, let's take a look at row 1 as an example to
14 go through the auto-deletion status. In row 1, in the
15 auto-deletion status column it says: May 11, 2021, one week.

16 What does that mean?

17 A. So that means that, as of May 11 of 2021, the auto-deletion
18 status was set at one week, meaning that the messages would
19 remain for a week and then disappear.

20 Q. Below that it also says November 9, 2022, auto deletion
21 turned off, SBF.

22 What is recorded here?

23 A. So that shows that, as of that date, the auto-deletion
24 function was turned off, meaning that the message would stay,
25 it wouldn't be deleted, and the last part, SBF, that indicates

1 that in this case Samuel Bankman-Fried was the one who had
2 turned off the auto-deletion function.

3 MS. KUDLA: Mr. Bianco, if we can now zoom in on row
4 16.

5 Q. This portion of the chart does not have anything in
6 auto-deletion status.

7 What does that signify?

8 A. That means there was no auto-deletion policy for that
9 group, meaning that none of the messages were automatically
10 deleted.

11 MS. KUDLA: Mr. Bianco, we can take that down now.

12 Q. To briefly show the jury any variables you evaluated in
13 your review, let's look at the raw data momentarily.

14 MS. KUDLA: Mr. Bianco, can you please show the
15 witness what's marked for identification as Government Exhibit
16 3017.

17 Q. Briefly, what is shown here?

18 A. So here you'll see the Signal app view from the two
19 different devices. So on the left this is what you would see
20 if you looked at this particular group from Gary Wang's laptop.
21 And then I took these screenshots here. Then on the right it's
22 the same for what the view looked like from the Caroline
23 Ellison phone extraction. Again, I took those screenshots.

24 MS. KUDLA: Your Honor, may the government publish
25 Government Exhibit 3017 for demonstrative purposes only?

1 MR. EVERDELL: No objection for simply demonstrative
2 purposes, your Honor.

3 THE COURT: Yes, you may.

4 Q. Now that's visible to the jury, you said on the left was
5 Gary Wang's laptop.

6 Can you describe to the jury what we see on the left
7 and the right.

8 A. Sure. On the left, these are the screenshots that I took
9 from Gary Wang's laptop, and you will see basically his Signal
10 app. This is what you'd see if you clicked on the hashtag
11 organization Signal group. And you will see the first -- right
12 side, that indicates kind of a log of when people joined and
13 left the group, as well as when the auto-deletion policies were
14 turned on or off or changed. Behind it you will see --

15 MS. KUDLA: Mr. Bianco, can we take that down now.

16 Q. When you said behind it, are you referring to --

17 A. The forefront photo. The behind photo is where you will
18 see the members of that group.

19 Q. What is shown on the right?

20 A. On the right, this is the view of Signal app from the
21 extraction from Caroline Ellison's phone.

22 Q. Looking at both of these together now, what is the name of
23 Signal group shown from the Wang laptop and the Ellison phone
24 extraction?

25 A. It's hashtag organization.

1 Q. Did you record that name in Government Exhibit 1083?

2 A. Yes.

3 Q. With the participants, how did you identify the
4 participants for Government Exhibit 1083?

5 A. If you look at the participants, it will list the name and
6 phone number, so I put the name into the chart.

7 Q. Were there ever occasions where the participant names were
8 not the same between the Wang laptop and the Ellison phone
9 extraction?

10 A. Yes.

11 Q. And what's an example of such a scenario?

12 A. There could be a scenario where one person was just an
13 initial, like say the letter C, on like the laptop, and then
14 within the extraction it could be a full name, like Claire or
15 something like that. If that was the case, I would look to see
16 if the phone number matched; and if it did, I would put the
17 most descriptive comprehensive names: Claire.

18 Q. Let's move on to auto-deletion status, Agent Troiano.
19 Using Government 3017 as a guide, describe what you did to
20 record the auto-deletion feature if it was turned on.

21 A. Sure. So for a lot of these groups once a member joined
22 the group, they would see what the current auto-deletion status
23 was at that time.

24 MR. EVERDELL: Objection. Knowledge of what people
25 would see that's not himself.

1 A. I would see it.

2 Q. Agent Troiano, is this information based on your review of
3 hundreds of single-group messages?

4 A. Yes.

5 Q. You can continue describing what you did for the review.

6 A. Sure. When I opened the Signal app on the two different
7 devices, I would see, when somebody was added to a group, you
8 could see what the auto-deletion policy was at that time. I
9 would look to see between the two of them if it was the same
10 period of time, and I would go back to the further -- the most
11 backdated date to have the most comprehensive view of how long
12 that setting had been turned on.

13 Q. Turning to the right for the Ellison extraction that we
14 look at there, what was the date that the auto-deletion status
15 feature was turned on?

16 A. So for this one it looks like the user was added on May 11
17 of 2021. It was able to see this auto-deletion status of
18 604800, which is seconds.

19 Q. What is that equivalent of seconds equal to?

20 A. One week.

21 Q. Did you also record when auto-deletion status was turned
22 off?

23 A. Yes.

24 Q. And where do you see that here?

25 A. If you look at the bottom, you will see, on November 9 of

1 2022, it says that Samuel Bankman-Fried set disappearing
2 message time from 604800, that one-week period, to zero,
3 meaning it turned off.

4 Q. Did you record all of this information in Government
5 Exhibit 1083?

6 A. Yes.

7 MS. KUDLA: We can take that down now, Mr. Bianco.

8 Q. Apart from the data that you just described to the jury,
9 did you review the content of the Signal group messages in any
10 way?

11 A. No.

12 Q. Do you have any knowledge about the identities of the
13 Signal group participants listed in Government Exhibit 1083
14 apart from the information that you just described?

15 A. No.

16 MS. KUDLA: Now, Mr. Bianco, can you please publish
17 Government Exhibit 1083.

18 Q. Agent Troiano, does this exhibit contain the results of the
19 review you outlined to the jury for all the Signal groups you
20 reviewed?

21 A. Yes.

22 MS. KUDLA: Now, Mr. Bianco, please scroll through the
23 first few pages of Government Exhibit 1083 slowly. Then you
24 can go to the last page, which should be page 25.

25 Q. Between 2020 and 2022, how many Signal groups was

1 Mr. Bankman-Fried a participant in, based on your review?

2 A. 325.

3 Q. And out of those 325 Signal groups, how many had the
4 auto-deletion feature turned on?

5 A. 288.

6 Q. Once again, aside from your work in helping to prepare or
7 review this chart, have you had any other involvement in this
8 case?

9 A. No.

10 MS. KUDLA: No further questions, your Honor.

11 THE COURT: Thank you. Any cross-examination?

12 MR. EVERDELL: Yes, your Honor.

13 THE COURT: Let the record reflect that the defendant
14 and the jurors all are present, as they have been throughout.

15 Go ahead.

16 CROSS-EXAMINATION

17 BY MR. EVERDELL:

18 Q. Good morning, Special Agent Troiano.

19 A. Good morning.

20 Q. Special Agent Troiano, you work for the FBI, correct?

21 A. Yes.

22 Q. Your job is to help the prosecutors investigate their
23 cases, right?

24 A. Yes.

25 Q. You weren't one of the case agents on this case, though,

1 correct?

2 A. That's correct.

3 Q. You were just asked to help out with this particular
4 project you testified about?

5 A. Yes.

6 Q. And you said that you were asked to review a document that
7 listed various Signal message groups, right?

8 A. Yes.

9 Q. And those Signal groups came from Signal messages that were
10 contained on Caroline Ellison's iPhone and Gary Wang's laptop,
11 correct?

12 A. Yes.

13 Q. Now, you didn't originally create the summary document that
14 is now Government Exhibit 1083, is that correct?

15 A. I didn't like -- no, not the draft document.

16 Q. So the original draft document was created by the
17 prosecutor's office, is that correct?

18 A. The prosecutors gave it to me.

19 Q. So they gave you the first draft of this document that we
20 now see as Government's 1083, correct?

21 A. Yes.

22 Q. Then they sent it to you, right?

23 A. Yes.

24 Q. And the prosecutors had already selected the Signal groups
25 that they wanted on that draft summary document, correct?

1 A. Yes.

2 Q. And they just asked you to verify the work that they had
3 already done, right?

4 A. Yes. They asked me to go through and look to verify the
5 names, the dates, everything.

6 Q. If edits needed to be made to the document, the prosecutors
7 told you which information they wanted you to include or
8 exclude, is that right?

9 A. If there were edits, if I had changes of like date or
10 things like that, I told them, and I made them myself.

11 Q. But if there were certain Signal groups they wanted to
12 exclude or certain ones they wanted to include, they would tell
13 you that?

14 A. I am not sure if they took groups out specifically.

15 Q. Do you recall ever an instance where they may have told you
16 to exclude a group?

17 MS. KUDLA: Objection.

18 THE COURT: What's the objection?

19 MS. KUDLA: We could do it at a sidebar, your Honor.

20 (Continued on next page)

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1 (At sidebar).

2 MS. KUDLA: Your Honor, we asked for certain groups to
3 be removed at defense counsel's request for -- we couldn't
4 reach a stipulation on certain groups that were contained
5 directly from the cell phone extraction or from the laptop, so
6 we removed those just to expedite things. And then also we
7 redacted certain information based on groups that had the word
8 fraud in it. We provided that type of instruction.

9 THE COURT: Why the redactions?

10 MS. KUDLA: The defense felt that the names of the
11 group wire fraud and fake fraud site was overly prejudicial.

12 MR. EVERDELL: Yes, your Honor. We did agree on those
13 sites.

14 I just want to clarify, on the first one, the one you
15 are referring to, the 302, where you say: Thanks Marc, please
16 exclude that group based on the factors noted below, and it's
17 from September, I was not aware that this was in relation to
18 anything that we agreed upon. That's why I was asking the
19 questions. I'm certainly not trying to ask anything that would
20 be misleading. I just saw it in the 302.

21 MS. KUDLA: Yeah. We asked him to remove that because
22 that seemed to have no relevance to this case.

23 MR. EVERDELL: OK. I can move on, your Honor.

24 THE COURT: Let's fix the damage that's been done.

25 MR. EVERDELL: Yes, your Honor.

1 I am happy to ask him -- if you would prefer me to ask
2 the question. The government can do it on redirect.

3 THE COURT: Whichever way you want to handle it.
4 There appears to be a misleading impression created. Let's fix
5 it.

6 MS. KUDLA: He may not know, so I think we could
7 strike the testimony.

8 MR. EVERDELL: That's fine with me. We will just
9 strike the question, your Honor.

10 THE COURT: What is it precisely you are agreeing
11 should be stricken?

12 MS. KUDLA: The question, the government directed you
13 to remove certain Signal groups, and his response.

14 MR. EVERDELL: Happy to do that, your Honor.

15 MS. SASSOON: While we are at sidebar, your Honor, it
16 occurred to me that it might be worthwhile to contact
17 alternative number 4 and explain to him that the case is
18 ongoing and he should not speak to the press about his
19 impressions of the case or anything that happened in the jury
20 breakout room for risk of prejudicing the case.

21 THE COURT: Is there any objection to that being done?

22 MR. EVERDELL: No objection, your Honor.

23 THE COURT: Andy, that's your job.

24 MR. EVERDELL: Just so we are clear, your Honor, do
25 you want me to clarify anything -- we are going to strike the

1 last question.

2 THE COURT: We are going to strike the testimony about
3 whether he was asked by the prosecutors to remove anything.

4 (Continued on next page)

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1 (In open court)

2 THE COURT: Members of the jury, the question
3 concerning whether the prosecutors ever asked that certain
4 groups be taken off this list and the witness' answer are
5 stricken, and you must disregard that. That's by agreement of
6 the parties.

7 Let's proceed.

8 MR. EVERDELL: Thank you, your Honor.

9 BY MR. EVERDELL:

10 Q. Special Agent Troiano, the groups on your summary chart are
11 groups from the messaging app Signal, correct?

12 A. Yes.

13 Q. What is Signal?

14 A. Signal is a security messaging app.

15 Q. And it's secure -- it uses end-to-end encryption, is that
16 correct?

17 A. Yes.

18 Q. That means it's hard for people who are not the center or
19 the recipient to read it or get access to it, right?

20 MS. KUDLA: Objection.

21 THE COURT: Ground.

22 MS. KUDLA: I don't know if he knows. Lack of
23 foundation.

24 Q. Are you aware of the features of Signal?

25 A. Yes.

1 Q. And you mentioned that you were familiar with end-to-end
2 encryption?

3 A. Yes.

4 Q. Can you just describe what your understanding is of the
5 security features.

6 MS. KUDLA: Objection.

7 THE COURT: Sustained.

8 Q. In your job as an FBI agent, are you generally aware of
9 what types of messaging applications of out there on the
10 market?

11 MS. KUDLA: Objection.

12 THE COURT: Sustained.

13 Q. Are you generally familiar with Signal?

14 A. Yes.

15 Q. Are you generally aware for how long it has been on the
16 market?

17 MS. KUDLA: Objection.

18 THE COURT: Sustained.

19 Q. Let's look at your summary exhibit, Special Agent Troiano.
20 This is Government Exhibit 1083. You said these are all --
21 every group that's on this list is a Signal group that Sam
22 Bankman-Fried was on, right?

23 A. Yes.

24 Q. If you scroll to the end, there are a total of 325 Signal
25 groups that he is on on your list, is that right?

1 A. Yes.

2 Q. And all of these groups were active until they got shut
3 down in the November 2022 time frame, right?

4 A. What do you define active as?

5 Q. I should say that -- fair point. Let me withdraw.

6 All these groups at least were able to be used until
7 November of 2022, right?

8 MS. KUDLA: Objection.

9 THE COURT: Just give me a moment to deal with
10 something else.

11 Give me a sec.

12 The objection is on what ground?

13 MS. KUDLA: Outside the scope of his knowledge. He
14 was asked to do a very limited task.

15 THE COURT: Sustained. This is outside the scope.

16 Q. In your summary chart you note for a number of these groups
17 when the auto deletion was turned off, correct?

18 A. Yes.

19 Q. Fair to say that there is an indication for most of the
20 groups that you list here when the auto-delete feature was
21 turned off, correct?

22 A. I don't know the exact percentage, but a good amount, yes.

23 Q. I think you testified that there were 325 groups, correct,
24 and that 288 had auto delete turned on?

25 THE COURT: Mr. Everdell, it's a chart. You can just

1 look at it. If you want to count them and decide whether it's
2 most or some or a few, you can do it.

3 MR. EVERDELL: Sure.

4 Why don't we just look at the first page, if we could.

5 Q. Special Agent Troiano, you see on this first page as an
6 example the first 1, 2, and then skip to 3, 4, 5, 6 -- I am
7 just counting which ones have auto deletion turned off. I
8 count on the first page 1, 2, 3, 4, 5, 6, 7, 8, 9, 10,
9 indicating that they are turned off, right?

10 A. Yes.

11 Q. You see that?

12 A. Yes.

13 Q. And those turned-off dates are in the November 2022 time
14 frame, correct?

15 A. Yes, they are.

16 Q. If there is an indication that auto deletion was turned
17 off, that account was at least active during that time for auto
18 deletion to be turned off at that time, correct?

19 MS. KUDLA: Objection.

20 THE COURT: Sustained as to form.

21 MR. EVERDELL: We will move on to a different topic.

22 We will keep the chart up, if we could, please.

23 Q. Your chart, you testified, indicates the date when the
24 messages in the chats, at least some of them, were set to auto
25 delete, correct?

1 A. Yes.

2 Q. And it identifies how long the auto-delete function was set
3 for before it deleted the message, correct?

4 MS. KUDLA: Objection.

5 THE COURT: Ground.

6 MS. KUDLA: Asked and answered.

7 THE COURT: Yes, I think so. Sustained.

8 Q. Looking through your chart, and we can use the first page
9 as an example, there is an indication of when the auto-deletion
10 function was set and for how long, right?

11 MS. KUDLA: Objection. The chart speaks for itself.

12 THE COURT: Sustained.

13 Q. Let's look at this first page. Just as an example, you see
14 in the auto-deletion status column an indication for how long
15 the auto-deletion status was set for for these chat groups on
16 the first page, correct?

17 MS. KUDLA: Objection. Asked and answered and speaks
18 for itself.

19 THE COURT: Sustained.

20 Q. Is it fair to say that the duration of the auto delete was
21 set for, the ones on the first page generally, between one week
22 and four weeks?

23 MS. KUDLA: Same objection, your Honor.

24 THE COURT: Same ruling.

25 Q. Looking at that first row, the hashtag organization --

1 A. Yes.

2 Q. -- Signal group, you see in the auto-deletion status column
3 that auto deletion was turned off, correct?

4 MS. KUDLA: Objection. Asked and answered.

5 THE COURT: Sustained. This is not helpful.

6 MR. EVERDELL: All right, your Honor.

7 I just want to point out one thing with certain
8 columns, if I could.

9 Q. If you could look at number 1 that we just saw. If you
10 could also look at number 5 and number 6, which are also on the
11 same page.

12 You see those, Special Agent Troiano?

13 A. Yes.

14 Q. Those all indicate that it was SBF who turned off the auto
15 deletion, correct?

16 A. Yes, I believe those were the only three.

17 Q. Thank you.

18 Let's look at one other or a few others. If you could
19 take a look at number 29, row 29.

20 MS. KUDLA: Objection, your Honor. At this point we
21 are reading the chart.

22 THE COURT: That's correct.

23 MR. EVERDELL: I have not even asked my question yet.

24 THE COURT: Ask your question.

25 MR. EVERDELL: I just want to take a look at the

1 participants on the chart here for number 29.

2 Q. Special Agent Troiano, you see the name -- one of the
3 participants is named Ryne Miller?

4 MS. KUDLA: Objection, your Honor.

5 THE COURT: Sustained.

6 This is not an exam for new eyeglasses. I assume he
7 can read it just as well as everybody in the jury box can read
8 it.

9 MR. EVERDELL: I am simply going to ask if he knows
10 who Ryne Miller is.

11 THE COURT: Why don't you just ask him that.

12 MS. KUDLA: Objection, your Honor, to that question.
13 It goes beyond the scope.

14 THE COURT: You can ask him who Johnny Podres was.
15 Let's move along. He pitched for the Brooklyn Dodgers.

16 MR. EVERDELL: Let's look at number 201, if we could.

17 Q. You see that row, number 201, that group -- the name of
18 that group is KYC/legal discuss, is that correct?

19 A. Yes.

20 Q. Do you see that the auto-delete function was enabled for
21 that group?

22 A. Yes.

23 Q. What was the duration of the auto-deletion function for
24 that group?

25 MS. KUDLA: Objection, your Honor, 403, and this goes

1 to the Court's pretrial rulings.

2 THE COURT: I'll allow that question.

3 A. It was one week.

4 MR. EVERDELL: One moment, your Honor.

5 Nothing further, your Honor.

6 THE COURT: Thank you.

7 Ms. Kudla.

8 MS. KUDLA: No redirect, your Honor.

9 THE COURT: Thank you. You're excused, Agent Troiano.

10 (Witness excused)

11 THE COURT: Who is next, folks?

12 MS. KUDLA: Your Honor, at this time the government
13 offers Government Exhibit 505. We can address that at a
14 sidebar.

15 THE COURT: I appreciate it if someone brings a copy
16 up.

17 (Continued on next page)

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1 (At sidebar)

2 MR. COHEN: I was waiting for your Honor to say who
3 won game 7 of the '55 series.

4 THE COURT: But I don't acknowledge that. I'm a
5 denier as to the '55 World Series.

6 What's the issue here?

7 MR. EVERDELL: Your Honor, I believe the government is
8 offering this -- it's a hearsay objection. I believe the
9 government's basis for being able to offer this is under a
10 coconspirator exception and under a statement against interest
11 and unavailable declarant. We don't think it's a coconspirator
12 statement on -- Mr. Salame did not plead to a conspiracy
13 charge. He pled to a substantive charge on campaign finance.
14 This doesn't fall within the scope of a conspiracy.

15 And I don't think it's a statement against interest.
16 First of all, there is no indication in the record that he
17 would invoke. So if they want to rely on that, I think there
18 should be some record made that he would invoke his Fifth
19 Amendment privilege if he were here to testify. Even so, the
20 government's theory is that he was, I think, some sort of a
21 straw donor, but I think that the message here just reflects
22 the fact that he is going to be donating to causes that he
23 himself supports and that that doesn't make it a statement
24 against interests.

25 MR. ROOS: I will take those in turn.

1 First, he did plead guilty to a campaign finance
2 conspiracy, so I am not sure what they are thinking of.

3 Page 29, footnote 8 of the government's pretrial
4 briefing indicated that the attorney for Mr. Salame represented
5 that if called as a witness he would take five, so, therefore,
6 under *United States v. Miller*, which is a Second Circuit case,
7 he is an unavailable declarant.

8 MR. COHEN: Which footnote is that?

9 MR. ROOS: Footnote 8 of page 29.

10 So he is an unavailable declarant. The text of the
11 document indicates that he is making a statement against his
12 penal interests. He said: Pass Sam's donations through my
13 name, which is a clearly inculpatory statement in implicating
14 himself in a campaign finance conspiracy. In fact, his plea
15 allocution was very close to that.

16 I think there is no question that it comes in under
17 804(b)(3). I know defense counsel has not made the argument
18 yet, so we can let him go, if your Honor wants, but I think it
19 is also admissible as a coconspirator statement, potentially as
20 a nonhearsay basis also.

21 THE COURT: Anything else?

22 MR. EVERDELL: No, your Honor.

23 THE COURT: Overruled. It is received.

24 (Continued on next page)

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1 (In open court)

2 THE COURT: Government Exhibit 505 is received.

3 (Government Exhibit 505 received in evidence)

4 MR. ROOS: With that, your Honor, the government
5 rests.

6 THE COURT: Ladies and gentlemen, that concludes the
7 presentation of the government's evidence in this case, subject
8 to any rebuttal they might choose to offer to any defense case
9 that the defense may choose to offer.

10 At this time we will take what I expect will be a very
11 short break to take care of some legal business, and we will be
12 back with you as soon as we can, probably within 15 minutes.

13 (Jury not present)

14 THE COURT: Is there a motion?

15 MR. COHEN: Yes, your Honor.

16 Pursuant to Rule 29, defense moves for a judgment of
17 acquittal. Your Honor, we submit that the evidence is
18 insufficient to sustain a conviction on all counts.

19 In particular, we call your Honor's attention to the
20 issues that have been covered in many of the letters before the
21 Court. We don't think the government has set forth viable
22 legal theories of wire fraud. If it hasn't done that, then the
23 evidence is insufficient.

24 In particular, with regard to Counts One and Two for
25 wire fraud, as set forth in the briefing that your Honor has

1 received, it's our position that the government has not set
2 forth a viable theory under the misappropriation theory, and
3 therefore the evidence could not sustain this conviction.

4 That would also cover Count Seven, the money
5 laundering count which is predicated on Count One.

6 We have the same point for Counts Three and Four,
7 which are the lender counts. In addition, we submit that
8 materiality has not been shown on those counts as well.

9 With respect to Count Five, we also submit that the
10 government has not put forth sufficient evidence of
11 materiality.

12 And with respect to Count Six, the commodities fraud
13 count, we submit that the government has not put forth
14 sufficient proof to sustain a conviction for committing fraud
15 in connection with a commodities transaction.

16 For those reasons, your Honor, we would move under
17 Rule 29 for a judgment of acquittal.

18 THE COURT: Thank you.

19 Does the government want to be heard briefly?

20 MR. ROOS: Your Honor, the government opposes the
21 motion and submits that there is sufficient evidence for the
22 jury to conclude on Counts One and Two that the defendant
23 either made, participated in making, and conspired to make
24 material false and fraudulent representations, promises,
25 pretenses in connection with a scheme to defraud and obtain

1 money and property. I'm happy to elaborate on that further, if
2 your Honor would like.

3 On Counts Three and Four, which relate to fraud on
4 lenders, the Court heard testimony from Zac Prince, among other
5 evidence, about the materiality of balance sheets that were
6 false that were submitted to BlockFi to induce it to lend.

7 On Count Five, fraud on investors, the Court heard
8 evidence from two investors with extensive testimony about the
9 materiality of various statements that were made to them.

10 And on Count Six there is ample evidence in the record
11 about both commodities and swaps that were either transactions
12 in connection with those commodities or swaps that were either
13 fraudulent or resulted in embezzlement.

14 Therefore, it's sufficient to give it to the jury on
15 that question.

16 THE COURT: The motion is denied.

17 Will there be a defense case?

18 MR. COHEN: Yes, your Honor.

19 THE COURT: And order of witnesses, please.

20 MR. EVERDELL: Yes, your Honor. The first witness
21 will be Krystal Rolle. Second will be Joseph Pimbley.

22 One moment, your Honor.

23 Your Honor, I am just confirming that we don't have
24 any issues with stipulations. I don't think we do, in which
25 case the third witness will be Mr. Bankman-Fried.

1 THE COURT: Now, how long do you expect the first two
2 witnesses to take?

3 MR. EVERDELL: Your Honor, I don't think that's going
4 to take very long. I can't speak for cross-examination, but I
5 believe Ms. Rolle will be 15 minutes, 20 minutes tops.
6 Mr. Pimbley about the same.

7 THE COURT: Now of course I received the relatively
8 lengthy letter from defense counsel last night raising various
9 issues with respect to the admissibility of certain areas of
10 proposed testimony by the defendant.

11 I have concluded that in order to determine all or
12 most of those issues, probably all, I am going to take the
13 testimony initially out of the presence of the jury because the
14 letter provides insufficient detail for me to rule on it.

15 The question is, do you have sufficient other
16 testimony, without touching those subjects, to put
17 Mr. Bankman-Fried on and go as far as we can go and then break
18 for the hearing out of the presence of the jury, or is there
19 simply no point of starting him without having that hearing
20 take place and resolved?

21 MR. COHEN: Your Honor, I think we have enough to
22 start.

23 THE COURT: Give me an idea of how much time, please.

24 MR. COHEN: As I mentioned on our call yesterday, I
25 think the direct will take about as long as Mr. Wang and

1 Ms. Ellison, somewhere around four hours.

2 THE COURT: That's without touching these other
3 subjects?

4 MR. COHEN: I think without touching them, yes.

5 THE COURT: Fine.

6 Mr. Roos.

7 MR. ROOS: Just one thing on the first witness, your
8 Honor.

9 Last night we got some 26.2 material that contained
10 redactions to it. Under Rule 26.2(c), the defense needs to
11 first submit the material to the Court for its in camera review
12 before making any redactions for privilege. We would ask for
13 them to do that. Then if it's not in fact privileged to give
14 us the unredacted copy of the 26.2 material.

15 In particular, this is a former current attorney for
16 the defendant. We don't know what the direct is going to look
17 like. I think there is a possibility that things that are
18 redacted, even if they are privileged, they could create an
19 implied waiver, depending on how the testimony goes.

20 So I think it's important that the Court have an
21 opportunity to review that material and give it to the
22 government, if it is not in fact privileged or if there is a
23 waiver.

24 THE COURT: First of all, Mr. Cohen -- I assume it's
25 Mr. Everdell?

1 MR. EVERDELL: Yes.

2 THE COURT: What was the basis for redacting the
3 material that you turned over?

4 MR. EVERDELL: There are two bases, your Honor. Some
5 are simply notes that were jotted by the attorney who was --
6 notes of himself. It wasn't based on --

7 THE COURT: I didn't quite get that.

8 MR. EVERDELL: Your Honor, the first basis is work
9 product because some of the redactions are attorney notes to
10 themselves on the same page that the actual statements of the
11 witness during the interview were transcribed.

12 THE COURT: Which attorney? Who?

13 MR. EVERDELL: Attorney on my team who was preparing
14 the witness.

15 THE COURT: You don't have a clean copy of the
16 document?

17 MR. EVERDELL: They are on the same page, so we
18 decided just to redact that portion. They are handwritten
19 notes. Some are typed. We could produce the version of the
20 typed notes without those, but we didn't want to alter the
21 original of the document. But we can do that for the
22 typewritten notes.

23 THE COURT: You said there were two bases.

24 MR. EVERDELL: Yes.

25 The other basis is that during the prep there was some

1 discussion about legal advice that was given from the attorney
2 to the defendant, and we don't intend to go into that in the
3 direct of Ms. Rolle.

4 Just to be clear, your Honor, we are going to have her
5 elicit testimony not of any advice that she gave to the
6 defendant, but simply as a percipient fact witness because she
7 was there at the interview at the securities commission in the
8 Bahamas on November 12, which has already been testified about
9 by Gary Wang.

10 She is going to be testifying about -- she was
11 there -- just who was there, the fact that an interview took
12 place and what happened after the interview took place, because
13 she was there as well.

14 If you recall the testimony from Mr. Wang, they
15 returned to the FTX offices and they began -- after some other
16 things took place, there was -- they began transferring assets
17 to the SCB, and she was at the offices when this all took
18 place.

19 So the point of her testimony is purely fact
20 testimony. We are going to stay away from any legal advice or
21 any discussions she had with the defense. And we just want to
22 get her recollection of those events because she was there as a
23 participant.

24 THE COURT: But the second basis is, you're asserting
25 attorney-client privilege with respect to the material

1 redacted, is that correct?

2 MR. EVERDELL: Yes. For those portions, yes, your
3 Honor.

4 THE COURT: What is the volume of this material?

5 MR. EVERDELL: It's two pages, three pages.

6 THE COURT: Good. Produce the unredacted ones to the
7 Court, please.

8 MR. EVERDELL: Yes, your Honor.

9 THE COURT: Andy will mark them court exhibit next in
10 order, whatever that is.

11 MR. COHEN: Your Honor, in terms of timing, because I
12 know the Court wants to keep on top of that, even without the
13 topics that we will need to have a separate hearing on, it's
14 possible that the direct will be longer than four hours. It
15 could be closer to five. I don't know.

16 THE COURT: Thank you for keeping me posted.

17 MR. EVERDELL: Your Honor, I'm sorry. I didn't hear
18 what you said. I have redacted, unredacted copies of the two.

19 THE COURT: Give me the unredacted copy, and we will
20 mark it court exhibit next in order, and I will review it.

21 Mr. Akahoho's note will be marked as an exhibit prior
22 to the redacted notes.

23 MR. EVERDELL: The material that you have in the 3500
24 material has redactions on it. Those are the unredacted
25 copies.

1 THE COURT: Right. I guess I better have the other so
2 I can tell what you redacted.

3 MR. EVERDELL: Exactly.

4 THE COURT: Court Exhibit G is the unredacted and
5 Court Exhibit H is the redacted.

6 So now I'm thoroughly confused because instead of two
7 documents I have four.

8 MR. EVERDELL: Your Honor.

9 THE COURT: If anything has been redacted, I don't
10 necessarily see where.

11 MR. EVERDELL: Yes, your Honor. I apologize. You
12 have two documents. There is a pair of each. One is the
13 redacted version, one is the unredacted version of the same
14 document. So there are two documents: One redacted, one
15 unredacted.

16 THE COURT: There are two typewritten documents which
17 are marked G and I. G, I take it, is unredacted, and I has one
18 subparagraph which has the letter D in front of it redacted.
19 That's what I should be dealing with with that pair?

20 MR. EVERDELL: Your Honor, I'm sorry. I don't know
21 how it was marked. There is a set of typewritten notes and
22 then there is a set of handwritten notes.

23 THE COURT: The typewritten notes are marked G and I.
24 G has no indication of any redactions. I has what appears to
25 be one line or subparagraph marked privileged and not subject

1 to Rule 26.2. That's the redacted version of G, is it, and
2 it's marked I.

3 MR. EVERDELL: I think that's right, your Honor. In
4 the first page there is a place that says privileged as well.

5 THE COURT: Not on mine.

6 Excuse me. I found it. Yes. Correct.

7 MR. EVERDELL: That's the unredacted and redacted
8 version of that document.

9 THE COURT: Handwritten document H appears to have no
10 redactions.

11 I guess this must be Exhibit J, Andy. Is that a J?

12 THE DEPUTY CLERK: Yes, Judge.

13 THE COURT: That's a J.

14 That has a couple of redactions.

15 We will recess for a few minutes so I can sit down and
16 read them.

17 (Recess)

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1 (In open court; jury not present)

2 THE COURT: We are having an issue with the realtime
3 transcription, but we'll go ahead and the record will catch up
4 with us.

5 First of all, with respect to Court Exhibits G and I,
6 tell me again, please, who had the call with Ms. Rolle and who
7 is the author of the document?

8 MR. EVERDELL: So G and I, your Honor, are the
9 handwritten notes, the typewritten notes?

10 THE COURT: Yes. The typewritten notes.

11 MR. EVERDELL: The typewritten notes. Sorry. Okay.
12 That was an attorney on our team.

13 THE COURT: And that attorney did the notes as well.

14 MR. EVERDELL: Yes.

15 THE COURT: Okay. And exactly whose privilege is
16 asserted? Who is the client, who is the attorney?

17 MR. EVERDELL: Yes, your Honor. So the privilege is
18 Mr. Bankman-Fried's privilege with Ms. Rolle as his attorney in
19 the Bahamas matters, and so some of the redactions relate to
20 advice that Ms. Rolle gave him in connection with that matter.

21 If it helps clarify, your Honor, for example, if we're
22 looking at the typewritten notes on the second page, where
23 there's D—there's a D1D, that bullet is redacted for
24 privilege. And that bullet refers to discussions between
25 Ms. Rolle and Mr. Bankman-Fried that captures some legal

1 advice, and some discussions between him and his lawyer.

2 THE COURT: All right. The unredacted version of
3 Court Exhibit I need not be produced.

4 Let's go to the other one.

5 Same questions.

6 MR. EVERDELL: Yes. So starting with that one,
7 there's the note on the first page off the side, "not subject
8 to Rule 26.2." That portion below is sort of the note that the
9 attorney made to herself, you know, for purposes of capturing,
10 you know—for purposes of preparing for the direct. It wasn't
11 the statements that were made at that interview. You can see
12 that they're talking about a few other things in the rest of
13 the notes about her background, and that's just a note to
14 herself to be able to prepare the direct.

15 THE COURT: Okay. And the second page?

16 MR. EVERDELL: Yes. Second page is similar. This is,
17 again, notes to prepare the direct, and also, at the bottom,
18 it's the similar—it's the same thing we had before, which is,
19 it reflects discussions between Mr. Bankman-Fried and Ms. Rolle
20 that reflect legal advice.

21 THE COURT: Okay. The redactions are sustained there
22 too.

23 Okay. Are we ready for the jury? Bring the jury
24 back, please.

25 MR. EVERDELL: Your Honor, would it be useful for me

1 to just mention this to the witness? I can run out quickly
2 just to make sure that we're not going to run afoul of what we
3 discussed so—and give her some quick direction, make sure we
4 don't—

5 THE COURT: Yes. So let's hold on the jury for a
6 minute.

7 MR. EVERDELL: Thank you, your Honor. I'll be right
8 back.

9 (Continued on next page)

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1 (Jury present)

2 THE COURT: Mr. Everdell, your witness.

3 MR. EVERDELL: Thank you, your Honor. The defense
4 calls Ms. Krystal Rolle.

5 THE DEPUTY CLERK: Please remain standing and raise
6 your right hand.

7 (Witness sworn)

8 THE DEPUTY CLERK: Thank you. Please be seated. And
9 if you can please state your name and spell your first and last
10 names for the record.

11 THE WITNESS: First name is Krystal, K-R-Y-S-T-A-L,
12 surname Rolle, R-O-L-L-E.

13 THE COURT: You may proceed, Mr. Everdell.

14 MR. EVERDELL: Thank you, your Honor.

15 KRYSTAL ROLLE,

16 called as a witness by the Defendant,

17 having been duly sworn, testified as follows:

18 DIRECT EXAMINATION

19 BY MR. EVERDELL:

20 Q. Good morning, Ms. Rolle.

21 A. Good morning, Mr. Everdell.

22 Q. Where do you live, Ms. Rolle?

23 A. I live in New Providence, Nassau, Bahamas.

24 Q. Are you a citizen of the Bahamas?

25 A. I am.

1 Q. What is your profession?

2 A. I am a counsel, attorney at law, practicing in the Bahamas.

3 Q. And where are you licensed?

4 A. I'm licensed to practice in the Bahamas as well as in any
5 jurisdiction in the Caribbean.

6 Q. When did you begin practicing law?

7 A. In October of 1995.

8 Q. Where did you obtain your legal education?

9 A. I obtained my bachelor's of law degree at the University of
10 the West Indies, Cave Hill campus, Barbados; I obtained my
11 legal education certificate of merit, which is equivalent to
12 the bar equivalency, at the Norman Manley Law School in
13 Jamaica.

14 Q. And when did you receive your law degree from University of
15 West Indies?

16 A. In 1993.

17 Q. Where did you work when you started practicing law?

18 A. In 1995, I started off my career in the litigation
19 department of the firm of McKinney Bancroft & Hughes; I then
20 went to the litigation department of Graham Thompson; and in
21 January of 2003, I entered into partnership with my husband
22 Wallace Rolle, in the firm of Rolle & Rolle.

23 Q. And is that where you currently practice?

24 A. It is.

25 Q. Are you familiar with the term King's Counsel?

1 A. I am. I am a King's Counsel.

2 Q. Can you describe what that is, please.

3 A. King's Counsel is a senior trial lawyer who has been
4 appointed by the Monarch, by the Crown, as one of its counsel,
5 learned in the law.

6 Q. And when you say the Crown, what are you referring to?

7 A. The Monarch of England.

8 Q. Okay. Understood. And when did you become a King's
9 Counsel?

10 A. Well, I became a Queen's Counsel initially—

11 Q. Yes.

12 A. —in February of 2020, and when the Queen passed in
13 September of last year, automatically became a King's Counsel.

14 Q. And what does it mean to be a Queen's Counsel or King's
15 Counsel?

16 A. Well, it's a designation of honor. You are recognized as a
17 premier advocate in your jurisdiction.

18 Q. And how many King's Counsels are there, in the Bahamas?

19 A. At present, practicing, there are approximately 40, and
20 that is of a bar of about 2,000 attorneys, so there are 40 of
21 us.

22 Q. What are your primary practice areas, Ms. Rolle?

23 A. My primary practice area is civil litigation, and that
24 includes all manner of civil litigation, including commercial,
25 corporate, personal injuries, I used to do some family

1 work—not a whole lot of it anymore—and I don't do any
2 criminal.

3 Q. Okay. Ms. Rolle, do you know Sam Bankman-Fried?

4 A. I do Mr. Bankman-Fried.

5 Q. How do you know him?

6 A. Mr. Bankman-Fried is my client in the Commonwealth of the
7 Bahamas.

8 Q. And when were you retained by Mr. Bankman-Fried in the
9 Bahamas?

10 A. I was retained on the morning of 12th November 2022.

11 Q. What, if anything, happened on the morning of 12th of
12 November that led you to be retained?

13 A. I was retained for the purpose of accompanying
14 Mr. Bankman-Fried at his interview that had been scheduled at
15 the Securities Commission of the Bahamas.

16 Q. Can you tell the jury what the Securities Commission of the
17 Bahamas is.

18 A. So the Securities Commission of the Bahamas is a statutory
19 body, so it's created by statute, and it is the sole regulator
20 who oversees and regulates commercial securities business in
21 the Bahamas, so that includes all manner of securities
22 business, capital markets, mutual and investment funds, and
23 then more recently digital asset business.

24 Q. Okay. And are they sometimes referred to as the SCB?

25 A. Yes, that's the abbreviation.

1 Q. Okay. And who is the head of the SCB?

2 A. The executive director, Christina Rolle.

3 Q. And that's the same last name. Are you related?

4 A. Not at all. I must say Rolle is the most common name in
5 the Bahamas.

6 Q. Got it. You mentioned digital asset companies that the SCB
7 has some jurisdiction over?

8 A. Yes.

9 Q. Can you explain that a little bit.

10 A. Well, it's a pretty recent development. There's a piece of
11 legislation that was passed at the end of 2020. That's called
12 the Digital Assets Registered Exchange Act. And so subsequent
13 to the passage of that legislation, they then became regulators
14 of digital asset business.

15 Q. Did the SCB have any regulatory oversight over FTX?

16 A. They did.

17 Q. Which FTX entity did the SCB regulate?

18 A. That would be FTX Digital Markets Ltd., which is a Bahamian
19 entity.

20 Q. Okay. And where is that entity in relation to the rest of
21 the company?

22 A. Well—

23 MR. ROOS: Objection.

24 THE COURT: Ground?

25 MR. ROOS: Foundation on this.

1 THE COURT: Sustained.

2 Q. Are you familiar with where FTX Digital Markets sits in
3 relation to other FTX entities?

4 A. Well, FTX Digital Markets I believe to be a subsidiary, but
5 it is incorporated in the Commonwealth of the Bahamas.

6 Q. Okay. Now you mentioned that the SCB requested that
7 Mr. Bankman-Fried appear for an interview; is that right?

8 A. That is correct.

9 Q. Where—sorry—when was the interview supposed to take
10 place?

11 A. On the 12th of November at 12 noon at their premises in the
12 Bahamas.

13 Q. Okay. And how was it that Mr. Bankman-Fried became aware
14 that he needed to appear for this interview?

15 A. He was notified of his—that his attendance was required.

16 Q. Do you know how he was notified?

17 A. I—I can't say. I don't know.

18 Q. What, if any, was your understanding of the nature of the
19 appearance?

20 A. The nature of the appearance was that this interview was
21 being conducted as a part of an investigation that the SCB was
22 conducting into the collapse of FTX.

23 Q. And was there any indication about whether the interview
24 was voluntary or compulsory?

25 A. Given that it was a part of their investigation and given

1 the fact that liquidation proceedings had already been
2 commenced, as it relates to the Bahamian entity, it was
3 mandatory for him to attend.

4 Q. And when you say liquidation proceedings, can you explain
5 what you mean by that.

6 A. I would imagine that it would be akin to bankruptcy
7 proceedings.

8 Q. Okay. Can you elaborate a little bit on that.

9 A. Well, the Securities Commission had made application to the
10 Supreme Court of the Bahamas to place FTX Digital Markets Ltd.
11 into liquidation, and an order was granted by the Supreme Court
12 on the 10th of November 2022.

13 Q. Okay. Let's talk a little more about the interview.

14 Did you accompany Mr. Bankman-Fried to the interview
15 at the SCB?

16 A. I most certainly did.

17 Q. And did you represent Mr. Bankman-Fried in connection with
18 the proceedings before the SCB?

19 A. I did.

20 Q. All right. What time did you arrive at the offices of the
21 SCB?

22 A. I arrived shortly before noon.

23 Q. Okay. Was Mr. Bankman-Fried there?

24 A. He was there at the time of my arrival, yes.

25 Q. And about when did the interview begin?

1 A. It began at approximately 12:40 p.m.

2 Q. Who was present for that interview?

3 A. So there were a number of persons: first of all, the
4 personnel from the Securities Commission—the Executive
5 Director Christina Rolle, and she had three members of her
6 team, who were Ms. Mechelle Martinborough, Mr. Gawaine Ward,
7 and Mr. Gladstone Brown; besides the Securities Commission
8 personnel, there was myself; there was Mr. Bankman-Fried; and
9 there was Mr. Joseph Bankman; the provisional liquidator who
10 had been appointed by the court, Mr. Brian Simms, was present;
11 as well as an assistant of his, Ms. Sophia Rolle—again, no
12 connection; and there was one of the members of
13 PricewaterhouseCoopers, I don't remember his name at the
14 moment; and a stenographer.

15 Q. Understood. You mentioned the provisional liquidator. Can
16 you just explain what that was.

17 A. So once the Securities Commission had petitioned the court
18 to place FTX Digital Markets into liquidation, the court
19 appointed a provisional liquidator. This is an individual who
20 has then the responsibility of carrying out the liquidation
21 process. So the person that was appointed was Mr. Brian Simms,
22 and Mr. Simms was present.

23 Q. And do you know why they were present for the interview?

24 A. Well, having been appointed as the provisional liquidators
25 of FTX Digital Markets, they were then involved in the process

1 of carrying out the liquidation.

2 Q. And how long did that interview last?

3 A. Just short of three hours.

4 Q. So approximately when did it end?

5 A. Shortly after 3 p.m.

6 Q. What happened after the interview at the SCB concluded?

7 A. After the interview at the premises of SCB concluded, we
8 then went to the office of FTX Digital Markets situated in the
9 Bahamas as well.

10 Q. Where is that?

11 A. In the Western District, on the island of New Providence,
12 Bahamas.

13 Q. And who went back to the FTX offices after the interview?

14 A. All the individuals that I listed. Should I list them
15 again or—

16 Q. No need.

17 A. With the exclusion of Mr. Joseph Bankman.

18 Q. And what was the purpose for going to the offices after the
19 interview?

20 A. For the purpose of having Mr. Bankman-Fried then officially
21 turn over the premises to the provisional liquidator.

22 Q. What happened when you arrived at the offices?

23 A. Sometime after we had arrived, we were then notified by
24 Christina Rolle—that is the Executive Director of SCB—that
25 the Commission had made an order against Mr. Bankman-Fried

1 directing him to turn over the digital assets of FTX to the
2 custody of the Securities Commission.

3 Q. Did you see this order?

4 A. We were shown a copy of it on a laptop and it was read to
5 us.

6 Q. Did you later see a written copy of this order?

7 A. We were then presented with a written copy on the following
8 business day, which was Monday, the 14th.

9 Q. And just to be clear, what day was the—

10 A. The 12th was Saturday, so this was Saturday afternoon
11 that—that the interview took place and that we then went to
12 the premises of FTX.

13 Q. And how did you—well, when you were on the premises, how
14 did you receive the order on the premises on the 12th?

15 A. On the 12th, it was read to us, and it was shown to me on a
16 laptop.

17 Q. And how did you receive it two days later when you saw the
18 written copy?

19 A. A hard copy was delivered to my office, and I also received
20 it by email.

21 Q. And did the Securities Commission ever make that order
22 public?

23 A. They did. It was subsequently posted on their website.

24 Q. All right. I would like to show for you, Ms. Rolle, what's
25 been marked for identification as Defense Exhibit 837.

1 MR. EVERDELL: Brian, if you could just show that to
2 the witness, please.

3 Q. Ms. Rolle, do you see what's in front of you there?

4 A. I do.

5 Q. And do you recognize that?

6 A. I do.

7 Q. What is that?

8 A. This is the notice of order that was shown to me on the
9 evening of the 12th November and then hard-copied to me on the
10 14th.

11 Q. And how do you recognize it?

12 A. I've seen it before.

13 Q. Is it a fair and accurate copy of the order that was shown
14 to you on the 12th and that you received later?

15 A. At the moment I'm only seeing the first page. That is.

16 Q. Let's let you look at the second page as well. If you
17 could flip to the second page.

18 A. Yes, and that second page, that is it, yes.

19 Q. Okay. And is that order signed?

20 A. It is.

21 Q. Who is it signed by?

22 A. It is signed by Christina Rolle, the Executive Director of
23 the Securities Commission.

24 MR. EVERDELL: Your Honor, at this time defense offers
25 Defense Exhibit 837.

1 MR. ROOS: No objection.

2 THE COURT: Received.

3 (Defendant's Exhibit 837 received in evidence)

4 MR. EVERDELL: All right. If we can publish that to
5 the jury.

6 BY MR. EVERDELL:

7 Q. All right. Ms. Rolle, this is the order that the
8 Securities Commission read out orally at the offices on the
9 12th?

10 A. It is.

11 THE COURT: I think we've covered that.

12 MR. EVERDELL: Yes, your Honor.

13 Q. Why don't we skip to the second page of the order.

14 And if we can first look at paragraph 6 of the order.

15 A. Yes.

16 Q. Do you see that, Ms. Rolle?

17 A. I do.

18 Q. Okay. Can you—without reading the whole thing, can you
19 just summarize what that provision provides for.

20 A. So it is notifying Mr. Bankman-Fried that the Commission
21 has taken a decision that he is to transfer all of the digital
22 assets of FTX to the Securities Commission.

23 Q. And when you say FTX, which FTX are we talking about there?

24 A. FTXDM. That would be FTX Digital Markets Ltd., the
25 Bahamian entity.

1 Q. Right. So just to read it, read the language there, it
2 says, "to transfer to an account and/or digital wallet(s)
3 established and maintained by the Commission all of the digital
4 assets on the ftx.com platform within the possession, custody
5 and/or under the control of FTXDM, and its officers, directors,
6 employees, and/or agents."

7 A. Yes.

8 Q. Correct?

9 A. Yes, correct.

10 MR. EVERDELL: Okay. We can take down that highlight.

11 And if we can look at paragraph 7.

12 Q. Do you see that paragraph, Ms. Rolle?

13 A. I do.

14 Q. Can you summarize for the jury what that paragraph means.

15 A. So this paragraph is now the order, the actual directive
16 directing Mr. Bankman-Fried to transfer the digital assets of
17 FTXDM to the Securities Commission of the Bahamas.

18 Q. Okay. And was Mr. Bankman-Fried subject to this order?

19 A. He was.

20 MR. EVERDELL: All right. We can take that down.

21 Q. All right. Ms. Rolle, after the order was read out that we
22 just saw, what happened next?

23 A. Approximately 45 minutes later to an hour, we were then
24 notified that an order had been made by the Supreme Court of
25 the Bahamas.

1 Q. Okay. And when you say the Supreme Court of the Bahamas,
2 what's that court?

3 A. So the Supreme Court is the highest trial court. We refer
4 to this as the first instance court. It's the highest court
5 other than an appellate court.

6 Q. So there are levels above the Supreme Court?

7 A. Appellate court. There's the Court of Appeal and the Privy
8 Council in London.

9 Q. How did you learn that the Supreme Court of Bahamas had
10 issued an order?

11 A. We were notified of this fact by Christina Rolle and also
12 by her counsel, who was then present.

13 Q. And how did you become aware of the order?

14 A. We were advised of it verbally by counsel for the
15 Securities Commission, Mr. Robert Adams, KC.

16 Q. And did you later see the written order itself?

17 A. We did.

18 Q. When was that?

19 A. On Monday, 14th of November, we were then served with a
20 filed copy of the order.

21 Q. All right. I want to show you what's been marked for
22 identification as Defense Exhibit 836.

23 MR. EVERDELL: If we can just show that to the
24 witness, please.

25 Q. Ms. Rolle, do you see what's in front of you?

1 A. I do.

2 Q. What is that in front of you?

3 A. So this is the first page of the court order that I just
4 referenced, issued by the Supreme Court of the Bahamas.

5 MR. EVERDELL: Why don't we let Ms. Rolle look at each
6 page, so we can scroll through.

7 A. Yes, and this is the second page that I'm now looking at.

8 Q. Okay. And is this a fair copy of the court order that you
9 saw, that you saw on the 14th that was read to you on the 12th?

10 A. Yes, it is.

11 MR. EVERDELL: Your Honor, the defense offers Defense
12 Exhibit 836.

13 THE COURT: Received.

14 (Defendant's Exhibit 836 received in evidence)

15 MR. EVERDELL: Okay. All right. If we could publish
16 that to the jury.

17 BY MR. EVERDELL:

18 Q. Okay. Ms. Rolle, let's take a quick look at this document.
19 You see the title there, the caption, The Securities Commission
20 of the Bahamas and FTX Digital Markets Ltd., you see that?

21 A. Yes, I do.

22 Q. So we've discussed what the Securities Commission of the
23 Bahamas is, yes?

24 THE COURT: Mr. Everdell, can we get to your point,
25 please.

1 MR. EVERDELL: All right. We can take the callout
2 down.

3 Let's go to date. If we can just highlight the date
4 of the document.

5 THE COURT: I'm sorry. Could we get to your point.

6 MR. EVERDELL: Yes, your Honor.

7 We'll move to the second page. And if we could
8 highlight the "IT IS HEREBY ORDERED THAT."

9 BY MR. EVERDELL:

10 Q. All right. Ms. Rolle, do you see that language in front of
11 you?

12 A. I do.

13 Q. You don't have to read the whole thing out, but can you
14 just summarize what that means for the jury.

15 A. So essentially the Securities Commission of the Bahamas, as
16 the regulator, which has jurisdiction over FTX, its officers,
17 directors, directs FTX, its said officers and directors, to
18 transfer all of the digital assets of the company into the
19 custody of the Securities Commission.

20 Q. Okay. And was Mr. Bankman-Fried subject to this order?

21 A. He was.

22 Q. What consequences could he have faced if he did not comply
23 with this order?

24 A. Well, this is a court order issued by the Supreme Court.
25 Failure to comply has a result of being held in contempt of

1 court and imprisonment.

2 MR. EVERDELL: We can take that down, Brian.

3 Q. After the Securities Commission Executive Director
4 presented orally this order, what happened next?

5 A. Mr. Bankman-Fried, in conjunction with Mr. Gary Wang, then
6 began the process of transferring the assets into wallets that
7 had been created by the Securities Commission for that purpose.

8 Q. And how long did this process take?

9 A. Very, very long. Didn't leave the premises until after
10 2 a.m. that night, from the following day.

11 Q. And did anything else happen at FTX offices that evening
12 while the assets were being transferred?

13 A. Yes. During the process of the transfer of assets, two
14 officers from the Commercial Crime Division of the Royal
15 Bahamas Police force showed up.

16 Q. Okay. And what happened next?

17 A. We met with them, being myself and Mr. Bankman-Fried, and
18 we offered to have Mr. Bankman-Fried attend an interview with
19 them the following week rather than accompany them that evening
20 for the purpose of questioning.

21 Q. And what, if anything, happened with respect to passports?

22 A. Mr. Bankman-Fried agreed to surrender his passport as an
23 indication of good faith, consistent with his agreement to
24 surrender himself for questioning the following week rather
25 than be taken that evening for questioning.

1 Q. Did you see, what, if anything, occurred with Mr. Wang's
2 passport?

3 A. The same.

4 Q. Did you have—did you continue to represent
5 Mr. Bankman-Fried after the events of that evening?

6 A. I did.

7 Q. And did you have occasion to observe his interactions with
8 the SCB after the SCB interview on the 12th?

9 A. I did. I accompanied him on a number of interviews with
10 the SCB after the 12th of November.

11 Q. Okay. And what was the nature of those interactions?

12 A. Pretty much the same; continuing questioning as to the
13 events of the FTX collapse.

14 Q. And did you have occasion to observe his interaction with
15 the provisional liquidators after the SCB interview?

16 A. I did. I accompanied him on at least one of those meetings
17 with the liquidator.

18 Q. Okay. And what were the nature of those interactions?

19 A. Similar to that as the Securities Commission fact-finding
20 questioning.

21 MR. EVERDELL: One moment.

22 Nothing further, your Honor.

23 THE COURT: Thank you.

24 Any cross?

25 MR. ROOS: Just briefly.

1 CROSS EXAMINATION

2 BY MR. ROOS:

3 Q. Good morning.

4 A. Good morning.

5 Q. We've never met before, right?

6 A. I don't think so.

7 Q. I don't think so either. So nice to meet you.

8 A. Likewise.

9 Q. You have had a chance to speak with the defense lawyers
10 before, right?

11 A. I have, yes.

12 Q. And how many times, do you think?

13 A. Difficult for me to say. I've had discussions with them
14 relative to proceedings in the Bahamas.

15 Q. Okay. And did you have a chance to talk with them in
16 advance of your testimony here today about the testimony?

17 A. I have.

18 Q. And when was the most recent time, do you think?

19 A. I would say this morning.

20 Q. Okay. And just to be clear, you weren't doing anything
21 wrong when you spoke to them in advance of your testimony here
22 today.

23 MR. EVERDELL: Objection.

24 THE COURT: Sustained as to form.

25 Q. Did you think you were doing anything wrong when you spoke

1 to them in advance of your testimony?

2 MR. EVERDELL: Objection.

3 THE COURT: Overruled.

4 A. No, I don't.

5 Q. There's nothing irregular about meeting with lawyers in
6 advance of testifying, right?

7 MR. EVERDELL: Objection.

8 THE COURT: Overruled.

9 A. Not to my knowledge, no.

10 Q. Now, and just to be clear, meetings in advance of your
11 testimony did not affect your truthful answers in the
12 testimony, right?

13 A. Absolutely not, no.

14 Q. Now you said you were retained by Mr. Bankman-Fried on the
15 morning of November 12th?

16 A. That's correct.

17 Q. And that was after FTX declared bankruptcy; is that right?

18 A. I don't know that FTX declared bankruptcy. They were put
19 into liquidation by the Securities Commission.

20 Q. I'm sorry. Do you know—I'll ask it this way: Do you know
21 when, if you know, there was a bankruptcy in the United States?

22 A. I'm vaguely familiar with that, now.

23 Q. Okay. Fair enough.

24 Just to be clear then, you didn't work at FTX, right?

25 A. No.

1 Q. And when you were hired, that was as a lawyer, not as an
2 FTX employee, correct?

3 A. As a lawyer for Sam Bankman-Fried personally, yes.

4 Q. Got it. Now so you weren't involved in what happened with
5 FTX customer funds, right?

6 A. Not at all. Was not even familiar with FTX.

7 Q. Okay. So you don't have any firsthand knowledge about
8 that.

9 A. Not at all, no.

10 Q. And you don't have any involvement in the spending of FTX's
11 money, right?

12 A. No.

13 Q. And so the information that you have here today is
14 irrelevant to what happened before the liquidation, right?

15 MR. EVERDELL: Objection.

16 THE COURT: Sustained as to form.

17 Q. The information you've testified today relates to stuff
18 after the liquidation proceedings occurred, right?

19 MR. EVERDELL: Objection.

20 THE COURT: Overruled.

21 A. I don't know when the liquidation proceedings occurred.
22 The information that I gave today is as to the occurrences on
23 the 12th of November and thereafter.

24 Q. So the 12th of November and then afterwards, right?

25 A. Correct.

1 Q. The information you gave today doesn't relate to anything
2 prior to the 12th of November.

3 A. No.

4 MR. ROOS: Thank you very much for coming out here.

5 THE WITNESS: You're welcome.

6 THE COURT: Thank you.

7 Mr. Everdell, anything else?

8 MR. EVERDELL: Nothing further for this witness, your
9 Honor.

10 THE COURT: Thank you.

11 Ms. Rolle, thank you very much. You're excused.

12 THE WITNESS: Thank you, your Honor.

13 (Witness excused)

14 THE COURT: Next witness.

15 MR. EVERDELL: Your Honor, the defense calls Joseph
16 Pimbley.

17 THE DEPUTY CLERK: Remain standing, raise your right
18 hand.

19 (Witness sworn)

20 THE DEPUTY CLERK: Thank you. Please be seated.

21 Pull yourself up to the microphone. Would you please
22 state your name and spell your last name for the record.

23 THE WITNESS: Yes. My name is Joseph Pimbley,
24 P-I-M-B-L-E-Y.

25 THE DEPUTY CLERK: Thank you.

1 JOSEPH PIMBLEY,

2 called as a witness by the Defendant,

3 having been duly sworn, testified as follows:

4 DIRECT EXAMINATION

5 BY MR. EVERDELL:

6 Q. Good morning, Mr. Pimbley.

7 A. Good morning.

8 Q. Mr. Pimbley, what do you do for a living?

9 A. I am a consultant for financial issues.

10 Q. Okay. And what does it mean to be a consultant for
11 financial issues?

12 A. It means I have clients who hire me for a variety of both
13 skills and tasks they need, which does include litigation for
14 financial disputes; it also includes building models for
15 complex investments and giving advice on investments and risk
16 management.

17 Q. And where do you work?

18 A. Well, New York State. I live in New York State and I work
19 out of my home office.

20 Q. Are you affiliated with any consulting companies?

21 A. Yes. For this and several engagements, I'm affiliated with
22 PF2 Securities.

23 Q. And what is PF2 Securities?

24 A. It's a firm that specializes in litigation dispute
25 services.

1 Q. What is your educational background, Mr. Pimbley?

2 A. Education is all in physics. I have a bachelor's,
3 master's, and PhD.

4 Q. Where are those degrees from?

5 A. Rensselaer Polytechnic Institute.

6 Q. When did you receive those degrees?

7 A. 1980, a bachelor's degree in math—minor. I'm sorry.
8 Bachelor's in physics, minor in math; master's degree in
9 physics, 1981; PhD, theoretical physics, 1985.

10 Q. Can you describe your work or professional background,
11 please.

12 A. Yes. I started my career at GE Research Center in upstate
13 New York. I was a physicist for semiconductor devices, an
14 expert on that topic.

15 I then, later in the '80s, became an assistant
16 professor of applied math at Rensselaer Polytechnic Institute
17 and worked there for several years.

18 I joined Citibank in 1993, 30 years ago. They were
19 looking to hire quantitative finance people and needed somebody
20 with my background.

21 Q. Can you explain what quantitative finance is.

22 A. Yes. It's—of course finance, like many fields, has many
23 branches, many important aspects. I was hired, you know, for
24 Wall Street type problems, in both investments and derivatives,
25 but those areas often require a lot of code writing, solutions

1 of mathematics problems, and to translate the math and the
2 computer code into practical instructions or practical devices,
3 practical investments, practical analyses for institutions like
4 Citibank.

5 Q. So you mentioned you were hired for some of your particular
6 skills. Does that include the coding skills that you're
7 discussing here?

8 A. Yes, sir, it does.

9 Q. And can you describe your familiarity with coding and
10 databases.

11 A. Yes. In particular I've been writing computer code really
12 my whole career, starting at age 20 or so, so that's quite
13 awhile. But in my—in my physics work, also as a math
14 professor, I would be required to—I actually—shouldn't say
15 required. But my research would need computer code. I
16 actually taught courses in computer code, as well as other more
17 typical mathematics classes. And Wall Street, in the financial
18 field, data is supremely important, so all the models I built
19 would have to interact with the data—read input data, write
20 output data—and so the database work, which is a much more
21 formalized use of a high volume of data, became much more
22 important to me when I worked with a large investment firm in
23 the early 2000s.

24 Q. Can you describe your work with that firm. And what firm
25 was that?

1 A. That firm was ACA Capital. I joined in 2002. I had—I was
2 originally a portfolio manager for a complex type of security
3 called a collateralized debt obligation—CDO—and I was—I
4 built several of these CDOs, billions of dollars,
5 billion-dollar sizes each, with, you know—working within my
6 firm to sell to investors and manage for them. Lots of data is
7 needed for that, and the models need to interact with that.

8 But two years later, they promoted me to the executive
9 vice president level to—really, to lead all of risk for the
10 firm, and that—the most important component of that is the
11 database system—I'll call it the data system—that we needed
12 to rebuild for that firm. So—

13 Q. Can you describe what that was.

14 A. Yes. And what we—what we and my team of people, which
15 included the information technology group, that underlying
16 database was using a product called SQL server, and we also
17 used a—what's called a code base or code platform, computer
18 code, that needs to work with that database. It actually
19 manages, inputs the data, extracts data, in very quick time,
20 does all the calculations that a financial firm needs, so that
21 a data system really means this database, this formal database,
22 but what I call a code layer that goes over that database.

23 Q. You mentioned a few concepts there. Let's see if I can
24 break that down.

25 First, you mentioned SQL; is that right?

1 A. Yes, sir.

2 Q. What is SQL?

3 A. SQL is not the word, it's just the letters S-Q-L, and it
4 stands for "structured query language," and it—essentially
5 what it is is what it sounds like; it is a special language
6 that a person can use, sitting in front of the computer, just
7 type a few commands for particular data you want to extract
8 from a database.

9 Q. And are you familiar with SQL?

10 A. Yes, I am.

11 Q. Are you able to craft SQL queries on the database?

12 A. Yes.

13 Q. You also used the terms "code platform" and "code layer."
14 Can you describe what you mean by those.

15 A. Yes. By "code platform," what I was thinking as I said
16 that, something called dot-net, and programmers—when I use the
17 word "programmer," the word "developer" means the same thing.
18 Somebody who writes computer code is called a programmer or
19 developer. So developers will understand that this is an
20 extensive Microsoft product which essentially just has
21 different languages you can put under one program. We happened
22 to focus on one particular language, but it's broad enough for
23 several languages. That's the code platform. And one of the
24 most important elements of that type of code is how it's able
25 to get data out of the database quickly but also write data

1 into the database.

2 Q. Okay. So can you describe briefly how the code interacts
3 with the database.

4 A. Yes. Just as you asked a minute ago about SQL—"sequel" is
5 how we say SQL—that's a language you can sit in front of a
6 computer, type a command, get answers out of the data. What
7 the code does is it does these SQL commands inside its code.
8 It's a—it's a variant on the SQL that you might see
9 separately, but it's very important for that code language to
10 have the ability to query. We still call it a query when we
11 put it in that code. It queries the database.

12 Q. And are you familiar with how to write queries to interact
13 with databases to extract data?

14 A. From the code as well, yes.

15 Q. Okay. One last term. Are you familiar with the term
16 "relational database"?

17 A. Yes.

18 Q. Can you describe what that is.

19 A. Yes. Essentially the dominant form of—when I say
20 database, within the financial world is what's called the
21 relational database. It's a concept that's almost 50 years old
22 now, but it was a great concept, and what makes the database
23 relational is the question of, well, how is the data structured
24 or stored inside this—lots of hardware that has lots of
25 memory, and the answer is that it's configured as tables.

1 Think of a table as just rows and columns for something that's
2 important. It might be the users in those systems, such as
3 FTX, that all the users have to be listed somewhere. Each row
4 in the table is a different user. And the columns going across
5 are just—they may all be simple but just different simple
6 attributes of the user that needs to be stored somewhere.
7 Maybe it will be changed when a new user is added, but, you
8 know, the database has to be increased in size. That's one
9 table. But a database, a relational database will have many
10 tables. We'll talk about FTX later, but it's normal to have
11 tens to hundreds of tables within one particular database.

12 Finally, what makes the word "relational" matter is
13 that each of these tables has an ID number—I'll call it a
14 key—a key that lets me easily go to another table to get
15 information I need elsewhere to use. If I'm also getting
16 information from table No. 1, I can also couple that or pair
17 that with information from a different table. That's the
18 relational aspect.

19 Q. I stopped at your career path. Did you use any of your
20 expertise in databases and code in the rest of your career
21 following ACA Capital?

22 A. Yes, I did. If I could—

23 Q. Please go ahead.

24 A. Okay. It seems essentially all roles that I've had have
25 certainly used computer code one way or another. Sometimes

1 it's the most important aspect, sometimes it's only a secondary
2 aspect. But databases, after—after ACA—if this is what you
3 meant—after the work that I did leading that effort and
4 creating what I think was a great data system for that firm, I
5 only used databases when I have a client who wants that, and
6 I've had, you know, essentially one or two clients in those
7 last ten years or so who asked for that capability.

8 Q. Okay. Have you ever taught or given lectures on financial
9 data systems in your professional capacity?

10 A. Yes, I have.

11 Q. Please describe that.

12 A. Yeah. The largest financial risk management organization
13 in the world is called Global Association of Risk
14 Professionals. There's a—there are second and third kind of
15 organizations, but they're all important. Just, again, what it
16 sounds like, a professional society. I was a member of this
17 global association for many years, and I wrote articles for
18 them on quantitative finance as a regular column. I
19 contributed at all their—or many of their conferences as a
20 speaker. They invited me to be the first person to create a
21 video series for them on how one should understand credit risk
22 in the financial world and how to manage it, and how to assess
23 it. And one of the key videos I created out of the nine of
24 that series focused on financial data systems. And the short
25 story is, financial data systems are just absolutely required

1 to manage—to even just run your firm, okay, or not just manage
2 risk but to run your entire firm, you need a very
3 high-integrity, high-capability financial system, and the
4 database is the first key element of that; the code layer is
5 the second key element of that.

6 Q. And have you ever served on the board of any companies that
7 involve financial data systems?

8 A. Yes.

9 Q. Can you describe that briefly, please.

10 A. Yes. I served on the board for years 2013 to
11 2019—something like that—for a firm called SOLVE Advisors.
12 They have since rebranded as SOLVE. They were a startup. I
13 was their only early investor. So I was on the board for many
14 years. The founders are actually colleagues of mine at ACA
15 Capital, where we felt we had built this—the financial data
16 system for ACA, and my colleagues ended up going to a business
17 that specializes in an excellent database that they use for
18 what's called fixed-income pricing data.

19 MR. EVERDELL: Your Honor, at this time the defense
20 offers—

21 THE COURT: You don't need to do that.

22 MR. EVERDELL: Thank you, your Honor.

23 All right. I'll move on.

24 Q. Mr. Pimbley, what is your connection to this case?

25 A. I was retained by your law firm in August of this year.

1 Q. And to do what?

2 A. I was asked to assist with their extraction of data from
3 the database.

4 Q. Which database are you talking about?

5 A. Oh. I was provided with what was represented as a snapshot
6 of the FTX database that's hosted on Amazon Web Services, so we
7 often say AWS, Amazon Web Services; and in fact, I'll often
8 call this the AWS database or the FTX database.

9 Q. Okay. You were asked to extract data from the database,
10 from the FTX database?

11 A. Yes.

12 Q. To your knowledge have you ever met any of the witnesses in
13 this case?

14 A. I don't believe I have, no, sir.

15 Q. Have you ever met Mr. Bankman-Fried?

16 A. No, sir.

17 Q. And do you have any personal knowledge of the facts of this
18 case other than the work you performed with the database?

19 A. Other than the work I've performed, I have essentially zero
20 knowledge beyond—it's really beyond what I've seen in
21 headlines. I don't follow the stories, but what I know about
22 headlines. The trial is going on, so I know that. I'm limited
23 to that kind of knowledge.

24 Q. Okay. Mr. Pimbley, are you being compensated for your work
25 on this case?

1 A. Yes, I am.

2 Q. What is your hourly rate?

3 A. \$720.

4 Q. Okay. And roughly how much have you spent on this case?

5 A. I would say about 70 hours thus far, something to that
6 effect.

7 Q. Is your pay in any way dependent on the opinions you give
8 in the courtroom today?

9 A. No, sir.

10 Q. And is it dependent in any way on the outcome of the case?

11 A. No, sir.

12 Q. Okay. Let's go back to the AWS database that you mentioned
13 a minute ago. What is the AWS database?

14 A. It's the database that represents all of the—essentially
15 all of the data that FTX as a going concern had to have—for
16 example, who are the users, who are—which could be customers,
17 it could be other people, but who are the users, what are the
18 coins, and other positions that are traded on the database,
19 what are the values of these; all the information you can
20 imagine to make that business run.

21 Q. Okay. And you said it was a snapshot. You used the phrase
22 "snapshot."

23 A. Yes, sir.

24 Q. Was the snapshot at a particular date?

25 A. Yes. And I—I don't know a precise date. I think it's

1 November 12, 2022, but it's some day in November 2022.

2 Q. And did you become familiar with the AWS database in the
3 course of your work?

4 A. Yes, sir.

5 Q. How big is the database?

6 A. Well, in terms of number of tables, I believe it's almost
7 300. I think it's 289, but I'll say about 300 tables in the
8 database. In terms of memory, I believe it's like 30 terabytes
9 of memory.

10 Q. Can you give a sort of rough estimate in layman's terms of
11 what 30 terabytes means in terms of data.

12 A. Well, for me—and that's one of the first things I did is,
13 how many users are there in this database, was this, you know,
14 a thousand users; it turns out it's more like somewhere of 9 to
15 11 million users, so imagine storing, you know, I'll just say
16 roughly 9 to 11 or 10 million users, and what trades they have
17 on and when they—when they put money in, when they took money
18 out, deposits and withdrawals. So to me it's a huge amount.
19 Unlike many problems, you can't just scroll down a screen to
20 see what's going on. Really, it's a huge amount.

21 Q. Okay. How did you familiarize yourself with the AWS
22 database?

23 A. Well, I downloaded software—first of all, I was given
24 access to the database, not—it doesn't—it's not on my
25 computer, it's just a remote link that I'm able to do—to use

1 to AWS to see the database. But I also needed special software
2 that lets me run queries, but also just review the tables even
3 without running queries, and so I can see all the table names,
4 I can choose any one I want and go look into it, and I—I did a
5 lot of that just to understand how can I, you know—I'm going
6 to get my arms around this, so let me look at—look into all
7 the tables I can see here.

8 Q. So is that background work to get ready for your—the
9 specific projects on this case?

10 A. Yes, it was. That was background, but also it's good, you
11 know, to jump in and work on the real problems as you're
12 learning at the same time, and so that was my philosophy there.

13 Q. And so you did that work?

14 A. Yes, I did.

15 Q. Are you familiar with the term "query"?

16 A. Yes, sir.

17 Q. Can you explain what a query is in relation to a database.

18 A. It's really like it sounds. It's, you ask the database to
19 tell you something. I gave the example a minute ago. The
20 simplest example might be, how many users are there. So you
21 can write a query that will answer that question, okay? And
22 that's what a query is. You're asking the database a question.

23 Q. Okay. And what language do you use to write those queries?

24 A. SQL.

25 Q. Did you familiarize yourself in any way with the code that

1 relates to the FTX database?

2 A. Yes, sir.

3 Q. Can you describe how you did that.

4 A. Yes. I was also provided—I believe it's on discovery in
5 this case—what I'll call the code base for the computer code.
6 It's printed in language called Python, which means I was
7 given, you know, a folder of size I forget, but maybe 25
8 megabytes in size, 17,000 individual files, each of which is
9 Python code; and I also have software called developer
10 environment ID—or it's a type of developer environment.
11 Visual Studio. But I already had this code that lets me view
12 essentially any part of this Python code that I want, so I
13 became very familiar with the Python code also.

14 Q. And are you yourself familiar with Python code?

15 A. Yes, sir.

16 Q. Okay. All right. Now in connection with your work on this
17 case, were you given any specific projects to complete relating
18 to the data in the AWS database?

19 A. Yes, sir.

20 (Continued on next page)

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1 Q. How many projects were you given?

2 A. Three.

3 Q. And can you just, at a very high level, summarize each of
4 the three projects you were asked to complete.

5 A. Yes. I'll order them so I can say it this way.

6 First was, at a high level, we want to know the in-use
7 line of credit, which was just stated as LOC, line of credit,
8 what was the in-use line of credit of Alameda's entities that
9 you can extract from the database.

10 Q. Alameda, you are referring to what?

11 A. I'm sorry. Alameda Research as being one of the dominant
12 accounts within the FTX database.

13 Q. When you say in-use line of credit, what do you mean by
14 that?

15 A. Well, to me the simplest -- a simple and good analogy is
16 credit cards. Many of us have credit cards. The credit card
17 company will give us a maximum amount we can charge, but that
18 maximum may not actually be what you are using. You might be
19 charging much less, purchasing much less.

20 So the in use is the portion of that credit card that
21 you're actually using, and that's the part you pay interest on.
22 You wouldn't pay interest on the full size if you are not using
23 that money.

24 Q. We will get to the specifics of that project in a bit.

25 You said there were two other projects, is that right?

1 A. Yes, sir.

2 Q. Can you just, high level again, describe what those two
3 projects were.

4 A. Yes. They asked me, please, from the database, we want you
5 to tell us the total balance, which is total of invested
6 amount, but that's again at a high level, that's a simple
7 description, but excluding Alameda and excluding any FTX
8 entity. So it's, essentially, what's the total amount of
9 everybody who is not at Alameda or FTX. And we want that
10 number divided down into a few different groups, and that
11 involves all coins versus some small number of coins, and coin,
12 we may discuss, is like a currency, and also a special request
13 about certain -- whether certain accounts are margin enabled or
14 not.

15 Essentially, it was get us the total balance but
16 without Alameda FTX and a few more requests.

17 Q. We will discuss those in a little bit more detail in a
18 second.

19 Let's talk first about that first project, the one
20 that was related to the line of credit for Alameda entities.
21 OK?

22 A. Yes, sir.

23 Q. What specifically were you asked to do in connection with
24 Alameda's line of credit in use?

25 A. Well, it was essentially, we are looking at a specific --

1 out of the 300 tables in the AWS database, there is one
2 specific table that tells us, from October 2021 to November
3 2022, what the in-use principal was, the in-use LOC amount was,
4 and we wanted only those for the Alameda entities, the total
5 for that time period.

6 Q. What was the name of that table?

7 A. It was LOC interest charges.

8 Q. Did you construct a query to extract that information from
9 the database?

10 A. Yes. But I should clarify that I was working with a
11 colleague. My colleague provided the query. I took the query,
12 ran it, tested it, derived the output, but I did -- with that
13 colleague, yes, sir.

14 Q. You verified the query yourself?

15 A. Yes, sir.

16 Q. First explain to the jury what the query was that you used
17 to retrieve this information from the database.

18 A. Well, the query -- I'm focused on just one table. Again, I
19 said it was called LOC interest charges. So a table, as I
20 said, is just rows and columns, very few columns, only five or
21 six columns going across, but the rows essentially were all the
22 accounts. But I was able -- with a query you would say, look,
23 ignore everything that's not Alameda because we just want
24 Alameda. I tell it, just give me Alameda. And then there is a
25 column that says principal, and that principal is what we want.

1 That's the amount of line of credit that's in use.

2 There is a column next to it called size, and I
3 mention this because it is relevant that it shows the amount of
4 interest to be charged on that day to that account because of
5 this principal amount, the in-use LOC.

6 Q. How did you satisfy yourself that the amount in the
7 principal column was the in-use LOC?

8 A. How I satisfied myself was, the table in the database on
9 its own is suggestive of the in-use LOC, but to really be
10 confident that's what it's meant to be -- because the label
11 principal, it could be different things -- is, I went to the
12 python code. It's really in the Python code where it actually
13 interacts with this particular table that you can see what the
14 code is doing and it helps you understand.

15 For example, and this is -- this may be a very good
16 example -- the function in this Python code that was used to
17 generate that column was called get LOC in use. So, in a
18 sense, that's what computer code writers do and developers,
19 programmers, whatever we call them, when they write their code,
20 they try very much to name things in a descriptive way so it
21 helps them remember -- not just somebody like me -- it helps
22 them remember what the purpose of the function is.

23 I ran -- since I can read the code, I read all the
24 lines of code to understand how it was doing its calculation,
25 and I can see that, yes, that's what they were doing and that's

1 what they called the principal.

2 Q. Once you verified that the query gives you the in-use LOC
3 for Alameda, what did you do next?

4 A. Well, again, ran the query in concert with understanding
5 and validating, like you just said. I got the output results,
6 because the result of running the query is for every day from
7 October 21 to November 22, it would give me an amount that
8 might be a billion dollars or so. It varied over time. So I
9 generated that output. I compared it to what my colleague that
10 I mentioned before, what he had gotten for his output.

11 It's clearly a good idea for two independent people to
12 compare their results. I had agreed with what he had done and
13 I agreed with the numbers that came out.

14 And from that I then made a plot that I have provided
15 to this case here that shows that graph. It's really a graph
16 over time of what that in-use Alameda line of credit is.

17 Q. Just one more clarifying question. When you say Alameda,
18 was there only one account of Alameda on the database or were
19 there more than one.

20 A. The answer to that is, I am going to say yes and no and
21 explain. If I run just the one dominant Alameda account that I
22 see in the database, I get the results that I'm presenting, but
23 I verified that. I checked that because really it's reasonable
24 to define Alameda as a much larger number of accounts also,
25 because there are two different concepts, an account ID and a

1 user ID. A user like Alameda can have more than one account.
2 So my goal was to get essentially all of the Alameda accounts.
3 So I also ran the query using the user ID. So it's a different
4 query and it got exactly the same answers as the first result.
5 That's one of the ways that I checked that the queries are
6 correct.

7 Q. Was the data that you were extracted voluminous?

8 A. Was it voluminous. Three or 400 lines of output. The
9 extracted data wasn't that bad.

10 Q. Did you summarize those three or 400 lines in the graph --

11 A. Yes. They are all in the graph. So the graph is an
12 excellent visual display of what the output is.

13 THE COURT: Mr. Pimbley, would it be accurate to
14 understand what you said as being that the object of the
15 exercise was to find a dollar amount of the line of credit of
16 Alameda for each day from October 2021 through November 2022
17 and that for each day there was a single number? Is that
18 right?

19 THE WITNESS: Yes, sir.

20 THE COURT: Thank you.

21 Q. I want to show you, Mr. Pimbley, what's been marked as
22 Defense Exhibit 1617 for identification.

23 MR. EVERDELL: Just for the witness, please.

24 A. Yes, sir. That's the appendix I recognize, the graph.

25 Q. Is that the graph you produced from the data that you

1 extracted?

2 A. Yes, sir.

3 Q. Does this summarize the data that you extracted?

4 A. Yes. As I said a few times, I start in October 2021 to
5 November 2022. Those dates are simply because that's what was
6 in the table in the database.

7 MR. EVERDELL: Your Honor, the defense offers Defense
8 Exhibit 1617.

9 MR. REHN: No objection.

10 THE COURT: Received.

11 (Defendant's Exhibit 1617 received in evidence)

12 MR. EVERDELL: We can publish that to the jury.

13 Q. I am not going to spend a ton of time on that, Mr. Pimbley,
14 but if you can just look at the graph you produced.

15 You see the start date on the left-hand side, is that
16 right?

17 A. Yes, sir.

18 Q. End date on the right-hand side?

19 A. Yes, sir.

20 Q. Just that first time period, just so we know what the
21 numbers mean on the left-hand axis, what does the left-hand
22 axis reflect?

23 A. It reflects in billion dollars what the in-use LOC for
24 Alameda was.

25 Q. In that first time period you see it from the first four

1 months hovering around what number?

2 A. It's just above \$1 billion.

3 Q. I want to direct your attention to one other thing, if we
4 can fast forward to the month of June 2022.

5 Do you see that month?

6 A. Yes, sir.

7 Q. What do you see with the in-use line of credit for Alameda
8 happening, according to the graph there?

9 A. Well, it starts close to 3 billion in June, but then it
10 drops very precipitously about mid June.

11 MR. EVERDELL: We can take that down now.

12 Q. I want to turn now to the second and third projects that
13 you were asked to do, Mr. Pimbley. OK.

14 Let's start with the second --

15 MS. SASSOON: Your Honor.

16 THE COURT: We will take a 15-minute break, folks.

17 (Jury not present)

18 (Recess)

19 THE COURT: Mr. Everdell, before we bring the jury in,
20 I just want to note that we long ago left behind your estimate
21 for 15 to 20 minutes on this witness.

22 MR. EVERDELL: I apologize, your Honor. I am going to
23 try to streamline the next two more charts.

24 THE COURT: That would be a good idea.

25 MR. EVERDELL: Yes, your Honor.

1 THE COURT: Let's go.

2 (Jury present)

3 THE COURT: Defendant and the jurors are all present,
4 as they have been throughout.

5 Let's continue.

6 MR. EVERDELL: Thank you, your Honor.

7 BY MR. EVERDELL:

8 Q. Mr. Pimbley, when we left off we finished the first
9 project, right?

10 A. Yes, sir.

11 Q. Let's talk briefly about the second and third projects you
12 were asked to do.

13 A. Yes.

14 Q. Did both of those projects involve pulling data from the
15 database?

16 A. Yes, they did.

17 Q. Did you create visual representations of the data that you
18 pulled for those two projects?

19 A. Yes, sir, I did.

20 Q. I want to show you what's been marked for identification as
21 Defense Exhibits 1618 and 1619, if we can put those side by
22 side.

23 Do you see what's in front of you, Mr. Pimbley?

24 A. Yes, sir.

25 Q. Do you recognize what those are?

1 A. Yes, sir.

2 Q. What are those?

3 A. These are two pie charts that I made from data extracted
4 from the AWS database.

5 Q. And these relate to the second and third projects you were
6 asked to do?

7 A. Yes, they do.

8 MR. EVERDELL: Your Honor, the defense offers Defense
9 Exhibits 1618 and 1619.

10 THE COURT: Received.

11 (Defendant's Exhibits 1618 and 1619 received in
12 evidence)

13 MR. EVERDELL: We can publish those to the jury.

14 Q. Mr. Pimbley, let's start with the one on the left. Can you
15 explain what this second project was.

16 A. Yes. I was asked to run a query that would find the total
17 balances on the AWS database of all accounts but excluding
18 Alameda and FTX entities.

19 Q. What do you mean by balances?

20 A. It's essentially the dollar -- I'm sorry. It's -- balances
21 is, first, the number of coins that each account holds, and
22 coins is a term that they use in the database, and by reading
23 the database and the code you realize it's a different way to
24 say it would be the currency. I use the word coins, but it
25 would be easier to understand if I said currency.

1 The dominant currency there is just U.S. dollars. You
2 can own U.S. dollars in your FTX account, as per the database
3 that I see, but you can also own other currencies, like you can
4 own Japanese yen, you can own Swiss Francs, you can own
5 Bitcoin. Bitcoin is a cryptocurrency. If we just think of all
6 these as being just currencies, then there is a specific coins
7 table in the database that lists all the possible coins. It
8 actually has 700 entries, so one could say there are hundreds
9 of coins that you may own.

10 When I say total balance, what I really mean and what
11 the query does, it says, look at each account that's not
12 Alameda and not FTX and what's the dollar value of the sum of
13 all of its coins that it owns. So if it owns Japanese yen, you
14 have to convert that yen into dollars to give its dollar
15 equivalent. If you own Bitcoin in the account, you convert
16 that back to dollars, and you add up all those dollars and the
17 conversion factors are in the database itself, so using the
18 data that's in the database.

19 Q. Once you get the balance number, what was the next part of
20 the analysis?

21 A. Once I get the balance number properly excluding Alameda
22 and FTX accounts, then it was to please form some different
23 groups on that. For example, the first group on the left said,
24 I get the total balances, but I am also going to restrict
25 ourselves to only four coins, again, four currencies, if I can

1 call it that, out of the 700 or so. But the four that I was
2 asked to isolate were the dollar, U.S. dollar, Ethereum,
3 Bitcoin, and Tether as the names -- these are often --

4 Q. Just to be clear, you are tallying up the coin holdings for
5 these four categories of coins for the users on the FTX
6 database that are not Alameda and not FTX?

7 A. That's correct.

8 Q. What about the one on the right?

9 A. The one on the right says the same thing. Everything is
10 the same except instead of just the four coins, take all the
11 coins, all the balances.

12 Q. What do the different portions of the pie chart represent?

13 A. And then that's a separate way to get -- create subgroups.
14 So the two -- each pie chart has two groups. One group says,
15 take only those accounts that have something called spot
16 margin, that the accounts are identified as being enabled for
17 spot margin or spot margin lending or have -- the accounts have
18 had futures activity, which means the accounts have done some
19 long or short of futures at some point in time, according to
20 the database.

21 Q. What is the other category?

22 A. The other category is simply those accounts that fall out
23 of the first category.

24 Q. In the charts that we are looking at here, which category,
25 blue or red, is the one that have the spot margin enabled and

1 the spot margin lending enabled versus everything else?

2 A. It is the blue which is the larger in both cases and the
3 percentages are about the same in both cases, but the blue
4 larger one has those spot margin enabled, spot margin lending
5 enabled.

6 Q. Just a few clarification questions. What are the dates of
7 the balance information for these charts that are reflected
8 here?

9 A. This would be the snapshot date in November 2022.

10 Q. When you talk about the coins, just looking at the
11 left-hand side with the four coins you selected, one of them is
12 USD?

13 A. Yes, sir.

14 Q. What does that refer to?

15 A. That is the dollar --

16 Q. It includes currencies, not just cryptocurrencies?

17 A. Yes.

18 Q. ETH is there. What does that refer to?

19 A. ETH. I believe that's Ethereum.

20 Q. BTC?

21 A. Bitcoin.

22 Q. And USDT.

23 A. Is Tether.

24 Q. Let's just look at the numbers you were able to get to with
25 your database extraction.

1 Looking at the left-hand side, which is the four
2 coins, how much total were the balance information as of that
3 date in November that you found from doing your data pull?

4 A. That was like 5.8 billion.

5 Q. Of that 5.8 billion, roughly, how much of that were in
6 accounts that were enabled for spot margin, spot margin lending
7 and had futures activity?

8 A. About 4.54 billion was in that category.

9 Q. And then the rest left over is 1.3 billion in the other
10 category?

11 A. That's correct.

12 Q. What are the rough percentages breakdown?

13 A. 78 percent in the category was spot margins, spot margin
14 lending enabled and the futures activity, 22 percent that are
15 not in that category.

16 Q. Skipping over to the right-hand side where you were
17 considering all currencies, all coins, what are the total
18 number -- what is the total balance number you arrived at as of
19 that date in November?

20 A. That total was \$8.9 billion.

21 Q. Again, the portion that was with those categories enabled
22 is what?

23 A. 6.91 billion.

24 Q. The rest is 2.03, right?

25 A. Yes.

1 MR. EVERDELL: One moment, your Honor.

2 Very briefly, your Honor.

3 Q. Mr. Pimbley, you were asked to perform these queries that
4 generated the charts that we saw, correct?

5 A. Yes, sir.

6 Q. Did you do any independent analysis in the database apart
7 from verifying the data that you did for these projects?

8 A. Yes. First, primarily run the query, validate that it
9 works and it gets the results that not just are consistent with
10 what our colleague may have found, but also do the results make
11 sense. The queries do generate the output without -- very
12 clearly.

13 The second part is, when there is an intent of what
14 the query should be, I did as much as I could to look through
15 the code as well to understand where the code was interacting
16 with that particular data I was extracting, that the code also
17 was consistent with my understanding of what it should mean.

18 Q. Understood.

19 Apart from that, did you evaluate the opinions of
20 anybody else involved in this case as part of your work on the
21 case?

22 A. No, sir.

23 MR. EVERDELL: Nothing further, your Honor.

24 THE COURT: Thank you.

25 Cross-examination.

1 CROSS-EXAMINATION

2 BY MR. REHN:

3 Q. Good morning, Mr. Pimbley.

4 A. Good morning.

5 Q. You and I have never met, correct?

6 A. We have not met.

7 Q. I believe you testified on direct that you have never met
8 the defendant, Sam Bankman-Fried?

9 A. Yes. I have testified to that, yes.

10 Q. So that means you did not interview him, correct?

11 A. That's correct.

12 Q. Your testimony isn't based on any conversations you had
13 with him?

14 A. I had no conversations with him.

15 Q. So you don't know what was in the defendant's head when he
16 was running FTX and Alameda, right?

17 MR. EVERDELL: Objection.

18 THE COURT: Overruled.

19 A. No, sir.

20 Q. Or what he intended at particular points in time.

21 A. No, sir.

22 Q. And you don't know what information he was actually looking
23 at while he was running FTX and Alameda, right?

24 MR. EVERDELL: Objection.

25 THE COURT: Overruled.

1 A. No, sir.

2 Q. And you can't say whether the queries you ran in the FTX
3 database were ever actually used by the defendant at any point
4 in time, can you?

5 A. No, sir.

6 Q. You can't say whether those are queries that anyone else at
7 FTX ever used, can you?

8 A. No, sir.

9 Q. You in fact did not interview any FTX employees?

10 A. That is correct, I did not.

11 Q. And you didn't interview any FTX customers?

12 A. That is correct, I did not.

13 Q. And you did not interview any FTX investors?

14 MR. EVERDELL: Objection.

15 THE COURT: Overruled.

16 A. That is correct, I did not.

17 Q. So your testimony is based on certain queries that you ran
18 on certain tables in the FTX database?

19 A. That's correct.

20 Q. But you don't know how those tables were actually used in
21 the course of business at FTX, right?

22 A. That's correct.

23 Q. And you have not talked to any of the coders or developers
24 who designed the database?

25 MR. EVERDELL: Objection.

1 THE COURT: Overruled.

2 A. No, sir.

3 Q. So you didn't investigate, for example, whether the
4 decisions were made to include or exclude particular data from
5 the database?

6 A. No, sir.

7 Q. So you can't say that the particular tables that you
8 queried contain all the relevant data for your analysis?

9 MR. EVERDELL: Objection.

10 THE COURT: Overruled.

11 A. That's correct.

12 Q. What your testimony is, is that if you run these queries on
13 these particular tables in the FTX database, you get these
14 results. Is that fair to say?

15 A. That is correct.

16 Q. And based on your work, you can't draw any further
17 conclusions beyond that?

18 A. Correct.

19 Q. In fact, I believe on direct you said you had zero
20 knowledge of this case aside from the data you extracted from
21 the FTX database, is that right?

22 A. Well, I believe I included headlines. I have seen some
23 headlines. Other than that, correct.

24 Q. Zero direct knowledge, is that fair to say?

25 A. Yes, sir.

1 Q. So the FTX database, that reflects information that was
2 maintained inside of FTX?

3 A. It was -- I presume so, yes, that they -- I presume they
4 did not use any outside contractors, consultants, or whatever.
5 I just don't know. I should say I don't know who maintained
6 the data in the FTX database.

7 Q. Is it fair to say the database doesn't, for example, hold
8 any actual cryptocurrency inside of it?

9 A. I don't want -- I believe almost certainly the answer is
10 no, but I can't say I can testify that I know that's the case.

11 Q. And it's not a bank. It doesn't hold actually any fiat
12 currency --

13 MR. EVERDELL: Objection.

14 THE COURT: Sustained as to form.

15 Q. As far as you know, the FTX database does not hold actual
16 funds; it just has information about FTX, is that right?

17 A. As far as I know, yes.

18 Q. And you did not look at any bank statements in connection
19 with your testimony this morning, correct?

20 MR. EVERDELL: Objection.

21 THE COURT: Overruled.

22 A. I did not look at any bank statements, no.

23 Q. And you did not compare the amount of customer deposits
24 held in bank accounts to the amount that was reflected on
25 customer balances within FTX, did you?

1 A. I did not.

2 Q. So nothing in your testimony would address whether there
3 was a deficiency between what was in FTX, Alameda, and North
4 Dimension bank accounts and what was reflected in the FTX
5 database being owed to FTX customers.

6 MR. EVERDELL: Objection.

7 THE COURT: Overruled.

8 A. That's correct.

9 Q. In your testimony on direct you didn't look at the fiat@
10 account in FTX, did you?

11 A. The fiat@ account was not part of my testimony, that's
12 correct.

13 Q. In fact, you did not engage in any financial tracing for
14 your testimony today, did you?

15 A. I'm sorry. Could you repeat the question. Me engaging in
16 financial trades? I want to make sure I understand your
17 question.

18 Q. You did not engage in any financial tracing in connection
19 with your testimony this morning, correct?

20 A. Of course not, no, no, sir.

21 Q. For example, you did not address whether FTX customer fiat
22 currency deposits were used to pay for investments.

23 A. I did not address that, no, sir.

24 Q. And your testimony did not address whether FTX customer
25 fiat currency deposits were used to pay for real estate,

1 correct?

2 MR. EVERDELL: Objection.

3 THE COURT: Overruled.

4 A. Correct. My testimony did not address the issue you just
5 named.

6 Q. And it did not address whether those customer deposits were
7 used to purchase Robinhood shares for the defendant, correct?

8 A. That's correct.

9 Q. Moving on from fiat currency tracing, you also did not
10 engage in any cryptocurrency tracing, did you?

11 A. I did not engage in any cryptocurrency tracing.

12 Q. For example, you didn't look at the Blockchain to see what
13 was actually happening to the cryptocurrency?

14 A. I did not look at the Blockchain, no, sir.

15 Q. Your testimony is based on the queries you ran within the
16 FTX database, right?

17 THE COURT: Asked and answered.

18 Q. To be clear, your testimony did not address whether the
19 amount of crypto held in FTX crypto wallets was less than the
20 amount of crypto that it owed to FTX customers?

21 MR. EVERDELL: Objection.

22 THE COURT: Overruled.

23 A. That's correct.

24 Q. And you also did not look at whether FTX customer crypto
25 deposits were used to pay for Alameda expenditures?

1 A. I did not look at that, no, sir.

2 Q. And you did not do Blockchain tracing, for example, of how
3 Alameda's lenders were actually paid back in the summer of
4 2022, is that right?

5 MR. EVERDELL: Objection.

6 THE COURT: Overruled.

7 A. Apologies, sir. Could you repeat the question, because I
8 just want to make sure I'm answering your question.

9 Q. You did not do any tracing on the Blockchain of how
10 Alameda's lenders were actually paid back in the summer of
11 2022?

12 A. I did not do any tracing on the Blockchain of the nature
13 you just described.

14 Q. Your testimony does not say where the crypto to pay
15 Alameda's lenders back came from?

16 MR. EVERDELL: Objection.

17 THE COURT: Sustained as to form.

18 Q. In your testimony you did not offer an opinion as to where
19 the crypto that was used to pay Alameda's lenders back came
20 from, is that right?

21 MR. EVERDELL: Objection.

22 MR. REHN: I'm asking about his opinion, your Honor.

23 THE COURT: Overruled.

24 A. Again, I apologize. Could you summarize that question
25 again, please.

1 Q. In your testimony you did not offer an opinion about where
2 the crypto that was used to pay Alameda's lenders back came
3 from, is that right?

4 A. I did not offer an opinion on that topic, no, sir.

5 Q. So you can't say one way or another whether those payments
6 came from FTX customer funds, right?

7 A. I can't say. I also have no knowledge of that, so I
8 certainly can't say.

9 Q. Let's look at what you did do.

10 I want to start by asking about your first slide,
11 which I believe was marked as Defense Exhibit 1617 of Alameda's
12 LOC, I think it said, on the chart. Is that right?

13 A. Sounds right, sir.

14 Q. We don't need to bring it up at the moment.

15 LOC means line of credit, is that right?

16 A. That's my interpretation, yes, sir.

17 Q. And I believe your testimony is that this chart shows the
18 amount of line of credit that was used by Alameda between
19 October 2021 and November 2022, is that right?

20 A. Yes.

21 Q. And you calculated that by running a query in the FTX
22 database?

23 A. That's correct.

24 Q. What was the particular table that you ran that query in?

25 A. It was called LOC_interest_charges was the name of the

1 table.

2 Q. Who decided to pick that particular table?

3 A. It was -- first, that was suggested to me by the colleague
4 I worked with. He looked at that. I also looked at all the
5 tables in the database, including that one, to make my own --
6 satisfy myself that that was the -- really I think it was the
7 only source of in-use LOC that I knew, but I did look to see if
8 other tables were also relevant.

9 Q. But you never worked at FTX, is that right?

10 A. That's correct.

11 Q. I think you said before you have not interviewed any
12 current or former FTX employees?

13 MR. EVERDELL: Objection.

14 THE COURT: Sustained.

15 Q. Is it fair to say you don't have any information from the
16 company that would indicate what the actual purpose of that LOC
17 interest charges table was, do you?

18 MR. EVERDELL: Objection.

19 THE COURT: Sustained. I think you have covered this.

20 Q. In connection with this table you did not run a query of
21 the actual balances of Alameda accounts, is that right?

22 A. I did run queries of, again, on the balances table, if
23 that's your question. I am not sure it is.

24 Q. You did run some queries on user balances for your other
25 two tables, is that right?

1 A. Well, that's true, yes.

2 Q. But to generate what you showed us in Defense Exhibit 1617,
3 you did not actually query Alameda's balances, is that right?

4 A. I would not agree to that statement. If the question is,
5 did the specific query I used reference a table other than LOC
6 interest charges? No, that query didn't reference a different
7 table.

8 But I'm wondering if you are asking, did I ever access
9 Alameda balances anywhere else? I am not sure.

10 Q. No. I'm asking about the basis for the table that you
11 presented during your direct testimony.

12 A. The basis for the table is my belief, judgment, opinion
13 that that is the appropriate table that has the in-use LOC for
14 Alameda, and also for other entities if I had chosen to look at
15 other entities.

16 Q. Just to be clear, that table does not tell us what the
17 overall aggregate balance of Alameda accounts was, is that
18 right?

19 A. That is correct, it does not tell you that.

20 Q. That would have required a different query in the balances
21 table.

22 A. Yes. A different query in the balances table would be more
23 appropriate for that question.

24 Q. By the same token, it doesn't tell us what the aggregate
25 balance in Alameda accounts that had the allow-negative flag

1 was, is that right?

2 A. That's correct.

3 Q. The table you presented doesn't address that question at
4 all?

5 A. It does not.

6 Q. That means those balances in those Alameda accounts could
7 have been more negative than the line-of-credit amounts that
8 are reflected in the table you presented, is that right?

9 MR. EVERDELL: Objection.

10 THE COURT: Let me have the question back, please.

11 (Record read)

12 THE COURT: Rephrase it.

13 Q. So the aggregate Alameda balances could be more negative
14 than the amount that's reflected in the line-of-credit balances
15 that you presented, is that right?

16 MR. EVERDELL: Objection.

17 THE COURT: Overruled.

18 A. Yes. If the concept of a negative asset balance is
19 appropriate. As you know, the LOC -- the in-use LOC is a debt.
20 It's a liability of whoever has drawn that amount. That's a
21 liability of Alameda. Now you are asking me to compare a
22 liability of Alameda to assets of Alameda, and of course I say
23 that assets and liabilities are two ends of the same coin, if I
24 can use that term.

25 But if you are asking me to go into something I didn't

1 study, which is that Alameda assets in some sense could be
2 negative, which is -- it's an ambiguous way to talk about the
3 financial condition of a company. Since I have not studied it,
4 I really don't think I can give you much more of an opinion.

5 Q. You didn't look at the aggregate balance of Alameda
6 accounts that had the allow-negative feature.

7 MR. EVERDELL: Objection. Asked and answered.

8 THE COURT: Overruled.

9 A. That is correct.

10 Q. On the table that you did generate, you identified the LOC
11 in-use amount for Alameda accounts, is that right?

12 A. That's correct.

13 Q. You did that using the user ID, is that correct?

14 A. I did it two ways and I got the same answer both ways. One
15 was with user ID and one was with just the single-account ID
16 for Alameda Research.

17 Q. And the user ID for Alameda was the number 9, is that
18 right?

19 A. That was the account ID, was number 9.

20 Q. The account ID was number 9. If you put that account ID
21 into the LOC in-use query, you would get the results that you
22 presented?

23 A. That is correct.

24 Q. Now, you said that you looked at the code that underlied
25 that particular query, is that right?

1 A. Yes, sir.

2 Q. And you examined the code to determine how the query was
3 put together?

4 A. Yes, sir.

5 But may I clarify my previous answer? May I reanswer?
6 It would be more clear if I answered that previous question
7 differently.

8 Q. I am not sure which previous question. If you could just
9 answer my question.

10 Did you examine the code to determine how the data
11 responsive to your query was generated?

12 A. Yes. I like the way you asked that question. It was a
13 little bit different than how you phrased it before. I am
14 going to say yes to that question.

15 THE COURT: Mr. Rehn, you're getting a good grade.

16 MR. REHN: If we could pull up for the witness
17 Government Exhibit 1737.

18 If we could expand the part, the top there.

19 Q. Mr. Pimbley, do you recognize this as a portion of the FTX
20 code that would be used to return the data responsive to the
21 query you ran?

22 A. Yes, I do -- it doesn't have all the identifying
23 information that's helpful for me looking at code, like the
24 name of the file of the code, but, yes, this is a function that
25 I remember from my review.

1 Q. In particular, during direct you testified about the
2 get-LOC-in-use query?

3 A. Yes, sir.

4 Q. This is a portion of the code relating to how to respond to
5 get LOC in use?

6 A. Yes, sir. But I would -- if you don't mind my qualifying,
7 there were two versions of this function that are very close to
8 each other in the file, and both are important, but this is one
9 of them, yes.

10 MR. REHN: The government offers Exhibit 1737.

11 THE COURT: Isn't this already in?

12 MR. REHN: I don't believe so, your Honor.

13 THE COURT: Hearing no objection, it's received.

14 (Government Exhibit 1737 received in evidence)

15 MR. REHN: Now, if we could publish that.

16 Q. Mr. Pimbley, do you see that this has some code relating to
17 if there is a query in that get LOC in use relating to user
18 account PMMID?

19 A. Yes.

20 Q. Is PMMID the user account that references the Alameda
21 account?

22 A. Yes. Elsewhere in the code that variable is hard coded to
23 mean 9, and 9 is the Alameda account ID, so, yes, that is the
24 Alameda account ID.

25 Q. So this portion of the code tells how to generate data

1 responsive to a get-LOC-in-use query if the query relates to
2 Alameda, is that right?

3 A. I am going to say yes, but I am going to, if I can, modify
4 how I might say that if I were you. I would say, in the case
5 where the account happens to be this one Alameda account, this
6 code says do something a little bit different.

7 Q. And this is the Alameda account that you used to run the
8 query that supports the data in your chart, is that right?

9 MR. EVERDELL: Objection.

10 MR. REHN: I can rephrase, your Honor.

11 THE COURT: Go ahead.

12 Q. So this Alameda account, you used that account to query
13 this database to generate the data in your chart, correct?

14 A. That is correct.

15 Q. If we look at the code here, it says: If that user account
16 is identified, it directs the database to pull some other
17 accounts. Is that right?

18 A. That's what it says, yes, sir.

19 Q. And that means those are accounts that wouldn't be pulled
20 if it was only pulling the Alameda accounts, is that right?

21 A. I think that's a fair statement. A code is essentially --
22 I'm not going to disagree strongly with what you said. The
23 code is essentially saying, look, in the case of this Alameda
24 account, we are going to -- for the purposes of this function,
25 we are going to imagine or state or hypothesize or decree that

1 additional accounts need to contribute.

2 I am going to answer yes, but it is a deliberate
3 aspect of the code that whoever the developer was, they did
4 this on purpose, yes.

5 Q. You are saying the developer of this code deliberately
6 chose to add two other accounts to a query for the Alameda
7 account, is that right?

8 A. Yes. In fact, you can look at the account IDs all the way
9 over to the right-hand side. That's true, yes.

10 Q. Mr. Pimbley, did you look at what those account IDs are?

11 A. I did have to do that, yes.

12 Q. So looking at that first one, the one that says 1405310, is
13 that the Cotton Grove trading account?

14 A. I remember that one of the two was called Cotton Grove. I
15 don't know which one, but I will submit that you may be right,
16 yes.

17 Q. And the second one, 3880629, was that ventures at Alameda
18 Research?

19 A. I couldn't find the identity of that within the code, but
20 it had some other special significance elsewhere in the code,
21 but I am going to answer no and say I didn't know anything
22 about Alameda ventures.

23 Q. In your chart, to be clear, it presents the data responsive
24 to this query, in other words, including these two accounts in
25 the Alameda line of credit, is that right?

1 A. I believe that is true, yes.

2 Q. And so the balances of those accounts would affect the
3 numbers that are on the chart at Defense Exhibit 1617?

4 A. When you say balance, I wouldn't agree to balance. I would
5 say that -- as you can see at the end of the function, where it
6 says return, it's saying now take this information and call
7 this other function, but my point being that it's going -- the
8 code will say, of all these accounts, including these two, then
9 perform the in-use LOC calculation, including those accounts.
10 That's what it will say.

11 Q. In other words, the data you presented on Defense Exhibit
12 1617 was using a query that pulled the Alameda account plus
13 these two additional accounts.

14 A. Yes. The query was doing exactly what we wanted it to do,
15 which was identify Alameda, and this is what the code does. I
16 see that point, yes.

17 MR. REHN: We can take that down.

18 Q. Now, did you do any analysis of the balances or the LOC in
19 use for those two accounts?

20 A. Well, I believe -- actually, I believe I did, not for
21 balances. I might have looked to see how do these contribute
22 to the in-use LOC because that's what mattered. My
23 recollection -- again, I'm not -- my recollection is that they
24 had no material impact or was actually zero, but it's a little
25 bit hazy for me.

1 Q. That's not reflected anywhere in the chart or the data
2 underlying the chart that you presented today, is it?

3 A. No. Actually, let me be clear about that. The chart says
4 I ran this query, I got this result.

5 Q. It doesn't break out the fact that these other two
6 accounts --

7 A. No. What it says is, the AWS system treated -- I ran this
8 query saying Alameda account, account ID equals 9, and that's
9 the definition the data system is using. I'm saying the code
10 plus the database itself is leading me, as the user -- even
11 somebody who gets to see the source code is leading me to say,
12 this is how we define Alameda.

13 The query is doing what it was supposed to. The
14 question is how expansive is this definition of Alameda.

15 (Continued on next page)

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1 BY MR. REHN:

2 Q. But just to be clear, you did not prepare a separate chart
3 showing what it would have looked like without these two extra
4 accounts included that the code—

5 A. Well, that's correct, because my recollection is that the
6 diligence I did said this had no meaningful impact, or it was
7 negligible or zero.

8 Q. Now before you did your database queries, did you review
9 any of the notes of the government's interviews with Gary Wang?

10 A. No, sir. I had no access to anything other than the code
11 base and the AWS database, so no, sir.

12 Q. The defense counsel didn't provide you with any notes of
13 interviews with Gary Wang or Nishad Singh?

14 A. The answer is no. My understanding of my assignment from
15 my defendant-client was stick to the database and the code
16 base. That was my assignment.

17 Q. In general, when you're trying to evaluate data in a code
18 base, is it fair to say that understanding why it was designed
19 in a particular way is relevant?

20 A. It is relevant, yes.

21 Q. So if you had known that Mr. Wang said that the defendant
22 directed the inclusion of these subaccounts to make the used
23 line of credit appear lower, would that have been relevant to
24 your analysis?

25 MR. EVERDELL: Objection.

1 THE COURT: Overruled.

2 A. That statement, representation, allegation, whatever I call
3 it, is unknown to me. I have no knowledge of that.

4 Q. I'm saying if you knew that that was an aspect of how the
5 code was designed, would you have taken that into consideration
6 in your analysis?

7 A. No, sir. Simply because my analysis here—you say would it
8 is have changed my analysis. My role here was, to my defendant
9 counsel-client, please pull this data from the database, okay,
10 as—you know, with this intent of Alameda account. So I don't
11 think it—I don't think I could start using what did the
12 developer actually intend when he or she wrote the code. I
13 think that would have been pretty speculative of me and pretty
14 far afield.

15 Q. Okay. Now let's go to an account that is not included in
16 the query you ran.

17 Are you aware of an account called fiat@ftx?

18 A. I have, in my—yes, in my work through the database and the
19 code, I had some awareness of that, yes.

20 Q. And that is an entry in the FTX ledger that reflects how
21 much fiat currency was owed to FTX customers?

22 MR. EVERDELL: Objection, your Honor. Beyond the
23 scope.

24 MR. REHN: It's relating to data that's not included
25 in the chart, your Honor.

1 MR. EVERDELL: We had a lot of discussion about things
2 that are not included but—

3 THE COURT: I'm sorry?

4 MR. EVERDELL: Your Honor, beyond the scope.

5 THE COURT: And why is it within the scope?

6 MR. REHN: Your Honor, I'm attempting to cross-examine
7 the witness regarding what this chart actually shows and what
8 it doesn't show.

9 THE COURT: Well, I think you can rephrase it to ask
10 more directly.

11 BY MR. REHN:

12 Q. So the fiat@ftx account was not included in the line of
13 credit chart that you created to show Alameda's line of credit,
14 correct?

15 A. That is my understanding, that it was not included in
16 either of two ways I ran that query, but that's my—to be
17 honest, since I don't have the code in front of me or the—and
18 the table—the database tables in front of me, I can't say for
19 sure, but my impression was it was not included, no.

20 Q. And did you review any of the testimony in this case?

21 A. No, sir.

22 Q. Are you aware of a transfer of fiat liability to an account
23 called FTX fiat old?

24 MR. EVERDELL: Objection.

25 THE COURT: Sustained.

1 Q. Are you familiar with an account in the FTX database called
2 FTX fiat old?

3 MR. EVERDELL: Objection.

4 THE COURT: Sustained.

5 Q. In the course of your review of the FTX database, did you
6 look at the FTX fiat old account?

7 MR. EVERDELL: Objection.

8 THE COURT: Sustained.

9 He has told you what he did at length.

10 MR. REHN: Yes, your Honor. I was attempting to
11 evaluate whether he included this account as well, but we can
12 move on.

13 THE COURT: Yes.

14 MR. REHN: So let's go ahead and bring up
15 Exhibit 1617. Defense Exhibit 1617.

16 BY MR. REHN:

17 Q. So looking at your chart, in terms of what is actually
18 included here, is it fair to say you calculated that Alameda
19 was in fact using more than a billion dollars on its line of
20 credit throughout 2022?

21 A. Yes, sir. Maybe there's a very brief dip below a billion
22 dollars at Jan 7, but it's fair to say a billion dollars or
23 more, yes, sir.

24 Q. And your analysis also shows that the amount of its line of
25 credit that Alameda was using generally went up over the course

1 of 2022; is that correct?

2 MR. EVERDELL: Objection.

3 THE COURT: Overruled.

4 The chart speaks for itself. We can all see it.

5 Q. So looking at October 2022, Alameda is using between 4 and
6 \$5 billion of its line of credit; is that right?

7 MR. EVERDELL: Objection.

8 THE COURT: Sustained.

9 Q. Is it fair to say that based on your calculation, Alameda
10 went from having a \$1 billion use on its line of credit to
11 having more than \$4 billion between January and October of
12 2022?

13 MR. EVERDELL: Objection.

14 THE COURT: Look, you have an opportunity to do a
15 closing argument in this case, and the numbers are right in
16 front of you. Let's move it on.

17 Q. Does Defense Exhibit 1617 list of Alameda accounts that
18 were used to generate this chart include any accounts under the
19 email address seoyuncharles88@gmail.com?

20 MR. EVERDELL: Objection.

21 THE COURT: Overruled.

22 A. Yeah, I'm sorry. I know you gave an account or a chart
23 number, but can you ask me, are we talking about this in use
24 loc query?

25 Q. I'm talking about, for the account you used to generate

1 this particular chart, did it include an account under the
2 email address seoyuncharles88@gmail.com?

3 A. I have seen that account name, okay, and I believe it was
4 not part of this Alameda group, but I can't—as I'm sitting
5 here, I don't have the database in front of me, and I can't
6 testify to that precisely.

7 Q. When you were preparing this chart, did you consider
8 whether any other customer of FTX had the ability to have a
9 line of credit that ran into the billions of dollars?

10 MR. EVERDELL: Objection.

11 THE COURT: Sustained.

12 Q. Did you look at the available lines of credit that other
13 customers of FTX had?

14 MR. EVERDELL: Objection.

15 THE COURT: Sustained.

16 MR. REHN: Your Honor, he's testified about the line
17 of credit that Alameda had. I think some cross-examination on
18 whether other customers had similar lines of credit is
19 warranted.

20 THE COURT: Look, he has told you, and he told
21 Mr. Everdell, that essentially the charts he prepared added up
22 certain numbers in the table, date by date, and he told you
23 what numbers in the table were added up, and obviously the ones
24 that he did not enumerate as having been added up are not
25 included. Why isn't that self-evident at this point?

1 MR. REHN: Fair enough. I'll move on.

2 THE COURT: Okay.

3 MR. REHN: So we can bring that down.

4 Q. Let's talk about your second and third charts. These deal
5 with the sum of FTX user balances for user accounts; is that
6 right?

7 A. Yeah. If I can—I think I'm probably saying what you just
8 said, but it's the sum of balances of the non-Alameda, non-FTX,
9 other users.

10 Q. And the second chart was just for US dollars, Bitcoin,
11 Ether, and Tether?

12 A. That's correct.

13 Q. And then the third chart was the same concept but it
14 included the sum of FTX user balances for all coins; is that
15 right?

16 A. Yes. Again, with the caveat, I don't know the term "FTX
17 user balances." User—again, we're excluding Alameda and FTX
18 entities, but I guess that's clear.

19 Q. So, and you looked at the final user balance numbers in the
20 database, right?

21 A. Yes, sir.

22 Q. So that means these are the values of FTX user balances as
23 of around November 11, 2022?

24 A. Yes, sir.

25 Q. That's when FTX declared bankruptcy and stopped processing

1 customer withdrawals; is that right?

2 A. I don't know that. I don't have that information.

3 Q. But your testimony with respect to these two charts is just
4 a snapshot of that moment in time?

5 A. Yes, sir, and it's the only snapshot I received in evidence
6 in this case, yes, sir.

7 Q. You didn't look at what was happening with user balances at
8 any earlier point in time; is that right?

9 A. Essentially, no, but I will volunteer and say that there
10 was a table in the database that tried to capture balance
11 history.

12 Q. But you didn't look at that table, for these charts; is
13 that right?

14 A. For these charts—for these charts, I did not use that
15 table, correct.

16 Q. And to calculate the value of the customer balances that
17 was reflected on your charts, you didn't look at any outside
18 sources, right?

19 A. Correct.

20 Q. You used what's called the approx fair value in the FTX
21 database?

22 A. That's correct.

23 Q. So that's what your testimony is based on, the approx fair
24 value?

25 A. Yes, sir.

1 Q. And so you didn't take, for example, the value of Bitcoin
2 from an outside source and then multiply it by the balance of
3 Bitcoin that FTX users had?

4 A. I did not take the value of Bitcoin, say, in US dollars
5 from an external source. I used precisely what was in the AWS
6 database, yes, sir.

7 Q. And you did not evaluate whether the valuations inside the
8 FTX database reflected real-world values, right?

9 MR. EVERDELL: Objection.

10 THE COURT: Overruled.

11 A. That is correct.

12 Q. And in fact, around the time of FTX's collapse, there were
13 some pretty significant fluctuations in crypto values, right?

14 MR. EVERDELL: Objection.

15 THE COURT: Sustained.

16 Q. Are you aware of fluctuations in crypto values in November
17 of 2022?

18 A. I—I can't testify to that, no. No.

19 Q. It's fair to say your analysis did not evaluate whether the
20 approx fair value in the FTX database is a realistic valuation
21 of FTX user balances?

22 MR. EVERDELL: Objection.

23 THE COURT: Sustained.

24 Q. For generating the charts, the pie charts that we looked
25 at, you just took the internal FTX database valuation, right?

1 MR. EVERDELL: Objection.

2 THE COURT: Sustained.

3 MR. REHN: And then if we could pull up Defense
4 Exhibit 1619.

5 Q. And then what you did was, you identified the accounts with
6 certain things enabled in them to generate the pie chart; is
7 that right?

8 MR. EVERDELL: Objection.

9 THE COURT: Overruled.

10 A. Yes, sir.

11 Q. And so one thing you identified were accounts with futures
12 trading?

13 A. Yes, sir.

14 Q. And accounts with spot margin enabled and accounts with
15 spot margin lending enabled, right?

16 A. That's correct.

17 Q. And then you put all of those accounts together and you
18 took the total balance of those accounts; is that right?

19 A. Yes, remembering, as I'm sure you have, that we're
20 excluding Alameda and FTX accounts, but—but, yes, the grouping
21 you just mentioned—spot margin enabled, spot margin lending
22 enabled, or—these are ors—or futures activity—that formed
23 one group, and then the second group was just all of the—all
24 those cases that fell outside the first group.

25 Q. So starting with futures trading, those are customers who

1 engaged in buying and selling of crypto futures on FTX; is that
2 right?

3 A. Sir, that's actually going beyond my specific knowledge of
4 how FTX worked. I think to be fair to me and to—to the entire
5 court, I should just be clear. We developed a specific way to
6 query the database to isolate those accounts that had never
7 traded futures at all versus—and of course the others would be
8 those that had at one point in time traded futures, and
9 it—these just come however the database interpreted that. Did
10 futures include Bitcoin futures or these other futures; it's
11 however the table in the database—whatever signals it gave is
12 what we used.

13 Q. But customers who participated in futures trading but did
14 not participate in the spot margin program, they did not agree
15 to lend out their assets; is that right?

16 MR. EVERDELL: Objection.

17 THE COURT: Sustained.

18 Q. Did you evaluate whether customers who engaged in futures
19 trading on FTX agreed to lend out their assets?

20 MR. EVERDELL: Objection.

21 THE COURT: Sustained.

22 Q. So moving on to the spot margin program. So spot margin
23 lending enabled, is that the feature that allows FTX customers
24 to lend money on the exchange?

25 MR. EVERDELL: Objection.

1 THE COURT: Sustained. Look—

2 MR. REHN: He generated the charts using that data,
3 and I'm allowed to inquire—

4 THE COURT: I understand that. He explained in detail
5 how he did it. And it has, I imagine you will argue, certain
6 inherent limitations.

7 Okay. You know, when I was a kid, I worked in my
8 father's deli, and if he gave me the assignment to go add up
9 the column that showed how many pounds of smoked fish we sold
10 last month and I gave him a number, it means pastrami is not
11 included, neither is cole slaw, or macaroni salad, and we can
12 keep on going through every SKU in the deli. But we're not
13 taking the time to do that.

14 MR. REHN: Fair enough, your Honor.

15 BY MR. REHN:

16 Q. Can I ask, who decided to exclude these three, or to lump
17 together these three categories?

18 MR. EVERDELL: Objection, your Honor.

19 THE COURT: Overruled.

20 A. It was the Cohen & Gresser request to me that made that
21 decision. I did not make that decision.

22 Q. And you didn't evaluate whether there's any significance to
23 putting together those three types of accounts, did you?

24 A. No, sir, I did not.

25 Q. And you did not form an opinion on why those three types of

1 accounts would be lumped together on this chart, did you?

2 A. No, sir, I did not.

3 Q. And just to be clear, you did not conduct any analysis of
4 how much money was actually being lent in the FTX spot margin
5 lending program, did you?

6 MR. EVERDELL: Objection.

7 THE COURT: Sustained.

8 Q. This chart does not—

9 THE COURT: This is getting to be time to wrap it up.

10 MR. REHN: Yes, your Honor. Just a couple more
11 questions.

12 Q. Does this chart reflect how much money was actually being
13 lent in the spot margin lending program?

14 MR. EVERDELL: Objection.

15 THE COURT: Overruled.

16 A. No, it does not.

17 Q. And you also did not evaluate how much money Alameda was
18 actually borrowing in the spot margin program, did you?

19 MR. EVERDELL: Objection.

20 THE COURT: Sustained.

21 Q. Did you present any opinions or charts today about how much
22 Alameda was actually borrowing in the spot margin program?

23 MR. EVERDELL: Objection.

24 THE COURT: Overruled.

25 A. No, sir.

1 Q. And so your testimony did not address whether Alameda's
2 balances on FTX were connected to borrowing through the spot
3 margin program, did it?

4 MR. EVERDELL: Objection.

5 THE COURT: Overruled.

6 A. No, sir.

7 MR. REHN: Nothing further, your Honor.

8 THE COURT: Thank you.

9 Mr. Everdell.

10 MR. EVERDELL: Nothing from the defense, your Honor.

11 THE COURT: Thank you. Thank you, sir.

12 THE WITNESS: Thank you.

13 THE COURT: You're excused.

14 (Witness excused)

15 THE COURT: All right. We'll break for lunch till 2.

16 Counsel, please remain for a minute.

17 THE DEPUTY CLERK: Would the jury please come this
18 way. Bring your notebooks with you, please.

19 (Continued on next page)

1 (Jury not present)

2 THE COURT: Be seated, folks.

3 Okay. Mr. Cohen, is there anything else on the
4 defense case other than the testimony of your client?

5 MR. COHEN: That's it, your Honor.

6 THE COURT: Okay. We'll resume at 2:00.

7 MS. SASSOON: Your Honor, at this point do you have a
8 sense of when you intend to conduct the hearing?

9 THE COURT: Based on what Mr. Cohen has told me, I do
10 not expect him to finish the direct on the subjects other than
11 those that are implicated in the hearing today, and we will
12 probably have to finish that tomorrow morning and we will then
13 have the hearing. Now I am going to think over the lunch hour
14 about what to do with the jury while we're having the hearing,
15 which might be to send them home and come back Monday, and it
16 might not.

17 Mr. Cohen, how long a hearing should I be planning
18 for?

19 MR. COHEN: If we could confer over lunch and I can
20 come back with a more precise answer for you, your Honor?

21 THE COURT: Okay. Thank you. 2:00.

22 MS. SASSOON: And your Honor, perhaps, depending on
23 the length, we could conduct the hearing in the morning and
24 have the jury come in a little later, even if the rest of the
25 direct hasn't been completed.

1 THE COURT: That's possible too.

2 THE DEPUTY CLERK: All rise.

3 (Luncheon recess)

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AFTERNOON SESSION

1:57 p.m.

(In open court; jury not present)

THE COURT: Okay. Counsel, what's the estimate as to how much time we need for a hearing?

MR. COHEN: I think, your Honor, 60 to 90 minutes.

THE COURT: Government?

MS. SASSOON: We expect to cross-examine maybe for 45 minutes.

THE COURT: Given those estimates, it seems to me the best thing to do may be to send the jury home now, do the hearing this afternoon, and start fresh tomorrow. What do you think?

MR. COHEN: Whatever your Honor wants. We're ready to start, if you'd like.

THE COURT: I understand that.

MS. SASSOON: Government's amenable to that.

THE COURT: Okay. That's what we're going to do. Then we'll bring the jury in and give them what I imagine they're going to welcome as news, as soon as they're all here.

(Continued on next page)

1 (Jury present)

2 THE COURT: Okay. The defendant and the jurors all
3 are present, as they have been throughout.

4 Ladies and gentlemen, I have some scheduling
5 information for you, and what may be a little bit of a
6 surprise. There is something that has to happen at this point
7 in the trial that will take a couple of hours, and that is not
8 something that concerns you. In consequence, you've got the
9 rest of the day off. We'll see you at 9:30 tomorrow morning.
10 You will hear the rest of the defense case starting at 9:30
11 tomorrow morning. And you can reasonably expect that you will
12 get this case to decide in the first two or three days of next
13 week. We're in the home stretch. Of course I can't guarantee
14 it. No insurance. But there we are.

15 Okay. So have a pleasant afternoon. And I want to
16 reiterate, do not read or get informed in any way about what's
17 going on. You've heard all those instructions before. It's
18 especially important now.

19 Okay. Thank you.

20 THE DEPUTY CLERK: Would the jury please come this way
21 and bring your notebooks with you.

22 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Okay. Be seated, folks.

3 Now just so that everyone who has taken the trouble to
4 get here today understands what is going on and why, there are
5 a number of areas of potential testimony from Mr. Bankman-Fried
6 that the defense wishes to elicit. The government asserts that
7 I shouldn't hear any of it, or, to be more precise, that the
8 jury shouldn't hear any of it. And despite a great deal of
9 effort on the part of everybody concerned, the amount of
10 information that I have to date is, in my judgment, inadequate
11 to resolve the admissibility of this testimony, in significant
12 part because it's not sufficiently detailed or specific.

13 I have the authority under the rules of evidence to
14 conduct a hearing so that the defendant can put in the evidence
15 for my ears alone, following which I'll be in a position to
16 rule one way or another as to whether the evidence is
17 admissible before the jury, in whole or in part, and if in
18 part, to what extent; and once that happens, we will then be
19 able to proceed with Mr. Bankman-Fried's testimony before the
20 jury, whatever the scope of it winds up being. That's what's
21 happening.

22 And so Mr. Cohen, I take it you're going to call your
23 client to testify in this hearing; is that right?

24 MR. COHEN: Yes, your Honor. The defense calls Sam
25 Bankman-Fried.

1 THE DEPUTY CLERK: Please remain standing for a moment
2 and please raise your right hand.

3 (Defendant sworn)

4 THE DEPUTY CLERK: Thank you. Please be seated.

5 MS. SASSOON: Your Honor, what's your practice when it
6 comes to objections during a hearing of this nature?

7 THE COURT: Well, not having had a hearing of this
8 nature in quite a long time, if ever, I will hear whatever
9 objections there are. I don't have a practice, in other words.
10 Seems to me appropriate to hear whatever is to be said.

11 SAM BANKMAN-FRIED,

12 the Defendant,

13 having been duly sworn, testified as follows:

14 DIRECT EXAMINATION

15 BY MR. COHEN:

16 Q. Good afternoon, Mr. Bankman-Fried.

17 A. Good afternoon.

18 Q. You heard his Honor. We're only going to cover certain
19 topics today. So let me start with one topic.

20 What communications platforms did employees at FTX
21 use?

22 A. Internally, the primary platforms used were Slack, Signal,
23 and to some extent Telegram; externally, email and to some
24 extent Telegram, in addition to Slack and Signal.

25 Q. What are Slack and Signal?

1 A. Slack is a workplace communications software where
2 basically employees can post threads, comment on those threads,
3 post files, react; there are various other channels that you
4 can use for whatever purpose, but we generally use them for
5 different topics.

6 Signal, it's a—it's a secure, encrypted peer-to-peer
7 communication platform that is one of the more used platforms
8 in the cryptocurrency industry, where you can form groups to
9 have conversations.

10 Q. And why were they used at FTX?

11 A. Both of them had advantages, especially for internal
12 conversations over email, for instance. With email, it's easy
13 to have a single message sent to a group of people, but
14 threaded conversations with multiple topics, each of which
15 expand into subtopics with comments on those, files uploaded,
16 are not displayed or sort of maintained nearly as clearly. So
17 we wanted something that involved more interactivity. Slack
18 and Signal both had that.

19 Q. Have you ever heard the term "encryption"?

20 A. Yes.

21 Q. How did that relate, if at all, to Slack and Signal?

22 A. So the—almost all internet access is encrypted at this
23 point. Signal in particular was encrypted in a stronger way,
24 which is to say that there was no third party that stored
25 unencrypted or raw versions of messages. Instead, the

1 participants had access to the raw versions of messages but
2 would only send the—what's called the encrypted version to
3 each other, you know, online or through the platform.

4 Q. What about Slack?

5 A. Slack was accessed via encryption in terms of the internet
6 access that people had, but the platform stored the raw text
7 that was sent.

8 Q. Was encryption important to FTX?

9 A. It was.

10 Q. Why?

11 A. There were a number of reasons, in different occasions.
12 One concern was always security threats from the outside.
13 There were constant hacking attempts on FTX from third parties.
14 And any unencrypted data was potentially vulnerable. So, you
15 know, one standard example of this, which we had concerns
16 about, was confidential user information. We didn't want any
17 breaches of our systems. We certainly didn't want information
18 like Social Security numbers of our customers that we had to
19 collect via the new customer process to be accessible by any
20 security breach, so we had, you know, more stringent
21 securities, including storing only encrypted versions of some
22 pieces of data and storing them in more secure locations.

23 There were also foreign policy concerns, for lack of a
24 better word. For most of FTX's existence, we were
25 headquartered in Hong Kong. There were some, you know,

1 political occurrences during our period there, which meant that
2 there was concern with employees about unauthorized access to
3 their devices.

4 And, you know, finally, there were concerns about
5 former employees, you know, having access to data that they
6 could sell to a competitor, for instance.

7 Q. You mentioned the risk of hacking.

8 A. Yeah.

9 Q. Did FTX ever get hacked?

10 A. Well, there were constant attempts to hack FTX. There was
11 never a core breach, I would say, of FTX's systems themselves,
12 but a number of the third-party services that it used had
13 breaches or what appeared to us at the time as being breaches,
14 of various sorts. Sometimes we weren't sure what caused them
15 exactly, but we could see the effect, and they would leak out
16 confidential information associated with FTX to the world.

17 Q. Have you ever heard the term "document retention policy"?

18 A. Yes.

19 Q. What did it mean to you?

20 A. It's a policy that a company keeps that specifies which
21 sorts of data have, you know—are retained, that is to say
22 stored in a company's files, for what periods of time, which
23 sorts of data are not stored, and sort of other related things.

24 Q. Did there come a time that FTX had put into place a
25 document retention policy?

1 A. Yes, it did.

2 Q. Can you tell his Honor how that came about.

3 A. Yeah. In short, in response to a number of things, one of
4 which was just the company growing and becoming relatively more
5 mature, at least, it began time for us to formalize a number of
6 the policies that we had. There were also constant regulatory
7 inquiries from regulators across the world. We were
8 interfacing with, you know, regulatory infrastructure in dozens
9 of countries, and those each had associated document retention
10 requirements in various cases, and so the chief—chief
11 regulatory officer, Dan Friedberg, along with Fenwick & West,
12 one of our external law firms, put together a document
13 retention policy which described in what circumstances FTX was
14 to have, you know, various forms or lack thereof of retention
15 or deletion of data and then worked with employees at FTX to
16 implement that.

17 Q. You described Mr. Friedberg as a chief regulatory officer.
18 Was he also an attorney?

19 A. Yes, he was.

20 Q. And he worked with Fenwick & West, which was an outside law
21 firm?

22 A. Yes, when I first met him, he was a—an attorney and later
23 a partner at Fenwick & West and one of our outside counsel that
24 we used. Subsequent to that, we hired him internally as a
25 in-house lawyer.

1 Q. Did Mr. Friedberg and the lawyers from Fenwick communicate
2 with you about what they were going to do with regard to this
3 policy?

4 A. Yeah. They came up with drafts, they communicated that to
5 myself, to other members of management, and discussed what the
6 details of an implementation of it might look like.

7 Q. In big picture, what was your understanding; what was your
8 takeaway?

9 A. My big-picture takeaway was that there were certain classes
10 of data that we had very clear retention requirements around.
11 Those tended to be regulatory. So a few subsidiaries had
12 particular regulatory requirements on them, and those had
13 particular document retention policies trying that out.

14 In addition, often when we had specific interactions
15 with the regulator, they would request that we retain a
16 particular class of documents or data, and so there were topics
17 that we had a duty to retain. Those topics tended to concern
18 compliance-related things, "Know Your Customer" policies being
19 an example of that. So that was one class of data for which
20 there were effectively mandates that we retain corporate
21 records related to it.

22 Separately, there were classes of data for which we
23 had requirements not to retain, at least not to retain beyond a
24 particular time or without particular sorts of security or
25 encryption. Those tended to be sensitive pieces of customer

1 information, customer passwords, customer Social Security
2 numbers, things like that.

3 And then beyond that, there were just broad topics
4 that, you know, I think for various channels on Slack—for
5 instance, we—the document retention policy, even if not
6 specifically mandated to by regulation, you know, said that we
7 would not have auto-delete features on, you know, channels
8 related to compliance to formal accounting records and other
9 things like that.

10 Q. If a category was not in one of the ones you described as
11 requiring deletion, what was your understanding of what the
12 participants could do?

13 A. Sorry. To be clear, if it was not in the required deletion
14 category.

15 Q. Like regulatory, for example.

16 A. Right. So for documents that were in the required
17 retention category, the answer was that any—at least any
18 formal business communications, anything memorialized, any
19 business policy, any decisions made or records thereof, would
20 be—would not be deleted. They would be, you know, in email or
21 Slack channel without any auto-deletion turned on.

22 For, I would say, informal chatter, obviously a lot of
23 that would happen verbally, a lot of questions would be asked
24 via that manner, and if we weren't in person, Signal was a
25 standard chat app to use for sort of informal questions, but

1 not for company policies or for decisions concerning them or
2 for, you know, formal document releases or anything like that.

3 Q. Coming back to the policy, did there come a time that
4 Mr. Friedberg and Fenwick completed the policy?

5 A. Yes.

6 Q. Okay. And did you understand they had completed it?

7 A. Yup.

8 Q. And what did it mean to you as CEO of FTX?

9 THE COURT: This would be a lot more helpful to you if
10 I was not getting just vague generalities about what he
11 understood, if you understand where I'm going with that.

12 MR. COHEN: Sure. I'm just trying to give your Honor
13 all the context. Obviously the defense's position that this is
14 presented in sort of snippets, so I'm trying to give your Honor
15 context.

16 BY MR. COHEN:

17 Q. Mr. Bankman-Fried, did you discuss with Mr. Friedberg the
18 policy?

19 A. Yes.

20 Q. Tell us what you discussed with him.

21 A. He presented to myself and a few other people at the
22 company drafts of this policy. He talked about it with us in
23 person and sent us documents drafting it. He had meetings with
24 myself and others to discuss which channels would fall under
25 various categories within this document retention policy. He

1 sent us a finalized version of it, and that was then
2 implemented.

3 Q. Okay. And after it was implemented did you believe you
4 acted in accordance with the policy?

5 A. To my knowledge, yes.

6 Q. Okay. Now when you communicated with the attorneys and
7 compliance people at FTX—

8 A. Yup.

9 Q. —what form did you communicate over?

10 A. It depended on what the message was. To give some
11 examples, if we were—if I had, for instance, an announcement,
12 if there was a company policy, that would generally be in a
13 Slack channel. It would generally be either in a general Slack
14 channel if it was intended for broad consumption or in a
15 compliance- or regulatory-deemed Slack channel. Those would
16 not have any auto-deletion set on them. They would be retained
17 forever.

18 If it was an informal question, like, you know,
19 describe to me what your off-the-cuff impression is of the
20 regulatory environment in some country we're not currently
21 operating in so that we can decide whether to allocate more
22 time into investigating whether to operate there, that could be
23 in person, it could be over Signal, it could be in a Slack
24 channel.

25 Q. Now the government has introduced—I don't want to give the

1 count, but—about half a dozen exhibits in which you were the
2 person who put auto-delete onto a message. Do you recall that,
3 sir?

4 A. Yes.

5 Q. When you did that, did you believe you were acting in
6 accordance with the policy?

7 A. Yes.

8 Q. Tell us why.

9 A. So as a general matter, those were not channels where there
10 would be formal business records or, for that matter, even
11 informal business records. Those were not channels in which
12 decisions would be made or announced, or enacted. And those
13 were not channels in which documents relevant to regulatory
14 inquiries or potential or otherwise were intended to be
15 discussed. Those would be for—for chatter, for conversation,
16 the types of, you know, workplace communications that would
17 often just be someone wandering over to my desk and saying:
18 Hey, Sam, you know, do you have any thoughts about the Japanese
19 regulatory environment right now?

20 MR. COHEN: Okay. Can we put up—it was introduced
21 this morning--Government Exhibit 1083, please.

22 Q. Okay. Mr. Bankman-Fried, if you could look at the first
23 page, and you see the entry for item 1 is hashtag organization?

24 A. Yup.

25 Q. Item 5 is direct messages between you and Ms. Ellison, and

1 item 6 is messages between you and Gary Wang.

2 A. Yes.

3 Q. And then the far right-hand corner, it says, "auto-deletion
4 turned off SBF."

5 A. Yes.

6 Q. Do you recall doing that, sir?

7 A. Yes, I do.

8 Q. And can you explain to us what happened.

9 A. Yeah. So these were Signal channels for which there had
10 previously been an auto-deletion policy, generally one week.
11 In November 2022, for a variety of reasons but including
12 because what had been communicated to me, what I understood to
13 be coming from regulators, I took an effort to disable
14 auto-deletion on, you know, any place that I found it, and so I
15 went through Signal's chats generally as they were used as
16 people messaged in them that I was a part of, and if I received
17 a message, saw that auto-delete was set, I would disable that,
18 and I also went through the ones that I could think of and, you
19 know, proactively disabled auto-delete on them.

20 MR. COHEN: Moving in the document to the next page,
21 if you could go to item—one page after, Brian. I'm sorry.
22 Item 29. The heading is Sensitive Chatter, and there's a
23 number of folks on that, description in the middle.

24 Q. Can you identify for us—it says—Gary Wang, we know. Who
25 is Can?

1 A. That was Can Sun, the general counsel of FTX International.

2 Q. Who was Ryne Miller?

3 A. That was the general counsel of FTX.US.

4 Q. Okay. And who was Brett Harrison?

5 A. Brett Harrison was the president of FTX.US at the time.

6 Q. And dropping down to the next entry, Small Group Chat, can
7 you explain who Rahul Sharma was, at the very bottom.

8 A. Rahul Sharma was—I actually don't know for sure who he was
9 employed by.

10 Q. Let me rephrase.

11 A. Yeah.

12 Q. Were there folks in this who were either in the legal group
13 or the compliance group?

14 A. Yes. Absolutely.

15 Q. Can you identify them for the Court.

16 A. Yeah. Ryne Miller, again, general counsel, FTX.US; Ryan
17 Mendel was—you could classify him as compliance; Kumanan—this
18 is a group that was created in November 2022 during the crisis
19 period. Kumanan was an employee of a consultant who was
20 brought in by the FTX debtor entity to work, my understanding
21 is, on compliance matters. And my understanding is that Rahul
22 was also a compliance specialist, I believe with FTX US
23 Derivatives, but I'm not a hundred percent sure on that.

24 MR. COHEN: Okay. And if we could continue to entry
25 252 on this exhibit.

1 Q. Mr. Bankman-Fried, the entry on 252 refers to

2 Privileged/Confidential CFTC. Do you see that?

3 A. I do.

4 Q. Who was on that?

5 A. Gary Wang, CTO; Nishad Singh, head of engineering; myself;

6 Ryne Miller, the general counsel of FTX.US; and Can Sun, the

7 general counsel of FTX International.

8 Q. And what was your understanding of what that referred to,

9 that entry?

10 A. That entry was for privileged communications between

11 management and the heads of the legal departments around our

12 interactions with the CFTC, the Commodities Futures Trading

13 Commission, with respect to regulatory applications and

14 inquiries that we had there.

15 Q. And for that entry, just to complete your testimony,

16 auto-deletion had been turned off, correct?

17 A. That's right, in the same November period.

18 THE COURT: By someone else.

19 THE WITNESS: That's right, by Gary Wang.

20 THE COURT: Long after you received the message, yes?

21 THE WITNESS: I'm not sure what message you're

22 referring to.

23 THE COURT: The one we're talking about.

24 THE WITNESS: That's correct. I was in many Signal

25 channels. There was no way to turn off auto-delete on all of

1 them at once, so I did that on any channel for which I received
2 a message or had a recent message that would have been deleted
3 otherwise, or for the channels I thought of. I'm guessing this
4 channel had not been used for a while prior to that, but I
5 don't recall for certain.

6 THE COURT: Thank you.

7 MR. COHEN: Let me move, your Honor—if your Honor is
8 fine with this, I'll move to another topic, or—

9 THE COURT: You're moving to another topic now?

10 MR. COHEN: Yes. Unless you want me to ask any more
11 questions on this.

12 THE COURT: It's up to you.

13 MR. COHEN: All right. Let me—

14 THE COURT: One thought that readily occurs: Where is
15 this policy?

16 Let's move on.

17 BY MR. COHEN:

18 Q. All right. Let me move to another topic,
19 Mr. Bankman-Fried.

20 Do you recall hearing about a company called North
21 Dimension?

22 A. Yes.

23 Q. Okay. What do you recall about that?

24 A. North Dimension was a subsidiary of Alameda Research, which
25 was incorporated for payment processing purposes. I believe it

1 was around 2020 that this happened.

2 Q. And how did it get set up?

3 A. Dan Friedberg, the chief regulatory officer of FTX
4 International, in combination with Fenwick & West, one of our
5 outside law firms, was—were the ones who drafted the
6 incorporation documents, had incorporated and also corresponded
7 with banks about opening up bank accounts for it. I believe
8 there were a few other employees who were involved as well.

9 Q. Do you recall whether the banks required North Dimension to
10 fill out any forms?

11 A. Yes. They had bank account opening forms.

12 Q. Okay. And who filled those out?

13 A. Dan Friedberg did, or at least he was the one who presented
14 them to me.

15 Q. And when Mr. Friedberg presented them to you, what did you
16 do?

17 A. I signed them.

18 Q. Why did you do that?

19 A. I had a lot of things that passed my desk each day to sign.
20 I trusted that they were proper forms. And they were necessary
21 for opening up a bank account. I also briefly reviewed them
22 and didn't see anything that looked obviously wrong to me.

23 Q. Did there come a time when the topic of an agreement for
24 Alameda to process FTX customer deposits came up?

25 A. Yes.

1 Q. Okay. What do you recall about that?

2 A. There is a payment agent agreement between Alameda and FTX
3 related to the payment processing.

4 MR. COHEN: Can we call up DX 245 for identification,
5 please.

6 Q. Mr. Bankman-Fried, why don't you go through this document.

7 MR. COHEN: And Brian, if you could scroll so he can
8 see the whole thing.

9 Q. Okay. Let's go to the first page. What is this document,
10 Mr. Bankman-Fried?

11 A. This is that payment agent agreement.

12 Q. And do you recall how it was presented to you?

13 A. Yeah. Dan Friedberg presented it to me.

14 Q. Okay. And what was your understanding of who had drafted
15 it?

16 A. My understanding is that it was drafted with Fenwick &
17 West, who was our primary external law firm at the time.

18 Q. And what was the purpose of the agreement?

19 A. It was to memorialize the ways in which Alameda Research
20 acted as one of the payment agents or payment processors for
21 FTX, which is to say a avenue via which customers could
22 deposit.

23 MR. COHEN: Okay. If you can go to the last page,
24 Brian.

25 Q. You see the signature page. There's a signature for

1 Alameda, and is that your signature underneath?

2 A. Yes.

3 Q. And there's also a signature for FTX. Is that your
4 signature underneath?

5 A. Even though they look a little bit different, yes, those
6 are both mine.

7 Q. Mr. Bankman-Fried, why were you signing both sides of that
8 agreement?

9 A. At the time that it was presented to me, I was the CEO of
10 Alameda Research and I was also the CEO of FTX.

11 Q. And you see there there's an entry, effective date?

12 A. Yep.

13 Q. What was your understanding of that?

14 A. My understanding is that that was the date that the
15 relationship had started, that this was memorializing that
16 relationship.

17 Q. Okay. So when customers wired funds into the Alameda bank
18 accounts or the North Dimension bank accounts, did you believe
19 that it was covered by this agreement?

20 A. Yup.

21 Q. And how did it work?

22 A. How did the—how did that process work?

23 Q. Yes, exactly.

24 A. Okay. So this was over the course of 2020 and 2021. This
25 was prior to FTX having its own customer bank accounts. So FTX

1 had attempted from inception to get bank accounts, what are
2 called FBO bank accounts, "for benefit of other" bank accounts,
3 that customers could deposit funds into. But it took a couple
4 years to get those bank accounts. In lieu of that, prior to
5 those, it used a number of different payment processors, but
6 the most used is—was Alameda Research. We put on the FTX
7 originally OTC page and eventually on the FTX website wire
8 transfer instructions for Alameda Research, where customers
9 could wire fiat currencies, generally dollars—I think maybe
10 exclusively dollars in—and have balances credited on their FTX
11 account to trade on FTX.

12 Q. Did you believe that this process of transferring or wiring
13 funds into Alameda North Dimension was permitted based upon the
14 payment agent agreement?

15 A. Yup.

16 MR. COHEN: We would offer it. Before the jury, we'd
17 offer the document, your Honor.

18 Let me move to another topic, Mr. Bankman-Fried.

19 You can take that down.

20 Before we do, if we could pull up Defendant's
21 Exhibit 255.

22 Take a moment and go through that, all the pages for
23 him, Brian.

24 BY MR. COHEN:

25 Q. The first question is whether you recognize it.

1 MS. SASSOON: Your Honor, I believe this is in
2 evidence as Government Exhibit 267.

3 MR. COHEN: Okay. Then let's use the GX number.

4 THE COURT: Thank you.

5 A. I do recognize that.

6 Q. And what is it, sir?

7 A. That is the form that was used to apply for a North
8 Dimension bank account with Silvergate Bank.

9 Q. And the first page, it notes name of compliance contact,
10 and it says Dan Friedberg, General Counsel and Compliance
11 Officer. Do you see that, sir?

12 A. Yes.

13 Q. What was your understanding of that?

14 A. This had been compiled and presented by Dan Friedberg, who
15 was the general counsel and the compliance officer of North
16 Dimension and of Alameda.

17 Q. And was this the diligence form that got filled out for
18 Silvergate Bank that you referred to a moment ago?

19 A. Yes, this was.

20 MR. COHEN: Okay. All right. We can take that down.

21 Q. Let me move to another topic, Mr. Bankman-Fried.

22 Do you recall that you and others made a number of
23 venture investments?

24 A. Yes.

25 Q. Okay. And where did the funds for those investments come

1 from?

2 A. They came from Alameda Research.

3 Q. Okay. And how was the transfer of funds structured?

4 A. It depended on the investment. There were various entities
5 that did the investing. If it was Alameda Research's core
6 trading entities that invested, then I believe funds were wired
7 straight from Alameda, or sent via the blockchain in the case
8 of investments done in the form of cryptocurrency. If it was
9 done via another entity—for instance, one of the Alameda
10 venture entities—then there would generally be an intercompany
11 loan in which Alameda Research would lend money to the
12 affiliate that was making the investment, and that affiliate
13 would then make the investment. And in some cases there were
14 affiliated entities that had heavily overlapping ownership with
15 Alameda Research, and there would be loans from Alameda to
16 myself and/or the other owners of that entity that would then
17 infuse the capital into that entity for it to make the
18 investment.

19 (Continued on next page)

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1 Q. Let's start with that example. So there would be times
2 where the loans would go first to you?

3 A. Yup.

4 Q. Or Gary or Nishad?

5 A. Yup.

6 Q. Were those loans documented?

7 A. Yes.

8 Q. How were they documented?

9 A. There were promissory notes drawn up between us and Alameda
10 Research.

11 Q. Who drafted those?

12 A. The legal department drafted those memos, those promissory
13 notes.

14 Q. Do you ever recall -- let me rephrase.

15 Did you ever recall the issue coming up of whether to
16 denominate those transfers as loans or dividends?

17 A. At least in a few cases it did come up, and at the time I
18 remember concerns about risk of double taxation if they were
19 structured improperly. There were also cases where the
20 entities that we were investing in expressed strong preferences
21 about what entity invested in them.

22 Q. Who did you discuss these issues with?

23 A. I discussed them with counsel. It depended on the
24 particular instance which counsel. Some of them I discussed
25 with Fenwick & West there and attorneys there. Some of these I

1 discussed with Dan Friedberg and Can Sun, and some with Ryne
2 Miller as well.

3 Q. Based on the conversation with these attorneys, what was
4 your understanding about the loan structure?

5 A. My understanding --

6 THE COURT: I'm sorry, Mr. Cohen. I'll let you get an
7 answer to this, but a better question would be, what did you
8 say to them and what did they say to you on that subject?

9 MR. COHEN: You are right, your Honor.

10 Q. Let's go with his Honor's question.

11 A. In those cases, maybe describing the earlier ones by the
12 later ones, a lot of the context had already been built up, I
13 described to them that ultimately there is an investment that I
14 wanted to make. I described that -- what the investment was,
15 that ultimately funds would be coming from Alameda Research to
16 do it, and gave the reasons why there had been some preference
17 expressed for it to not be Alameda Research itself, the entity
18 that ultimately made the investment, that that is, that was the
19 ultimate acquiring entity of these shares or assets. And I
20 then asked about what structures would be appropriate for doing
21 that. Ultimately, we decided on -- for some of them a personal
22 loan to myself coupled with an investment in the entity that
23 was itself making the ultimate investment.

24 Q. They shared with you their view that it ought to be
25 structured as a loan?

1 A. That either it ought to or that it was one of the
2 permissible options, yes.

3 Q. What was your reaction to that?

4 A. I had no strong reaction to that. I was thinking about it
5 from a business perspective of trying to find a solution that
6 would check all the boxes. I was glad that we had found one.

7 Q. Did you take comfort from the fact that the lawyers had
8 structured the loans?

9 A. Yes, of course.

10 MR. COHEN: Pull up, I thought it was in evidence,
11 GX-240, please. We can just look at the first page. Maybe you
12 can make that bigger.

13 Q. What is this, Mr. Bankman-Fried?

14 A. That is -- can you go to the signature page.

15 OK.

16 Q. What is that?

17 A. That is one of the promissory notes in which Alameda gave a
18 loan to myself.

19 Q. That's an example of one of the documents you were just
20 discussing?

21 A. That is correct, yes.

22 MR. COHEN: We can take that down.

23 Q. Let's go to another topic, Mr. Bankman-Fried.

24 MR. COHEN: Can we pull up Government Exhibit 558 in
25 evidence.

1 Take a moment and go through the pages for him.

2 A. I think we don't have to go through all the pages of this.
3 That's enough.

4 Q. What is this, sir?

5 A. That is the May 2022 updated version of the FTX
6 International terms of service.

7 Q. Did you ever see this document before?

8 A. Yes.

9 Q. About when did you see it?

10 A. I first was presented with drafts of it in, I believe,
11 early 2022, possibly late 2021, and I was presented with a
12 completed version of it around May of 2022.

13 Q. If you know, who worked on this document?

14 A. I know that Can Sun, who is the general counsel of FTX
15 International, was heavily involved in working on it and
16 interfacing with me on it. I know he worked with outside law
17 firms. I am not sure which ones.

18 Q. Did you speak with Mr. Sun about the terms of service?

19 A. Yes.

20 Q. Tell us what you discussed.

21 A. We discussed the fact that, at least in part because of the
22 Bahamian entity, FTX digital markets, which is regulated by the
23 securities commission of the Bahamas, we wanted to have an
24 updated terms of service and that he was working on drafting
25 and ultimately releasing one.

1 Q. Did you believe that the terms of service addressed margin
2 trading?

3 A. Yes.

4 MR. COHEN: Can we go to section 16, please, Brian.
5 Page 16. I'm sorry. If we can call out section 16.

6 Q. Mr. Bankman-Fried, based on your review of that document
7 and your discussions with Mr. Sun, what was your understanding
8 of what it provided for?

9 A. My understanding is that this section provided for various
10 terms and disclosures related to customers engaging in margin
11 trading on FTX.

12 MR. COHEN: If we go to the next page --

13 THE COURT: Mr. Bankman-Fried, did you read this
14 entire document before it was promulgated?

15 THE WITNESS: I read parts in depth, parts I skimmed
16 over.

17 THE COURT: Go ahead.

18 Q. Turning to 1614, Mr. Bankman-Fried.

19 A. Yup.

20 MR. COHEN: Can we call that out. Brian, can you call
21 that out, 16.4.

22 Q. Turning to the last two sentences, no need for me to read
23 them, can you tell us what your understanding was of these
24 provisions?

25 A. Yeah. Those provisions referred to a few different

1 potential -- features isn't quite the right word -- properties
2 of FTX.

3 The first is referring to liquidations, to the fact
4 that if a user engaged in margin trading and their collateral
5 fell below a certain level, their positions might be forcibly
6 shut down in order to mitigate risk associated with their
7 account.

8 The second was what's called clawbacks or socialized
9 losses, which is that if another margin trading user suffered
10 losses, if the value of their collateral fell or their
11 obligations rose, to the point where the net value of their
12 assets minus liabilities, which is to say their net asset value
13 became negative, that if FTX itself was not able to cover that
14 shortfall, it could be effectively socialized on other users.
15 That was something we always hoped to avoid, but that was
16 always a risk.

17 Q. Based on this and other parts of the terms of service, did
18 you believe that Alameda borrowing funds from FTX exchange was
19 permitted under the terms of service?

20 A. Yes, in many circumstances.

21 MR. COHEN: Now, let's turn to schedule 5 of that
22 document and page 35.

23 Q. That's a service schedule. At the top it's entitled
24 futures market.

25 Do you see that, sir?

1 A. Yes.

2 Q. We don't have to go through it in detail, but what is your
3 understanding of what this provided?

4 A. My understanding is that it provided for various terms that
5 only applied to futures trading and not to spot markets on FTX.

6 Q. And based on the terms of service, did you believe Alameda
7 was permitted to engage in futures trading?

8 A. Yes.

9 MR. COHEN: We can take that down.

10 Q. Any other conversations about the terms of service that I
11 have not covered today?

12 A. Around --

13 MS. SASSOON: Objection, your Honor.

14 THE COURT: Sustained.

15 Q. Let me ask a better question. Other than the conversations
16 you relayed with Mr. Sun, did you have any other conversations
17 with him about the terms of service?

18 A. About these particular terms of service?

19 Q. Yes.

20 A. We had conversations in which I authorized him to move
21 forward with the new terms of service so long as the exchange
22 infrastructure was prepared for them. I know there were
23 requirements in terms of going back through old users and
24 reaffirming some of their know-your-customer status in order to
25 release the new terms of service.

1 Q. The terms of service we were just looking at were issued on
2 May 13, 2022?

3 A. Yup.

4 Q. To your knowledge, sir, were there versions of the terms of
5 service before that?

6 A. Yes.

7 Q. What is your basis for saying that?

8 A. I mean, FTX always had a terms of service. I believe from
9 day one I remember posting a terms of service on the website.

10 Q. How many versions were there prior to the May 13 version?

11 A. I know that there were a few main versions and likely a
12 number of edits. I am not sure exactly how many.

13 Q. Did you review those?

14 A. I reviewed the initial terms of service and would
15 occasionally skim through updated ones. I don't know that I
16 reviewed every single edit to them.

17 Q. Who prepared those?

18 A. They were originally prepared by Dan Friedberg and Fenwick
19 & West.

20 Q. Did you believe that you were managing FTX in accordance
21 with the earlier terms of service?

22 A. Yes.

23 Q. Let's move to another topic, sir.

24 THE COURT: Are you going to put the earlier terms
25 into evidence?

1 MR. COHEN: We are. We are just getting them, your
2 Honor.

3 THE COURT: Go ahead.

4 Q. Let me move to another topic, Mr. Bankman-Fried.

5 While you were CEO of FTX, did you attempt to
6 safeguard customer assets?

7 A. Yes.

8 Q. How did you do that?

9 A. There were a variety of ways. The single biggest was the
10 physical security of the assets that FTX custodied. And in
11 terms of their physical security, one potential threat,
12 obviously, was a hacking attempt on FTX's core servers. That,
13 in practice, was not the most frequent attack that we faced,
14 however.

15 By far more frequent was fishing attacks on FTX
16 customers. In short, a fishing attack --

17 Q. Mr. Bankman-Fried, let me focus this more. I want to take
18 up the issue that the Court is concerned with.

19 A. Yes.

20 Q. I apologize.

21 Did you ever hear the term segregation of assets?

22 A. Yes.

23 Q. What did it mean to you?

24 A. What it meant to me in the context of FTX was segregating
25 FTX's corporate assets, which is to say the roughly \$1 billion

1 of profit that it had accumulated versus the omnibus wallets
2 that stored net customer assets in them.

3 Q. How were individual customer assets stored?

4 A. There was no particular wallet for each individual
5 customer. We had millions of customers. And if we tried to
6 keep each customer's Bitcoin in a wallet specifically for that
7 customer, then every time there was a trade we would have
8 needed to do a transfer of that physical Bitcoin. It would
9 have been millions to tens of millions of dollars per day in
10 fees charged to users to cover those transfers. It would have
11 been completely impractical from a business perspective.

12 So what we had were what are called omnibus wallets
13 and omnibus bank accounts, which effectively mean one wallet
14 where we put all of the net customer Bitcoins in.

15 Q. All the customer Bitcoins were in one omnibus account?

16 A. That's right.

17 Q. Was that separated from the FTX operational account?

18 A. Yes.

19 Q. You got into the crypto industry in 2017?

20 A. Um-hum.

21 Q. And you worked in there through 2022?

22 A. Yeah.

23 Q. You traded on other exchanges?

24 A. Yup.

25 Q. You interacted with other leaders in the industry?

1 A. Yes.

2 Q. Based on your exposure to that, did you form a view about
3 whether other exchanges used these omnibus wallets?

4 A. Yes, I did. Nearly all of them used omnibus wallets. In
5 fact, to my knowledge, every centralized exchange did.

6 THE COURT: Mr. Cohen, I'll let you do whatever you
7 want here, but this degree of persuasiveness to personal
8 knowledge that is not present when somebody says my view based
9 on everything I have heard in my life was X.

10 MR. COHEN: This last piece was just an industry
11 practice point, your Honor.

12 THE COURT: Similar point.

13 Q. Let me break it down to his Honor's question: How did you
14 get your knowledge that other exchanges used omnibus wallets?

15 A. A variety of means. I traded on, more or less, every large
16 exchange in the industry, on dozens of exchanges. In doing so,
17 I would deposit funds into accounts that I owned or controlled
18 on those exchanges. I would watch Blockchain explorers to see
19 where those funds originally went and where they ultimately
20 were pooled, and in doing so it became clear that there were
21 wallets generally identified explicitly by Blockchain explorers
22 in which all or at least a large segment of customer Bitcoins
23 would end up being pooled, the same with other
24 cryptocurrencies.

25 For instance, if you're depositing to Huobi, which was

1 one of the larger cryptocurrency exchanges, and you
2 deposited -- when I deposited Bitcoin into accounts that I
3 operated there, I would originally send it to a Bitcoin address
4 that was specifically associated with my account, hoping it was
5 me that was sending the deposit, but immediately thereafter it
6 would be forwarded on to a wallet that was marked on a
7 Blockchain explorer as Huobi wallet number 3. I would see many
8 different deposit addresses for many different customers, all
9 being pooled in that omnibus wallet. And when I requested a
10 withdrawal from my Huobi account, it would be sent from one of
11 these omnibus wallets.

12 Later on, as I became more involved in the industry
13 and the people in the industry, especially after I moved to
14 Hong Kong, I had discussions with the leaders of other
15 exchanges about how we operated our platform, how they operated
16 their platform, and talked about how they managed their wallet
17 infrastructure. And every one of them that I talked to
18 confirmed that they used omnibus wallets, with the exception of
19 decentralized exchanges and of custodians that might have some
20 exchange-like qualities but were primarily not exchanges.

21 Q. What did you mean by decentralized exchanges?

22 A. So there was a variety of platforms, still is, in the
23 crypto industry called a DEX, a decentralized exchange. That
24 means it is sort of like a traditional exchange where you can
25 buy and sell assets. But rather than being run by a company

1 and maintained in a cloud-computing service, like Amazon Web
2 Services, in the way that FTX was, it was hosted directly on a
3 Blockchain. SushiSwap was an Ethereum Blockchain based
4 decentralized exchange, Uniswap was another Ethereum Blockchain
5 based decentralized exchange.

6 On decentralized exchanges, there was no central
7 custody of assets. Instead, you would interact with them
8 directly from your own wallets. What this meant was, there is
9 no intermediary. It also meant, though, that any time you did
10 a trade on one of those decentralized exchanges, there was a
11 fixed cost of whatever the Blockchain Gatsbys were at the time,
12 generally a few dollars per transaction, because they did have
13 to do an actual Blockchain transfer for every trade, and
14 chiefly, because of that, DEXs had a far smaller volume than
15 centralized exchanges.

16 THE COURT: One other question. You used the phrase
17 Blockchain explorer.

18 THE WITNESS: Yes.

19 THE COURT: What is that?

20 THE WITNESS: A Blockchain explorer -- the Blockchain
21 itself is a ledger of all transfers that have ever happened, so
22 there is an Ethereum Blockchain, which is a ledger involving
23 Ethereum transfers. It is formally maintained in a
24 decentralized manner, which is to say, a lot of different
25 validators for the network all agree, come to consensus on what

1 that Blockchain is.

2 However, for almost all purposes you don't want to
3 have to be running a sophisticated computer system to be able
4 to ask the question, did someone send an Ethereum token on this
5 day to this address. So there are a variety of providers that
6 created websites that listed out in a centralized but
7 easy-to-view fashion all of the transfers on the Blockchains,
8 and there are a variety of these. For each of the major block
9 chains Etherscan was, by far, the most used for the Ethereum
10 Blockchain.

11 THE COURT: Etherscan?

12 THE WITNESS: Yes.

13 THE COURT: Thank you.

14 Go ahead, Mr. Cohen.

15 MR. COHEN: Thank you.

16 Q. The larger exchanges, like FTX, used omnibus wallets,
17 correct?

18 A. Yes.

19 Q. Let me just go back to a point his Honor made before.

20 MR. COHEN: If we can pull up DX-165, please.

21 Q. Take a look and we can go through it, if you would like.

22 My question, sir, is whether you recognize this.

23 A. Yes, I do.

24 MR. COHEN: Let's go to the last page.

25 Q. What is this, Mr. Bankman-Fried?

1 A. That is an older version of the FTX terms of service.

2 Q. DX-179, same question.

3 A. Same answer. It's an older version of the FTX terms of
4 service.

5 Q. And DX-434. Same question.

6 A. Same answer, an older version of the FTX terms of service.

7 Q. Mr. Bankman-Fried, one more topic.

8 I want to move now to November. Did there come a time
9 that you met with the securities commission of the Bahamas at
10 their offices?

11 A. A number of times, yes.

12 Q. How did this come about?

13 A. This was immediately following the bankruptcy filing of FTX
14 International and just before that the joint provisional
15 liquidators being appointed for FTX Digital Markets, the
16 Bahamian entity.

17 Q. For these next questions, Mr. Bankman-Fried, I want you to
18 answer yes or no. OK?

19 A. OK.

20 Q. Did you attend the meeting?

21 A. Yes.

22 Q. You said there were a number of meetings. Do you recall
23 when the first one was?

24 A. I believe that it was November 12, 2022.

25 Q. Did anyone attend with you?

1 A. Yes.

2 Q. Who was that?

3 A. So in the meeting itself that I was part of, there is
4 myself; Krystal Rolle, Bahamian counsel; my father; then there
5 was Christina Rolle, the head of the securities commission of
6 the Bahamas; Brian Simms, one of the joint provisional
7 liquidators; and staff for both of them. In addition, Gary
8 Wang, the CTO of FTX, was in the building at the time but not
9 present in the meeting itself.

10 Q. For these questions I do not want you to reveal any
11 conversations between yourself and Krystal Rolle. OK?

12 A. Understood.

13 Q. How long did that meeting you just described last?

14 A. It took a few hours.

15 Q. Were you asked questions?

16 A. Yes.

17 Q. After the meeting, where did you go?

18 A. After the meeting, the group of us, roughly the same group
19 of people as had been at that meeting, but also including Gary
20 Wang and consultants from PricewaterhouseCoopers who had been
21 with Gary in the outer office, all drove to the FTX
22 headquarters in Nassau, Bahamas.

23 Q. What happened there?

24 A. At the FTX headquarters, I don't know whether this will
25 have already been covered, but the day prior to that, there was

1 a hack on FTX's assets. This was immediately following the
2 transfer of control and bankruptcy filing. In response to that
3 there had been urgings to move FTX's assets.

4 Q. Let me move on, Mr. Bankman-Fried.

5 A. Yup.

6 Q. When you came to the office, this was Christina Rolle, the
7 SCB commissioner there?

8 A. Yes.

9 Q. Do you recall if she read anything?

10 A. She did, yes.

11 Q. What did she read?

12 A. She read an order that Gary and I assist her in
13 transferring assets that we had access to through FTX's systems
14 to the custody solution that they had set up.

15 Q. Did you and Gary comply with that order?

16 A. Yes, we did.

17 Q. That same night did the Bahamian Police come to your
18 office?

19 A. Yes.

20 Q. What happened then?

21 A. The officers showed up, they had conversations with
22 Christina Rolle, the head of the SCB; with Krystal Rolle; my
23 counsel; and with myself.

24 We agreed that I would voluntarily attend meetings
25 with them that following week and that in the interim I and

1 Gary would surrender our passports.

2 Sorry. Just to clarify, we agreed that Gary and I
3 would both voluntarily attend meetings with them that following
4 week.

5 Q. Did you surrender your passport?

6 A. Yes.

7 Q. Did you ultimately go to those meetings?

8 A. No. Prior to those meetings, prior to when they were to
9 have been had, I was informed that they were no longer
10 necessary.

11 MR. COHEN: One moment, your Honor.

12 Nothing further, your Honor.

13 THE COURT: Thank you.

14 Ms. Sassoon.

15 MS. SASSOON: May we have a short break, your Honor?

16 THE COURT: Sure.

17 MS. SASSOON: Fifteen minutes, your Honor. Is that
18 reasonable?

19 THE COURT: Yes.

20 (Recess)

21 THE COURT: You may proceed.

22 MS. SASSOON: Thank you, your Honor.

23 CROSS-EXAMINATION

24 BY MS. SASSOON:

25 Q. Mr. Bankman-Fried, I want to begin by talking to you about

1 Signal. I want to drill down a little bit more on your
2 testimony.

3 A. OK.

4 Q. Did you discuss your use of Signal with lawyers?

5 A. Yes.

6 Q. When did you first discuss your use of Signal with lawyers?

7 A. More or less as soon as I began using Signal. I think this
8 was sometime around 2020 or so. And there were lawyers who
9 were involved in some of the original Signal chats.

10 Q. Which lawyers?

11 A. At the beginning, Dan Friedberg, who was the general
12 counsel at the time, and then ultimately with most of the
13 lawyers who joined the company.

14 Q. Did you discuss with lawyers auto deletion of Signal
15 messages?

16 A. I discussed with them the fact that there was auto
17 deletion, and it was a topic that had come up in connection
18 with the various data-retention policies. I don't know if
19 there is something more specific you are asking about.

20 Q. When did you first discuss with lawyers that you were going
21 to be auto deleting your Signal messages?

22 A. The earliest memories that I have of it were about
23 particular channels, particular channels that lawyers were
24 added to somewhat early on. I am not sure if you are referring
25 to -- sorry. I think the answer was, you know, shortly after I

1 started using Signal, although not originally in the context of
2 a formal policy.

3 Q. Let me ask you this. When, as a general practice, did you
4 start setting your Signal messages to auto delete?

5 A. I can't recall the exact date.

6 Q. Was it around the spring of 2021?

7 A. That sounds pretty plausible to me.

8 Q. And before you started doing that, as a matter of general
9 practice, did you discuss doing that with any attorneys at FTX?

10 A. I mentioned it. I don't know that we had formal
11 discussions about it.

12 Q. When you say you mentioned it, what does that mean?

13 A. It means that I mentioned that I was going to be -- I
14 think -- at least what I remember is at some point changing the
15 default toggle on my Signal app. I am not sure there is
16 another incident there, but that toggle I think I changed to
17 one week for chats -- for new chats that were created at some
18 point in time. The spring of 2021 sounds like it may have been
19 the right period for that to me.

20 Q. Before you changed that setting for your Signal chats to be
21 set to auto delete, did you seek approval of that decision from
22 a lawyer?

23 A. I don't know that I sought specific approval for that, no.

24 Q. So you mentioned a document-retention policy?

25 A. Yes.

1 Q. Was that a written policy?

2 A. Yes.

3 Q. When did that go into effect?

4 A. I believe that went into effect around late 2021.

5 Q. Whose idea was it to enact a document-retention policy?

6 A. Originally, it was Dan Friedberg's idea.

7 Q. What was the scope of that policy?

8 A. The scope of that policy was for official workplace

9 communications for FTX.

10 Q. Did that written policy include any provisions specifically
11 about the use of Signal?

12 A. I don't remember whether it was mentioned by name.

13 Q. Did that policy, as far as you recall, have any provisions
14 specifically about auto deletion of Signal messages?

15 A. It had various policies that would have applied to Signal,
16 but I don't know that it had any that specified -- that singled
17 out Signal as a platform.

18 Q. What about any policies in this written document that you
19 can recall that pertained to the destruction or deletion of
20 company communications?

21 A. There were -- I mean, there were a number of parts of it
22 that discussed the time periods at which it was or it wasn't
23 appropriate for some subsets of communications to do so. There
24 were also conversations -- I am not sure whether or not they
25 are in connection with that -- around mandates that we had from

1 various regulators for specific pieces of data to have no
2 longer than a particular shelf life.

3 Q. I think you said something like there was some subset of
4 communications to do so. I didn't understand what that means.
5 Did the policy specifically say anything about the
6 permissibility of deleting or destroying company documents?

7 A. Yeah. It said that in various circumstances it was not
8 permissible and in other circumstances it was permissible.

9 Q. What do you recall the policy saying about when it was
10 permissible to destroy company communications?

11 A. So I remember -- my memory of the policy is that it laid
12 out various circumstances in which it was not permissible to do
13 so or in which there needed to be a lengthy retention period
14 for company communications, and that outside of those sets of
15 topics or forums, there was permissibility to have effectively
16 whatever data-retention link or setting felt appropriate.

17 Q. Do you recall that policy --

18 THE COURT: Excuse me a minute, Ms. Sassoon. What
19 does it mean that there was permissibility about that? Does
20 that mean you could do whatever you wanted?

21 THE WITNESS: Sorry.

22 THE COURT: Yes. That was from me.

23 A. So long as there was no particular reason that you didn't
24 do a particular thing, yes.

25 Q. Is it your recollection that the policy expressly

1 authorized deleting company communications that did not fall
2 within the regulated categories?

3 A. That is my memory, yes.

4 Q. Where is this written policy?

5 A. I'm not sure if my answer is admissible.

6 THE COURT: Don't worry about that. You worry about
7 Blockchain explorers. I will worry about what's admissible.

8 A. When I was a member of the company, I remember interacting
9 with the policy and discussing it. As part of this case I
10 think we have been unable to serve the subpoenas we have
11 requested asking for it.

12 Q. You said that Signal was not expressly mentioned in the
13 policy. Did you talk to lawyers about whether Signal was
14 covered by the policy?

15 A. Yeah.

16 Q. And what were those conversations?

17 A. That Signal was treated in many ways like the other
18 communication platforms that we used. There were a few cases
19 where specific platforms were mentioned. I think there were
20 provisions specifically referring to email, for instance, in
21 the policy, but, otherwise, that it depends not on the app that
22 was used but on the nature of the communication.

23 Q. I think you said you mentioned in passing that you set this
24 auto-delete feature on Signal. Did you ever discuss with a
25 lawyer whether that was covered by this policy?

1 A. Yeah.

2 Q. With who?

3 A. With Dan Friedberg.

4 Q. When?

5 A. This was around the time that he was discussing the auto
6 deletion and data-retention policy with us, which my memory was
7 late 2021.

8 Q. So which is it? Did you just mention that you were putting
9 on this setting or did you seek approval from Dan Friedberg?

10 A. I think -- I apologize. I may have misinterpreted. I
11 interpreted your early question as what conversations I had
12 contemporaneous with when I originally changed that setting,
13 which my memory it was prior to the discussions around the
14 auto-deletion policy. So there is no formal policy around it
15 when I had initially changed the default settings on my Signal
16 app to one week, but we did have formal discussions about it in
17 connection with the data-retention policy which happened some
18 number of months later.

19 Q. Just to make sure I follow your testimony, you implemented
20 this setting and later this policy was put into place?

21 A. I believe that is correct, yes.

22 Q. Did you discuss with lawyers the retention period that you
23 were placing on your auto-delete feature?

24 A. Yeah.

25 Q. How was the retention period decided upon?

1 A. The retention period from my particular Signal -- like the
2 default on my particular Signal was just what it had been.
3 That was not meant to represent what the companies for official
4 communications or for memorializing business decisions or for
5 storing business documents would set on channels for which
6 retention was important or mandated.

7 Q. Did any lawyer authorize you to set auto delete for your
8 communications with Caroline Ellison, Nishad Singh, and Gary
9 Wang?

10 A. Via -- my memory is that, via the data-retention policy,
11 for communications that were not otherwise protected or
12 required to be retained that we were authorized to use whatever
13 retention period we felt like was appropriate.

14 Q. So you never sought out specific authorization for that?

15 A. It was, I think, explicitly authorized, although not
16 singled out by the data-retention policy. It was also
17 something that the lawyers were aware of.

18 Q. I think you testified that documents related to formal
19 business decisions, it was your understanding that those had to
20 be preserved based on your conversations with lawyers. Is that
21 accurate?

22 A. Documents that memorialized formal business decisions were
23 sort of finalized versions of those that were distributed to
24 the company or externally. That was my understanding.

25 Q. Can you explain what you mean by that.

1 A. So effectively -- I apologize. I wish I had that policy
2 now. I am working off my memory of it -- is that the policy
3 considered communications which, as an example, we're sending
4 to the company, here is our policy on a particular topic or
5 that were compliance decisions that were made and communicated
6 to a department of the company, or that were us storing
7 know-your-customer related information or that were formal
8 discussions of accounting documents would be, but that, for
9 instance, there is not, to my knowledge, any requirement that
10 every rough draft of documents and the conversation around
11 those, especially informal conversations, be preserved.

12 (Continued on next page)

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1 BY MS. SASSOON:

2 Q. What about the decision, for example, to repay Alameda's
3 lenders, do you consider that a formal business decision?

4 A. So I would consider formal business document to be the
5 balance sheets that were sent out to Alameda's lenders. To the
6 extent that there was a communication to Alameda's employees
7 that there was some policy decision, I would expect that that
8 would be. Now I—

9 Q. Let me make this concrete. Do you recall Caroline Ellison
10 testified that she sent to you Government Exhibit 44, the
11 spreadsheet with seven alternative tabs via Signal?

12 A. Yeah.

13 Q. Do you recall that testimony?

14 A. I do, yes.

15 Q. And do you consider that document a formal business
16 document?

17 MR. COHEN: Objection. Beyond the scope of this
18 hearing.

19 THE COURT: Overruled.

20 A. I—to be clear, to the extent that there was a document
21 that was sent out or intended to be directly sent out to
22 lenders, I would have thought of that as the type of document
23 that, had it been an FTX document, I would have, you know,
24 posted in a semiformal way in Slack. I can't speak for certain
25 about what practices Caroline followed with respect to Alameda.

1 However, a rough draft of that that was still being workshopped
2 I would not have yet considered a formal business document that
3 had to be separately memorialized, nor would I have considered
4 the sending of that to one other person so they could look over
5 it to be a formal business decision.

6 Q. So just to be clear, I want to make sure I understand that.

7 A. Yup.

8 Q. It's your view that receiving that seven-tab spreadsheet
9 over Signal and that message getting deleted was consistent
10 with the company's policy?

11 A. Yeah.

12 Q. And what specific conversations do you recall with counsel
13 that informed that understanding?

14 A. We had conversations that effectively—I had conversations
15 with counsel that conversations that people had internally were
16 not in general required to be recorded; for instance, verbal
17 conversations were not required to be recorded, generally
18 messages between two specific people at the company were not
19 required to be recorded because those would generally not be,
20 you know, formal business decisions that were being
21 communicated to the company more generally as there were only
22 two people involved in that and—

23 Q. You were CEO of FTX, right?

24 A. Yes.

25 Q. And Caroline Ellison for a time was CEO of Alameda?

1 A. Yes.

2 Q. And it was your view that no one-on-one communications with
3 Caroline Ellison had to be preserved.

4 A. I don't know that I would make a statement quite that
5 strong. I would say in general that was the case, but I—I,
6 you know—one could probably come up with such a communication
7 that would make sense to preserve.

8 Q. Well, give me an example.

9 A. I don't actually have any examples. I can try and think of
10 one.

11 Q. Do you think you ever violated this policy by communicating
12 with Caroline Ellison in messages that were later deleted?

13 A. Not to my knowledge.

14 Q. So am I correct that all your messages with Caroline from I
15 believe around May 2021 onward until November 2022 over Signal
16 were auto-deleted, right?

17 A. I think that was for Signal communications, yes, not
18 necessarily communications via other methods.

19 Q. So it's your testimony that there were no communications
20 over that period that would have violated the policy by being
21 auto-deleted?

22 A. I can't think of any that I believe would have. I
23 obviously don't remember every message that was sent and don't
24 have, unfortunately, copies of that policy in front of me right
25 now.

1 Q. What about conversations over Signal with Gary Wang, Nishad
2 Singh, and Caroline Ellison about shutting down Alameda because
3 of a hole in the FTX balance sheet?

4 A. I'm not sure that's how I would characterize the
5 conversations that I think you're referring to there. If
6 you're referring to the—are you referring to the "we came, we
7 saw, we researched" document, or are you referring to something
8 else? Sorry. I may be misunderstanding.

9 Q. Did you have conversations over Signal with Gary, Nishad,
10 and Caroline about an approximately \$13 billion hole at FTX?

11 A. I don't specifically recall such conversations. I wouldn't
12 be surprised that they had sent a Signal message about it at
13 some point.

14 Q. And so that type of Signal message, do you think that was
15 covered by the retention policy?

16 A. I would expect that it would be. I would, but again, it's
17 a little—I can't be confident with a hypothetical message.

18 Q. Meaning that you would expect that it should be preserved
19 or that it could be deleted?

20 A. No, no. So it depends on the exact nature of the message.
21 It's hard to give a definitive general answer to it, because
22 for instance, they would communicate an official vetted company
23 number that action was to be taken based on, and that was to
24 be—you know, that would be different than a conversation in
25 which people were trying to hash out what a number was based on

1 various approximations, so it's hard for me to answer in the
2 abstract.

3 Q. Do you recall, were you here for Adam Yedidia's testimony?

4 A. Yes, I was.

5 Q. Do you recall him testifying about a conversation you had
6 with him saying preserving Signal messages would be all
7 downside, or something to that effect?

8 A. I recall something that is at least to some extent to that
9 effect. I don't recall the specific things that he said.

10 Q. Did you have a conversation with him along those lines?

11 A. I don't specifically recall that, but I very well may have.

12 Q. And did you have that view?

13 A. Have what view in particular?

14 Q. That preserving company messages would be all downside with
15 regulators.

16 A. I didn't have that view with respect to all company
17 messages. I had that view with respect to particular types.
18 Maybe to—to clarify that a little bit, I thought it was
19 important to memorialize and to store company decisions,
20 official company documents. On the other hand, I was very
21 concerned about what would happen if an employee was careless
22 about how they phrased something, made a statement that was not
23 in fact nefarious but which, taken out of context, could look
24 bad and unfortunately they didn't give the appropriate context
25 and that that in turn could be publicized and be effectively

1 embarrassing for the company.

2 Q. Did you share that concern with lawyers when crafting your
3 document retention policy?

4 A. I shared that conversation, that—sorry—that concern in
5 general with lawyers. I'm not sure whether I specifically
6 shared it in connection with the data retention policy.

7 Q. So you don't have a recollection of expressing that concern
8 with respect to formulating the data retention policy?

9 A. Yeah, I'm not sure either way about whether that was one of
10 the contexts in which we had that conversation, though I know
11 that prior to that and after that, I had had that conversation
12 with lawyers.

13 Q. What about when you mentioned to lawyers that you turned on
14 the auto-delete function, did you explain that one purpose was
15 to destroy things that could be downside with regulators?

16 A. I certainly would not have used that language or described
17 it that way. I don't recall such a conversation.

18 THE COURT: How would you have described it?

19 THE WITNESS: So what I would have said—to give some
20 context on this, the company I worked at prior to
21 joining—well, to founding Alameda and then FTX was Jane Street
22 Capital, and at Jane Street, there was frequent discussion of
23 something called "*The New York Times* test." Context for this
24 was effectively, anything that you write down might end up on
25 the front page of *The New York Times*. And so especially if

1 you're describing something which is sensitive, you should make
2 sure that you are considerate about how you write it down, that
3 you think about how it could be interpreted, and that you make
4 sure that it could not be misinterpreted, and this was combined
5 with various stories that were told about cases where there was
6 a very negative public or regulatory reaction to an inoffensive
7 actual behavior because of careless things that people had used
8 to describe it. And so that was the type of concern that I
9 chiefly had.

10 BY MS. SASSOON:

11 Q. And did you direct your employees to discuss legally
12 sensitive topics by Signal?

13 A. It depends on what sorts of discussions. For, I would say,
14 employees, like, spitballing questions to—to lawyers, I think
15 that often would happen either verbally or over Signal. If
16 this was asking what is our policy on a particular thing or
17 describing that policy or communicating it, that I would not
18 have suggested particularly be over Signal.

19 Q. Did FTX ever get subpoenas that resulted in a hold on
20 destruction of records?

21 A. Yup.

22 Q. Did you retain Signal records after you got those holds?

23 A. So my understanding was that we retained records that were
24 responsive to those holds. Not all Signal channels had
25 auto-deletion turned on, some of them did not, and many Slack

1 channels did not, and emails in general did not.

2 Q. Did you ever turn off your auto-delete function on messages
3 with Gary, Caroline, or Nishad in response to such a hold?

4 A. Just because—we're talking specifically about a group chat
5 with the three of us or are we talking about broader groups
6 that we may have been in?

7 Q. Groups that would have included only those individuals.

8 A. Got it. So those were some subset of the four of us.

9 Q. Yes.

10 A. I'm not actually sure if I was—what the deletion history
11 was with those chats. I don't recall specifically doing so.

12 Q. When you got such a hold, did you consult lawyers about
13 which Signal chats you should preserve?

14 A. Yes.

15 Q. Who did you discuss that with?

16 A. I remember discussing that with Ryne Miller and Dan
17 Friedberg.

18 Q. And what were you told?

19 A. I was told that we basically immediately had to come up
20 with a set of channels and forums that should be fully
21 retained, and I believe that we did so.

22 Q. And who decided which channels those would be?

23 A. I mean, there—I want to make sure I answer this correctly.
24 There were a bunch of us—no, a bunch—probably seven or so
25 people involved in that conversation. Ultimately it was Dan

1 and Ryan who made the judgment call on which channels did and
2 didn't fall into that, but with, you know, context given by a
3 few other employees.

4 Q. Did you tell Ryne Miller or Dan Friedberg that you were
5 discussing company business in Signal chats with, for example,
6 Gary, Nishad, and Caroline?

7 A. Yeah.

8 Q. And what guidance, if any, did they give you about
9 preservation of those messages?

10 A. They did not generally tell me that those had to be
11 preserved so long as they were not, you know, formal business
12 decisions or other similar things.

13 Q. They used the word "formal business decisions"?

14 A. I don't actually recall the specific phrase they used.

15 Q. So what phrase do you recall them using?

16 A. I don't recall a specific one.

17 Q. Well, what do you recall about the substance of what they
18 said?

19 A. I recall that the substance of what they said was that for
20 informal company communications, those were permissible to
21 happen in person or over Signal, but that for things that
22 looked like company records, for instance—

23 Q. So you're giving that as an example. I want to
24 understand—

25 MR. COHEN: Please let him finish his answer.

1 THE COURT: Yes.

2 A. But that for things that were like company records or
3 decisions announced to the company that employees were expected
4 to enact, or logs of customer information, that those would not
5 be happening over Signal.

6 Q. Did anyone use the words "informal business discussions"?

7 A. Yup.

8 Q. Did any lawyer tell you about sharing company spreadsheets
9 or informal business conversations?

10 A. I had conversations with lawyers in which we shared
11 business-related spreadsheets over Signal. I don't know if I'd
12 specifically asked them about that, but they were well aware
13 that that would sometimes happen. I would not use that as a
14 way to distribute a finalized spreadsheet. That was generally
15 a way that I would sometimes send it to a few people to look
16 over and see if I was messing anything up.

17 Q. And how did this policy you've described apply to anything,
18 any communications related to Alameda?

19 A. My understanding is that there was a version of this policy
20 for Alameda as well, although I don't know the details of it.

21 Q. Were you involved in forming that policy?

22 A. Not in any depth.

23 Q. What does that mean?

24 A. I was aware that it was happening. It was mentioned
25 sometimes in the same conversations as the ones that I had with

1 counsel about the FTX policy, but I don't know that I reviewed
2 the Alameda policy and I don't remember learning specifically
3 what channels were—were not going to be preserved at Alameda.

4 Q. When do you recall that taking place?

5 A. I think late 2021. I don't remember the exact time.

6 Q. And what was your involvement in Alameda at that point?

7 A. So this was after the CEO role had transitioned to Caroline
8 Ellison and Sam Trabucco. It was during a period where it was,
9 you know—Trabucco was slowly drifting effectively towards
10 retirement, so it was primarily Caroline. I was involved in a
11 few areas of Alameda. I was particularly involved in
12 venture-related investments, and later on I became involved in
13 hedging decisions. I was not on a day-to-day level involved in
14 other topics that I can recall—there—there may well be one or
15 two I'm forgetting there—although I would get periodic updates
16 from Caroline about it and she would sometimes elicit input
17 from me.

18 Q. Were you in a Signal group called Vertex?

19 A. Yes.

20 Q. Was that with Caroline, Sam Trabucco, and Ben Xie?

21 A. Yup.

22 Q. And were Alameda trade decisions discussed in Vertex?

23 A. I—yeah, occasionally.

24 Q. And was that chat set to auto-delete?

25 A. I don't recall. It may have been.

1 Q. Do you recall consulting with anybody about setting that
2 chat to auto-delete?

3 A. Not specifically for that chat.

4 Q. You've described some consultations with attorneys. Do you
5 have any paper records of these consultations?

6 A. I—no, I don't. I believe we've requested some of those
7 but have not been given them.

8 Q. When you say "requested some of those," what did you
9 request?

10 A. I requested both the data retention policy and all
11 communications surrounding that.

12 MS. SASSOON: Your Honor, permission to approach the
13 witness with a document.

14 THE COURT: Yes.

15 MS. SASSOON: I've provided a copy to defense counsel.
16 I'd like to provide one to the Court, and the witness. I don't
17 know if that leaves one for me, but—

18 BY MS. SASSOON:

19 Q. Mr. Bankman-Fried, could you just take a look at that and
20 tell me if you recognize this document.

21 THE COURT: Let's get it marked.

22 MS. SASSOON: We can mark that as Government
23 Exhibit 3000.

24 THE COURT: Thank you. For identification.

25 MS. SASSOON: Yes.

1 A. I—

2 MS. SASSOON: 4000. 4000.

3 THE COURT: 4000 for identification.

4 A. To be explicit, I do recognize this but not
5 contemporaneously. I'm aware of this, but I don't remember
6 becoming aware of this when it was actually enacted. I am
7 certain that I saw this starting, you know, on or around
8 November 2022.

9 Q. Is that the document retention policy you've been talking
10 about?

11 A. No, this is not.

12 Q. And does it resemble in substance what was in the retention
13 policy you've been talking about?

14 A. No, it does not.

15 Q. So the supposed policy you've been testifying about, you
16 have no record of it sitting here today.

17 A. That's correct. We have requested it numerous times.

18 Q. Okay. One moment.

19 I'm going to turn now—before I move on to another
20 topic, I just want to ask if, in your view, you ever violated
21 the document retention policy.

22 A. I don't have any knowledge that I did. Although, again,
23 I'm not now looking at a copy of it so I—I don't recall
24 precisely what it said.

25 Q. Okay. I want to talk to you about North Dimension.

1 A. Yup.

2 Q. First of all, whose idea was it to incorporate North
3 Dimension?

4 A. It was communicated to me by Dan Friedberg. I know there
5 were others involved. I'm not sure whose idea originally North
6 Dimension in particular was.

7 Q. You've described a couple things now where you've said that
8 something was Dan Friedberg's idea.

9 A. Mm-hmm.

10 Q. Can you explain generally the relationship between you and
11 Dan Friedberg, and generally, were you giving him direction or
12 was he just popping ideas on your desk?

13 A. There were some of each. That relationship, it changed a
14 little bit over different periods of time. I can just give an
15 overview. If there's a specific time period you want me to
16 zoom in on, I'm happy to do that as well.

17 Q. Let's focus first on North Dimension. Did you give Dan
18 Friedberg any direction about North Dimension?

19 A. I don't recall giving specific direction to him about it.
20 Yeah, no, I don't recall giving a direction to him about it.

21 Q. And why the name North Dimension for this entity?

22 A. I honestly don't know where the name came from.

23 Q. So is it your testimony you didn't come up with the name?

24 A. That is correct.

25 Q. And do you have any knowledge of why this entity didn't

1 have Alameda in the name?

2 A. I—I don't know for sure why it did not.

3 Q. I think you testified that FTX couldn't get bank accounts?

4 A. Yup.

5 Q. At first, were FTX customer funds getting wired to a bank
6 account in Alameda's name?

7 A. Originally customers were wiring deposits to Alameda
8 Research.

9 Q. Why did that stop?

10 A. Ultimately it stopped because FTX got its own bank
11 accounts, but I'm guessing you're talking about before then, is
12 that—

13 Q. Why did FTX transition from using bank accounts in the name
14 of Alameda to a bank account in the name of North Dimension?

15 A. My understanding from what I was told at the time was that
16 there were cases where various banks had difficulty wiring to
17 an Alameda Research bank account or—and/or various customers
18 did, and that it was smoother to process them using a North
19 Dimension bank account.

20 Q. Were you told that banks did not want to transfer money to
21 Alameda, a cryptocurrency hedge fund?

22 A. I don't know if I was told that explicitly, but I—it
23 wouldn't surprise me.

24 Q. Did you understand that at the time?

25 A. I knew that there were some banks that did not want to do

1 so. I didn't know whether that was the impetus for North
2 Dimension.

3 Q. Just to be clear, when North Dimension was created, you
4 were CEO of Alameda, right?

5 A. I believe that's correct, yes.

6 Q. And is it your testimony that as CEO of Alameda, you had no
7 insight into why Alameda stopped receiving customer funds into
8 a bank account in Alameda's name?

9 A. I—it is correct that I do not know why it incorporated
10 North Dimension. It wasn't a project that I was driving,
11 although it was one that I was made aware of. I had contextual
12 clues that I could try to draw on, but in general, I was—even
13 for companies that I was fully running day to day, there were a
14 lot of things that happened that I was either not informed of
15 or after the fact sort of summarily informed of, and at that
16 point with Alameda, I was still CEO, I was still involved
17 sometimes in the day-to-day operations, but I often was not. I
18 was, you know, about halfway, I would say, through
19 transitioning from running Alameda day to day to running FTX
20 day to day.

21 Q. So we've looked at, or you looked with Mr. Cohen at a bank
22 account application for North Dimension.

23 A. Yup.

24 Q. When you signed that, what was your understanding of what
25 you were doing?

1 A. My understanding was that Alameda wanted to open up a bank
2 account for North Dimension and this was a form that I had to
3 fill out to do so.

4 Q. Who told you that?

5 A. I knew that Dan Friedberg specifically told me that. I'm
6 not sure if I had conversations with other people about it as
7 well.

8 Q. What, if anything, did you discuss with Dan Friedberg about
9 the purpose of this bank account?

10 A. At the time of the—the form, or later on or—

11 Q. Before and at the time.

12 A. I'm not sure I remember having discussions before or at the
13 time about the purpose of the bank account. I know that there
14 had been—yeah. Sorry. I'm not sure that I did. I'm not sure
15 that I did entirely. I just don't recall any in particular.

16 Q. When did you learn that the purpose of the bank account was
17 to receive FTX customer funds?

18 A. I think I learned that when I saw that it had been—so I
19 think I learned when FTX rolled out North Dimension deposit
20 instructions for customers that at least one of the purposes
21 for it was going to be for customer deposits.

22 Q. Did that raise any concerns for you at the time?

23 A. I don't think it raised any particular concerns.

24 Q. Did you discuss with counsel that the purpose of the bank
25 account was to receive customer funds?

1 A. Sorry. Let me actually amend my previous answer. There
2 was a related thing that did raise a concern to me at the time,
3 that I did raise as a concern with counsel, which was, I saw
4 that one of the North Dimension entities was a US entity, and I
5 was surprised to see that a US entity was being used for—for
6 what seemed like payment processing.

7 Q. So as far as you understand it, whose decision was that?

8 A. Whose decision was it to roll it out for FTX or to open the
9 bank account or—

10 Q. To use North Dimension to receive FTX customer money.

11 A. I'm actually not entirely sure whose decision it originally
12 was. I think Nishad was the one who added it to the code base,
13 but presumably that was after conversations with other people.
14 I'm not sure who sort of made that decision initially.

15 Q. So it's your testimony you weren't part of that decision.

16 A. The original decision related to North Dimension, I don't
17 recall being a part of it. I do know that I became—certainly
18 became aware of it and had conversations with it as it was
19 happening, and I may have been in conversations around
20 difficulties that Alameda was having sometimes receiving wire
21 transfers. I don't recall being conversations around North
22 Dimension in particular until it was being implemented.

23 Q. What do you mean you may have been in conversations about
24 the account receiving customer money?

25 A. Sorry. Conversations—was this referring to the

1 conversations around difficulties with—

2 Q. Yes. I think you said "I may." So were you—what's your
3 testimony?

4 A. So, excuse me. I was in conversations that—in which it
5 was conveyed to me that sometimes people had difficulty wiring
6 to Alameda. I'm not sure if those were related. They may have
7 been.

8 Q. So what conversations, if any, did you have with lawyers
9 about the permissibility of using North Dimension to receive
10 FTX customer funds?

11 A. We had conversations around Alameda generally acting as a
12 payment processor, as a payment agent for FTX, which were, you
13 know, memorialized in a payment agent agreement, and I had
14 conversations with that at a high level with lawyers, and I was
15 at least aware of conversations that were happening with the
16 accountants and auditors around that as well. I know that
17 there were lawyers who were, I mean, involved in and driving
18 the incorporation and usage of North Dimension as part of this
19 payment agent. I'm not sure if I initiated a specific
20 conversation after seeing it around that, the—it was initiated
21 with me. But yeah.

22 THE COURT: So I take it the answer is you don't
23 remember; is that about it?

24 THE WITNESS: I don't remember that specifically. I
25 do know that lawyers were involved in that decision. I don't

1 know that I specifically—

2 THE COURT: No. The question was about conversations
3 you had.

4 THE WITNESS: That's right.

5 THE COURT: So the answer is you don't remember; is
6 that right or not?

7 THE WITNESS: Sorry. I want to make sure I'm
8 answering the right question. Conversations that I had with
9 lawyers around—

10 THE COURT: The permissibility of using North
11 Dimension to receive FTX customer funds. That was the
12 question.

13 THE WITNESS: Right. No, I—not unless you count
14 conversations I had around the permissibility of using Alameda
15 as a payment agent, and North Dimension was a wholly-owned
16 subsidiary of Alameda. I don't know that I had conversations
17 around the permissibility of North Dimension in particular.

18 THE COURT: Listen to the question and answer the
19 question directly.

20 BY MS. SASSOON:

21 Q. When you signed the bank account opening document for the
22 North Dimension bank account, at that time, I believe you
23 testified you did not know the bank account would be used
24 specifically to receive FTX customer funds; that was your
25 testimony?

1 A. I believe that's correct.

2 Q. And so at that time when you signed the account opening
3 document, you had not had any conversations with lawyers about
4 the permissibility of using the North Dimension account to
5 receive customer funds; is that accurate?

6 A. I don't recall having any, no.

7 Q. And is it likely you did, given that you are testifying
8 that you didn't know the purpose of the account?

9 A. I don't think that I did, but I can't be certain about the
10 order in conversations here. I'm relying on my memory here,
11 and this was not a thing I was focused on at the time.

12 MS. SASSOON: Well, let's look at Government
13 Exhibit 267.

14 Mr. Bianco, if you could pull that up.

15 Q. This is the bank account application document you signed,
16 right?

17 A. Yes.

18 MS. SASSOON: And if we could just go to the last
19 page.

20 Q. That's your signature?

21 A. Yes.

22 Q. And this is dated December 9, 2020, so you were CEO of
23 Alameda at the time?

24 A. Yes.

25 Q. And that's a wet signature, right?

1 A. I guess it looks like one.

2 Q. Sometimes you used DocuSign, right?

3 A. Yes.

4 Q. In this instance you did not?

5 A. It doesn't look like I did. I don't recall.

6 Q. And did you review this document before you signed it?

7 A. I reviewed it briefly.

8 Q. Did you discuss it with a lawyer before you signed it?

9 A. I—it was presented to me by a lawyer. I didn't have a
10 lengthy discussion with him about it, though.

11 Q. Did you have any discussion that you can recall, sitting
12 here today, about this document?

13 A. Not other than, I mean, him saying that there's a document
14 for you to sign related to a bank account opening for a
15 subsidiary of Alameda's, and I said, all right. That's all I
16 can recall from the moment of that signing. I'm not entirely
17 sure there isn't something I'm not remembering. I don't recall
18 anything other than that.

19 Q. Let's go to the first page.

20 A. Mm-hmm.

21 Q. And do you see here under 1, it says "Description of
22 business. Select all that apply"?

23 A. Yup, mm-hmm.

24 Q. And what's checked is "proprietary trading firm" and
25 "over-the-counter trading firm."

1 A. Yup.

2 Q. As far as you know, was North Dimension either of those
3 things?

4 A. I viewed it to be one. It was a wholly-owned subsidiary of
5 Alameda, which was both of those things.

6 Q. And as far as you understood it, was this bank account used
7 for either of those purposes?

8 A. I'm actually not entirely sure all the things that it ended
9 up being used for.

10 Q. Did you discuss this section of the application with Dan
11 Friedberg?

12 A. I don't recall discussing it with him.

13 Q. In the course of preparing for this trial did you review
14 reports of meetings the government had with Dan Friedberg?

15 A. I—I'm not sure. I—I think at least a little bit. I
16 don't know if I did.

17 Q. Did you review the witness notes and materials provided to
18 you by the government?

19 A. I reviewed some of them.

20 Q. And did you review some of the reports related to Dan
21 Friedberg?

22 A. Some, but I believe not all of them.

23 Q. And did you read in one of those reports that Friedberg
24 says he could not recall who asked for North Dimension to be
25 formed but it would have been either you or Andy Croghan?

1 A. I don't specifically recall reading that, no, but it very
2 well may have been in there.

3 Q. Is it possible that you asked Dan Friedberg to form North
4 Dimension?

5 A. I don't recall doing so.

6 Q. Do you recall reading in the report that Friedberg said he
7 was not part of any discussion of FTX customer funds depositing
8 into Alameda Research accounts?

9 A. I remember hearing that that had been there. I'm not sure
10 whether I read it myself or discussed it.

11 Q. And do you dispute that?

12 A. I can't know for sure what is intended by that. All I have
13 is discussion of the notes. That's not how I would have I
14 think described it myself, but I don't want to put words in his
15 mouth, as I don't know exactly what he intended by that.

16 Q. So I'm not asking you that. I'm asking whether, according
17 to you, Dan Friedberg was in fact part of discussions of FTX
18 customer funds depositing into Alameda Research accounts.

19 A. So just to clarify, I do think that Dan Friedberg—I do
20 remember Dan Friedberg being involved in discussions relating
21 to Alameda being—Alameda bank accounts being used as a way to
22 accept deposits from customers of FTX.

23 Q. And when were those discussions?

24 A. Those discussions were happening when we were discussing
25 the payment agent agreement. That was, as I understood it, the

1 primary purpose of the payment agent agreement was to describe
2 that relationship.

3 Q. And when did you discuss the payment agent agreement with
4 Dan Friedberg?

5 A. I don't recall exactly when it was. I think that it was
6 certainly at some points in 2020 and possibly at other times as
7 well.

8 Q. When did you sign the payment agent agreement?

9 A. I don't remember when I signed it.

10 Q. What's your best recollection of when you signed the
11 agreement?

12 A. I—in 2020 is my best guess, but I—that could be wrong.

13 Q. We looked at the effective date on the document, which was
14 2019.

15 A. Yup.

16 Q. Did you sign it on the effective date of the document?

17 A. No, I don't think so.

18 Q. Did you sign it after the effective date of the document?

19 A. Yeah.

20 Q. Possibly a year later?

21 A. It's possible.

22 Q. Possibly two years later?

23 A. Possible. I would have guessed it wasn't that late, but,
24 yeah, it could have been.

25 Q. Are there any other lawyers you talked to about North

1 Dimension being used to receive FTX customer funds?

2 A. I—that I—I personally did not have many discussions
3 around North Dimension. I know that—I'm honestly not entirely
4 sure.

5 Q. Did you have any conversations with lawyers about Alameda
6 spending FTX customer money that was deposited into its bank
7 accounts?

8 MR. COHEN: Objection, scope.

9 THE COURT: Overruled.

10 A. Can you repeat the question. Sorry.

11 Q. Did you have any conversations with lawyers about the
12 permissibility of Alameda spending FTX customer deposits that
13 were deposited into Alameda bank accounts?

14 A. I don't recall any conversations that were contemporaneous
15 and phrased that way.

16 Q. So what do you recall?

17 A. So there were certainly conver—I certainly had
18 conversations with lawyers far later about when we were trying
19 to reconcile things in November of 2022, and there were
20 conversations with lawyers around Alameda being used as a
21 payment processor, as a payment agent for FTX. I frankly don't
22 recall conversations with lawyers or otherwise about the
23 details of the funds or of the usage of the North Dimension
24 bank account or what would happen with assets after that. I
25 certainly, in retrospect, wish that I had. I wish I had had

1 conversations that I myself had been more informed. I'm not
2 sure if other people were involved in conversations.

3 Q. So any conversations about this prior to November of 2022
4 with lawyers that you can recall?

5 A. Sorry. Give me one second. I just want to think about
6 conversations that may be scoped to be within that.

7 I recall having conversations with lawyers around some
8 things related to Alameda as a payment agent, including
9 stablecoin creations and redemptions, and I recall
10 conversations with auditors and accountants around it. I'm not
11 sure that I recall. And I was also involved in conversations
12 with lawyers around the general practice of using payment
13 processors and storing funds with payment processors. I'm not
14 sure there were ones specifically around this topic.

15 Q. Mr. Bankman-Fried, I want to be clear the answer to the
16 question I'm asking you, which is—

17 A. Yup.

18 Q. —prior to November of 2022, do you recall conversations
19 with lawyers about the topic of Alameda spending FTX customer
20 deposits that came into Alameda bank accounts?

21 A. I don't recall that specifically, no.

22 Q. And did you have conversations about that with auditors?

23 A. There were conversations with auditors around the fact that
24 deposits had gone to Alameda and that it was a liability owed
25 to FTX. I don't know if there were discussions around exactly

1 how Alameda used its—its assets.

2 Q. So I believe you said in your direct testimony that North
3 Dimension was created for payment processing purposes.

4 A. Yup.

5 Q. What is that understanding based on?

6 A. That understanding is based on, after having created it,
7 the ways in which I observed it being used.

8 Q. And so you saw directly it was being used for this purpose?

9 A. Yeah.

10 Q. And the payment agent agreement that we looked at during
11 your direct testimony, does it say anything about Alameda being
12 authorized to spend FTX customer funds?

13 A. So I believe that it authorizes—that it gives a fair bit
14 of discretion to Alameda about what it—how it acts in general,
15 clarifying that it has an obligation upon demand to FTX of that
16 amount of money, but not specifying that it has to be—what has
17 to—what Alameda has to do with any of it, of its assets. That
18 is my understanding of it.

19 Q. So is it your understanding that under the agreement
20 Alameda was permitted to spend FTX customer deposits?

21 A. I wouldn't phrase it that way. But I think that the answer
22 to the question I understand you to be trying to ask is yes.

23 Q. Well, let's look at Defense Exhibit 245.

24 A. Mm-hmm.

25 Q. And I'm happy to scroll for you, but maybe you could point

1 out to us where in this agreement you think Alameda is
2 permitted to spend FTX customer funds. And if you need us to
3 turn the page, just let me know.

4 A. So I should preface this by saying I'm not a lawyer. I'm
5 not giving a legal interpretation of this. I'm just giving, as
6 best I can, what my memory is. And the parts of this that jibe
7 with that, I, you know—I'm not trying to give a definitive
8 legal ruling on what this does or doesn't say. The—I'm not
9 sure that I would quite answer yes to the question as you most
10 recently phrased it. I'm going to try as best I can to give
11 the answer that I believe, which is that the—as—at least as I
12 remember understanding it at the time, FTX either itself or I
13 think as actually happened, without FTX as an intermediary,
14 customer's fiat funds would be sent to Alameda bank accounts,
15 FTX would retain a—effectively a debt from Alameda for those
16 and a—in the lien section here, a lien on Alameda's assets as
17 security for that ongoing liability, that it would be repayable
18 on direction from FTX in the return section here, and—and in
19 the payment directive section. And—one second.

20 And that the provider could hold or transfer the funds
21 as laid out in the FTX assets section unless or until directed
22 to return them to FTX.

23 All of that being said, I did not do a careful reading
24 of this document at the time contemporaneously, and I would
25 have treated it as effectively, yeah, as a liability from

1 Alameda to FTX, that it had a contractual obligation to—to
2 make whole.

3 Q. Is there any line in this exhibit you can point me to that
4 in your view authorized Alameda to spend the FTX customer
5 funds?

6 MR. COHEN: Objection. This has been covered.

7 MS. SASSOON: He didn't answer my question, your
8 Honor.

9 THE COURT: I agree. Overruled.

10 A. So I—there is the line that the—that FTX may, without
11 notice or demand, without notice to or demand on provider,
12 transfer any crypto or cash asset on hand to the provider, to
13 Alameda, to be held and/or transferred by provider. I would
14 have interpreted that as saying that Alameda had the right to
15 hold or transfer those assets and that—oh, sorry.

16 Q. Go ahead.

17 A. And that the—the—what these represented was, in the
18 return section, a secured liability, and that it was secured,
19 as described in the lien section, by a lien against the
20 provider, in this case Alameda, which would implicitly have
21 access to all of Alameda's assets, which is how I would imagine
22 describing a contractual loan obligation, effectively.

23 Q. Did any lawyer at FTX tell you that any language in this
24 agreement meant that Alameda could spend FTX customer deposits?

25 A. I don't know that I had contemporaneous conversations with

1 lawyers about exactly what this agreement meant.

2 Q. And any conversations you did have about what it meant were
3 in November of 2022?

4 A. With lawyers in particular, yes.

5 Q. As far as you know, was this agreement ever disclosed to
6 the public?

7 A. I'm not sure if it was.

8 Q. Are you aware of anywhere or any time that it was disclosed
9 to the public?

10 A. I'm aware of it being disclosed to auditors. I'm not sure
11 if that in turn turned out to be disclosed to other parties or
12 not. I'm not aware of any specific incidents in which it was.

13 MS. SASSOON: Your Honor, I apologize. I'm not going
14 to finish at 4:30. I'm happy to continue past 4:30 if the
15 Court would like. I'm going to move to the next topic, which
16 is the terms of service.

17 THE COURT: Keep going.

18 MS. SASSOON: Okay.

19 THE COURT: We're going to finish.

20 BY MS. SASSOON:

21 Q. Let's talk about the terms of service.

22 A. Yup.

23 MS. SASSOON: Mr. Bianco, can you pull up 558.

24 Q. I think you testified that you saw this as early as late
25 2021. Do I have that right?

1 A. I was sent it. I don't know that I looked through it in
2 detail then.

3 Q. And I think you said some parts you looked at more closely
4 than others; is that right?

5 A. Yeah.

6 MS. SASSOON: Can we go to provision 8.2.6, I think it
7 is.

8 8.2 and 8.2.6. Yeah, that's right. If we could zoom
9 in on 8.2.6.

10 Q. Is this one of the provisions you looked at closely?

11 A. I don't believe I looked at it closely at the time.

12 Q. What do you recall about your review of this at the time?

13 A. I recall at the time that I had interpreted this as
14 referring to purely spot trading on the platform and that this
15 was referencing, you know, omnibus segregated wallet setup for
16 spot assets.

17 Q. Did you discuss that understanding with any attorney?

18 A. I don't recall doing so, no.

19 MS. SASSOON: Let's look at Section 16. And let's go
20 to 16.4.

21 Q. Did you discuss 16—I think you talked about your
22 understanding of this provision. Did you discuss the meaning
23 of this provision at the time with any attorneys?

24 A. Not at the time, no, I didn't. I don't actually recall
25 discussing specific provisions, any specific provisions with

1 this at the time with attorneys.

2 Q. And do you know how this provision ended up in the terms of
3 service?

4 A. I'm not a hundred percent sure how it did, no. I don't
5 know who drafted which parts of it.

6 Q. This provision, as you understand it, does it have anything
7 to do with Alameda's fiat liability to FTX?

8 A. So as I understand it, this refers to assets of—that users
9 post as collateral for their margin positions, so I think that
10 what it would refer to is on a net basis, that—that set of
11 assets, not purely spot assets.

12 Q. But you think the fiat liability is encompassed within that
13 for this provision?

14 A. So when you discuss the fiat liability, at least as I
15 understand it—but I may be misinterpreting your question—I
16 think of that as being a liability from Alameda to FTX of a
17 particular size, rather than referring to the
18 particular—rather than referring to the nature of other
19 customers' accounts on the platform. So, sorry. Probably be a
20 little bit clearer. I think that this could potentially relate
21 to any liability on the platform, depending on the nature and
22 amount of assets that were posted in various methods to the
23 platform.

24 Q. When you reviewed and authorized the terms of service, I
25 believe you said to Can Sun—is that right?

1 A. Yeah.

2 Q. —did you discuss with him Alameda's line of credit on FTX?

3 A. I don't think I discussed it with him then, no.

4 Q. Did you discuss with him Alameda's "Allow Negative" feature
5 and whether it was consistent with the provisions of the terms
6 of service?

7 A. I—this was—you're referring to in May 2022, this is?

8 Q. Yes.

9 A. I don't know that I had any specific conversations with Can
10 when I authorized him to take action if he felt appropriate on
11 new terms of service.

12 Q. So did you—and I just want to make sure I'm clear on this.
13 Did you have any discussions with Can Sun related to Alameda
14 being exempt from auto-liquidation in connection with
15 authorizing Section 16 of the terms of service?

16 MR. COHEN: Objection, form.

17 THE COURT: Overruled.

18 A. I—same answer as before. I don't know that I had any
19 specific conversations about anything with Can when I
20 authorized him as general counsel to do what he felt was
21 appropriate with new terms of service.

22 Q. And at that point in time, May 2022, had you discussed any
23 of those topics I just outlined outside the context of the
24 terms of service with Can Sun?

25 A. I—certainly not by me. I'm not sure I was aware of those

1 topics by name at that time.

2 Q. Which topics were you not aware of by name?

3 A. I—you had asked—I was aware of the existence of some of
4 them and not others. I was aware of the existence of lines of
5 credit by name. I'm not sure that I was aware of the other
6 terms used by name.

7 Q. So "Allow Negative," in May 2022, you were not aware of it
8 by name?

9 A. I don't recall being aware of it then, no.

10 Q. What about Alameda's exemption from auto-liquidation?

11 A. I—I recall being aware that there was some form of delay
12 or something like that, or manual check. I don't recall being
13 aware of the specifics at that time.

14 Q. Can you explain what you mean by that.

15 A. What I—what I mean by that is—by—particularly the part
16 about delayed liquidation or more generally?

17 Q. You said you knew some things but not specifics. So I want
18 to understand what you mean by that.

19 A. I apologize. I thought I had gone through that. I can
20 repeat that though. So I don't believe that I was aware of
21 "Allow Negative" by name. I don't believe that I was aware at
22 that time—sorry. I was aware of the existence of lines of
23 credit at that time. And I—

24 Q. Sorry. I'm asking specifically about exemption from
25 auto-liquidation.

1 A. Ah, okay. So at that time I was aware that there were at
2 least some speed bumps in place on Alameda's account. I'm
3 not—I don't remember being aware of the exact nature of them.

4 Q. So what did you know about the speed bumps?

5 A. I knew that some had been put in place in response to
6 events in which Alameda—in which an improper liquidation had
7 been triggered or about to be triggered on Alameda's account,
8 which in turn caused chaos on the platform.

9 Q. And what was the nature of the speed bump, as you
10 understood it?

11 MR. COHEN: Objection. Beyond the scope.

12 THE COURT: Overruled.

13 A. I—I don't know that I was aware of any particular nature
14 of it. I—I wish I could tell you more, but thinking back to
15 contemporaneously, at that point in time, I don't particularly
16 recall knowing more specifically about it.

17 Q. You used the term "speed bumps," so can you explain to me
18 what you meant when you said you were aware of speed bumps in
19 May 2022.

20 A. So I—sorry. I apologize. This is—because of the order
21 that we're doing this in, this will be a somewhat substantial
22 digression if—for me to provide all of the context for that.
23 I'm happy to do it, though. Or I'm happy to give a summary of
24 it.

25 Q. I don't think my question calls for extensive context. I'm

1 asking you what you knew in terms of Alameda's exemption from
2 auto-liquidation. You used the term "speed bumps." What do
3 you mean by "speed bumps"?

4 A. I understand. There had been prior incidents in which
5 liquidations had been erroneously triggered on accounts in
6 general and in some cases on Alameda's account, or had been
7 almost triggered, and in response to those, I had conversations
8 with Gary, Nishad, and others around putting in place some
9 checks to prevent an erroneous liquidation of Alameda's
10 account, which would cause chaos on the platform, and I
11 understood that they had implemented some features that would
12 do as such. That is roughly the extent of my specific
13 knowledge of it.

14 Q. So when you say "do as such," you understood these checks
15 would prevent Alameda from being liquidated like any other
16 account would?

17 A. That it would attempt to address the risk of improper
18 erroneous liquidations on Alameda's account by doing some
19 combination. I wasn't confident which, of having delays,
20 having annual checks, having alerts. I wasn't sure if it was a
21 alert that you had to click on to liquidate or not to
22 liquidate. I apologize. I wish I could give you a more
23 specific answer. I obviously now have a more specific set of
24 answers to that question, but at the time, that is my best
25 recreation of the state of my knowledge at that point in time.

1 Q. So at the time you understood that there were certain
2 checks or features in place such that Alameda would not be
3 liquidated in the same fashion as other accounts; is that
4 accurate?

5 A. I thought that there might be other accounts on similar or
6 the same program.

7 Q. What about with respect to the typical customer account?
8 At that time did you understand that the typical process for a
9 typical customer account did not apply to Alameda?

10 MR. COHEN: We're far afield of the topic of this
11 hearing, your Honor.

12 THE COURT: Overruled.

13 A. So at that point in time, in May 2022, I was well aware
14 that there were various programs that market makers
15 participated in that were dated on volume.

16 Q. Mr. Bankman-Fried—

17 A. Yeah.

18 Q. —I will allow you to answer the questions I ask, but
19 that's not the question I asked. The question I asked was
20 about a typical customer, not a market maker. As you
21 understood it in May 2022, did you understand that Alameda was
22 not subject to the same auto-liquidation as a typical customer
23 account?

24 A. If by typical customer you mean not a market maker, so a
25 very dissimilar account from Alameda, then yeah, I did.

1 Q. Okay. And you mentioned that at this time you were not
2 aware of "Allow Negative" by name.

3 A. Yeah.

4 Q. So I just want to clarify.

5 A. Yeah.

6 Q. Were you aware that Alameda could go negative regardless of
7 the name for that feature?

8 A. I was aware that Alameda and many other accounts on the
9 exchange, in fact most by volume, could go negative in a
10 particular asset. That was a core property of FTX as an
11 exchange. I'm not—but I—I'm sorry. I'm probably not
12 addressing your—your question.

13 Q. Let me rephrase it. I'm asking about Alameda and only
14 Alameda.

15 A. Yeah.

16 Q. Were you aware at that time in May of 2022 that Alameda
17 could have an overall negative balance on FTX?

18 A. By an overall negative balance, are you referring to a
19 negative balance, a negative net asset value, or are you
20 talking about a negative balance in a particular asset, or are
21 you—sorry. I just want to make sure I understand what you
22 mean by overall.

23 Q. That if you added up all the accounts, they could have a
24 overall negative balance.

25 A. And adding up all assets, not talking about particular

1 assets; is that correct?

2 Q. That's correct.

3 A. Okay. My understanding was that we were ensuring that
4 Alameda's—at that time my understanding was that we were
5 ensuring Alameda had a positive overall net asset value on FTX.
6 I was not sure whether that was enforced into a code base or
7 whether that was something that we inspected to confirm it was
8 true. It was something that I had discussed at various points
9 with Gary and others, and had checked that Alameda's overall
10 net asset value on the platform had remained positive.

11 Q. So when you said that you were not aware of "Allow
12 Negative" by name but you had some understanding of it, tell me
13 what you meant by that.

14 A. So I'm not sure that—I apologize. I might be
15 misunderstanding what the "Allow Negative" feature did.
16 I—I—I think I've given you what my understanding was, but I
17 suspect I might be wrong about what it—what it did.

18 Q. Well, let's talk about Alameda's main trading account. Are
19 you aware that that main trading account could go negative?

20 A. And so to clarify, you're talking about info@, the main
21 account, or the entire user?

22 Q. The info@ main account.

23 A. So account No. 9.

24 Q. Yes.

25 A. And by "go negative," you're talking about negative in a

1 particular coin or negative net asset value?

2 Q. Just have a negative balance, Mr. Bankman-Fried.

3 A. Sorry. I—

4 Q. Let me make this easier for you.

5 MS. SASSOON: If we could pull up Government
6 Exhibit 50 and go to Tab 2.

7 A. Okay. The—

8 MR. COHEN: Your Honor, I would object to this. The
9 issue for this hearing is the scope of counsel relationship.
10 This is a deposition now.

11 MS. SASSOON: May I respond.

12 THE COURT: Yes.

13 MS. SASSOON: They're asserting a presence of counsel
14 defense. It's relevant what he did or did not tell counsel,
15 and to understand that, it's also relevant what he did or did
16 not know at the time that he was not telling counsel certain
17 things.

18 MR. COHEN: That has no limiting principle, your
19 Honor. That could be let's do our entire case through
20 deposition and then ask him if he told counsel about it.

21 THE COURT: Well, look, I'm going to allow this. I
22 understand your point.

23 I've gotten beyond my tether here.

24 I'm going to allow this. I am going to acknowledge
25 the point you make, but all things are relative, and there is a

1 good deal to what the government says also, and part of the
2 problem is that the witness has what I'll simply call an
3 interesting way of responding to questions for the moment.

4 MR. COHEN: I would say, your Honor, with respect,
5 part of the problem is just the nature of this kind of a
6 hearing, where we're doing things sort of out of order, out of
7 sequence, because we have to address legal issues.

8 THE COURT: Well, Mr. Cohen, there's a simple answer
9 to that, and the simple answer to that is that if you want to
10 push ahead with the evidence you're seeking to introduce, it's
11 through this hearing, if at all.

12 MR. COHEN: Understood, your Honor. But I was just
13 responding to the last point, your Honor.

14 THE COURT: I understand. Let's go ahead.

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1 MS. SASSOON: Mr. Bianco, if you could just highlight
2 row 17.

3 Q. Mr. Bankman-Fried, in May of 2022, were you aware that
4 account ID 9 @AlamedaResearch.com could have an overall
5 negative value?

6 A. I am giving you my best guess at answering the question.

7 Q. I'm not asking for a guess. I'm asking what you understood
8 at the time.

9 A. I am going to answer what I think the question you are
10 asking is, but I apologize if I'm answering the wrong question.

11 I don't know exactly what that cell was referring to.
12 As of May 2022, I believe that I did not have any specific
13 knowledge about the extent to which, for instance, one
14 subaccount of Alameda Research's info@ account, as in, i.e.,
15 the account number 9, was treated as part of a collection of or
16 separate from other subaccounts of that user or other users
17 affiliated with Alameda.

18 What I believe I knew at that time was, or at least
19 what I believed at that time was that Alameda overall
20 maintained a positive net asset value on FTX. I don't think at
21 that time I had specific beliefs about how that did or didn't
22 apply to a particular subaccount of Alameda's.

23 I'm assuming that overall net asset value, rather than
24 value in a particular coin, is what I think that you are going
25 for here, so that's how I was answering that question. That is

1 my answer as of that time.

2 THE COURT: Mr. Bankman-Fried, you have been asked
3 that question in one form or another quite a number of times
4 and not once did the question include the phrase net asset
5 value. Unless I'm mistaken, every single answer you have given
6 responded on the assumption that counsel had asked you about
7 net asset value.

8 Now, that's just an observation. If I'm mistaken,
9 I'll stand corrected, but it says what it says.

10 THE WITNESS: I apologize if that's correct.

11 A. If that's true, I don't know what you mean by negative
12 balance.

13 MS. SASSOON: I am going to move on, your Honor.

14 THE COURT: OK.

15 Q. On your direct examination you testified that, in May 2022,
16 that you thought in certain circumstances Alameda Research
17 borrowing funds from FTX was permitted.

18 Do you recall that testimony?

19 A. Yeah.

20 Q. Can you explain under what circumstances you believed
21 Alameda was permitted to borrow funds from FTX.

22 A. I apologize. I think you said this, but this was as of May
23 2022?

24 Q. Yes.

25 A. Yup. I believe that it was permissible for there to be

1 borrowing from assets that FTX was holding that were acting as
2 security or collateral for margin or futures positions as of
3 that point in time and that that was what at least I was
4 internally treating as the core metric.

5 Q. Did that include withdrawing those assets off the exchange?

6 A. Potentially there would have to be a risk analysis
7 associated with doing so. But, in general, FTX's margin
8 programs did not differentiate between a position or borrow put
9 on by a trade or one put on by a withdrawal.

10 Q. Just to be clear and to understand the answer to my
11 question, when you just described the borrowing you thought
12 Alameda was permitted to do, did that include withdrawing those
13 assets off the exchange and using them somewhere else?

14 A. Potentially subject to a risk analysis.

15 Q. Did you believe that Alameda had to post collateral to make
16 those withdrawals off the exchange?

17 A. I would have believed that it had to post security and that
18 the most straightforward and the version I would have been most
19 comfortable with that would have been collateral physically
20 posted to FTX. We did have discussions with other market
21 makers as well around assets that FTX couldn't physically
22 custody but could get contractual claims on. I would view that
23 as a possibility, albeit a less desirable one.

24 Q. I'm asking about Alameda only. In your view, in May of
25 2022, that Alameda's collateral could take the form of assets

1 that were not posted to the exchange.

2 A. I had the view that it potentially could. I also had the
3 view that I would have been less comfortable on a relative
4 basis with that.

5 Q. Did you discuss that with an attorney?

6 A. At the time discuss that. In particular, are you referring
7 to the off-exchange assets, or are you referring to something
8 else?

9 Q. Yes, that.

10 A. As of May 2022, in that context, no.

11 Q. Did you discuss it with an attorney prior to November of
12 2022?

13 A. In the general context -- give me one second -- I discussed
14 some specific instances of potentially using off-exchange
15 assets as collateral with attorneys prior to November 2022. I
16 don't know that I had a general discussion around such a
17 practice.

18 Q. Which attorneys?

19 A. I believe that we had discussions involving -- I had
20 discussions with Ramnik, who described discussions with
21 attorneys around the potential of accepting some collateral
22 from Three Arrows Capital.

23 Q. OK. I am going to stop you. Ramnik is not an attorney,
24 correct?

25 A. That is correct.

1 Q. I'm asking if you had direct conversations with any
2 attorneys about Alameda specifically using as collateral for
3 borrowing assets that were not on the FTX exchange prior to
4 November 2022.

5 A. I don't believe that I personally, rather than through an
6 intermediary, had discussions, particularly about Alameda doing
7 it prior to November 2022 that I can recall right now, no.

8 Q. The answer is no?

9 A. That is correct.

10 Q. When you had that you thought that Alameda could borrow
11 assets in this fashion, can you explain through what program?
12 Is this the borrow-lend program, something else?

13 MR. COHEN: Objection. Scope.

14 THE COURT: Overruled.

15 I'm sorry. Sustained.

16 Q. Let's talk about loans. Were all of your loans from
17 Alameda documented?

18 A. Are you referring to the personal loans?

19 Q. Yes.

20 A. I was under the belief at the time that they were all
21 documented. I am not sure today that the most recent ones had
22 been documented yet.

23 Q. Sitting here today, are you aware that some were not?

24 A. Sitting here today, I believe that some of the most recent
25 ones prior to the collapse had not yet been documented, that is

1 correct.

2 Q. At any point in your discussions with counsel about the
3 structure of these loans, was it discussed that some of the
4 funds were coming from FTX customer money?

5 A. I would not classify that as particularly what happened,
6 so, no. That is certainly not how I discussed it with
7 attorneys.

8 Q. What was the reason that the investments were not made
9 directly from Alameda Research?

10 A. By the investments, you're referring to things like
11 Robinhood, is that correct?

12 Q. Let me be a little clearer. You described certain
13 investments being funded by loans that first went to you from
14 Alameda Research toward the investments. Why not just straight
15 from Alameda Research?

16 A. It depended on the particular circumstance. I will say
17 that the most frequent reason, according to my memory, is that
18 the investment target did not want Alameda Research to be the
19 investing entity for one reason or another, or, alternatively,
20 that -- yeah. That's the reason I can most frequently
21 remember. In some cases I honestly don't know what the reason
22 is.

23 Q. Were there occasions when you did not want Alameda to be
24 the investing entity?

25 A. Yeah.

1 Q. For example, with Robinhood, is it right that you did not
2 want Alameda to be the investing entity?

3 A. Yeah.

4 Q. Did you disclose that to your attorneys?

5 A. Yeah.

6 Q. What was the reason you didn't want Alameda to be the
7 investing entity?

8 A. I was concerned about the potential for conflicts in
9 interest or at least the appearance of conflicts of interest.
10 In particular, Alameda had at various points engaged in talks
11 with Robinhood about potentially being a liquidity rider for
12 Robinhood's flow of cryptocurrency and did not want anyone,
13 including Robinhood, to view this investment as related to
14 those discussions.

15 Q. Did you disclose that to your attorneys?

16 A. Yeah.

17 Q. Was the buyout of Binance through loans?

18 A. It was financed -- are you referring to personal loans or
19 intercompany loans?

20 Q. Any loans.

21 A. The buyout of Binance, I believe the bulk of it, the
22 international version, my memory is that it was financed
23 through -- it may have been a loan to Paper Bird. I believe
24 Paper Bird is the entity that ended up with that equity stake,
25 which is where the bulk of my equity stake in FTX was held.

1 I'm not entirely sure if there is an intercompany loan, but I
2 would suspect there may have been associated with that. There
3 is separately the FTX US portion of the Binance buyout, which I
4 think was structured through personal loans.

5 Q. Were lawyers involved in that transaction?

6 A. Yup.

7 Q. Did you discuss with lawyers that some of the money was
8 coming from FTX customer funds?

9 A. That is not what I viewed to be happening, so that is
10 certainly not how I discussed it with attorneys.

11 Q. Let's talk, finally -- I have two more topics. They should
12 be shorter.

13 You talked about safeguarding of assets.

14 A. Um-hum.

15 Q. I think you mentioned in your testimony the physical
16 security of the assets to protect from hacks.

17 A. Yup.

18 Q. Is that the limit of your understanding of what it means to
19 safeguard assets?

20 A. No. I apologize. I think that answer was cut short a
21 small fraction the way it's written. There are a number of
22 things that I would have considered to be related to that.

23 Q. Would that include not embezzling customer assets, for
24 example?

25 MR. COHEN: Objection.

1 THE COURT: Sustained.

2 A. Yes, it would include that.

3 MR. COHEN: You didn't have to answer if it has been
4 sustained. Haven't you been sitting here for four weeks.

5 THE WITNESS: I felt the need to answer that one.

6 Q. You talked about discussions with other industry
7 participants about omnibus wallets?

8 A. Yup.

9 Q. When you referred to omnibus wallets, are you referring to
10 omnibus FBO wallets?

11 A. Sorry. Are you referring to cryptocurrency wallets or FBO
12 bank accounts? I have not heard FBO as a term applied to
13 wallet, but I could guess what it would mean.

14 Q. I don't want you to guess.

15 When you talk about a crypto omnibus wallet, did you
16 understand that to be for the benefit of customers?

17 A. Yes.

18 Q. When you spoke to industry participants, did they say
19 anything about a practice of using funds from these customer
20 crypto wallets for their own purposes?

21 A. Of using them for their own purposes -- it depended on the
22 counterparty that I was talking to and the nature of their
23 business. I don't know that anyone would have described it
24 that way. The discussions were obviously different after I was
25 talking to a borrowed lending desk, for instance.

1 Q. Let's limit it to an exchange.

2 A. Limited to an exchange, I think the answer is no, but let
3 me just give you precisely what my answer would be, and you can
4 tell me if that is not responsive, which is that it did not
5 include industry participant exchanges saying that they would
6 use funds from omnibus customer wallets for the exchange's
7 corporate expenses. Does that respond --

8 Q. What about CEOs of these exchanges using customer funds for
9 any of their own spending?

10 MR. COHEN: Objection.

11 THE COURT: Form.

12 Q. Did you have conversations with CEOs of crypto exchanges
13 about whether it was proper to use customer money out of
14 omnibus crypto wallets for purposes other than customer trading
15 and withdrawals and the like?

16 MR. COHEN: Objection. Beyond the scope of the
17 direct.

18 THE COURT: Overruled.

19 A. Let me, A, apologize if this isn't responsive, so tell me
20 that. I will try to be responsive.

21 I certainly did not have conversations with CEOs about
22 them discretionarily taking funds from -- as CEO of the
23 exchange from customer omnibus wallets for their own personal
24 expenses.

25 Q. What about CEOs discussing using customer funds in omnibus

1 crypto wallets for the spending of their affiliated companies?

2 MR. COHEN: Same objection.

3 THE COURT: Same ruling.

4 A. So, once again, I will give a specific answer, but if this
5 is not scoped correctly, tell me.

6 Q. Go ahead and give your answer, and I will ask another
7 question if it's not responsive.

8 A. Thank you.

9 I certainly did not have conversations with CEOs about
10 them as CEO of an exchange, taking -- using funds from omnibus
11 customer wallets for their own spending of any sort. However,
12 I'm not entirely sure what the implied relationship there was
13 between the CEO of the exchange and the affiliates, so it's
14 hard for me to answer that.

15 Q. Let me ask it another way. Did you have any conversations
16 with industry participants that led you to believe that it was
17 proper for you to spend customer cryptocurrency deposited into
18 omnibus crypto wallets for your affiliates?

19 MR. COHEN: Objection. Scope and form.

20 THE COURT: Overruled.

21 A. So let me again attempt to answer that.

22 What I did have discussions with industry participants
23 about was on margin wallets for margin exchanges that
24 customers, including in some cases affiliates, might have
25 borrows. They might have liabilities. And those would

1 necessarily have come out -- been part of the net customer
2 balances. There were negative numbers in those customer
3 balances that added up to the overall customer balances. That
4 would be a separate thing from a flow-of-funds perspective than
5 the CEO not as a customer but as just the exchange or the CEO
6 of the exchange using funds from customer wallets for corporate
7 expenses.

8 Q. I apologize now. Now I'm apologizing. I don't know that I
9 understood that answer.

10 The wallets you are referring to are those the omnibus
11 wallets that you have been talking about, or different ones?

12 A. No. Same wallets, yeah.

13 Q. I want to talk to you about Dan Friedberg for a few
14 minutes.

15 A. Um-hum.

16 Q. You hired him?

17 A. Yes.

18 Q. Before you hired him, you had been reluctant to hire a
19 general counsel, correct?

20 A. I had been reluctant to hire the wrong general counsel is
21 how I would put it.

22 Q. The wrong general counsel, in your view, was someone who
23 would inhibit you from taking risks for the company, wasn't it?

24 MR. COHEN: Objection.

25 THE COURT: Ms. Sassoon.

1 MS. SASSOON: Your Honor, they are asserting a
2 presence-of-counsel good-faith defense and it's relevant to
3 this, whether in good faith he hired an attorney who was a
4 respectable attorney.

5 MR. COHEN: Your Honor, that's a very thin soup.
6 Continued objection.

7 THE COURT: I think the question is appropriate,
8 without endorsing the use of the word respectable.

9 A. It depends on what exactly you mean by that. I did want to
10 find a general counsel who would be comfortable with the
11 business being allowed to take reasonable risks, so long as
12 they were otherwise permissible and consistent with its
13 obligations. I did not want a general counsel who would
14 permit -- who would restrict the company from taking any risks
15 or any significant risks under any circumstances, but I also
16 didn't want a general counsel that would permit it to take any
17 risks without bound. The answer, it depends on the specifics.

18 Q. Didn't you tell Caroline Ellison that Dan Friedberg was
19 unlike most lawyers you knew because he was not going to stop
20 you from taking risks?

21 A. I don't recall saying that in particular. Had I said
22 something like that, and I may have, it would have been, I
23 suspect, with further context that would have clarified the
24 sorts of risks that it did and didn't refer to.

25 Q. Were you aware when you hired Dan Friedberg that he had

1 previously been general counsel at a company that suffered an
2 insider trading scandal?

3 A. I wasn't aware of the details of it, but I was aware at a
4 high level that there had been scandals with one of the
5 companies that he had been counsel for before, yes.

6 Q. Did you understand that when you hired him that he had been
7 at a company with a criminal scandal?

8 MR. COHEN: Objection.

9 THE COURT: Sustained.

10 MS. SASSOON: Your Honor, he said at a high level
11 scandal. It was not responsive to the question.

12 MR. COHEN: Well beyond the topic of this hearing,
13 your Honor.

14 THE COURT: The topic of this hearing includes
15 good-faith reliance, and I am going to allow the question.

16 A. I don't know that I know exactly what you are referring to
17 as a criminal scandal, and I don't know that I knew the details
18 of the incidents at the company or companies he had prior
19 worked at in much more specificity than the -- admittedly than
20 specificity I have supplied so far.

21 Q. Did you know there had been a criminal investigation at his
22 prior company?

23 THE COURT: Ms. Sassoon, let's move on.

24 Q. Were you aware that Dan Friedberg used illegal narcotics
25 with your employees?

1 MR. COHEN: Objection.

2 THE COURT: Sustained.

3 Let's wrap it up.

4 Q. Alameda at one point had a general counsel? His name was
5 Bailey Korrell.

6 A. Something like that is correct, yes. I am not sure I know
7 exactly what his title was.

8 Q. Were you aware that Dan Friedberg fired Bailey Korrell?

9 MR. COHEN: Objection.

10 THE COURT: Sustained.

11 MS. SASSOON: Your Honor, may I be heard on this?

12 THE COURT: Yes.

13 MS. SASSOON: I would like to inquire of the witness
14 about whether he was aware of the reason Dan Friedberg hired
15 Bailey Korrell, which is relevant to the good-faith reliance on
16 counsel here.

17 THE COURT: That's for another day.

18 MS. SASSOON: This is my second-to-last question, if
19 not my last question.

20 THE COURT: Let's get on to the next one.

21 MS. SASSOON: May I have a moment, your Honor?

22 THE COURT: Yes.

23 MS. SASSOON: I'll do you one better. No further
24 questions, your Honor.

25 THE COURT: Thank you.

1 Mr. Cohen, anything else?

2 MR. COHEN: No, your Honor.

3 THE COURT: You're excused, Mr. Bankman-Fried.

4 (Witness excused)

5 THE COURT: I'll hear you briefly on the issue I have
6 to decide.

7 Mr. Cohen.

8 MR. COHEN: Your Honor, given the hour, I will be
9 brief.

10 I think there is a couple of things running through
11 the government's examination, to the extent it was actually
12 about these topics, that sort of goes beyond the mark here.

13 Our position is not that any of these are entitled to
14 a formal advice-of-counsel defense -- we have been very clear
15 with the Court from the beginning to that effect -- nor is our
16 position that the government might challenge the weight of the
17 evidence or the way that our client interpreted things. That's
18 also not the test here. But we think there is a sufficient
19 basis for us to elicit the testimony about the topics covered
20 today.

21 The government is free to cross-examine
22 Mr. Bankman-Fried, as it has already done today, and the issue
23 is not whether they think the evidence has great weight, no
24 weight, or whatever weight. The issue is whether we ought to
25 be allowed to do that.

1 As to each of the topics, Mr. Bankman-Fried testified
2 that he consulted with counsel, and he took comfort from those
3 consultations, which is all we have ever taken as a position.
4 We have never advanced the formal advice-of-counsel defense, as
5 your Honor knows.

6 The narrow point on industry practice is the only
7 thing different from the five other topics, and there we think
8 there was a basis for him to say that the use of one omnibus
9 wallet to hold multiple customer funds or funds from multiple
10 customers, and that was contrasted with funds held by FTX
11 operationally was something we believe was done by other
12 exchanges through the other information he learned from other
13 exchanges, and we think that there is a basis for that.

14 I don't think the issue is whether the testimony or
15 whether the evidence has sufficient weight, no weight, or so
16 forth. The question is whether we have made a sufficient
17 showing to put it forward, and, without belaboring the direct
18 and the cross, we think there is a sufficient basis.

19 That's all I have.

20 THE COURT: Let me ask you a question. I am going to
21 approach it in stages.

22 Let's assume that somebody robs a bank, knocks over
23 Wal-Mart, whatever, and comes upon a large sum of illegally
24 obtained money and the person decides it might be a good idea
25 to salt this away and make sure nobody is going to discover it.

1 Do we agree that engaging in a transaction, an object of which
2 is to conceal the source of the money, is money laundering,
3 assuming the jurisdictional books are satisfied?

4 MR. COHEN: On your Honor's hypothetical, yes.

5 THE COURT: The next step is the guy says, let me
6 figure out how to do this, and he goes to a lawyer. And he
7 says to the lawyer, I want to buy an expensive condo on
8 billionaire's row and I want to form a limited liability
9 company, which we ought to call Gold Dust, and I've got just
10 the apartment and I'd like you to prepare a contract of sale,
11 and the lawyer is not told where the money came from, not one
12 word, not one word about why the objective is to hide the money
13 or the source, and the lawyer incorporates or organizes the
14 LLC, the lawyer prepares the contract of sale. The lawyer
15 represents Gold Dust at the closing and now the defendant is
16 apprehended, the buyer, the true buyer, and charged with money
17 laundering.

18 And the defense is, well, but I had a lawyer. I had a
19 lawyer who organized the LLC. I had a lawyer who did the
20 contract of sale. I had a lawyer at the closing. And I offer
21 this as evidence that I didn't have a criminal intent in hiding
22 the money. I did just exactly what the lawyer said.

23 And how is that different from what you are trying to
24 do in principle? I am not saying anything about your client's
25 guilt or innocence.

1 MR. COHEN: I understand your Honor is speaking a
2 hypothetical.

3 I think the pivotal difference is, it's the defense's
4 position in this case that in your Honor's hypo, the source of
5 the funds is robbing a bank, so obviously an illegal act.
6 That's what we are fighting over in this case.

7 Our client, our position is that the source of funds,
8 the use of funds was not improper and our client did not
9 believe it was improper or, at minimum, that it was
10 inconclusive. It's not the same hypothetical situation.

11 THE COURT: Those are all defenses on the merits.

12 MR. COHEN: Those are defenses on the merits, but in
13 those situations, speaking with a lawyer when you yourself
14 don't believe you have done everything wrong, is a relevant
15 consideration.

16 THE COURT: It's sure relevant if you tell the lawyers
17 what all the facts are.

18 MR. COHEN: True. I know he was criticized, but I
19 think Mr. Bankman-Fried was clear about when he had
20 conversations with lawyers and when he didn't, and some of them
21 were not as clear as others.

22 I agree with your Honor. But there were times, for
23 example -- I think the cleanest example that your Honor asked
24 the question about was, how do you structure these founders
25 loans. How do you do them? Do you do them as a loan, as a

1 dividend? How can we do that? Our position is obviously that
2 the source of the loan in the first place was not improper. If
3 we agreed it was improper, we would be in a different
4 proceeding. That's why I think --

5 THE COURT: How does the fact that some lawyer drew up
6 a promissory note shed any light on whether it was improper in
7 the first place?

8 MR. COHEN: If the client is doing something he thinks
9 is proper and asks the lawyer to process it and draw up
10 paperwork and the lawyer doesn't raise any other concern,
11 again, our position is the commercial conduct is inconclusive
12 or unclear. It's not robbing a bank. Under the cases we cited
13 many letters ago, the client can take some comfort from that.
14 It is not a pure advice-of-counsel defense. We are not
15 saying --

16 THE COURT: I understand that. You know I understand
17 it because I wrote an opinion about it and it states your
18 position clearly. I understand your position. I'm pretty
19 dubious about it in some applications here, but I understand
20 your position.

21 Let me hear from the government.

22 MR. ROOS: Just briefly, your Honor.

23 Mr. Cohen framed the issue, the defendant's defense as
24 whether he believed the use of funds was improper. So I think,
25 directly on your Honor's hypothetical, some of the areas they

1 have highlighted for lawyer involvement go to collateral
2 issues.

3 So, for instance, lawyer involvement in the terms of
4 service, the defendant testified on the stand that he didn't
5 talk about any of the specific provisions before the terms of
6 service were enacted. He didn't raise the use of customer
7 funds by Alameda. He didn't raise Alameda's ability to borrow
8 from FTX.

9 So I think, much like the loan or the property in your
10 Honor's hypothetical, this is sort of collateral involvement of
11 lawyer that doesn't go to the core defense, which is the use of
12 funds and whether or not it was proper, the same I think I
13 heard on the payment agent agreement, which is that he believes
14 Dan Friedberg was involved in drafting the agreement, but I
15 didn't hear any testimony that Dan Friedberg was informed about
16 the use of funds that may have been occurring under the payment
17 agent agreement or that there was a conversation with the
18 lawyer that said the payment agent agreement authorizes you to
19 use the funds. The same, again, with the loans.

20 By the way, the case already has a bunch of testimony
21 about these loans. It was the subject of cross. It was the
22 subject of cross and direct of Can Sun last week. But, again
23 there, this is what is happening with money, which may or may
24 not be customer funds, but, again, that is the defense whether
25 or not it's customer funds, not whether or not a lawyer

1 subsequently papered a transaction.

2 So I think for each of these, when you are doing the
3 401, 403 balancing test, the question is what is the probative
4 value of lawyer involvement on the margins where there is not
5 evidence that the lawyer is aware, after this hearing, aware of
6 the relevant facts central to the defense, coupled on the 403
7 side of the risk of prejudice, confusion, and a misleading
8 impression being given to the jury, and those are the cases
9 your Honor cited in your opinion on that, from just suggesting,
10 oh, there was lawyers involved when it doesn't go to the core
11 thing. It goes to buying the apartment, not to robbing the
12 bank.

13 THE COURT: There is one other point I wanted you to
14 respond to, and I want to get to my notes.

15 What about the testimony relating to industry practice
16 on the omnibus wallets?

17 MR. ROOS: Thank you, your Honor. I meant to hit
18 that.

19 I actually think, based on the limited testimony that
20 we heard about omnibus wallets, I am not sure there is actually
21 a dispute amongst the parties about whether or not customer
22 funds were kept in an omnibus wallet. I have not heard -- I
23 don't recall hearing any witness saying that each individual
24 user's funds was held in an individual user on chain wallet. I
25 think the question in the case is whether those customer fund

1 omnibus wallets were commingled or accessed.

2 THE COURT: And depleted.

3 MR. ROOS: And depleted.

4 I think when you look at it from that perspective --
5 and I think even Mr. Rehn opened by saying there were these
6 omnibus wallets that had customer money, and they stole a bunch
7 of money out of it.

8 So I don't think the existence or the practice of
9 using an omnibus customer fund wallet is in dispute in the
10 case. So I think, then again, assessing the marginal relevance
11 of the testimony of what other industry participants are doing,
12 weighed against the potential prejudicial risk, as articulated
13 in the government's motions *in limine* about inviting
14 discussions about whether Huobi or some other exchange are
15 custodying and how they are custodying, there is not much of a
16 probative value there and it is outweighed. Just to be clear,
17 we are not saying the omnibus wallet is improper.

18 THE COURT: Let me just look at something for a
19 minute.

20 Mr. Sun, Can Sun, testified as general counsel of FTX:

21 "Q. Did you get questions from regulators about how FTX
22 handled customer deposits?

23 "A. They were received and kept in an omnibus wallet for all
24 customer funds that was separated from FTX's own proprietary
25 funds as well."

1 You are telling me there is no dispute about that, is
2 that right?

3 MR. ROOS: That's what that witness said. I think
4 that's what the government's position was. I thought I
5 understood that the defendant was saying that customer funds
6 were kept in a separate omnibus wallet, but maybe I
7 misunderstood.

8 MR. COHEN: Your Honor, if I might, I'm happy to hear
9 that the government is now saying there is no dispute on that.
10 But it's one thing --

11 THE COURT: They called a witness to testify to it.
12 That's kind of a hint.

13 MR. COHEN: Sure. But it's one thing for the
14 defendant to testify to that and then be cross-examined on how
15 that's just his opinion. It's quite another for him to be able
16 to say in fact this was industry practice. That's the point
17 I'm trying to make.

18 THE COURT: There may be a difference between saying
19 on the basis of personal knowledge that it's industry practice
20 and saying, I talked to a lot of people. I don't have any
21 names, don't know where or when. But after doing all of that,
22 it's my view that it's industry practice, which is essentially
23 what he said.

24 But I put that to one side. I imagine the two of you
25 can work this out overnight. If you can't, I'll rule on it in

1 the morning. I'll rule on everything else in the morning.

2 Anything else?

3 MR. COHEN: No.

4 THE COURT: Any new forecast about how long we are
5 going to be with Mr. Bankman-Fried?

6 MR. COHEN: Well, I still -- I'd like to take the
7 night to take a look.

8 THE COURT: Obviously, I'm not holding you to it.

9 MR. COHEN: I will have a much better sense in the
10 morning, your Honor.

11 MS. SASSOON: Your Honor, the government is obviously
12 planning cross-examination.

13 THE COURT: What a surprise.

14 MS. SASSOON: We will try to keep it tight. But if
15 the defendant is unresponsive, it could take longer.

16 THE COURT: I understand that.

17 To voice a complaint I have voiced more than once in
18 29 years here, what did you understand is sometimes a good
19 question, but not so often. Let's not spend the day at sidebar
20 about it.

21 MR. ROOS: Judge, one last thing. There are a few
22 times Ms. Sassoon asked the defendant about whether he has any
23 records that supported a consultation with a lawyer and his
24 answer, and it was fine in this setting, of course, was my
25 subpoena got denied or whatever the --

1 THE COURT: He said we have been asking for it for a
2 long time.

3 MR. COHEN: I can address that, if you'd like,
4 Mr. Roos.

5 MR. ROOS: Go ahead.

6 MR. COHEN: As your Honor may recall, we issued a
7 17(c) subpoena to Fenwick & West, and the debtor counsel
8 objected and the subpoena was denied. If you go back and look
9 through the categories of requests, one of them was for a
10 data-retention policy. I believe that's what my client was
11 thinking of.

12 THE COURT: Did you serve a trial subpoena?

13 MR. COHEN: No.

14 MR. ROOS: My point is, not where did that answer come
15 from. My point is, he shouldn't be permitted to say that on
16 the stand. There was an application. It was denied. My
17 recollection is for a lot of reasons, including failing the
18 *Nixon* standard. There hasn't been another request, it sounds
19 like, so it's not a permissible answer to say, I tried but
20 failed.

21 THE COURT: If the defendant goes off in that
22 direction and there is a request for it, I will consider and
23 hear both sides on the issue of whether I should instruct the
24 jury that the defense had the right to serve a trial subpoena
25 on the debtor seeking such a document and whatever else, if

1 anything, might be appropriate in that regard.

2 MR. ROOS: Thank you.

3 THE COURT: Thank you.

4 (Adjourned to October 27, 2023 at 9:30 a.m.)

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17	38A, 200, 294, 312, 313, 315, 321, 322, . .	.2043
18	322A, 331, 348, 349, 449, 494,	
19	495, 544, 766, 933, 1320A,	
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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

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7
8 New York, N.Y.
October 27, 2023
9 9:30 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
Southern District of New York

16 BY: DANIELLE R. SASSOON

NICOLAS ROOS

17 DANIELLE KUDLA

SAMUEL RAYMOND

18 THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

22 SRI K. KUEHNLENZ

DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (In open court; jury not present)

2 THE COURT: Good morning, everyone.

3 The record will reflect the defendant is present.

4 I understand counsel have something for me?

5 MS. SASSOON: Two quick things, your Honor. The first
6 is—and I just want to be clear, I did not see or hear this
7 myself, but I heard that there were some noises and gestures
8 taking place in the—

9 THE COURT: I'm sorry. Some?

10 MS. SASSOON: Noises and gestures taking place in the
11 gallery yesterday during both direct and cross, so I would just
12 ask the Court to give a general reminder that those sitting
13 through the direct and cross should control their visible
14 reactions, whether audible or physical, to the testimony.

15 THE COURT: All right. Everyone is so reminded. And
16 if there are infractions, people will be removed.

17 Yes?

18 MS. SASSOON: The second is, once again, I encountered
19 a juror on my walk toward the courthouse, and the juror
20 attempted to greet me with just a "good morning," and I didn't
21 respond, so I would respectfully ask that the jury be reminded
22 that the lawyers are not permitted to speak to them and they're
23 not being rude, they're just following the Court's
24 instructions.

25 THE COURT: Okay. Anything on that, Mr. Cohen?

1 MR. COHEN: We're fine with that. We have something
2 to raise with the Court.

3 THE COURT: Yes. Go ahead.

4 MR. COHEN: Your Honor, in connection with yesterday's
5 hearing, a few things for the record.

6 We wish to continue our objection to the parts of the
7 cross-examination that we think went beyond the issue about
8 involvement of attorneys. We're not even sure that
9 cross-examination was necessary for the Court to make its
10 determination on the evidentiary issues, but putting that to
11 one side, we submit that that went far afield. The Court
12 should not consider that testimony in connection with whatever
13 ruling it comes to. And perhaps as importantly, we have an
14 application that that testimony not be used in
15 cross-examination of our client today or whenever we get to it,
16 or be used affirmatively, offered as affirmative proof. It
17 amounted to a deposition. Depositions are not typical in
18 criminal cases, and certainly not of the defendant. So we
19 think that that process was improper, and we want to note that
20 for the record and make that application.

21 MS. SASSOON: Yes, your Honor.

22 First of all, the defense waived a wholesale objection
23 to cross-examination because this objection was not raised
24 before cross-examination began.

25 THE COURT: Clearly correct.

1 MS. SASSOON: Cross-examination was also necessary in
2 part just to elicit the information about involvement of
3 counsel that was only addressed at the highest level during the
4 direct testimony, and the scope of cross-examination was
5 completely proper because it touched on conversations that the
6 defendant had with attorneys, whether or not he spoke to them
7 about the specific topics at issue, and also what he knew and
8 therefore what he did or did not share with counsel at the
9 relevant times. That said, the government intends to use the
10 testimony from yesterday only to the extent that the defendant
11 testifies inconsistently with his hearing testimony.

12 THE COURT: Okay. First of all, to the extent any
13 objections were made yesterday—and they were quite
14 limited—with respect to the cross, and certainly not
15 categorical, I ruled on them. The rulings stand.

16 I will not prohibit use of anything that the defendant
17 said yesterday on the grounds articulated by Mr. Cohen.

18 And to back up a little further, we've been having
19 this conversation about what I'll refer to—even acknowledging
20 that it's a misnomer—as the "quasi-advice of counsel defense"
21 that Mr. Cohen seeks to assert for a long time. There has been
22 extensive briefing; there has been a prior written opinion on
23 the subject. And the essence of the problem is that on the one
24 hand, there is a risk that the defendant, by introducing
25 alleged communications with counsel in the past on matters that

1 fall short of what traditionally is referred to—again,
2 improperly in my view, but referred to—as an "advice of
3 counsel defense," can have the effect of a suggestion from the
4 defense that because lawyers were involved in some degree or
5 another in pieces of what happened, the defendant was entitled
6 to take comfort from the involvement of the lawyers in assuming
7 or believing that he was acting within the bounds of the law.
8 That's an understanding of the defendant's position. The
9 problem, of course, is that it can be a very misleading
10 impression, depending on the facts. It is one thing for a
11 defendant to come in and to say: I had a proposed course of
12 action, I went to a lawyer, I put all of the relevant facts in
13 front of the lawyer, and the lawyer advised me that it was
14 lawful, and therefore when I engaged in that course of action,
15 I had no criminal intent. That's not what's happening here.
16 It's an impression that may be created. In order for me to
17 assess the balance between the potential harm to the public
18 interest in creating a misleading impression and the
19 defendant's right to present a defense, I have to know—I had
20 to know--exactly what happened.

21 Now when the government first moved to preclude any
22 testimony of this sort by the defendant, I declined to rule
23 because what the defendant had put before me was at such a high
24 level of generalization that the relevant facts were just not
25 articulated. So I didn't grant the government's motion. I

1 denied it subject to consideration once we had the facts. We
2 had the hearing yesterday for the purpose of my hearing
3 straight from Mr. Bankman-Fried's mouth what it is he proposed
4 to say. In order to get a full picture, it of course was
5 necessary for the government to question him also. I have a
6 slightly better sense of what's going on. All of this has been
7 done to ensure that the defendant had a full opportunity,
8 despite the shortcomings of detail in everything that had been
9 said before yesterday in the defense presentations, to make his
10 case for the proposition that what he was endeavoring to do
11 would not be unfairly prejudicial and would be appropriate.
12 He's had his shot.

13 Now there are a number of specific points on which
14 counsel has sought to elicit testimony about the involvement of
15 lawyers.

16 First, I heard testimony yesterday that Mr. Friedberg
17 and other counsel for FTX implemented data retention policies
18 for the company. That's no surprise to anybody. There is no
19 suggestion in this case that having a data retention policy in
20 and of itself is fraudulent, or criminal, or improper.
21 Companies do that. It's a common business practice. Everybody
22 knows it. And they're certainly not drafted by chief executive
23 officers, in my experience. I don't see sufficient harm to the
24 public interest in allowing the defendant, to the extent he did
25 it yesterday, to adduce evidence that counsel were involved in

1 preparing the data retention policy, whatever it may have been,
2 and for the government to cross-examine about what it was, how
3 the defendant knows what it was, and all sorts of related
4 questions. So to that extent, I'm granting the defense
5 application.

6 The other four items all involve circumstances in
7 which lawyers drafted plain vanilla legal documents and in
8 which the alleged problem was not the transaction in the
9 document per se, it was what was done and with what intent
10 collateral to the document. In the event there's a conviction,
11 I will write on this subject, no doubt, more extensively than
12 most people will care to read, but we're not going to allow
13 that here. That evidence would, in my judgment, be confusing
14 and highly prejudicial by falsely implying, given the testimony
15 yesterday, that the lawyers, with full knowledge of the facts,
16 all of the facts, blessed what the defendant is alleged to have
17 done. And I didn't hear that at all yesterday.

18 First of all, the relevance of all of that material is
19 exceptionally tenuous, if it has any at all, and my best
20 judgment is it has none at all. In any case, any probative
21 value of that evidence on the points at issue in this case
22 would be outweighed substantially by the risk of unfair
23 prejudice, confusion, and so forth.

24 Now just to illustrate, the fact that a lawyer was
25 involved in drafting a promissory note for a loan that

1 Mr. Bankman-Fried took out from Alameda has no relevance to
2 this case. None. What's relevant is something quite
3 different.

4 Okay. Now we had an open issue at the end of the day
5 about omnibus wallets. And I asked counsel to see if they
6 couldn't work their way through that issue. Have you
7 succeeded?

8 MR. COHEN: Your Honor, if we could confer with
9 counsel over the morning break, I think we can take care of
10 that. I wouldn't touch it before.

11 THE COURT: Okay. And just let me clarify that on
12 reading the transcript, I think there's a real lack of clarity
13 all around. I understood the testimony about omnibus wallets
14 on the blockchain with respect to crypto. I don't understand
15 whether this has anything to do with fiat deposits or holdings.
16 And I didn't take the testimony as really addressing that at
17 all.

18 Okay. Anything else before we get started?

19 MR. COHEN: Yes, your Honor. Just two things,
20 briefly.

21 We understand the Court's ruling. For record
22 purposes, we'd like a standing objection to use of this
23 transcript along the lines that I said before, either—

24 THE COURT: There's no provision in the Federal Rules
25 of Evidence for standing objections. You've made your point.

1 I understand, obviously, that in every criminal case the
2 defense always has their eye on the Court of Appeals against
3 the possibility there's a conviction. Just do what you think
4 you have to do.

5 MR. COHEN: Well, what I'm responding to, your Honor,
6 if I might, is counsel said that we didn't make a categorical
7 objection before the hearing to topics we didn't know would be
8 covered because we would have thought they were improper.

9 THE COURT: Mr. Cohen, that's the ruling.

10 MR. COHEN: Thank you, your Honor.

11 THE COURT: All right? Okay. Anything else?

12 MS. SASSOON: No.

13 THE COURT: Okay. Let's get the defendant on the
14 stand and then, once he's situated, we'll get the jury.

15 (Continued on next page)

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1 (Jury present)

2 THE COURT: Well, good morning, everybody. I hope
3 we're all refreshed.

4 Call your next witness, please, Mr. Cohen.

5 MS. SASSOON: Your Honor, just the instruction to the
6 jury, if you don't mind.

7 THE COURT: Thank you very much.

8 Members of the jury, I just want to remind you of
9 something I said quite a few weeks ago at this point—namely,
10 that there should be no contact whatever between anybody on the
11 jury and any lawyers. I've reminded the lawyers of this also.
12 And that includes anything as simple as saying "good morning"
13 on the street or in an elevator or anything like that. If you
14 happen to encounter a lawyer, maybe somebody who's sitting
15 4 feet away from you, somewhere and they ignore your existence,
16 they're not being rude. They're being extremely careful. So
17 don't hold it against anybody on either side, please.

18 Okay. Your next witness.

19 MR. COHEN: Thank you, your Honor. The defense calls
20 Sam Bankman-Fried.

21 THE DEPUTY CLERK: Mr. Bankman-Fried, would you please
22 rise and raise your right hand.

23 (Witness sworn)

24 THE DEPUTY CLERK: Thank you. Please be seated.
25

1 SAM BANKMAN-FRIED,
2 the Defendant,
3 having been duly sworn, testified as follows:

4 DIRECT EXAMINATION

5 BY MR. COHEN:

6 Q. Good morning, Mr. Bankman-Fried.

7 A. Good morning.

8 Q. We've heard a lot about FTX over the last several weeks.
9 When did you found it?

10 A. 2019.

11 Q. Who did you found it with?

12 A. Gary Wang.

13 Q. What did FTX stand for?

14 A. Futures Exchange. The F and the T both come from the word
15 "futures."

16 Q. What was your vision for FTX when you founded it?

17 A. We thought that we might be able to build the best product
18 on the market, an exchange that would combine the elements that
19 we thought were best from traditional financial products with
20 the elements we thought were best from the big crypto
21 ecosystem, that it could move the—move the ecosystem forward.

22 Q. Did it turn out that way?

23 A. No, it turned out basically the opposite of that. A lot of
24 people got hurt—customers, employees—and the company ended up
25 in bankruptcy.

1 Q. Did you defraud anyone?

2 A. No, I did not.

3 Q. Did you take customer funds?

4 A. No.

5 Q. We're going to talk in detail about what happened at FTX,
6 but can you tell us big picture.

7 A. Yeah. At a high level, there are multiple different types
8 of exchanges. There are spot exchanges, which is where a
9 customer deposits a hundred dollars to buy a hundred dollars of
10 Bitcoin, or hundred dollars of Ethereum. And there are margin
11 exchanges. On margin exchanges, customers might deposit a
12 hundred dollars to buy \$500 of Bitcoin or to sell \$200 of
13 Bitcoin that they don't have, to borrow; customers might also
14 deposit a hundred dollars to withdraw \$50 of Bitcoin that they
15 don't have, going negative in Bitcoin. FTX was predominantly a
16 margin exchange. The vast majority of activity happened on
17 margin on FTX. When you have a margin exchange, you know, you
18 can think of it in some ways like a mortgage. You know, if you
19 have a hundred-thousand-dollar house, you might take out a
20 \$10,000 mortgage against that. That would be the equivalent
21 of, you know, having a deposit of some number of Bitcoins,
22 withdrawing dollars against that. And the biggest risk for
23 margin exchanges in general, and for FTX, is what happens if
24 one of those is threatening to go bad; that is to say—

25 MS. SASSOON: Objection, your Honor. Narrative.

1 THE COURT: Yes. Ask another question, please.

2 Q. Mr. Bankman-Fried, did you make any mistakes along the way?

3 A. Yes, I made a number of small mistakes and a number of
4 larger mistakes. By far the biggest mistake was we did not
5 have a dedicated risk management team, we didn't have a chief
6 risk officer. We had a number of people who were involved to
7 some extent in managing risk, but no one dedicated to it, and
8 there were significant oversights.

9 Q. Let me talk a bit about your background, sir. Where did
10 you grow up?

11 A. I grew up in Palo Alto.

12 Q. And did you go to college?

13 A. I went to MIT.

14 Q. Okay. What did you study there?

15 A. Physics.

16 Q. What years did you go to college?

17 A. 2010 to 2014.

18 Q. Okay. And where did you live there?

19 A. I lived at it was called an independent living group called
20 Epsilon Theta.

21 Q. Who did you live with in that house?

22 A. There were about 20 of us living there, including Gary Wang
23 and Adam Yedidia, and others who I'd come to work with later.

24 Q. Had you met Gary Wang before that?

25 A. I met Gary in high school when we went to the same math

1 summer camp.

2 Q. How long have you known Gary Wang?

3 A. I guess about 15 years at this point.

4 Q. Okay. And how would you briefly describe the Epsilon Theta
5 House?

6 A. It was—it was sort of a house that was coed, nerdy, and
7 dry. It was transients living in a house, lots of board games,
8 no drinking, and it's, you know—formed a lot of friends there.

9 Q. When did you graduate from MIT?

10 A. 2014.

11 Q. And where did you work after that?

12 A. The summer after my junior year of college, I interned at
13 Jane Street Capital, which is a quant trading firm on Wall
14 Street, and then when I graduated, I went to work there full
15 time.

16 Q. Okay. You said Jane Street was a quant trading firm.
17 Could you explain that to the jury, please.

18 A. Yeah, it's a term that it can mean a lot of things in
19 different contexts. For Jane Street in particular, it was
20 neither a high-frequency trading firm—a firm that made money
21 trying to send orders nanoseconds before other firms—it also
22 wasn't a discretionary firm that would take a long position on
23 Apple for a year if it thought Apple was a good company. It
24 was somewhere between. And the core thing that it did was
25 arbitrage.

1 Q. What is arbitrage?

2 A. Briefly, arbitrage is trying to buy low and sell high,
3 ideally at the same time. So if you could buy a share of Apple
4 for a hundred dollars and simultaneously sell it somewhere else
5 for a hundred dollars and 3 cents, you would make 3 cents of
6 profit on that, with—with very little risk.

7 Q. Just a bit more of terminology. You used the phrase
8 "long." Can you describe for the jury what it means to use
9 "long" and "short" in trading.

10 A. Sorry. Yeah. They effectively mean buy and sell. So if
11 you went long Bitcoin, that would mean you're buying Bitcoins;
12 if you went short Bitcoin, that meant you were selling, and in
13 fact selling more than you had, so that you ended up owing
14 Bitcoins.

15 Q. During your—what was your job at Jane Street? What was
16 your title?

17 A. I was a trader.

18 Q. Okay. And in the course of your duties at Jane Street, did
19 you interact with prime brokers?

20 A. Yeah, frequently.

21 Q. What were they?

22 A. Prime brokers—so a traditional broker, a place like
23 E*Trade or Schwab, is where an individual customer might go to
24 buy or sell stocks. Prime brokers are sort of souped-up
25 versions of that for institutional trading firms. So when most

1 trading firms would connect to trade stocks, rather than
2 trading directly on an exchange, they would go through what's
3 called a prime broker. The prime broker would give them credit
4 in margin and interface between them and the exchanges.

5 Q. Did you receive training at Jane Street?

6 A. Yeah. On compliance and a number of other topics.

7 Q. Okay. Did you ever hear the phrase "front running"?

8 A. Yeah. It came up a lot.

9 Q. Tell the jury what "front running" meant to you.

10 A. "Front running" meant effectively a concern of a market
11 practice where one participant would be about to send an order
12 to buy something; another customer would learn one way or
13 another that that first customer was about to do that trade,
14 and race in to do that trade before them, thus buying up the
15 asset when it was cheaper and then maybe even selling it back
16 to that first customer when their order was finally processed.

17 Q. What, if anything, did Jane Street train you on with regard
18 to front running?

19 A. Not to do it.

20 Q. Okay. During that period did you ever hear the phrase "*The*
21 *New York Times* test"?

22 A. Yeah. It came up a fair bit at Jane Street.

23 Q. At Jane Street. Can you describe for the jury what you
24 meant by that.

25 A. Yeah. I understood it to be a term for a test where

1 basically anything that you wrote down, there is some chance it
2 would end up on the front page of *The New York Times*, and so if
3 you were going to write something down, you should make sure
4 that you gave sufficient context for it, that you were clear
5 about exactly what you meant, because a lot of innocuous things
6 can look pretty bad out of context and there are lots of
7 examples of people getting burned by that.

8 Q. Now I believe you said you were a trader at Jane Street.

9 A. Yup.

10 Q. Did you work for a particular desk? And I'm going to ask
11 you to describe what a desk is, so two questions.

12 A. I worked for the international ETF desk.

13 Q. First tell us what a desk was. We know what a desk is,
14 but—

15 A. Right. A desk really is—20 desks put together was one
16 bigger desk. A desk, it was a group. So it was a name for a
17 team at Jane Street that traded a particular type of product.
18 So there was a desk of, you know, about 20 people that traded
19 US stocks; there is a group that traded foreign stocks; a group
20 that traded commodities. I was on a group that traded what are
21 called international ETFs.

22 Q. What's an ETF?

23 A. It stands—excuse me—it stands for exchange traded fund.
24 You can think of it like a mutual fund that is a thing you
25 could invest in which itself buys a little bit of a lot of

1 different companies to make it easy to diversify. ETFs were
2 mutual funds which you could also trade on an exchange like you
3 could trade the stocks themselves.

4 Q. Okay. What was the size of the trades you worked on at
5 Jane Street?

6 A. They—they varied. The individual trades could be as small
7 as a hundred dollars or as large as a billion dollars, and I
8 managed roughly tens of billions of dollars a day of trading.

9 Q. And was Jane Street—you said they were engaging in
10 arbitrage?

11 A. Yeah.

12 Q. Can you give us a brief example from your time there.

13 A. Yeah. So there were a lot of different types of examples.
14 The one that came up most frequently is with ETFs. So in
15 theory, if you have a fund which is composed of one share of
16 500 different companies, it should be priced at the same value
17 as those companies added up. You could effectively take one
18 share of each of those, do what's called a creation, turn it
19 into ETF, or it could turn ETF back into what it actually
20 owned. And a lot of what we did was look for cases where,
21 especially when markets were going crazy, when there's large
22 volatile moves and it was very difficult for people to get good
23 prices on things, where we would figure out, you know, what
24 should these products be worth right now, given whatever the
25 things that they own are trading at and, you know, find ways to

1 buy—buy low and sell high, effectively.

2 Q. How long did you work at Jane Street for?

3 A. About three and a half years.

4 Q. Did you enjoy your time there?

5 A. Very much. They were very good to me. I learned a lot
6 there. They did a really good combination, I felt, of sort of
7 giving responsibility to people while also giving mentorship.

8 Q. Did anyone work at Jane Street who later worked beside you,
9 who later worked for Alameda or FTX?

10 A. Yeah. Caroline Ellison, who was a trader and then later
11 CEO at Alameda, was a trader at Jane Street; Adam Yedidia, who
12 was a developer at FTX, was an intern at Jane Street when I was
13 there; and a few other people at various points of the
14 company's history had worked at Jane Street at various points.

15 Q. Mr. Yedidia was one of the people you lived with at MIT?

16 A. That's correct.

17 Q. Now after your time at Jane Street did there come a time
18 when you started a company called Alameda Research?

19 A. Yeah, in the fall of 2017.

20 Q. Why did you start it?

21 A. This was—this was when crypto was starting to become
22 really publicly visible for the first time, at least in the
23 circles I was in. You'd walk down the street in the fall of
24 2017, you'd see two people excitedly talking about something,
25 there was a pretty decent chance that thing was Bitcoin, that

1 they had a friend who had a friend who had tried buying Bitcoin
2 for the first time. And in terms of pricing, Bitcoin went
3 from, you know, \$1,000 to \$10,000 in a few-month period, in
4 late 2017. There was a ton of excitement, a ton of demand, and
5 there was very little infrastructure in the space. Large
6 trading firms like Jane Street weren't trading cryptocurrencies
7 yet, the banks weren't involved, the brokers weren't involved.
8 It seemed like a place where there very well may have been a
9 pretty big demand for basically an arbitrage provider.

10 Q. When you first started to get into the crypto world, what
11 did you know about it?

12 A. Basically nothing. I knew that a Bitcoin was digital. I
13 knew there was no physical thing, that it was on computers, and
14 that you could trade it on websites called cryptocurrency
15 exchanges. I knew that there were other cryptocurrencies, like
16 Ethereum and XRP. And I had absolutely no idea how they
17 worked, what the technology behind them was, what the
18 difference was between different cryptocurrencies. I just knew
19 they were things you could trade.

20 Q. When you established Alameda, what was your goal for the
21 company from a business model?

22 A. At a high level, doing arbitrage, something similar to what
23 Jane Street did, but in the new market. In particular, there
24 were a lot of places you could buy and sell cryptocurrencies,
25 called exchanges. Coinbase, Binance are two well-known

1 examples. And in late 2017, when I started looking into it, it
2 appeared, from my initial overview of public data, that there
3 might be really, really large arbitrage opportunities
4 available.

5 Q. Okay. Maybe if you could explain that for the jury. What
6 were you seeing? First of all, what public data were you
7 looking at and then what were you seeing?

8 A. Yeah. So I was looking at websites like coinmarketcap.com.
9 That is one of the two premier placing sources for
10 cryptocurrencies, CoinGecko being the other one. And all it
11 did was basically take data from all the various
12 cryptocurrency, you know, exchanges and tokens and summarize it
13 together. And what I saw, it looked like there were some
14 places where you could buy a Bitcoin for \$10,000, and others
15 where you could sell it for \$11,000, at the same time. That's
16 a 10 percent difference in price. And for context, at Jane
17 Street, if we could do a trade that was 1 percent good, that
18 was unheard of. We never found a trade even 1 percent good.
19 1 percent of 1 percent was a typical trade. So that would be
20 something you could buy for a hundred dollars and 3 cents and
21 sell for \$100.04 at the same time, making 1 penny on that
22 trade. It looked like the arbitrage opportunities in Bitcoin
23 might be a thousand times as large. It was—it was so large, I
24 wasn't sure I even believed it.

25 Q. And where did Alameda's original funding come from?

1 A. The very original funding was the money that I had left
2 over after my work at Jane Street, and after that, we cobbled
3 together what we could, mostly lines of credit borrows from
4 people, originally from friends that we knew.

5 Q. Did you also borrow from third-party lenders?

6 A. Yeah. Over time we—we started to know more and more
7 third-party lenders. These were generally companies whose
8 businesses were borrowing and lending cryptocurrencies.

9 Genesis, Voyager, Celsius, BlockFi, those are four examples
10 that Alameda had borrowing relationships with. And that
11 ultimately was where the majority of its capital came from.

12 Q. And how did borrowing from third parties compare, if at
13 all, to what went on at Jane Street?

14 A. It was fairly similar. Jane Street had been around,
15 obviously, a long time. It was—well, a lot longer than
16 Alameda, at least. They'd been around for about 20 years.
17 Alameda had been around for about 20 months at the time that
18 we're talking about. So Jane Street had built up a large
19 amount of internal capital, just profits from its trading, but
20 in addition to that, it had borrows, lines of credit from
21 financial institutions. It was a similar story to Alameda,
22 although we had had far less time to build up the profit
23 portion of that.

24 Q. Where was Alameda's first office?

25 A. The first office, it was in—it was a airbnb that we rented

1 out in North Berkeley, California.

2 Q. Can you describe the layout of that airbnb.

3 A. Yeah. So it was listed as a two-bedroom airbnb. There
4 were three of us, but it had an attic, so that seemed like
5 three bedrooms to us. There was a living room which was a
6 couch, so a fourth bedroom. And then the rest of the area
7 there was the office. We packed that with desks and computers,
8 and mostly boxes from Amazon. Eventually we had to start
9 dealing with the cardboard box problem pretty soon. And after
10 overflowing that apartment, after a few months, we got a more
11 traditional office space in downtown Berkeley.

12 Q. Okay. I want to come back to that in a moment. But first
13 let me ask you: Why did you name the company Alameda Research?

14 A. Yeah. So Alameda is—Berkeley, California, is in Alameda
15 County. I'm not very good at naming things. I didn't come up
16 with FTX's name and could not come up with anything better than
17 that. Not that I thought it was that amazing of a name in the
18 first place. But effectively, we wanted to be under the radar
19 at that point in time. I didn't want to call it Sam's Crypto
20 Trading Firm or anything like that. We—there are a lot of
21 competitors and people who we didn't particularly want to know
22 what we were building out because they would race to do it.
23 "Research" was a sort of generic word, which filled out the
24 company name. And that was—it was far better than the
25 internal name that we had at that point, which was Wireless

1 Mouse.

2 Q. Now let's come back to the early days in the airbnb. Who
3 else worked there besides you, Mr. Bankman-Fried?

4 A. So there was myself, there was Gary Wang, and a host of
5 other people, some from very early on, some who came later, and
6 many of whom were not there by later in Alameda's history.

7 Q. And why did you ask Gary Wang to join?

8 A. I had known him, I mean, from math camp, but chiefly from
9 MIT. He was a friend of mine. I trusted and respected him.
10 He was a brilliant developer—developer meaning software coder.
11 I'm not much of a programmer. My plan was to sort of lead the
12 trading operation, but we needed someone to build out all the
13 computer systems that we would be using. Our plan was to trade
14 on, you know, tens of exchanges, hundreds of assets, 24/7, and
15 I, you know—I only have two hands. You need thousands of
16 hands to do that. So we were going to program computers to
17 actually manage a lot of that. And, you know, this was, you
18 know, a few 25-year-olds who had no history starting a company
19 with—a startup without much of a long-term plan yet trading
20 in—

21 MS. SASSOON: Your Honor, 611.

22 THE COURT: Pardon me?

23 MS. SASSOON: 611. Narrative.

24 THE COURT: Sustained. Ask a question, counselor.

25 Q. As between you and Gary, what roles did you each play at

1 Alameda?

2 A. Yeah. I was originally leading the trading operation.
3 That meant basically doing trades myself, coming up with
4 parameters for computer trading systems and managing other
5 traders. Gary was leading the technological efforts, basically
6 building out the computer systems themselves.

7 Q. And the other people you hired in the early days, how did
8 you find them?

9 A. They were all friends or friends of friends. Those were
10 the people who we were able to find early on.

11 Q. Okay. How were you compensated at the beginning?

12 A. We—I had a \$200,000-a-year salary, I believe. I think
13 that was what most of us had.

14 Q. Did you end up hiring anyone else from Jane Street?

15 A. Yeah. A few months in, we hired Caroline Ellison.

16 Q. Now did there come a time that you hired Nishad Singh?

17 A. Yeah. That was in between when we started and when we
18 hired Caroline, so it was after a month or so.

19 Q. And how did you know him?

20 A. He was a close friend of my brother's from high school. I
21 had known him, although not as well, in high school. He had
22 been a software developer at Facebook and was interested in
23 joining.

24 Q. Okay. Coming back to Ms. Ellison, about when did she join
25 the company?

1 A. She joined in—right around late February or early March of
2 2018.

3 Q. And after she joined, did anything happen?

4 A. Yeah. There was a split, a schism, in the company. There
5 were sharp divides between two groups of the company, and
6 ultimately one of them resigned and took most of the capital
7 with it.

8 Q. Did there come a time when you spoke to Ms. Ellison about
9 what happened?

10 A. Yeah, I did.

11 Q. And what did you say?

12 MS. SASSOON: Objection.

13 THE COURT: Hearsay?

14 MS. SASSOON: Yes.

15 THE COURT: Are you actually asking what he said?

16 MR. COHEN: What he said, yeah.

17 THE COURT: All right. Mr. Bankman-Fried, you may
18 answer to the extent of saying what you said to Ms. Ellison.

19 THE WITNESS: Understood.

20 A. I—as context, the problems had started emerging after we
21 had given an offer to her, but I believe be—

22 MS. SASSOON: Objection.

23 THE COURT: Sustained. Answer stricken. Jury will
24 disregard it.

25 THE WITNESS: Okay.

1 Q. What did you say to Ms. Ellison?

2 A. I—I said that I was—I apologized for not telling her
3 earlier when problems had started bubbling up that I suspected
4 that there might be bigger problems.

5 Q. Okay. Now after this schism and half of the company left,
6 what happened to Alameda's performance?

7 A. It did—I felt like it did quite well after that. We had
8 addressed the—the problems that had led to the schism. We had
9 dozens of weeks of profit in a row. We were making between 50
10 and a hundred percent returns annualized.

11 Q. Now you started in Berkeley. Did there come a time when
12 you—when the company moved?

13 A. Yeah. In beginning and late 2018, it started transitioning
14 to Hong Kong as headquarters.

15 Q. Why did you move the company to Hong Kong?

16 A. I had ended up there almost accidentally, going to a
17 conference. While there, I had, in a one-week period, more
18 useful meetings than I'd had in the year prior in California.
19 I ended up canceling my return ticket and renting out a WeWork
20 in Hong Kong, and I felt like there were really large business
21 expansion opportunities for Alameda there.

22 Q. The conference you went to, what was the topic of the
23 conference?

24 A. It was a general—it was called the Sora Summit. It was a
25 general crypto conference that many of the industry leaders

1 from a lot of different parts of the industry were there.

2 Q. And did you take space in Hong Kong?

3 A. Yeah. So we, you know, started out at a WeWork, which was
4 I guess something like 30 square feet or something. We could
5 fit maybe two or three desks in there and no more. And it was
6 myself, one or two other people, eventually grew, and we rented
7 out a larger office.

8 Q. Now I think you mentioned earlier that you began FTX, you
9 founded FTX in 2019 with Gary; is that correct?

10 A. Yeah, that's correct.

11 Q. What was your role in the founding; what was Gary's role?

12 A. So after—after a week or so in Hong Kong, I'd had
13 conversations with a few other people who I'd met there about
14 the possibility of us starting a crypto exchange. It's
15 something that we'd wanted to do, but that we'd had no idea at
16 all how we would get customers. I still had no real idea, but
17 at least I'd started to meet other people from the industry,
18 and I'd also met companies that were potentially interested in
19 purchasing a crypto derivatives exchange, if we were to create
20 one. So I called up Gary, he flew out to Hong Kong, and Gary
21 started building out the technical systems for FTX, and I
22 talked to him about the design philosophy and the goals.

23 Q. Did there come a time that Nishad joined you?

24 A. Yeah. Nishad had been working at Alameda for I guess about
25 a year and a half at that point, and over the course of 2018,

1 he transitioned primarily out of Alameda into becoming the—or
2 sorry, 2019, rather—into becoming a developer at FTX instead.

3 Q. Okay. Did you supervise Gary?

4 A. I—I was his supervisor in that ultimately I was the CEO
5 and ultimately I had authority, and I also had a number of
6 discussions with him about the goals of the systems that he was
7 building. On the other hand, I wasn't much of a programmer. I
8 didn't write any of FTX's code or read any of FTX's code. So I
9 didn't supervise the direct work that he was doing. And he and
10 Nishad were both authorized to make decisions on behalf of the
11 company without consulting with me, though they often would
12 consult with me about it.

13 MS. SASSOON: Objection.

14 THE COURT: What's the objection?

15 MS. SASSOON: Testimony about Nishad is not
16 responsive.

17 THE COURT: I'm sorry?

18 MS. SASSOON: Testimony became unresponsive to the
19 questions, beginning with discussions about Nishad.

20 MR. COHEN: Background, your Honor.

21 THE COURT: Overruled.

22 BY MR. COHEN:

23 Q. At this time, Mr. Bankman-Fried, in 2019 or so, about how
24 many crypto exchanges were there in the market?

25 A. I mean, in total, there were hundreds or thousands, but

1 there were 10 or so that had most of the volume and maybe 50 or
2 so that had any appreciable activity.

3 Q. So why start another one?

4 A. We felt like, especially for the margin exchanges, there
5 was a really big hole in the space. At the time we felt like
6 the design philosophies of most of the crypto derivatives or
7 margin exchanges were clunky and didn't make a lot of sense if
8 you wanted to trade, and when we tried trading on the leading
9 margin exchanges for crypto at the time, there were hundreds of
10 different wallets that you had to manage for a single account.
11 If you wanted to trade Bitcoin against dollars, you would have
12 to first use your dollars to buy physical Bitcoins, move them
13 into your Bitcoin-versus-dollar spot margin trading wallet, use
14 that as collateral. If you then wanted to go trade Ethereum
15 against dollars, you'd have to move those Bitcoins out, sell
16 them for spot Ethereum, move your Ethereum into
17 Ethereum-versus-dollars trading wallet and then do that trade.
18 It was a many-step process every time you wanted to do a
19 different trade.

20 Q. And were you trying to address that at FTX?

21 A. Yeah, that was one of the core things that we were trying
22 to do differently than how most other crypto margin exchanges
23 were built at the time.

24 Q. Let me ask you about another topic. Have you ever heard
25 the phrase "cross-margining"?

1 A. Yes.

2 Q. What is that?

3 A. That is effectively the opposite of what I just described.
4 That's—cross-margining is what we were intending to build and
5 what we did build. The theory with cross-margining—at least
6 what we meant by it—was that you could deposit any one of a
7 number of assets as collateral and then you could trade any
8 market, or at least any—a number of products. With that, you
9 could buy, you could sell, you could deposit, you could
10 withdraw, and all the exchange monitored—or at least most of
11 what it monitored was just that on net, your account's value
12 was sufficient. You could go negative in any particular asset
13 as long as you had any other reasonable asset as security for
14 the borrowing that you did, rather than having what's called
15 isolated margin, where you had a completely separate system for
16 every single trade that you wanted to do.

17 Q. So if a customer had 20 subaccounts—

18 A. Yup.

19 Q. —and assets in each of them, how would that work for
20 cross-margining?

21 A. So for cross-margining, if you had different subaccounts,
22 you could isolate those from each other if you wanted to, but
23 if you had 20 different assets in your account, FTX would
24 basically just add up the total value of them, add up the total
25 value of all of your borrows, of all of your liabilities, and

1 ensure that you had more assets than liabilities.

2 Q. Did you ever hear of the term "clawbacks"?

3 A. Yes.

4 Q. What did that mean to you?

5 A. So the risk associated with a margin system in general is
6 what happens if an account ends up with a negative overall
7 value, which is to say, what happens if the value of its
8 liabilities become greater than the value of its assets. In
9 that case, you know, we could try to reach out to that—that
10 user and request that they send us more assets that might or
11 might not work, depending on who the user was. We couldn't
12 rely on that for most users. And absent that, there would then
13 be, you know, a net debt that that user had that had to be
14 covered by someone. The exchange—FTX in our case—would try
15 to cover it, but if we couldn't, the risk was that it would
16 have to be socialized, what's called socialized loss or
17 clawback to many or all of the users on the platform where they
18 would cover the loss.

19 Q. Can you explain that. the last part, socialized loss.

20 A. Yeah. So let's say that there were an account that had a
21 thousand dollars of assets and was borrowing \$500 against those
22 assets. Maybe it had deposited a thousand dollars of Bitcoin
23 and withdrawn 500 US dollars. If Bitcoin fell in value by
24 50 percent, that would then be \$500 worth of Bitcoin left in
25 the account. If it fell by another 50 percent, there would be

1 \$250 of the original thousand of assets, just because the
2 assets had fallen. But still that account would have borrowed
3 \$500. So in total, the account would be worth negative. It
4 would be worth negative \$250, you know, the \$250 of assets
5 minus the \$500 of—of borrowing. Another way to put that is we
6 wouldn't be able to sell those Bitcoins off for enough dollars
7 to cover that account's debts. That then is, you know,
8 effectively negative \$250 in net value that someone had to
9 cover, and if that client wouldn't deposit more and if FTX
10 couldn't cover it itself, then we would have to basically claw
11 back assets collateral from other users on the system, \$250
12 worth in total, in order to true up that account that had gone
13 negative.

14 (Continued on next page)

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1 Q. Now, during your time at Alameda, before you failed at FTX,
2 I think you mentioned you traded on other exchanges, is that
3 correct?

4 A. Yeah, that's correct.

5 Q. Did they provide for clawbacks?

6 A. Yes.

7 Q. What is futures trading?

8 A. So futures trading is -- it's another form of market or
9 leverage trading where instead of, for instance, trading an
10 actual Bitcoin, instead of depositing some number, you know, a
11 hundred dollars and buying 500 dollars of Bitcoins, you could
12 buy what's called a futures contract on Bitcoin. You can think
13 of it as something that will eventually turn into however much
14 a Bitcoin is worth. So if you bought a December Bitcoin
15 future, then in December that would turn -- and in December a
16 Bitcoin was worth \$20,000, that future would be worth \$20,000
17 at the end of the day. And futures trading generally happened
18 with leverage, so you might deposit \$100 of collateral and then
19 buy or sell \$500 of Bitcoin futures and gain or lose, depending
20 on whether Bitcoin went up or down in price.

21 Q. Last term. Have you ever heard the term spot margin?

22 A. Yes.

23 Q. What was that?

24 A. That's what I had been referring to as margin. It's
25 basically when you have spot assets rather than futures assets,

1 so these are actual Bitcoins. But where -- rather than being
2 fully collateralized and fully funded, you are borrowing. So
3 that was what was happening. If you deposited \$100 in order to
4 buy \$500 of Bitcoin, that would be spot margin trading.

5 Q. From time to time during your time as CEO of FTX, would you
6 prepare something called explainers?

7 A. Yeah.

8 Q. What were they?

9 A. These were pages that we posted on our website, generally
10 on Zendesk, which is sort of our customer support portal to
11 explain to customers how parts of the exchange worked.

12 MR. COHEN: Can we call up Defendant's Exhibit 978 for
13 the defendant only for identification entitled spot-margin
14 trading explainer.

15 Q. Can you go through this quickly, Mr. Bankman-Fried, and
16 tell us what it is.

17 A. Yeah.

18 MS. SASSOON: Objection. I don't believe this is in
19 evidence.

20 THE COURT: That's correct.

21 MR. COHEN: That's right. I am trying to lay a
22 foundation, your Honor.

23 MS. SASSOON: Your Honor, he just asked him to explain
24 to the jury what this document is.

25 MR. COHEN: Let me rephrase. I didn't mean to say

1 that, your Honor.

2 THE COURT: No harm, no foul.

3 Q. Take a moment and go through it.

4 MR. COHEN: Brian, if you need to scroll through it
5 for Mr. Bankman-Fried.

6 Q. This question is only whether you recognize this document.

7 A. Yes, I do.

8 Q. What is it?

9 A. This is the explainer page that we had written for
10 spot-margin trading for FTX and its customers.

11 MR. COHEN: Your Honor, we offer DX-978 not for its
12 truth.

13 THE COURT: Any objection?

14 MS. SASSOON: One moment, your Honor.

15 It's not for its truth. No objection, your Honor.

16 THE COURT: It's received for the fact that such a
17 document existed, not for the truth of anything it said,
18 members of the jury.

19 (Defendant's Exhibit 978 received in evidence)

20 MR. COHEN: We can take that down.

21 Can I publish it, your Honor?

22 THE COURT: Yes.

23 MR. COHEN: Let's publish it quickly.

24 The heading is spot-margin trading explainer. I would
25 just like to go to one page. I think it's the second page,

1 please, Brian.

2 Q. Look at the top. It says: How does borrowing and lending
3 work. You see that?

4 A. Yup.

5 Q. From time to time you would put out explainers about how
6 things in the market in the industry worked?

7 A. That's correct.

8 MR. COHEN: We can take that down.

9 Q. Let's move forward, Mr. Bankman-Fried.

10 Did FTX have something called a risk engine?

11 A. Yes.

12 Q. Tell us what that was.

13 A. The risk engine was basically a setup -- a system that
14 would attempt to monitor customer positions to watch to see if
15 any of them were in danger of becoming overall negative value
16 and, if so, would potentially learn about it and potentially
17 start to close down that position to prevent the risk of
18 losses.

19 Q. How did the risk engine at FTX compare, if you know, with
20 what went on at other crypto exchanges?

21 A. Yeah. FTX's risk engine was, first of all, cross-margined.
22 Most other crypto exchanges at the time, as I understood it,
23 were not cross-margined. So most others I understood to have a
24 separate risk engine effectively for every trade that you would
25 do, every market that you would do.

1 FTX has looked at users or accounts as a whole, just
2 looking at assets and liabilities overall, and it also had a
3 number of steps that were at least somewhat unique to FTX. It
4 was mostly automated. It would monitor markets 24/7. And it
5 would close down positions if necessary. It also had a
6 backstop liquidity provider system, which was something I
7 wasn't aware of other exchanges having at the time.

8 Q. We will come to that in a moment.

9 I realize I meant to ask you --

10 MR. COHEN: If we could call up just for the
11 witness --

12 Q. Before we do that, in addition to explainers, from time to
13 time would you set forth your views about terms in the
14 industry?

15 A. Yeah.

16 Q. How would you do that?

17 A. One of the ways was through blog posts that we would make.

18 MR. COHEN: Just for the witness, if we could call up
19 DX-964 for identification.

20 Q. If you could go through this and just tell us if you
21 identify the document, sir.

22 A. Yes, I do.

23 Q. What is this?

24 A. This is a blog post that I had written early on in FTX's
25 history about clawbacks and FTX's approach to them.

1 Q. Including the risk engine?

2 A. Yes.

3 MR. COHEN: We offer DX-964 not for its truth.

4 MS. SASSOON: Objection, your Honor.

5 THE COURT: Ground.

6 MS. SASSOON: He just asked him earlier does this set
7 forth your views of the terms in the industry. The defense
8 tried to admit this document -- perhaps better addressed at
9 sidebar, your Honor.

10 THE COURT: All right.

11 (Continued on next page)

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1 (At sidebar)

2 MS. SASSOON: Your Honor, it's a hearsay objection.
3 The defense has not established a relevant nonhearsay purpose
4 why offering it not for its truth has any relevance.

5 THE COURT: Mr. Cohen.

6 MR. COHEN: Sounds like a relevance objection.

7 THE COURT: Sounds like both.

8 MR. COHEN: Sure, your Honor.

9 This is to rebut the evidence proffered by the
10 government that FTX was set up from the outset as a criminal
11 enterprise. We are entitled to show that it was set up as a
12 real and legitimate business and that Mr. Bankman-Fried was
13 trying to educate his customers about things the like risk
14 engine and the liquidation engine.

15 THE COURT: What is your support for the proposition
16 that the government is arguing that this was a criminal
17 enterprise from the beginning?

18 MR. COHEN: The evidence they elicited from Mr. Wang
19 about encounters with Mr. Bankman-Fried in 2019 and 2020 where
20 he claims that he talked with Mr. Bankman-Fried and a trader
21 about the company being set up to take customer assets. The
22 evidence --

23 THE COURT: Being set up to what?

24 MR. COHEN: To take customer assets, the encounter in
25 the hallway with the trader.

1 THE COURT: May I have a page reference to the
2 transcript?

3 MR. COHEN: I don't have it with me. I can get it for
4 you, your Honor.

5 THE COURT: Please.

6 MR. COHEN: The evidence from Ms. Ellison implying
7 that even at Alameda it was set up as a fraudulent operation
8 and that early on, way before the events of June 2022 that we
9 are all very familiar with, Mr. Bankman-Fried was essentially
10 running this as a fraud.

11 I think for the Court's consideration all I wanted to
12 do was put this in, read the title, and move on. I am not
13 going to go through any of the terms.

14 MS. SASSOON: May I respond, your Honor?

15 THE COURT: If all you want to do is put it in and
16 read the title, then I'm reasonably convinced right now that it
17 is not relevant.

18 Go ahead.

19 MS. SASSOON: I want to quit while I'm ahead.

20 THE COURT: No. Come on.

21 MS. SASSOON: There is no RICO charge in this case.
22 It's a wire fraud. As I understand it, including from
23 yesterday's hearing testimony, the defense actually doesn't
24 dispute a lot of these facts that, for example, Alameda was set
25 up to receive customer money. They just dispute whether that

1 was criminal or not.

2 To the extent that he wants to put this in to show
3 what Sam was saying to customers, there has been no foundation
4 that any customer saw this. The one time that this document
5 came up, it was with Gary Wang who said he had never seen it
6 before. I don't think that there is a foundation for that
7 purpose.

8 MR. COHEN: There is, your Honor. To your Honor's
9 question, and I can hand you my copy if you'd like, there are
10 two paragraphs that I would like to call out but not spend a
11 lot of time on. That's on the second page. The bottom two
12 paragraphs where he talks --

13 THE COURT: I am going to send the jury out. We will
14 take the morning break now. I want to see the page references
15 to support your assertion.

16 Unless you're conceding his assertion, the assertion
17 that this was -- your position is, this was all set up as a
18 fraud from the getgo.

19 MR. COHEN: The other thing, your Honor, to that, the
20 period of the conspiracy charged is 2019. It's not 2022. The
21 government is seeking to show that this was a fraudulent
22 enterprise from that --

23 THE COURT: When was that published?

24 MR. COHEN: This was published in 2019. 2020. 2020.

25 MR. ROOS: Judge, it's not just what it says and when.

1 It is that they are offering it clearly for its truth. The
2 relevant purpose they are advancing is taking the document as a
3 stated fact to advance the truth. I still have not heard a
4 relevant nonhearsay purpose. They literally want to read his
5 music. For instance, the defendant posted a blog post that
6 said, I am not guilty.

7 THE COURT: I am going to break now. Somebody needs
8 to give me a copy of the document. That's what we will do.

9 (In open court)

10 THE COURT: Folks, we will take our morning break
11 early. I'll see you in 15 minutes, and we will get this
12 resolved.

13 (Jury not present)

14 THE COURT: I'll see counsel in five or six minutes.

15 (Recess)

16 THE COURT: Mr. Cohen, again, what purpose is this
17 being offered for?

18 MR. COHEN: Your Honor, this is being offered for the
19 purpose to show that this was put out on a blog of FTX in 2020
20 on the topic of the liquidation engine and clawbacks and that
21 FTX said on this blog that it would try to avoid or minimize
22 clawbacks, not that in fact it happened, but just again -- it
23 goes again, in our view, to the defendant's state of mind and
24 to rebut the evidence that I described at the sidebar.

25 THE COURT: So far as the evidence you purportedly

1 described at the sidebar, what are the page references?

2 MR. COHEN: Turns out, we have not been able to find
3 all of them, but the page reference I did find is the exchange
4 with the trader involving Mr. Wang, which is at 375. The
5 sequence starts at line 4. Goes for about a page.

6 THE COURT: And concluding where, line 18?

7 MR. COHEN: Yes, your Honor.

8 THE COURT: Government, what do you have to say to
9 that?

10 MR. ROOS: Starting with the last point, this says
11 that Mr. Wang had a conversation with the defendant in 2019
12 about Alameda having a negative balance. How this blog post
13 from 2020 is a response to that is beyond me. The blog post is
14 about comparing FTX's risk and liquidation system and its
15 history with clawbacks to one or more other exchanges, so it's
16 not responsive in any way to the question of whether there were
17 negative balances in 2019. I don't know from where in this
18 portion of the transcript defense counsel is inferring the idea
19 that there is something of a sort of a grand conspiracy in 2019
20 to rebut.

21 The other points that they made were that this is
22 being offered to show that it was on the blog. I think for
23 starters there are a few foundational questions relating to the
24 nonhearsay purpose there.

25 For one, the question that was posed to the witness

1 was whether or not he sometimes posted his views on the
2 Internet. That is not necessarily a relevant purpose. As I
3 mentioned at sidebar, of course a witness could post all sorts
4 of thoughts to the Internet. That does not make them relevant
5 or provide a foundation for their relevancy. In fact they
6 could post false exculpatories, they could post musings. That
7 does not mean there is a relevant nonhearsay purpose,
8 particularly here where there is no evidence in the case that
9 any person who is relevant, that is, a customer or victim, saw
10 this. And when defense counsel previously attempted to offer
11 this document through another witness, the witness said, I have
12 never seen this before and I did not know it existed.

13 I think there is a lack of a foundation to establish a
14 relevant nonhearsay purpose. By the way, that's at page -- my
15 apologies. Mr. Wang did say he saw this. The Court just
16 sustained the admissibility objection to it.

17 On the question of state of mind, it's not clear how
18 the document is being offered for state of mind. It's really
19 just being offered for the truthful assertion of various facts
20 in there. To give your Honor some examples, starting with the
21 title, which defense counsel called out, the title is how we
22 significantly reduce clawbacks. This is being offered for its
23 truth. Same with, FTX has in fact never had a clawback.
24 Again, a truthful statement. The defense of course can have
25 the defendant testify to these facts, but they can't sort of --

1 if they prefer the way it is written in the blog post,
2 introduce the blog post for its truth and that seems to be
3 what's happening here.

4 THE COURT: Last shot, Mr. Cohen.

5 MR. COHEN: Yes, your Honor.

6 Taking the last point first, we are not offering it to
7 show that the truth of the statement in the document actually
8 came to pass. The Court has received a number of documents
9 from both sides during this case on that ground.

10 As to foundation, I'd be happy to ask additional
11 questions, but this was not a personal blog by the defendant,
12 but it was on the FTX blog and put out to customers.

13 As for the --

14 THE COURT: And the difference it makes in this case
15 is what? The difference in this case it makes is what?

16 MR. COHEN: I'm just responding, your Honor, to
17 counsel's distinction, which he seemed to think was relevant,
18 that it would be treated differently if it was a personal blog
19 versus something put out by the company. The answer was put
20 out by the company. That's what counsel just said.

21 The last point, your Honor, with respect, I don't
22 think the government is offering this passage with Mr. Wang on
23 the limited ground it now claims. I believe from both the
24 government's opening statement and questioning of other
25 witnesses, it is going to seek to offer this certainly in its

1 closing as proof that FTX was set up as a fraudulent enterprise
2 from the beginning.

3 THE COURT: The reason we took the break, in part, was
4 because you made that assertion at the sidebar, and I asked you
5 to give me the reference that supported your claim that that's
6 the government's position. You drew my attention to page 375.
7 I have read it. It's not supportive of your position. I don't
8 know what the government is going to argue at the end of this
9 case any more than you do. The objection is sustained.

10 Let's get the jury. Let's get the witness back on the
11 stand first.

12 (Continued on next page)

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1 (Jury present)

2 THE COURT: The record will reflect that the defendant
3 and the jurors all are present.

4 You may continue, counsel.

5 MR. COHEN: Thank you, your Honor.

6 BY MR. COHEN:

7 Q. Mr. Bankman-Fried, when we broke you were talking about
8 some of the early days at FTX. You mentioned you were located
9 in Hong Kong?

10 A. Yes.

11 Q. And that you had picked Hong Kong because of the crypto
12 conference you went to?

13 A. Yeah.

14 Q. Were there any other reasons you found Hong Kong attractive
15 at that time?

16 A. Yes. There were a few primary reasons. One, it was -- it
17 seemed to be the global epicenter of crypto. It was far easier
18 to meet with counterparties there and it was far easier to get
19 business done if you can have face-to-face meetings with
20 people. There were problems that Alameda had been having on
21 exchange accounts of its for months that got resolved within
22 days of me being there.

23 The second is that it had a much more -- a much
24 clearer regulatory environment for cryptocurrency exchanges at
25 the time.

1 So as we thought about building out FTX, that was
2 something that we were far more able to do in Hong Kong.

3 Q. Why was having a more built-out regulatory instruction --
4 structure important to you?

5 A. It was important for multiple reasons. One was, we thought
6 it was appropriate for there to be regulatory oversight of
7 ourselves and the rest of the exchanges, and the second is
8 that, frankly, whether or not we wanted it, we felt like there
9 was going to be regulatory oversight that regulators were going
10 to be involved, licenses were going to be required, and we
11 didn't want to be on the wrong end of that.

12 Q. When you first began to build the FTX exchange, what was
13 your plan for it?

14 A. The original plan was most likely to sell it to an existing
15 cryptocurrency spot exchange that didn't have an associated
16 margin exchange. Binance in particular was the first one that
17 we talked about with this.

18 Q. Why weren't you thinking of running it?

19 A. The biggest reason was, I had no idea how we would get
20 customers if we were to run it ourselves.

21 Q. What made you change your mind?

22 A. A few reasons.

23 One, Binance ended up, instead of working with us,
24 working with one of their internal teams to build out a futures
25 and margin exchange.

1 But the other was, the more that we talked about it,
2 the more that I thought about it, I became convinced of a few
3 things.

4 One was that I felt like we would be able to do a
5 better job of growing it than a company that we sold it to.

6 Second was I, as I met more and more people in Hong
7 Kong, still didn't know exactly how we would get customers, but
8 it felt less hopeless. It felt like maybe we could figure the
9 it out.

10 Third was, I still thought we probably wouldn't figure
11 it out. I thought there is maybe a 20 percent chance of
12 success and 80 percent chance that we would fail to launch or,
13 rather, that we have launched but failed to ever attract any
14 customers and just close down after a few months. But even
15 that 20 percent chance was a huge opportunity, given that the
16 biggest exchanges at the time were multibillion dollar
17 companies.

18 Q. Once you decided not to sell the exchange, you have
19 mentioned a few times one of the challenges was getting
20 customers.

21 Do you recall that?

22 A. Yup.

23 Q. How did you try to do that at first?

24 A. We reached out to people we knew in the industry, friends
25 of ours, basically. We got a few initial customers that way, a

1 single-digit number. They gave feedback. We iterated on the
2 product in response to that. Ultimately, some of them liked
3 the exchange. They told some of their friends about it and it
4 started spreading that way basically organically through word
5 of mouth and eventually on social media. We started
6 interacting with customers on social media and through customer
7 support, emails, and tickets. We tried to be responsive. It
8 was cobbling together those rather than a paid marketing
9 strategy.

10 Q. In the beginning did you have a marketing budget?

11 A. No. We had no marketing team. We had no marketing budget.
12 We could have scraped together some money together if we had a
13 brilliant marketing idea, but we didn't.

14 Q. You mentioned support tickets in your prior answer. What
15 are they?

16 A. Support tickets, it's a name for when there is a customer
17 who has a question or problem with their account and they want
18 to get in contact with someone who works at the exchange to get
19 help. They would file what's called a support ticket.

20 Q. Did you have anything to do with support tickets?

21 A. Yeah. I tried to make sure that I was periodically
22 answering some of them. There were a lot, ultimately thousands
23 a day. We had a team of dozens of people managing it. But I
24 wanted to make sure that I was -- I was the CEO, but I wanted
25 to make sure that I was still answering at least a handful of

1 support tickets from customers regularly because I worried
2 that, if I didn't, I would lose touch with what the actual
3 customer experience was like, what the actual concerns our
4 customers had, and I wouldn't know what we should be
5 prioritizing as a company because of that.

6 Q. I want to move forward and talk about the FTX code base and
7 database. Just a few terms first, Mr. Bankman-Fried.

8 Can you tell us what the code base was?

9 A. Yeah. The code base, it's computer code written by our
10 programmers, our developers that basically contains
11 instructions for how FTX, the website and the exchange,
12 operated. Running that computer code is what made the exchange
13 run.

14 Q. What was the database?

15 A. The database was basically a set of computers that stored
16 all the individual pieces of data. The code base would have
17 instructions for what happens when someone tries to buy an
18 asset, what happens when they try to sell an asset and types of
19 numbers to display on a user's account page. The database is
20 where we would store user XYZ has three Bitcoins or on Tuesday
21 at 11 p.m. this other user deposited \$3 or whatever. So all
22 the individual millions of pieces of data were stored in the
23 database.

24 Q. You said the database was on computers?

25 A. Yeah.

1 Q. About how many did you end up having?

2 A. A lot. I mean, it started at a few servers, which is
3 basically computers we were renting out. By the end, it was
4 dozens, I think maybe hundreds of computers that we were
5 renting out to manage all of FTX's systems and data.

6 Q. One last phrase. What was an order book?

7 A. Yeah. Let's say that you were a customer and you wanted to
8 buy a Bitcoin for a thousand dollars. You would send what's
9 called an order, which is basically an offer to buy it for a
10 thousand dollars. So you would send an instruction to FTX, I
11 would like to purchase one Bitcoin for \$1,000 if possible.
12 Another customer might say, well, I'd be interested in selling
13 a Bitcoin for \$2,000, if possible. They would send an order,
14 an offer to sell that Bitcoin for \$2,000.

15 The order book was basically the thing that just
16 contained all of those offers that hadn't yet been filled that
17 were just sitting out there that anyone could trade against.

18 If you then came on the exchange, you could buy for
19 \$2,000 from that second person or you could sell a Bitcoin for
20 \$1,000 to that first person. It contained all the buying
21 offers and selling offers for all the products.

22 Q. Just to circle back, on the database, I meant to ask you,
23 did there come a time that FTX entered into an arrangement with
24 Amazon about the database?

25 A. Yeah. FTX, its primary database was stored on what's

1 called Amazon Web Services, AWS. Basically, it was dozens of
2 computers that we needed to rent out. We needed backups for
3 it. We needed to be able to add more at a moment's notice if
4 the exchange grew. And we couldn't manage all of that
5 hardware, all of that -- we'd need a warehouse to make that
6 work. And Amazon is one of the companies that has a service
7 where you can rent servers, which are basically just computers
8 from them, on demand.

9 Q. Moving forward, once FTX was up and running, did it have
10 any business relationships with Alameda?

11 A. Yes, it did.

12 Q. I am going to talk about a few of them.

13 Have you heard the term market maker?

14 A. Yes.

15 Q. What is that?

16 A. A market maker is a company that intends to have buying and
17 selling offers out at most points in time for a product. The
18 purpose that we saw for market makers was, without them, if a
19 customer is signed up for FTX, they deposited dollars they
20 wanted to buy at Bitcoin, and no one on the exchange was
21 currently trying to sell a Bitcoin, no one was offering a
22 Bitcoin for any price, then there would be nothing to buy from
23 and the customer, they would go through all the work of
24 creating the account, funding it, they would realize they
25 couldn't actually buy a Bitcoin, there were no sellers, and

1 they would be angry and leave.

2 An important thing for customers was that at any point
3 in time they could open up their account and buy, if they
4 wanted to buy, and sell, if they wanted to sell. That meant
5 that we needed to have market makers. We needed to have people
6 who were always willing to buy for some price, sell at another
7 price, probably higher, but not that much higher, reasonable
8 prices.

9 And early on it was difficult to get market makers.
10 Early on we didn't have very much volume or activity on the
11 exchange. Market makers, they made a penny on every hundred
12 dollar trade that they did. Those were big companies, so they
13 weren't going to bother going through the process of trading on
14 FTX or market making on FTX if they are only getting to ten
15 trades a day and make ten cents a day, which meant that
16 until -- unless and until we got more customers and more
17 volume, we weren't going to get most of the market makers on
18 the platform. These were -- some of these were Wall Street
19 trading firms. Some of these were crypto-specific ones.

20 Alameda was a market maker, so Alameda was the primary
21 market maker on FTX at the beginning.

22 Q. Over time did that role change? Was Alameda still the
23 primary market maker?

24 A. It did change. Alameda was always a market maker. Where
25 it was something like half of all volume on the exchange for

1 the first few months, which was obviously far larger than any
2 other single user was, by 2022, it was down to roughly 3
3 percent of the trades on the exchange because we had
4 successfully gotten a number of other market makers and Alameda
5 was now just one of 10 or 15 core market makers. When I say
6 liquidity, I mean basically the same thing as market maker.

7 Q. Back when you were at Jane Street, were you involved with
8 market makers?

9 A. Yes. Jane Street was a market maker.

10 Q. What about the desk that you worked on at Jane Street?

11 A. Yeah. The desk that I was on was one of the largest, if
12 not the largest market maker for international ETFs. When a
13 new ETF would come into existence, the company would often
14 reach out to us and request that we be a market maker, that is
15 to say, have offers to buy and sell out at all times so that
16 people could buy their products if they wanted to.

17 Q. Are you familiar with the term line of credit?

18 A. Yes.

19 Q. In particular, are you familiar with the term line of
20 credit in connection with being a market maker?

21 A. Yes, I am.

22 Q. Can you explain that to the jury, please.

23 A. At least on FTX some market makers, many of them had lines
24 of credit. The original impetus for this, as I understood it,
25 was that we needed people to have bids and offers to buy and

1 sell at all times in all of the markets.

2 As we grew as a platform we had thousands of different
3 order books of markets. There were hundreds of different, if
4 not thousands of different currencies that you could buy and
5 sell, and each one you could buy and sell in a few different
6 ways.

7 And on every single one of those, in order to have a
8 good experience for customers, we wanted a customer to be able
9 to come on to the exchange 24/7 and spend at least a million
10 dollars to buy or be able to sell a million dollars of it. For
11 many customers it was just important to have a thousand
12 dollars. But we had companies that were signing up to FTX to
13 trade that wanted to large-size trades, and they were a
14 significant fraction.

15 MS. SASSOON: Objection, your Honor. Narrative.

16 MR. COHEN: It's for background, your Honor.

17 MS. SASSOON: The original question was: What's a
18 line of credit?

19 MR. COHEN: That wasn't the question he was responding
20 to.

21 THE COURT: The question he was responding to was:
22 Explain that to the jury.

23 MR. COHEN: It was the question before that, your
24 Honor.

25 THE COURT: The question before that was a yes/no

1 question and he said yes.

2 MR. COHEN: Let me rephrase then, to your Honor's
3 point.

4 Q. Let's focus this one, Mr. Bankman-Fried. Was there any way
5 that having a line of credit related to acting as a market
6 maker in FTX?

7 A. Yes, there was.

8 Q. Can you tell us about that.

9 A. Yes. We wanted to have a substantial size of orders out,
10 of offers out in thousands of markets, that by the time FTX had
11 reached its peak in 2022 meant billions of dollars of orders
12 out at all points in time. By default that required
13 collateral. You had to have assets deposited on the system in
14 order to send those orders.

15 But in the particular case of market makers, they were
16 a service, the orders were a service to FTX. So we would often
17 give market makers lines of credit to make it more efficient
18 for them to be able to send those orders.

19 Q. Next concept. Have you ever heard the term backstop
20 liquidity provider?

21 A. Yes.

22 Q. What was that?

23 A. That was a term that FTX created to describe one of the
24 steps in our risk waterfall.

25 Q. Can you explain what you mean by the risk waterfall.

1 A. Yeah. If there was an account which had some level of
2 assets, some level of liabilities and the assets started
3 dropping or the liabilities rising, to the point where we
4 became concerned that it might not be able to repay its debts,
5 and that we might not be able to sell its assets to repay its
6 debts, we would start to do that, ideally before it dropped
7 into overall negative territory.

8 The first step of the risk waterfall was to just go
9 out into the order books and start selling off the assets of
10 the account. In the case of an account that had deposited say
11 \$500 of Bitcoin and withdrawn 250 U.S. dollars against that,
12 we'd start selling off those Bitcoins to recoup the dollars
13 that it had borrowed. That was the primary line of defense.

14 But sometimes that would look like it might be about
15 to fail. In other words, the assets would keep dropping or the
16 liabilities would keep rising, to the point where we didn't
17 think that we were going to be able to sell off all of those
18 assets in the market in time, that the account might end up
19 creating a hole if we weren't careful.

20 As a backup we had what were called backstop liquidity
21 providers. Those were generally market makers on FTX who
22 agreed that, in the event of a customer position that we were
23 liquidating, that we were closing down because we were
24 concerned about its risk, if it was too big to close down in
25 the market or markets were moving too fast, that, instead, we

1 could basically just hand the position to those backstop
2 liquidity providers.

3 In the hypothetical with \$500 of Bitcoin borrowing
4 \$250, we would hand basically that -- those Bitcoin and the
5 dollar liability over to the backstop liquidity providers, who
6 would then fill the liability out of their assets and, by doing
7 that, effectively take care of the liquidation.

8 Q. Was Alameda a backstop liquidity provider?

9 A. Yes, it was.

10 Q. Was Alameda also a customer on the FTX exchange?

11 A. Yes, it was.

12 Q. Did it have an account?

13 A. Yeah. It had a few accounts. It had one primary trading
14 account.

15 Q. Was it sometimes referred to as the main account?

16 A. Yes. So there is the info@ user. User refers to sort of
17 overall entity or person using the system, which had a number
18 of accounts on it, subaccounts. One of them, the main account
19 had most of the trading activity.

20 Q. Was that the info@AlamedaResearch.com account?

21 A. Yes. Info@AlamedaResearch.com was the user. Then the main
22 account of that was the primary trading account. That's right.

23 Q. As a customer of the exchange, was Alameda permitted to
24 borrow from the exchange?

25 A. Yeah.

1 Q. When it borrowed, where was the money coming from?

2 A. The money -- my understanding was that it was coming from
3 basically margin traders. It was coming from collateral or --
4 basically collateral from other margin traders or from assets
5 that were earning interest on the platform, and that those were
6 sent to FTX as security for borrowing other traders were doing
7 and was being lent out to traders, including Alameda, that were
8 borrowing.

9 Q. What could Alameda do with the funds it borrowed off the
10 exchange?

11 A. In general, FTX didn't have restrictions on what people
12 could do with funds that they borrowed. So the answer like for
13 other users was, anything -- so long as we believed that the
14 risk was being managed, which is to say, so long as we believe
15 that its assets were greater than its liabilities, we didn't
16 care if a user withdrew funds and used them to buy muffins, to
17 pay business expenses, to invest, or anything else.

18 Q. Let's move forward to the next topic, Mr. Bankman-Fried.

19 How did the volume of trading on the FTX exchange
20 change, if at all, over time?

21 A. It grew substantially. In the early days it was trading a
22 few million dollars a day. That grew to tens of millions of
23 dollars a day in 2019. In 2020, that grew to hundreds of
24 millions of dollars a day. And by 2022, it was 10 to \$15
25 billion per day of trading volume.

1 Q. Did there come a time that this growth created any issues
2 with respect to the risk engine?

3 A. Yeah. It frequently created -- they are growing pains all
4 the time and few specific to the risk engine.

5 Q. Let me turn to one specific and call your attention to
6 2020, approximately 2020.

7 A. Um-hum.

8 Q. You recall an event that happened with respect to the risk
9 engine?

10 A. Yes.

11 Q. Can you tell us about it.

12 A. Yeah. So as FTX grew, the number of orders and trades and
13 the amount of data and the number of users that the systems had
14 to process grew quite a bit, which put strain on the computer
15 systems.

16 At this point, in 2020, the risk engine was
17 effectively sagging under the weight of that growth and was
18 running behind, which is to say, it took some number of minutes
19 for it to -- for it to learn about what was happening in the
20 markets. We had a user with a relatively small position that
21 had to be liquidated, that had to be closed down by the risk
22 engine, so the risk engine liquidated that position. I recall
23 it being thousands of dollars to begin with.

24 But because it was taking minutes for the risk engine
25 to learn about market events, including its own trades, a few

1 seconds later the risk engine looked at that same account,
2 didn't realize it had already closed down that position, and
3 did so again, and again and again and again, until it had to
4 close down the same position many, many, many times. That
5 position went, I think, from thousands of dollars to millions
6 of dollars.

7 When it finally caught up to all the liquidations it
8 had done, it realized it had to undo most of those, so it then
9 ping-pong'd back in the opposite direction. That became vastly
10 more in buying back all the sales that it had done on that
11 account and it ping-pong'd back and forth, I believe got to
12 from thousands of dollars to trillions of dollars in not too
13 long. It was growing exponentially. And this all from a
14 few-minute delay. In reading its own fills, there is a
15 feedback loop.

16 That, in turn, caused downstream issues,
17 unsurprisingly. That position quickly became -- it was
18 ridiculous, but it became so large that it had to go to the
19 backstop liquidity providers. At that point that was primarily
20 Alameda.

21 So the risk engines started passing off thousands,
22 millions, billions, trillions of dollars in effectively
23 erroneous fills to Alameda's account. That, in turn, caused
24 Alameda's account to go under water because of the positions it
25 was being handed in the trillions of dollars and triggered a

1 potential liquidation of Alameda's account which in turn,
2 because there was no backstop liquidity provider, would go to
3 the final phase of the risk engine, which was the phase we
4 always tried to minimize and hope to avoid, which was
5 socializing losses on all of the customers of the platform.

6 Q. Was there a name for what happened?

7 A. So the auto deleveraging was a name for liquidations
8 effectively closing it down, and then clawbacks was the name
9 for what was going to happen to most or all of the users on the
10 platform.

11 Q. And what was your reaction --

12 THE COURT: Excuse me for just a clarification.

13 You used the term realized probably more than once.

14 This was all an automated process, is that correct?

15 THE WITNESS: That is correct.

16 THE COURT: There were no human beings making
17 decisions along the way of what you have described.

18 THE WITNESS: That is correct.

19 THE COURT: Go ahead.

20 MR. COHEN: Thank you, your Honor.

21 Q. What was your reaction to this auto deleveraging event?

22 A. Well, it was potentially very bad for the platform. The
23 whole thing shouldn't have happened in the first place. It
24 should have been a routine liquidation of, I think, thousands
25 of dollars of an account with no large downstream events, but

1 it grew into a ridiculous set of erroneous trades that
2 ultimately would claw back funds from the entire platform's
3 users. That would be catastrophic for the platform and for its
4 customers.

5 Once we have realized, once the humans realized what
6 was really happening, we shut it down. We unwound all of the
7 sort of trades that never should have happened in the first
8 place. It was still a really inconvenient event for everyone
9 involved. The exchange was basically unusable for an hour as
10 we dealt with all of this. And it was scary.

11 This was something which presented systematic risk to
12 the entire system and all of its platforms. We addressed the
13 specific problems there by increasing the number of servers, of
14 computers that we devoted to the risk engine so that it
15 wouldn't fall behind again. That was what triggered this in
16 particular. But it exposed a larger concern as well, which was
17 that if there was a liquidation of Alameda's account or of any
18 other account of that size on the platform, although at the
19 time Alameda was the only one.

20 MS. SASSOON: Objection.

21 THE COURT: What's the objection?

22 MS. SASSOON: Nonresponsive to the question at this
23 point.

24 THE COURT: Finish your answer, please. Overruled.

25 A. That if there were an erroneous liquidation of Alameda, it

1 would have disastrous consequences for the platform and its
2 users. I had a conversation with --

3 THE COURT: I think let's stop there.

4 Next question.

5 MR. COHEN: Yes. Thank you, your Honor. That was my
6 thought as well.

7 Q. You mentioned a few times in the last answer we.

8 A. Yeah.

9 Q. Who were you referring to?

10 A. Myself, Gary, and Nishad were involved in understanding
11 what happened here.

12 Q. Did there come a time when you spoke with Gary and Nishad
13 about any steps that were necessary to prevent this from
14 happening again?

15 A. Yes.

16 MS. SASSOON: Objection. Leading.

17 THE COURT: Overruled.

18 Q. Can you tell us about that conversation.

19 A. Yeah. Immediately after this --

20 THE COURT: I'm sorry. Rephrase the question.

21 Q. What did you discuss?

22 THE COURT: Rephrase the question.

23 (Continued on next page)

1 BY MR. COHEN:

2 Q. Can you please tell us what you said to Gary and Nishad in
3 that conversation.

4 A. Yeah. In addition to addressing the particular problem at
5 hand here, I said that we should have some system in place to
6 catch or stop erroneous liquidations of Alameda's account, and
7 that maybe it would be an alert or a delay or something of that
8 form.

9 Q. And what happened after that?

10 A. They—I was told by them that they had implemented some
11 feature of that sort.

12 Q. Do you know what that was?

13 A. At the time I couldn't have told you the details of it or
14 its name. I now believe I know what that feature was.

15 Q. What was that?

16 A. "Allow Negative."

17 Q. Did you ever hear the term "delay liquidation"?

18 A. Yes.

19 Q. What did that mean to you?

20 A. Delayed liquidation was a—a concept whereby for an account
21 on FTX, especially a large account, where there would be
22 significant market distress if there were a liquidation, that
23 rather than immediately liquidating it, if the collateral
24 started to drop in value, we would effectively send out alerts,
25 prompt that user to deposit more collateral or manage the risk

1 themselves, and then after some period of time, if that hadn't
2 happened, that we would move forward and liquidate the account.

3 Q. Did the topic of delayed liquidation come up in your
4 conversations with Gary and Nishad?

5 A. Yes, it did.

6 Q. What did you say to them?

7 A. So at the time in 2020, that was roughly the feature that I
8 was proposing in some sense was, you know, to be implemented,
9 and it came up later on in 2022 as well.

10 Q. Okay. Just quickly going back for a moment, you told us
11 that in Alameda's role as a customer, when it borrowed off the
12 exchange, there were no restrictions on the use of the funds.
13 Do you recall that, sir?

14 MS. SASSOON: Objection.

15 THE COURT: Sustained.

16 Q. Were there restrictions on other customers' use of funds
17 when they borrowed off the exchange?

18 A. No.

19 THE COURT: So Mr. Bankman-Fried—

20 THE WITNESS: Yeah.

21 THE COURT: —did "borrow off the exchange" mean, for
22 example, a customer going to Chase Manhattan and taking out a
23 loan or did it mean something else?

24 THE WITNESS: Sorry. It meant the following: It
25 meant that if a customer had some sort of collateral or

1 security for their FTX account, they could borrow assets
2 from—from FTX, so go negative in those assets, withdraw them
3 to their personal bank account or—or wallets, and at that
4 point FTX lost track of those assets.

5 THE COURT: Thank you.

6 Go ahead.

7 MR. COHEN: Thank you, your Honor.

8 BY MR. COHEN:

9 Q. You spoke earlier about a line of credit. Do you recall
10 that, sir?

11 A. Yes.

12 Q. Okay. When Alameda first began on the exchange, did you
13 know what the line of credit was, the total?

14 A. Sorry. When Alameda first began trading on the exchange?

15 Q. Yeah. Yes, sir.

16 A. I'm not aware that there was—if there was a line of credit
17 on the very inception of Alameda trading on the exchange.

18 Q. Fair enough. When it began to have a line of credit.

19 A. I'm—I was aware of roughly the amount that it was
20 utilizing, or the amount that it was borrowing. I was not
21 aware of if there was a clear, like, maximum and if so, what
22 that was.

23 Q. What was your awareness about the amount it was using?

24 A. So it grew over time as FTX and Alameda grew. It was
25 millions in 2019, it grew to hundreds of millions, and then by

1 2022, my understanding was that it was around \$2 billion on
2 average of borrowing through the info@ account.

3 Q. And did there come a time when you had a discussion with
4 Gary and Nishad about Alameda hitting its line of credit?

5 MS. SASSOON: Objection, leading.

6 THE COURT: Sustained.

7 Q. Did there come a time when you had any discussions about
8 Alameda's line of credit increasing?

9 A. Yes.

10 Q. Who were those with?

11 A. I remember those being with Gary and Nishad.

12 Q. Okay. Tell us what you said, sir.

13 A. There were a few instances in which Alameda would have out
14 so much in open orders as the scale of the exchange was growing
15 that it ran out of collateral, of credit.

16 MS. SASSOON: Objection, your Honor. The question
17 was: "Tell us what you said."

18 THE COURT: Sustained. The answer is stricken. The
19 jury will disregard it.

20 Q. Just tell us what you said to Gary and Nishad.

21 A. I said that it was potentially quite destructive for the
22 platform if all of Alameda's orders got canceled at once and it
23 wasn't able to send further orders because that would mean that
24 customers who came onto the platform wouldn't have anything to
25 trade against, and furthermore, that the risk engine might end

1 up getting whacky prices for various assets, if an order were
2 cleared out entirely, it wouldn't be able to figure out what a
3 Bitcoin was worth and so might liquidate people when it
4 shouldn't, and that as such, as long as Alameda was still
5 maintaining a positive net value on the—on the exchange and
6 the scale of borrowing was reasonable, that it probably made
7 sense to increase the line of credit such that it would be able
8 to continue providing orders.

9 Q. And do you know what happened after this conversation?

10 A. My understanding at the time was that they implemented some
11 feature to address that. I believe now that what that was was
12 increasing the maximum size drawable of info@'s line of credit.

13 Q. Okay. Now let's move forward, Mr. Bankman-Fried.

14 MR. COHEN: If we could call up GX 817 in evidence.

15 Q. And just to orient us, this is a chain from July 31, 2019.
16 Someone named Bitshine asks you the question: "How are you
17 going to resolve the conflict of interest of running your own
18 derivative exchange, AND actively trading against the market at
19 the same time?"

20 And if we could drop down to your answer, you say:
21 "Alameda is a liquidity provider on FTX but their account is
22 just like everyone else's. Alameda's incentive is just for FTX
23 to do as well as possible; by far the dominant factor is
24 helping to make the trading experience as good as possible."

25 Do you recall this exchange, sir?

1 A. Yes, I do.

2 Q. So what did you mean by "Alameda is a liquidity provider on
3 FTX but their account is just like everyone else's"?

4 A. I was responding to Bitshine's question, which I
5 interpreted to be about front running. I understood him to be
6 concerned about scenarios whereby Alameda would have access to
7 customer orders, so information about what trades people were
8 doing on FTX, would look at those trades, and would find a way
9 to jump ahead of them, to do front runs on those customers,
10 thus doing the trades they wanted to do before they could—the
11 customers could do those trades, and causing the customers to
12 get worse prices on those trades, or other similar types of
13 concerns. And that was not something that I ever intended or
14 thought Alameda would do on—on FTX or, frankly, any other
15 platform. And I wanted to reassure Bitshine that that was the
16 case.

17 Q. Okay. Thank you.

18 MR. COHEN: We can take that down.

19 Q. Now let's talk about how customers could deposit assets on
20 the exchange. Let's start with: What types of assets could
21 they deposit?

22 A. They could deposit a number of different assets, chiefly
23 cryptocurrencies or digital assets and fiat currencies, meaning
24 dollars and euros and stuff.

25 Q. Let's start with crypto. How would customers get crypto

1 onto the exchange?

2 A. So a customer would create an account on FTX, you know,
3 you'd enter a user name, a password, you would then have to go
4 through a "Know Your Customer" process for compliance reasons,
5 where you would basically give usually a photo of your ID and
6 background information about yourself. You know, presuming
7 you've completed that, if you went to your account page, you
8 would get an address, a blockchain address, where you could
9 deposit a cryptocurrency.

10 Q. And where on the exchange would those assets be placed?

11 A. So when a user went to their—to their balances, their
12 account page, what they were given was a deposit address that
13 was unique to them, so that if they sent an asset there, we
14 knew who it was coming from. There's no sender field
15 necessarily on those transfers, but we need to know which
16 customer to credit. So you had your own unique place to send
17 the cryptocurrencies. But we wouldn't store them all in a
18 separate address for each individual user. That would be
19 impractical. That would mean every time there's a trade on the
20 platform, we would need to send a transfer on the blockchain of
21 those assets. If you deposit an Ethereum token and someone
22 else bought that token from you, we'd need to send that token
23 from your address to their address. That cost a few dollars in
24 general, and would have cost millions of dollars a day in fees
25 for customers. So instead what we did is we had an omnibus

1 customer wallet, which meant, in effect, that customers would
2 deposit digital assets and they would then all be transferred
3 to one central customer wallet for that type of address—asset.
4 So we had a customer Ethereum wallet where all—where the net
5 amount of Ethereum tokens that represented customer account
6 balances on the platform would be held.

7 Q. Okay. So when a trade was made involving customers with
8 assets in the omnibus wallet, were funds transferred?

9 A. No.

10 Q. So what happened?

11 A. It was a database change, effectively. So if Alice bought
12 one Bitcoin from Bob for a thousand dollars, then the computer
13 code would go to the database, it would increase the number of,
14 you know, Alice's Bitcoin balance by one, decrease Bob's
15 Bitcoin balance by one, and conversely, it would increase Bob's
16 dollar balance by a thousand and Alice's decreased by a
17 thousand.

18 Q. Now—

19 THE COURT: Again, a clarification.

20 MR. COHEN: Yes.

21 THE COURT: The question was directed to whether funds
22 were transferred. Am I correct or not correct in inferring
23 that your answer actually related to digital assets rather than
24 money—

25 THE WITNESS: My answer—

1 THE COURT: —fiat money?

2 THE WITNESS: So my answer for that particular
3 question about funds being transferred actually applied to
4 both. Neither digital assets nor fiat assets were physically
5 transferred when a trade happened on the platform. The answer
6 about how deposits worked was specific to digital assets.

7 THE COURT: Pardon me?

8 THE WITNESS: My earlier answer about how deposits
9 worked, how you'd send funds to the platform, was specific for
10 digital assets, not for fiat assets.

11 THE COURT: I think you'd better clarify, Mr. Cohen.

12 BY MR. COHEN:

13 Q. Okay. Let's trace through the digital assets again, sir.

14 A. Yup. All right.

15 Q. So the question was: When a trade happened—

16 A. Yeah.

17 Q. —with respect to digital assets—

18 A. All right.

19 Q. —were actual funds transferred—

20 A. Understood. No.

21 Q. —as the judge suggested?

22 A. The answer is no, and if you instead take a situation where
23 a Bitcoin would trade for five Ethereum, for instance, both of
24 which are digital assets, there's no movement of digital assets
25 when that trade happened. We would just go to the database and

1 update the balances of both of the users involved in the trade
2 so that we'd remember that that trade had happened and so that
3 their own balances page would correctly reflect that the new
4 user now had the Bitcoin and the other user had the Ethereum,
5 because they just swapped.

6 Q. And just following up, when the transaction involved
7 fiat—we'll talk about fiat in a moment—

8 A. Right.

9 Q. —but were actual funds transferred?

10 A. No. Funds were not transferred either in that case either
11 when a trade happened.

12 Q. Now were FTX's own corporate assets stored in the omnibus
13 wallet?

14 A. No, they were not.

15 MR. COHEN: Can we take a look at Government
16 Exhibit 914A in evidence.

17 Q. Mr. Bankman-Fried, this is your testimony before the U.S.
18 Senate Committee on Agriculture from February 2022. Do you
19 recall that, sir?

20 A. Yes, I do.

21 MR. COHEN: Okay. Let me call your attention, Brian,
22 to page 11, in the second paragraph. If you just highlight the
23 last sentence.

24 Q. You said, "Additionally, as a general principle, FTX
25 segregates customer assets from its own assets across our

1 platforms."

2 What did you mean by that, sir?

3 A. Yeah, so what that—that meant, essentially, was that for
4 digital assets, we would have an omnibus wallet that
5 represented the net customer holdings on the exchange, but the
6 profit that FTX as a company had made wouldn't be there. And
7 in terms of banks, at least by 2022, we had separate bank
8 accounts where net customer assets would be held versus where,
9 again, FTX's profit would be held. So, you know, FTX had about
10 a billion or two, depending on when you're measuring it,
11 in—in, you know, in revenue. That would be held in corporate
12 or operating bank accounts, which were separate from where
13 the—where customer—net customer assets would be held, and
14 then same thing for blockchain wallets.

15 MR. COHEN: Okay. We can take this down.

16 Q. Now we talked about how to deposit crypto onto the
17 exchange. How did customers deposit fiat currency onto the
18 exchange?

19 A. Yeah. So that, there were a number of routes, and it
20 changed over time. Originally, in 2019—really in 2020 I think
21 is when this program started—FTX had not yet been able to get
22 bank accounts in its own name. It had applied, it was going
23 through that process with banks, but we anticipated that it
24 would take a year or two for it to actually be able to open up
25 a bank account. And in the interim, a lot of our customers

1 wanted to be able to wire money to the exchange, to send
2 dollars in in order to buy Bitcoins. We had a few third-party
3 payment processors we worked with—MasterCard, PayPal, and
4 others—but for bank transfers, the largest was Alameda. For a
5 period of a year or two, we originally just, in some cases, and
6 ultimately throughout FTX International, gave wire bank account
7 information for an Alameda bank account to customers where they
8 could wire funds in and be credited on FTX to trade.

9 Q. What would they see on their FTX account?

10 A. What they would see when they went to deposit is the bank
11 account information of Alameda, or whatever Alameda entity had
12 the bank account, and then if they wired the money in, what
13 they would see is if they wired in a thousand dollars, for
14 instance, they would then see a balance of 1,000 USD on their
15 account page.

16 Q. And who at Alameda handled the incoming deposits to the
17 Alameda account?

18 A. There was a settlements team that was—I think Alameda
19 settlements team was five or ten people, and they were in
20 charge of managing the—everything related to Alameda's bank
21 accounts.

22 Q. And you mean settlements with an S, settlements team?

23 A. That is correct, yes.

24 Q. Now in 2020, when this began, what was your understanding,
25 Mr. Bankman-Fried, of how, if at all, these funds were being

1 tracked?

2 A. I wish I had a better understanding than I did. My
3 understanding at the time was that there were teams that were
4 managing this process and that to whatever extent there was any
5 borrowing, either from those assets or from others, that it
6 would be reflected in Alameda's info@ account.

7 Q. Can you explain that.

8 A. Yeah. So the—effectively, when customers wired funds to
9 Alameda Research's bank account, you know, customer wired a
10 thousand dollars there, that customer then had a balance on FTX
11 of 1,000 US dollars, which they could use to buy Bitcoins or
12 use as margin, as collateral for a margin trade, or whatever
13 else they wanted to do on FTX with it. But FTX didn't actually
14 custody those dollars. It didn't have bank accounts to do it
15 with. Alameda did. There were a number of things that could
16 have been happening there that I at the time believed could
17 have been happening there. Alameda could have found a way to
18 transfer those—

19 MS. SASSOON: Objection.

20 THE COURT: Ground?

21 MS. SASSOON: Speculative. There were things that
22 could have been happening, could have, could have.

23 THE COURT: Mr. Cohen?

24 MR. COHEN: Let me rephrase, your Honor.

25 BY MR. COHEN:

1 Q. What did you believe was happening with the funds at the
2 time?

3 A. So at the time, I wasn't entirely sure what was happening.
4 What I believed was that either the funds were just being held
5 in a bank account and, you know, not used or removed, or that
6 they were being sent to FTX in one way or another, maybe as
7 stablecoin, or to the extent that those weren't happening and
8 that Alameda was borrowing funds and using them, that that
9 would be reflected as a borrow on Alameda's info@ account; in
10 other words, that that would be—if Alameda was trading
11 with—with funds and ultimately owed those funds back to FTX,
12 which it did in this case, that that would be, like other
13 borrowers, shown as a negative number in Alameda's account on
14 FTX.

15 Q. I'm going to come to this in more detail, but for now, when
16 Alameda began, you were the CEO, correct?

17 A. Yes, that's correct.

18 Q. Just for a timing point of view, did there come a time when
19 you ceased to be the CEO?

20 A. Yes.

21 Q. When was that?

22 A. That was in the summer, late summer of 2021.

23 Q. Okay. All right. Now did Alameda have something called
24 the pointer system?

25 A. Yes.

1 Q. What was that?

2 A. That was the name for the system Alameda employees would
3 use to do basically everything that they did. So if you wanted
4 to do a trade as an Alameda trader, you would use a pointer web
5 page built by the developers to do that trade. It was just the
6 name for the system that Alameda's developers built.

7 Q. And at FTX was there something called the FTX admin
8 dashboard?

9 A. Yes.

10 Q. What was that?

11 A. So that was a dashboard for FTX employees, built by FTX's
12 developers, which gave employees the ability to do a lot of
13 what they needed to do. So as an example, the admin dashboard
14 had a page that listed recent customer support requests so that
15 the customer support team could look through those, choose ones
16 to respond to, give a response. There was a page that had a
17 list of deposits and withdrawals so that the settlements team
18 could manage those. And there was what we've called the admin
19 users page, where FTX employees could view accounts of
20 customers to help, you know, debug customer support tickets or
21 similar things.

22 Q. So an FTX employee using the admin dashboard could view
23 user accounts.

24 A. Yes, that's right.

25 MR. COHEN: All right. Can we call up Government

1 Exhibit 1475, please.

2 Q. Do you recall seeing this photograph before,
3 Mr. Bankman-Fried?

4 A. Yes.

5 Q. Okay. Now I noticed—well, we can see that you have a
6 number of screens up in front of you. Can you describe for us
7 what those screens related to.

8 A. Yeah. I had six screens, generally. I found it really
9 helpful. The—I had different things up on different screens.
10 This is—are you asking about this period of time?

11 Q. I'm asking you about the period of time after you were no
12 longer the CEO of Alameda.

13 A. Understood. So in 2022, I would generally have email—I
14 have two things usually per screen, so 12 total things open. I
15 would have email open, I would have Slack open, I would have
16 Signal open, I would have a few websites open, I would have a
17 few FTX admin pages, admin dashboard pages open, I would have
18 some project I was working on—a spreadsheet usually—open, and
19 I would have a spreadsheet that displayed market data open that
20 basically had prices and moved in various currencies open, I
21 also had a few pointer pages which were associated with that
22 spreadsheet generally behind it.

23 Q. And what were you—what did you have up on the pointer
24 system?

25 A. So the pointer system was what was actually providing the

1 data for that spreadsheet, so part of the answer is that
2 spreadsheet which showed what is a Bitcoin trading at now, what
3 is Solana, what is Ethereum trading at now, how much have they
4 moved today. Behind that I had a few tabs of the pointer
5 system that I hadn't removed from my auto-open when I opened my
6 computer. The one that I still used occasionally was the fills
7 page.

8 Q. What is a fills page?

9 A. A fills page was a scrolling list of all trades that
10 Alameda did. So every time, on any exchange that Alameda
11 bought or sold something, it would appear on that page. I
12 found it useful to get an overall sense of what was happening
13 in the crypto market. Behind that I would have two other
14 pages. I think one was the balances page and I forget what the
15 other one was.

16 Q. If a user had subaccounts, did you have those up on the
17 pointer system?

18 A. No. You could have found those. If—sorry. Do you mean
19 if Alameda had subaccounts?

20 Q. Well, yes.

21 A. Yes. So I—you could have searched for those on the
22 balances page, but I—I didn't have that—have those open and
23 displayed by default.

24 MR. ROOS: Okay. We can take that exhibit down.

25 Q. So my next—I'm going to move forward, Mr. Bankman-Fried.

1 My next question is about several categories of assets. We
2 talked about spot margin trading and margin, and futures
3 accounts.

4 A. Yep.

5 Q. Let me ask you this: How did FTX safeguard customer assets
6 involved in spot margin trading?

7 A. So there were a few different pieces to that. One was
8 around physical security of those assets against hacking
9 attempts. The one that came up more was around the risk
10 management system.

11 Q. Can you explain that.

12 A. So a lot of that was the risk engine that we had talked
13 about that would monitor user accounts. The risk that it was
14 designed to prevent was a user account where the—basically
15 assets could no longer repay the liabilities, and that that
16 would cause a loss to the system, and if FTX couldn't fill it,
17 it would be socialized to other users. We felt at the time
18 that we had built a better risk management system than other
19 exchanges. It was something we put a lot of thought and time
20 into, how a risk engine worked, and that as such, we hoped that
21 we would reduce clawbacks and ideally avoid them entirely. We
22 had not had a clawback ever to that point. There had been some
23 small losses from accounts. FTX was able to cover those. That
24 was the—that was the goal of the risk management system.

25 Q. And was there a difference between spot margin and the

1 margin used, for example, on futures trading?

2 A. Yes and no. There—they were financially somewhat similar.
3 In general, if you deposit a hundred dollars and then buy \$500
4 of Bitcoin with that, that's very similar to if you deposited a
5 hundred dollars and bought \$500 of Bitcoin futures with that.
6 The financial difference is that at some point in time that
7 future would expire and it would just turn into however many
8 dollars the Bitcoin was worth then, whereas the Bitcoin
9 wouldn't expire ever. And there were few other technological
10 differences. The margin system treated them as fairly similar.

11 Q. And talking about fiat balances, which we just were
12 discussing, what steps, if any, did FTX take to safeguard
13 those?

14 A. So to the extent that they were involved in margin trading,
15 or futures trading, the answer is the same as for safeguarding
16 digital assets involved in that trading. There weren't the
17 same concerns around blockchain hacking attempts for wallets
18 because dollars weren't on the blockchain, but we had, you
19 know, settlements team that was managing the bank accounts.

20 Q. Okay. Did FTX have terms of service with its customers?

21 A. Yes.

22 MR. COHEN: Okay. Can we call up GX 558, please, in
23 evidence.

24 Q. Take a moment to go through this, Mr. Bankman-Fried, and
25 let me ask you if you recognize it.

1 A. Yes, I do.

2 Q. Okay. What is it?

3 A. This is the FTX terms of service that were created in May
4 of 2022.

5 Q. Okay. Did you ever have occasion to review these?

6 A. I did.

7 Q. Okay. Do you know about when you did that?

8 A. I skimmed it over a few times. I went through parts of it
9 in more detail after its release.

10 MR. COHEN: If we could go to page 17, please.

11 Back one page. I'm sorry.

12 Q. Do you see Section 16?

13 MR. COHEN: If you could call that out, Brian.

14 Q. That refers to margin trading. Was this one of the
15 provisions that you reviewed?

16 A. Yes.

17 MR. COHEN: Okay. And now continuing to the next
18 page. 16.4, if you can call out that paragraph.

19 Q. Without me reading the entire thing to you, sir, can you
20 tell the jury what your understanding of this provision was.

21 A. Yeah, my understanding was that this was referring to two
22 different features of the platform, not features as a
23 necessarily positive connotation, but the first was the risk of
24 liquidations. When it talks about, you know, liquidating your
25 position, that's—that's referring to the risk that if your

1 assets fell in value, FTX might sell off your positions to
2 reduce risk in your account. The second part of this is
3 talking about clawbacks, or socialized losses, when it says
4 that even if you haven't suffered any losses yourself, your
5 balance might be clawed back if other users had losses, in
6 particular losses large enough that they created a hole in the
7 system.

8 MR. COHEN: Okay. And can we continue on to page 35.
9 And blow that up.

10 Q. It says Service Schedule. Futures Market. Do you see
11 that, sir?

12 A. Yup.

13 Q. And again, without having to read through the whole thing,
14 what was your understanding of what Schedule 5 provided for?

15 A. Yeah. My understanding was this provided terms that were
16 specific to futures trading rather than spot trading.

17 Q. Okay. And did it have the same provisions relating to
18 clawback you just discussed?

19 A. Yeah. My memory is it actually just ref—it referenced the
20 margin trading provisions.

21 Q. Okay. Good.

22 MR. COHEN: All right. If we could go to the middle
23 of that page, where it says Important.

24 Q. Okay. If you can just read the first sentence.

25 MR. COHEN: Brian, if you could highlight that.

1 Above, above, next to Important.

2 Q. Is this what you were referring to, Mr. Bankman-Fried?

3 A. Yes. That's what I was referring to.

4 MR. COHEN: Okay. We can take that down.

5 Q. Let me move forward, Mr. Bankman-Fried. Are you familiar
6 with something called FTT?

7 A. Yes.

8 Q. What was that?

9 A. FTT is a token that was created and issued by FTX around
10 the time of its launch. It's what's called an exchange token.

11 Q. Okay. What was the purpose of FTT?

12 A. The purpose of FTT was for—to be a—a token that users of
13 FTX could buy and trade if they wanted, that would give their
14 account benefits if they held it, and where they would benefit
15 if FTX had success.

16 Q. And more generally—let me step back—did other exchanges
17 issue tokens?

18 A. Yeah. Most of the non-American crypto exchanges issued
19 tokens.

20 Q. Can you give us an example.

21 A. Binance issued BNB, for instance, which is Binance's
22 exchange token.

23 Q. And how did Binance compare in size to other exchanges?

24 A. Binance was—when FTX first started, it was one of the five
25 largest exchanges. By 2022, it was by far the largest

1 exchange.

2 Q. And who created FTT?

3 A. I mean, FTX did. So—and I guess you could say myself and
4 Gary and, you know, the other early employees.

5 Q. Okay. Did you ever hear the term "buy and burn"?

6 A. Yes.

7 Q. Can you explain to us what that meant.

8 A. Yeah. So one of the key features of FTT was the buy and
9 burn. What that refers to is every week, FTX would take 1/3 of
10 the—of the money that it had made that week and use it to buy
11 up FTT tokens and then—and then burn them, similar to a share
12 buyback. So if, for instance, FTX had \$3 million of revenue in
13 a week, it would take 1 million of those dollars and use that
14 to buy FTT tokens in the market, effectively giving value to
15 FTT token holders.

16 Q. Have you ever heard the term "white paper"?

17 A. Yes.

18 Q. What's that?

19 A. It's a term that—at least I've heard it in the context of
20 the cryptocurrency industry, where, when someone is going to
21 launch a token or some other project, they will often write a
22 explainer on what they intend that to be. It's called a white
23 paper. It's usually sent out to early users or investors.

24 Q. And was a white paper prepared in connection with FTT?

25 A. Yup.

1 Q. Who prepared it?

2 A. Myself and others at FTX at that time, which was right
3 around when it was being founded.

4 MR. COHEN: Okay. Can we call up DX 006 for
5 identification, just for the witness.

6 Q. Take a moment to go through it, sir.

7 A. Yup.

8 Q. What is it?

9 A. That is the FTT white paper.

10 MR. COHEN: The defense offers Exhibit 6, not for its
11 truth.

12 MS. SASSOON: No objection.

13 THE COURT: Received. Not for its truth.

14 (Defendant's Exhibit 6 received in evidence)

15 Q. Now did FTT trade on the FTX exchange?

16 A. Yup.

17 Q. Did it only trade on the FTX exchange?

18 A. No. Originally it primarily traded on FTX, but by 2022, it
19 was listed on almost every non-American exchange.

20 Q. Like Binance?

21 A. Yup, like Binance, Huobi, OKX, and others.

22 Q. And how was the price for FTT determined?

23 A. Just the market price, whatever price it was trading at
24 across those exchanges.

25 Q. Right. Were you familiar with the price of FTT?

1 A. Yeah.

2 Q. Were you familiar with the price of FTT in 2022?

3 A. Yeah. I obviously don't remember every day's price, but I
4 remember the high level.

5 Q. Let me step back. This white paper that you prepared—

6 MR. COHEN: Oh, can we publish it, your Honor? I'm
7 sorry. Exhibit 6.

8 It's as if I heard a voice telling me to publish it.
9 Okay.

10 Q. Was this white paper published anywhere?

11 A. I—it was on FTX's website, yeah.

12 MR. COHEN: Okay. All right. Now let's call up
13 DX 1096 for identification.

14 Okay. Just for the witness.

15 Q. Can you tell us what this is, Mr. Bankman-Fried.

16 A. Yeah. This is a graph of the price of FTT over the course
17 of 2022.

18 Q. And in the upper left-hand corner, it refers to
19 CoinMarketCap. What was that?

20 A. Yeah. That is one of the two premier websites for crypto
21 pricing information. CoinGecko was the other one.

22 MR. COHEN: The defense offers DX 1096.

23 MS. SASSOON: One moment, your Honor.

24 No objection.

25 THE COURT: Received.

1 (Defendant's Exhibit 1096 received in evidence)

2 Q. Mr. Bankman-Fried, I don't want to go through every—

3 MR. COHEN: Well, can we publish it to the jury.

4 Excuse me.

5 THE COURT: Yes.

6 Q. Okay. I don't want to go through every up and down in the
7 chart, but as a general matter, what does this chart reflect?

8 A. This reflects the price of FTT. And I think I misspoke.
9 It's not just—oh, no, it is, yeah, I think just of 2022,
10 looking at the—the bar down at the bottom. It shows that FTT
11 was trading between 20 and \$60 over the course of the year of
12 2022.

13 Q. What was FTT's market cap? Well, let me back up.

14 What does the phrase "market cap" mean to you?

15 A. Yeah. Market cap is the total value of a token project, so
16 if you—the value of all of the tokens put together, what it
17 would cost to buy, you know, all—all of a token if the price
18 didn't change.

19 Q. And if you know, what was FTT's market cap in 2022?

20 A. It fluctuated, but it was generally around \$10 billion.

21 MR. COHEN: Now we can take that down.

22 Q. When FTX entered into transactions with other companies,
23 other crypto companies, would they accept FTT as payment?

24 A. Yeah, they sometimes would.

25 Q. Okay. Do you recall a time that FTX bought out shares from

1 Binance, that Binance owned?

2 A. Yeah. I recall a time when we bought out the Binance's
3 shares of FTX.

4 Q. I'd better give some foundation.

5 Did Binance invest in FTX to begin with?

6 A. Yeah, they were FTX's first investor.

7 Q. And how much did they invest?

8 A. They invested—well, they invested using BNB as the primary
9 form of their investment. At the time they invested, it was
10 about \$80 million worth.

11 Q. Okay. Did there come a time that FTX bought back the
12 shares?

13 A. I don't know that FTX was the entity that bought back the
14 shares, but there did come a time when I bought back those
15 shares, yes.

16 Q. So FTX arranged for payment to Binance, correct?

17 A. Yes.

18 Q. And what forms of payment did that include?

19 A. It was split between FTT, BNB, and US dollars, or
20 stablecoin.

21 Q. Okay. Now let me call your attention to mid-2021. Did
22 there come a time that Binance began to sell the FTT it had
23 received?

24 A. That's what we—we believed was happening, yes.

25 Q. Did you have discussions with anyone about that?

1 A. Yes.

2 Q. Who did you have discussions with?

3 A. I had discussions in a group I know that Caroline—Caroline
4 Ellison, Sam Trabucco, and Ben Xie were in that group. I'm not
5 sure if other people were as well.

6 Q. Okay. And why don't you tell us what you said in those
7 discussions.

8 A. I said that in general, it was my understanding that
9 especially for things that Alameda was a large market maker in,
10 it would try to buy low and sell high, and so if there was a
11 significant decrease in price, that it would often try and buy
12 after that decrease, and if there was a significant increase,
13 it would often try and sell to that increase. I remember
14 asking if Alameda was buying FTT, if and when the price
15 decreased due to Binance's selling, and if so, you know, at
16 what price point Alameda thought it would be a good trade to
17 start buying.

18 Q. Did you ever hear the term "market manipulation"?

19 A. Yes.

20 Q. When did you first hear that?

21 A. I first at least substantively heard it when I was a trader
22 at Jane Street.

23 Q. And what did you learn then?

24 A. It was a term that was used to refer to a variety of
25 practices that were effectively traders trying to do trades

1 they would not otherwise want to do—bad trades—for the
2 purpose of changing the price of some asset.

3 Q. You said something—you referred to something called a "bad
4 trade."

5 A. Yes.

6 Q. What does that mean?

7 A. Right. So any trade that anyone ever does is—may change
8 the price of that asset. If you buy Apple stock, probably that
9 at least marginally increases the price of Apple stock. It's
10 supply and demand. The more buyers, the higher it trades. My
11 understanding was that in terms of valuating whether a trade
12 was legitimate or whether it was market manipulation,
13 there—the core test was whether it was a trade which, for its
14 own sake, you thought would be profitable, so if you buy an
15 asset and you think you're buying low, you think you're buying
16 lower than you can or will be able to sell it off for, then
17 that is a hallmark of a legitimate trade. If you think you are
18 buying high, that you're going to lose money because you're not
19 going to be able to sell it for as much as you're buying it for
20 but are instead doing it in order to increase the price of an
21 asset, that is the hallmark of market manipulation.

22 Q. And this was—

23 MS. SASSOON: Objection.

24 THE COURT: Excuse me, counsel.

25 Yes. Your objection?

1 MS. SASSOON: Clarification about this being his
2 opinion and what that's based on rather than opining on the law
3 here.

4 THE COURT: Exactly.

5 MR. COHEN: Let me try to follow up, your Honor.

6 THE COURT: You can follow up when I'm through.

7 MR. COHEN: I'm sorry. I thought you were.

8 THE COURT: "Manipulation" is a legal term that has
9 significance, among other places, in the law of securities and
10 commodities, and probably fraud, and you may accept what the
11 witness says as what he thought it meant, without regard to
12 whether what he thought was right or wrong, and if it becomes
13 necessary to instruct you about what "manipulation" means for
14 purposes of this case, you will take what I say as what
15 "manipulation" means.

16 Counsel, go ahead.

17 MR. COHEN: Thank you, your Honor.

18 BY MR. COHEN:

19 Q. This discussion you were just—this answer you were just
20 giving, was that based on a discussion with anyone?

21 A. The—actually, it was based on—

22 THE COURT: Mr. Bankman-Fried, that's a yes or a no.

23 THE WITNESS: Oh. Yes.

24 Q. Who?

25 A. It was based on my understanding of discussions with

1 traders and managers at Jane Street when I was working there.

2 Q. And then—yes or no—did you discuss this topic with anyone
3 at Alameda?

4 A. Yes.

5 Q. And who did you discuss it with?

6 MS. SASSOON: Objection. Depending on the answer.

7 THE COURT: I think you need to narrow the question,
8 counselor.

9 MR. COHEN: I don't want to—I'm not sure how to
10 respond to a not-yet-interposed objection, but I just want the
11 names of people and not what was said, okay?

12 Q. Did you discuss this topic with anyone at Alameda?

13 A. Yes, I did.

14 Q. And what people? Just the names.

15 A. I know that I discussed it with Caroline Ellison, Sam
16 Trabucco, and Ben Xie. I likely discussed it with others as
17 well but don't remember the specifics.

18 Q. And just to remind us, who was Ben Xie?

19 A. He was the head of trading at Alameda.

20 Q. And who was Sam Trabucco?

21 A. He was the—so he was a trader at Alameda. He then became
22 one of the co-heads of trading along with Caroline at Alameda,
23 and then when I stepped down as CEO, he became a co-CEO of
24 Alameda, along with Caroline.

25 Q. Okay. All right. Let's move on, Mr. Bankman-Fried.

1 Coming into 2021, end of 20, 2021, did FTX experience
2 growth?

3 A. Yes.

4 Q. Can you give the jury a sense of that growth in terms of
5 the number of users, the daily volume, the daily revenue.

6 A. Yeah. So the number of users grew from, I mean, one user,
7 obviously, at the very beginning, to, by late 2021, millions of
8 users. The revenue annually grew from 10 or 20 million in 2019
9 to about 80 million in 2020, to roughly a billion in 2021.
10 That meant a daily revenue of about \$3 million by late 2021.
11 And the daily trading volume had grown to 10 to \$20 billion of
12 daily trades on the website.

13 Q. When you started FTX in 2019, did you expect this level of
14 growth?

15 A. No, absolutely not.

16 Q. Now over time did FTX hire employees?

17 A. Yeah.

18 Q. About how many employees did you have by 2021 going into
19 2022?

20 A. We had a few hundred.

21 Q. Okay. And just by category, we already talked about
22 developers and settlements people. Who else did FTX have by
23 category?

24 A. So in addition to those categories, there were
25 marketing—there was a marketing team, there was a customer

1 support team, there was a "Know Your Customer" team, compliance
2 team and legal team, and an operations team, and then a number
3 of sort of one- or two-person departments.

4 Q. Okay. You mentioned a "Know Your Customer" team.

5 A. Yeah.

6 Q. What did that do?

7 A. So whenever a user created an account on FTX, they had to
8 go through what we called a "Know Your Customer" process. This
9 was mandated by various regulatory agencies. And what that
10 meant basically is we needed to know who was trading on the
11 exchange. We had to know what their real name was and have
12 evidence that it was in fact really them. So we would
13 generally ask for something like a photo of their ID or
14 passport, you know, basic background information on themselves.
15 We would look at the IP address they were accessing, the
16 website from which—basically where in the world was their
17 computer, see if that was in line with other things they were
18 saying. We would sometimes ask for a cellphone number. And
19 they would submit this information. We had a team internally
20 then, the "Know Your Customer" team, that would validate,
21 basically, this information, make sure that it looked
22 legitimate. One problem we had sometimes is people
23 photoshopping IDs, effectively. So the "Know Your Customer"
24 team would, themselves and with software that they ran, check
25 to see if the—if everything appeared to be legitimate.

1 Q. You mentioned an operations team.

2 A. Yeah.

3 Q. What did they do?

4 A. Everything. It was sort of a catchall category for
5 anything that needed to be accomplished that wasn't clearly
6 someone else's responsibility. So that included everything
7 from trying to find a new office to trying to figure out how to
8 transport visitors to and from the office to figuring out how,
9 you know, to open up accounts at service providers, figuring
10 out, translating things for various users, or any other odd
11 tasks that came up.

12 Q. Did FTX at that time have a risk management department?

13 A. We sure should have, but no, we did not.

14 Q. Now during this period from 2019 to 2021, can you give us a
15 sense of what kind of hours you were working.

16 A. On a light day, I would work 12 hours or so; on a heavy
17 day, 22, roughly. I probably took off one day every couple
18 months.

19 Q. And based on your interactions with Gary and Nishad, did
20 you have a sense of how hard they were working?

21 A. I did.

22 Q. And what was that?

23 A. Not quite the hours I was working but still quite long
24 hours.

25 MR. COHEN: Can we call up—actually, we'll do that

1 later.

2 Q. Now you mentioned emails.

3 A. Yes.

4 Q. How many emails would you receive in a typical day?

5 A. Thousands.

6 Q. Okay. And how many were in your inbox at a given time?

7 A. So I know some people shot for inbox zero. I was shooting
8 for inbox 60,000, roughly. If I could get under 60,000 on my
9 messages, that would be a slightly less overwhelming number. I
10 didn't usually succeed.

11 Q. You mentioned that the company also used Signal to
12 communicate.

13 A. Yup.

14 Q. And I believe people refer to it as being on a Signal
15 channel. Was that correct?

16 A. Yeah.

17 Q. Okay. Around this time in the 2021 period, how many Signal
18 channels were you on?

19 A. A few hundred, I think.

20 Q. Now did the growth of FTX affect in any way your
21 relationship with Alameda?

22 A. Yeah, it did.

23 Q. Okay. Tell us what happened.

24 A. In 2017 and 2018, I was running Alameda. I was the CEO. I
25 was in charge day to day, overseeing directly much of its

1 operations. In 2019, I founded FTX. My times began to shift.
2 By 2020, I was spending part of my days at Alameda, part of my
3 days at FTX. So sometimes I was running Alameda, sometimes I
4 was not. I was always running FTX. As FTX grew, it became
5 untenable for me to run both companies at once, at least in a
6 realistic, day-to-day process. So by 2021, I was not involved
7 in a day-to-day manner at Alameda, and, you know, in the summer
8 of that year, I formally handed off the CEO role. There were
9 still some areas of Alameda that I was involved in, including
10 venture investments and including, at least by mid-2022,
11 hedging and risk management.

12 Q. Okay. And who did you turn over Alameda to as CEOs?

13 A. Originally it was Caroline Ellison and Sam Trabucco.

14 Q. And why did you ask them to do it?

15 A. They had been the second and third in command at Alameda
16 when I had been CEO. They were both very good traders, very
17 smart, capable people. They complemented each other fairly
18 well. In addition, they had complementary strengths, and
19 together I felt like they could make a good team to run the
20 company. And I have—they're the best options I had at the
21 time.

22 Q. You said you viewed them as complementary. In your view
23 how were they complementary? In what ways?

24 A. So Caroline was generally regarded as a very good manager.
25 I received very positive reports from people who she managed.

1 They described her as involved, as smart, as empathetic. She
2 was a—she was not a software developer, but for a trader, she
3 was a very good software developer, and so she was relatively
4 good at interfacing with the developer team as well. She was
5 also a—a good trader and very good at doing research for
6 trades, writing mathematical models. That was, you know—those
7 were a bunch of areas of responsibility at Alameda. She had
8 not focused as much on risk management or on sort of unusual
9 trading opportunities or risks. Trabucco focused much more on
10 those areas, had been doing that as trader, and I anticipated
11 would continue to as CEO, as co-CEO.

12 Q. Now did there come a time after they became co-CEOs that
13 Mr. Trabucco stepped away?

14 A. Yeah, he formally stepped away in mid-2022, but my
15 understanding was that by shortly after he was named co-CEO, he
16 was drifting away towards what I understood to be effectively
17 early retirement.

18 Q. And that left Ms. Ellison as the sole CEO.

19 A. That's right.

20 Q. Did the topic of adding a new co-CEO ever come up with her?

21 A. Yes, it did.

22 Q. What did you tell her?

23 A. I suggested—I believe she—there was at least one time I
24 can specifically remember with her, whether she would want Ben
25 Xie as a co-CEO for the company.

1 Q. And Ben Xie was a trader at Alameda?

2 A. Yeah, and at the time he was the head of trading at
3 Alameda.

4 Q. Okay. And what happened?

5 A. She rejected the idea and that was—that was that.

6 Q. Okay. You said that you remained involved in Alameda, I
7 believe you said in venture investments.

8 A. Yes.

9 Q. In any other area did you stay involved after the
10 transition?

11 A. Well, to some extent, and ultimately to a fairly
12 significant extent, in risk and hedging.

13 Q. Okay.

14 A. There may have been a few other areas I'm forgetting as
15 well, but those are the main ones.

16 Q. Why did you stay involved?

17 A. I was an owner, I was the largest owner, of the company. I
18 cared about how well it did. And especially with Trabucco
19 stepping back, it was an overwhelming job for any one person,
20 and I felt that Caroline was doing quite well at many areas but
21 that there were some areas that it was important that she have
22 help and support and was concerned about how things would go
23 otherwise. There were also areas, particularly in the ventures
24 space, where it was complementary to what I was doing at FTX.

25 MR. COHEN: Your Honor, this might be a good time for

1 our lunch break.

2 THE COURT: I'd like to continue for a while.

3 MR. COHEN: Okay. Thank you.

4 THE COURT: Give me an idea of how much longer you
5 expect to be.

6 MR. COHEN: Well, that's one of the things I want to
7 calculate over the lunch break in light of some of the rulings
8 we've been talking about, so—

9 THE COURT: Well, you may have less to calculate over
10 lunch if we have lunch a little later.

11 MR. COHEN: Okay. I will do whatever your Honor
12 wants.

13 THE COURT: Thank you.

14 (Continued on next page)

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1 Q. Mr. Bankman-Fried, let's move forward.

2 Did there come a time that you moved FTX from Hong
3 Kong?

4 A. Yes.

5 THE COURT: I'll tell you what, Mr. Cohen. We will
6 break now.

7 But 1:30 sharp, folks.

8 MR. COHEN: Thank you, your Honor.

9 (Luncheon recess)

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1 AFTERNOON SESSION

2 1:30 p.m.

3 THE COURT: What's the latest estimate, Mr. Cohen?

4 MR. COHEN: Yes. Your Honor, I believe that I will be
5 finished on Monday morning.

6 THE COURT: When on Monday morning?

7 MR. COHEN: I don't anticipate going through lunch.
8 Depends on how fast we go this afternoon, but couple of hours
9 Monday morning at the most, I think, your Honor.

10 THE COURT: OK. Let's get the jury.

11 (Jury present)

12 THE COURT: The defendant and the jurors all are
13 present.

14 The witness is reminded he is still under oath.

15 Let's proceed, Mr. Cohen.

16 MR. COHEN: Thank you, your Honor.

17 BY MR. COHEN:

18 Q. Mr. Bankman-Fried, let's move forward in time. Did there
19 come a time when FTX left Hong Kong?

20 A. Yeah. In late 2021.

21 Q. Why did you leave Hong Kong?

22 A. There were multiple reasons. The two largest: One was
23 that we were looking for a location where we could be fully
24 licensed where there was a local regulator that would oversee
25 FTX. We had been hoping that Hong Kong would be that location.

1 There had been lots of announcements that I had seen about
2 upcoming crypto regulatory framework overhauls. Those hadn't
3 come in the way that we were expecting, and it was becoming
4 more and more important for us to be in such location.

5 In addition, there were domestic issues in Hong Kong
6 at that time that caused us to at least be looking for
7 potential new homes.

8 Q. What domestic issues?

9 A. Two chiefly. The first was COVID. We were in Hong Kong
10 from 2018 through 2021. And in response to COVID-19, Hong Kong
11 had a quarantine policy whereby anyone, including a permanent
12 resident or a citizen, entering the city had to quarantine for
13 three weeks in a hotel room before they could get in. That
14 made job interviews basically impossible. If we are trying to
15 hire people, no one wants to go for a one-day job interview
16 complete with a three-week quarantine in a hotel. And it made
17 employees unhappy because they could never leave, effectively.
18 And there were domestic disputes with China around that time
19 that was also causing a pretty large drag on quality of life in
20 the city.

21 Q. Where did you end up going?

22 A. In the end we moved to the Bahamas.

23 Q. Why did you pick the Bahamas?

24 A. There was a pretty short list of countries that had
25 actually rolled out full regulatory frameworks for crypto

1 exchanges, especially countries that could regulate a crypto
2 derivatives or margin exchange. To my memory, there were a
3 single-digit number of countries with a framework that we found
4 sort of suitable, and we looked into all of those different
5 countries, into the merits of them. We had employees go check
6 out each of them.

7 And at the end of the day the employees who checked
8 out the Bahamas came back with very positive stories about what
9 it would be like if we moved there. I took a trip there in the
10 fall of 2021 and agreed.

11 Q. What was the nature of the regulatory system in the
12 Bahamas?

13 A. The head regulator in the Bahamas --

14 MS. SASSOON: Objection.

15 THE COURT: Sustained.

16 Q. When you moved to the Bahamas, Mr. Bankman-Fried, where did
17 you end up living?

18 A. I lived in Albany.

19 Q. What was that?

20 A. It was a housing complex and also vacation spot in New
21 Providence, Nassau, which is the main island.

22 Q. How did you come to live there?

23 A. When I first moved to the Bahamas, I lived in a different
24 place on the other side of the island called One Cable Beach.
25 After I think about a month there or so, a number of other

1 employees had moved to Albany. That seemed to be the center of
2 where the company was congregating. I checked it out. It had
3 a lot of good housing, enough for myself and for a lot of the
4 company. So I moved there with a few other colleagues.

5 Q. How many people did you end up living with?

6 A. First, I was living with two other people, with Adam
7 Yedidia and Andrea Lincoln in one apartment there. After
8 another month or so, we moved into a larger apartment for ten
9 of us.

10 Q. You mentioned Andrea Lincoln. Who was she?

11 A. She at the time -- she was Adam's fiance at the time, now
12 wife. She was someone who I had met at MIT. She was in one of
13 my math classes and started dating Adam at the time, and she
14 would later become a developer at FTX.

15 Q. You mentioned you ended up living with ten people. Who
16 were they?

17 A. It was myself; Caroline; Adam and Andrea; Gary and his
18 partner, Cheryl; Nishad and his partner, Claire; Ross and Lela.

19 Q. Who were Ross and Lela?

20 A. Lela was a developer at FTX. Ross worked for the FTX
21 charitable arm.

22 Q. Why did you end up living ten together?

23 A. It replicated the living experience to some extent that we
24 had in college, which I had really liked and enjoyed, where a
25 group of us were living together. It also served as an office

1 away from the office, a place where much of the management of
2 FTX lived in that apartment. It gave us a good spot to hang
3 out, to chat after work, and to host other employees.

4 MR. COHEN: Let's pull up GX-1642, please. It's in
5 evidence.

6 Q. Do you see that, sir?

7 A. Yes, I do.

8 Q. That's a photograph with you holding a deck of playing
9 cards.

10 A. Yup.

11 Q. Why did you hold playing cards?

12 A. I sort of compulsively fidget with things, with my hands.
13 For a while I would have decks of playing cards by me. I
14 started doing that in college. I would go through a deck every
15 week or so before the cards would get worn out. I later
16 transitioned to fidget spinners.

17 Q. Did you play poker?

18 A. No. I hadn't played for many years.

19 Q. Did you ever go to Las Vegas?

20 MS. SASSOON: Objection, your Honor.

21 THE COURT: Sustained.

22 MR. COHEN: We can take 1642 down.

23 Q. Now, I think you mentioned -- let me ask it this way.

24 Did there come a time that you had a romantic
25 relationship with Ms. Ellison?

1 A. Yes, I did.

2 Q. What was the timing of that relationship?

3 A. We began dating in 2020, and we dated on and off for about
4 two years.

5 Q. When did you break up?

6 A. Our final breakup was in the spring of 2022.

7 Q. What was the reason for the breakup?

8 A. I didn't have the time or the energy to put in what I think
9 she wanted from our relationship. It wasn't the first time
10 that I had that problem. From a combination of my working
11 hours, but also it's not something I have been great at as a
12 person historically being able to sustain romantic
13 relationships for long periods. I think my understanding was
14 that she wanted more from it than I was able to give.

15 Q. Please answer this question yes or no. Yes or no, would
16 you have philosophical conversations with her?

17 A. Yes.

18 Q. Yes or no. This is not -- just answer as to the person.

19 THE COURT: I'm sorry. Maybe start that one again,
20 please.

21 MR. COHEN: I am trying to keep this very tight, your
22 Honor.

23 Q. As to those conversations, who would initiate them?

24 A. Generally, she would.

25 Q. Without giving any of the substance, what would be the

1 nature of the conversations?

2 A. Generally, she would stake out a position on some
3 philosophical topic, usually a contrarian one, and we would
4 debate it.

5 Q. Now, before we move on, you mentioned there was a time when
6 you stepped down as CEO of Alameda.

7 Do you recall that, sir?

8 A. Yes.

9 Q. Ms. Ellison and Mr. Trabucco became co-CEO?

10 A. Yes.

11 Q. Then Ms. Ellison.

12 A. Yes.

13 Q. You remained an owner?

14 A. Yes.

15 Q. Did you receive any reporting from Ms. Ellison?

16 A. I did.

17 Q. What kind of reporting did you receive?

18 A. In addition to sort of unofficial or scattershot things as
19 scenarios arose, the standard thing that I would get would be
20 balance sheets from her periodically.

21 Q. Would you get other financial documents as well?

22 A. Yeah. I would get associated documents to those balance
23 sheets.

24 Q. Did you receive them on a regular basis?

25 A. Yeah. Once every couple of months.

1 MR. COHEN: Let's pull up Defense Exhibit 78 for
2 identification for the witness only.

3 Q. Take a moment to go through this, sir, and just let me ask
4 you if you have seen it before?

5 THE WITNESS: Click on the parameters briefly.

6 MR. COHEN: Click on the parameters.

7 THE WITNESS: Scroll up, and to the left. Sorry.

8 A. Yes, I have.

9 Q. What is it?

10 A. This is one of those balance sheets and associated
11 underlying data that she would send me.

12 Q. This is from 2021?

13 A. From late 2021 and early 2022. It covers two dates.

14 Q. And this document was sent to you in the ordinary course of
15 Alameda's business?

16 A. Yes.

17 Q. It was her regular practice to send you such documents?

18 A. Yes.

19 MR. COHEN: The defense offers DX-78.

20 MS. SASSOON: Objection, your Honor.

21 THE COURT: Basis.

22 MS. SASSOON: Hearsay.

23 THE COURT: Address the business records point,
24 please.

25 MS. SASSOON: Yes. The defense counsel asked two

1 leading questions, but he has not established what went into
2 preparing these documents. It has multiple tabs with tons of
3 data. He didn't put in that data, he has not authenticated
4 that data, and he didn't prepare this balance sheet.

5 MR. COHEN: He doesn't have to prepare it for it to be
6 a business record.

7 MS. SASSOON: He has not established a foundation for
8 how Ms. Ellison prepared it and how he knows that it was
9 prepared in the regular course of business.

10 THE COURT: Sustained for the moment. See if you can
11 lay a better foundation.

12 Q. Mr. Bankman-Fried, what was the data contained in this
13 document?

14 A. The data contained in this document was for a particular
15 time period. The positions or balances of Alameda across all
16 the platform --

17 MS. SASSOON: Objection. Foundation.

18 THE COURT: Yes. You want to rephrase it.

19 MR. COHEN: Yes.

20 Q. Did you have any discussions with Ms. Ellison about how
21 this document was prepared?

22 A. Yes.

23 Q. Tell us about those.

24 MS. SASSOON: Objection. Hearsay.

25 THE COURT: Sustained.

1 Presumably you're offering it for the truth, right,

2 Mr --

3 MR. COHEN: Yes, your Honor.

4 Q. In the course of those discussions, without revealing those
5 discussions, did the method of preparation come up?

6 A. Yes.

7 Q. What was your understanding of the method of preparation?

8 MS. SASSOON: Objection. Derived from hearsay.

9 THE COURT: Sustained.

10 Q. Mr. Bankman-Fried, without getting into the specifics, did
11 you have an understanding of how this document was prepared?

12 A. Yes.

13 Q. Tell us.

14 MS. SASSOON: Objection.

15 THE COURT: Sustained.

16 Q. Do you know the inputs that went into this document,
17 Mr. Bankman-Fried?

18 A. Yes.

19 Q. What were those inputs?

20 MS. SASSOON: Objection.

21 THE COURT: Sustained.

22 Q. Mr. Bankman-Fried, when you were CEO of Alameda, did you
23 prepare balance sheets?

24 A. Yes, I did.

25 Q. How did you prepare them?

1 A. I prepared them by putting together spreadsheets, first
2 assembling the underlying data, and then creating balance
3 sheets based on those.

4 Q. What inputs did you use?

5 A. I used as inputs data from the pointer system, which, in
6 addition to being the front-end interface that triggers would
7 use, was also used to refer to the database that Alameda
8 maintained. I would use from that system Alameda's balances
9 and positions at two different points in time, and, in addition
10 to that, the trades that they had done between those two
11 periods of time to reconcile and confirm that the difference in
12 the balances was similar to the set of trades that happened
13 over that point in time and assumed that was the case, or after
14 adjusting for any errors that came up because of that, I would
15 then create balance sheets based on the data at those two
16 points in time.

17 Q. Did there come a time that you stopped preparing the
18 balance sheets?

19 A. Yes, I did.

20 Q. Who took over for you?

21 A. Ryan Salame and Caroline Ellison.

22 Q. Did you provide them with the format that you had used?

23 A. Yes, I did.

24 Q. Taking a look now at DX-78 for identification, was this the
25 same format?

1 A. It is a very similar format drive from the same process.

2 MR. COHEN: Offer.

3 MS. SASSOON: Objection.

4 Your Honor, they had an opportunity to authenticate
5 this through the witness --

6 MR. COHEN: Can we have a nonspeaking objection,
7 please.

8 THE COURT: Counsel, we are all trying to do the same
9 thing here, which is get to the bottom of things in a fair and
10 appropriate way. If it's helpful when I look at counsel who
11 just objected, it usually signifies that I'm waiting to hear
12 what the objection is.

13 Now, if you want to take the view that if I or a
14 subsequent court will sustain whatever I do with respect to an
15 objection, whatever I do, if there is any imaginable basis on
16 which I might have been right, we can proceed that way. But if
17 you would rather proceed on the basis that I should know what
18 the objection is and rule on what the objection is, that might
19 be preferable. Don't you think?

20 MR. COHEN: I think we should proceed on whatever
21 basis your Honor thinks is best.

22 THE COURT: So we will do that.

23 That doesn't mean I'm inviting lots of speaking
24 objections or lots of sidebars. Believe me, I'm not. But I
25 have to know what's going on here in counsel's mind in this

1 particular instance.

2 MR. COHEN: I would be happy to come up to the
3 sidebar.

4 THE COURT: Let's take one thing at a time.

5 The phrase "from the same process" is stricken. It is
6 unresponsive and it of course is not based on personal
7 knowledge from what the record shows so far. If you'd like to
8 have a sidebar on the rest of it, let's do it.

9 MR. COHEN: No. I think we should move on, your
10 Honor.

11 THE COURT: If you want to brief it over the weekend,
12 I gather we will have an opportunity to do that.

13 MR. COHEN: OK. I am sure your Honor would love a
14 brief over the weekend.

15 THE COURT: You can be certain of that.

16 MR. COHEN: We will come back to this.

17 Let's take this down for now.

18 Q. Without looking at the document, can you describe the kind
19 of financial information Ms. Ellison would provide you?

20 A. Yeah. She would provide chiefly tabs that had a
21 consolidated balance sheet for Alameda Research, generally two
22 different periods in time, a start and an end time, which would
23 have assets and liabilities and net-asset values. And also in
24 those spreadsheets would be the set of positions at those two
25 points in time that generated that balance sheet and also a set

1 of trades between those points in time.

2 Q. You mentioned something called positions. What was that?

3 A. Yeah. It's a term that was used differently by different
4 platforms that Alameda would access, but often positions would
5 be used to refer to what the equivalent of balances was for
6 futures. So if you had a balance of plus five Bitcoins and a
7 negative \$400, you might have a position of plus five Bitcoin
8 futures and a balance of plus \$100.

9 Q. You also mentioned that part of the information related to
10 trades. What did you mean by that?

11 A. The trades that Alameda had done across all of the
12 exchanges that it traded on between those two points in time.

13 Q. Thanks, Mr. Bankman-Fried.

14 Let's move forward. I want to talk about some of the
15 marketing spending by FTX.

16 Did FTX have a marketing team?

17 A. Yes.

18 Q. Who was on that team?

19 A. There were around 15 people or so on that team. Sina was
20 one of the leaders of that team. There were regional people in
21 different countries as well.

22 Q. Did you interact with the team?

23 A. I did.

24 Q. How did you do that?

25 A. I was CEO of the company, and so I would be involved at a

1 high level in some decisions, and for particularly important
2 decisions I would sometimes be involved in the details of what
3 they were discussing, often in discussions with Sina or others
4 who are leading the team, sometimes with the team as a whole.

5 Q. Did FTX ever use an outside marketing firm?

6 A. Yeah. It used multiple.

7 Q. What was your approach? We are now in the period of 2021?

8 What was your approach to marketing?

9 A. Going into it, I was unsure of how to approach marketing.

10 I had absolutely no background in marketing. I had no idea how
11 companies would market, how it would be successful, and what we
12 should do. But as FTX began to grow from thousands of
13 customers, most of whom were deep in the crypto community and
14 had heard about us from social media or their friends, to a
15 business with hundreds of thousands, then millions of users, it
16 became important for us to think about marketing.

17 So I began to think much more about marketing over the
18 course of 2021 and came to some views about pathways that we
19 should try doing.

20 Q. What were those views?

21 A. The primary views that I came to were that I was skeptical
22 of what was called performance marketing, which meant Facebook
23 ads and Google ads; basically, the little squares you would see
24 when using one of those platforms saying, click here to try
25 FTX. I had not been convinced that those were effective.

1 However, I came to the view that I thought that it might be
2 quite effective to do brand marketing, things like
3 partnerships, sponsorships, so I began exploring with a few
4 other employees at FTX what brand partnerships FTX could
5 potentially form.

6 MR. COHEN: Can we call up Government Exhibit 343 in
7 evidence.

8 Q. I want to focus on the first entry for the Miami Dade FTX
9 Arena. Can you see that, sir?

10 A. Yes.

11 MR. COHEN: Can you also expand that to row 3, cell 3P
12 further out, where it says years. Go back. Go back to your
13 left, Brian. Right there is fine.

14 Q. First, tell me how the -- did FTX sponsor the Miami Dade
15 FTX Arena?

16 A. Yes, it did.

17 Q. How did it come about?

18 A. In 2021, prompted by me, we began seriously investigating
19 stadium naming opportunities. The reason that I prompted that
20 was it had been my impression that the names of stadiums of
21 professional sports teams in America, particularly baseball,
22 football and basketball teams, were very widely known. I, as a
23 somewhat average-level sports fan, could name dozens of stadium
24 names, almost all of which I have never been to, and that was
25 true of others I talked to as well.

1 It seemed to me at the time to give a level of brand
2 awareness that was far above and beyond other partnerships that
3 we were presented with. I remember comparing it to various
4 commercials that I saw which, at least anecdotally to me at the
5 time, appeared to have almost zero recollection value. I would
6 watch a commercial that was played before every single football
7 game involving Dak Prescott and Sleep Number bed, and nobody
8 who I talked to who watched those games could remember that,
9 but many of them could remember arena names.

10 Because of that, I felt like that arena names were
11 potentially a big opportunity in marketing.

12 Q. Did you consider any other arenas?

13 A. I did. Our marketing team, which was smaller at that
14 point, reached out to various agents to figure out if there
15 even were any arenas that were available to be renamed.
16 Generally, they are under long-term contracts, and that year
17 there were four or so major arenas that were potentially
18 available. I remember FTX or, at that point, American Airlines
19 Arena for the Miami Heat, a basketball team; the New Orleans
20 Saints arena, football team; the Kansas City Chiefs, another
21 football team; and the Kansas City Royals, a baseball team.

22 Q. How did you land on Miami?

23 A. We explored the New Orleans Saints and the Kansas City
24 Chiefs. Both of them had already been in talks with their
25 partners that they ultimately went with. And with no offense

1 to the Royals, I didn't want to be known as the Kansas City
2 Royals of crypto exchanges, so we passed on that one. And we
3 pursued ultimately the Miami Heat Arena.

4 Q. If you could look up at line 1A.

5 MR. COHEN: If we go, Brian, a little bit to the left.

6 Q. It says that the agreement was for 19 years?

7 A. Yup.

8 MR. COHEN: Continue to the right, Brian.

9 Q. The total payment was \$135 million and the first payment
10 was 14 million?

11 A. Right.

12 Q. What did that mean to you, sir?

13 A. That meant that it was -- I believe there were a few other
14 payments in the lines below it that were associated with it as
15 well. Putting those together, it was around \$10 million per
16 year for this contract.

17 Q. Did you think this was a good use of marketing expenses?

18 A. I did. The thought process I had at the time was that 10
19 million a year was around 1 percent of FTX's revenue, and I
20 imagined that this might increase FTX's brand awareness by much
21 more than 1 percent, that it might grow the business by far
22 more than what it cost. My understanding at the time was that
23 when I looked into competitors marketing budgets, they tended
24 to be around 100 percent of the revenue. We were spending 10
25 to 20 percent of ours on marketing, which felt to me

1 comfortable, so we pursued this.

2 Q. Where did you believe the funds were coming from to support
3 this sponsorship?

4 A. FTX's corporate funds, the revenue that it had made and the
5 investments that venture capital firms had made in the company.

6 MR. COHEN: We can take this slide down.

7 Q. I think you mentioned a few times in your testimony the
8 term venture investments.

9 A. Yup.

10 Q. Can you tell us what you understood that to mean.

11 A. Yeah. Alameda and other companies made a number of venture
12 investments over a few-year period. I understood that or at
13 least I used that to refer to a few different types of
14 investments, basically Alameda either investing early stage in
15 companies that were not public companies yet -- they were not
16 listed on the New York Stock Exchange, like Apple or Google
17 were. They were startups -- or it could have meant and in some
18 cases did refer to investing in cryptocurrency tokens that were
19 not yet listed or very recently listed that were sort of akin
20 to early-stage projects or anything else that was in the nature
21 of those.

22 Q. You used the phrase early stage several times. Could you
23 explain that to the jury, please.

24 A. Yeah. That basically means a company or project that
25 wasn't yet mature, so not a company that had been around for 30

1 years and had a stable business that was effectively
2 unchanging. Instead, something more like a startup that was a
3 few years old, where their business was still rapidly changing,
4 ideally growing, and most of the point in investing was
5 depending on what you hoped it would be, not what it already
6 was.

7 Q. Did you ever hear the term due diligence?

8 A. Yes.

9 Q. What was that?

10 A. That referred to the process that you would have prior to
11 an investment where we would research the company, talk to it,
12 look through its documents and, based on those, come to a
13 decision about whether or not to invest.

14 Q. Did you perform due diligence before making venture
15 investments?

16 A. Yeah. I and others did.

17 Q. Who were the others?

18 A. Ramnik was the person most involved in it. There are a
19 team of people under him. Amy was involved as well. And in
20 some of them I was involved.

21 Q. You mentioned Ramnik. Who was that?

22 A. He was the head of -- his title was originally head of
23 product at FTX. He ended up leading the investment and
24 fundraising arms.

25 Q. Was his last name Arora?

1 A. Yes, that is correct.

2 Q. Who was Amy?

3 A. Amy was a former venture capitalist who we had hired to
4 work on and help lead our investment team as well.

5 Q. I don't want to go through all the investments. I just
6 want to talk about one.

7 Do you recall the investment in Solana?

8 A. Yes.

9 Q. Can you describe for the jury the due diligence, if any,
10 that was performed.

11 A. Yes. Solana is a cryptocurrency. It's a token, like
12 Bitcoin or Ethereum. In the spring of 2020, it was a new
13 cryptocurrency, had just been launched. We were investigating
14 various Blockchains at the time to compare them and figure out
15 the pros and cons. I and others had calls with the leadership
16 of most of the major cryptocurrency teams in the space and
17 asked them questions about their technology, about their future
18 projections, how they were going to get there, what they were
19 prioritizing, and came away with the impression from those
20 calls that Solana was --

21 MS. SASSOON: Objection. Hearsay.

22 THE COURT: Yes.

23 Don't tell us what anyone else said,

24 Mr. Bankman-Fried.

25 Q. To his honor's point, just tell us what your takeaway is.

1 A. Understood.

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

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

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

6 A. I ended up believing --

7 MS. SASSOON: Objection.

8 Q. Just tell us --

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

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

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

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

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

21 Q. What entities would make the investments?

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

1 be made by one of the Alameda Research venture-related
2 entities, and occasionally there would be a new entity created
3 for an investment.

4 MR. COHEN: Let's call up GX-80, please, in evidence.

5 Q. Take a look at GX-80. That indicates that an entity called
6 Alameda Ventures LLC had changed its name to Clifton Bay
7 Investments LLC.

8 Do you see that, Mr. Bankman-Fried?

9 A. Yes.

10 Q. Why was the name changed?

11 A. This was in, I believe, October of 2022, on or around
12 October 2022. By that point it had become clear that the
13 venture investing didn't chiefly belong under the Alameda
14 Research brand or umbrella. It had less and less to do with
15 Alameda's core business of arbitrage and market making. We
16 hadn't yet decided what the long-term brand would be for it and
17 the long-term structure. This was an initial step in the
18 direction of separating it out from Alameda's brand towards a
19 dedicated venture investing brand.

20 MR. COHEN: We can take that down.

21 Q. From time to time, would Alameda make loans to you,
22 Mr. Bankman-Fried?

23 A. Yes.

24 Q. How did that come about?

25 A. It came in general -- it usually came because there was an

1 investment that I wanted to make and that I needed capital for,
2 so it would borrow funds from Alameda for it. This was also
3 the case for some donations and contributions that I made.

4 Q. Why did you believe you could borrow funds from Alameda?

5 A. I owned Alameda, I was the primary owner of it, and it had
6 had a few billion dollars, to my understanding, of
7 arbitrage-based profit over the prior few years and far more
8 than that in operating capital. So I saw no reason that I
9 couldn't borrow funds from it.

10 Q. Were those loans documented?

11 A. I believed that they all were at the time. I think most of
12 them were, but the most recent ones may not have been yet
13 documented.

14 Q. Let's move on.

15 MR. COHEN: We could pull up GX-3, please.

16 Q. GX-3, without going through it in detail, is a list of a
17 number of properties in the Bahamas.

18 Do you see that, Mr. Bankman-Fried?

19 A. Yes, I do.

20 Q. Did FTX purchase those properties?

21 A. Yes, it did.

22 MR. COHEN: We can take it down.

23 Q. Why did FTX purchase the Bahamas properties?

24 A. We were relocating our corporate headquarters to the
25 Bahamas, and we wanted the core staff to move there. We also

1 wanted to hire a number of new employees to work for FTX from
2 the Bahamas headquarters. As part of that we wanted to provide
3 an easy pathway for them to have housing in the Bahamas; rather
4 than as part of the recruitment and job starting and job
5 training process, have steps devoted to evaluating Bahamian
6 real estate agents. Since the company just did that work, it
7 purchased a number of properties and rented them out to
8 employees as part of an incentivization package essentially.

9 Q. What types of people were you trying to recruit?

10 A. The typical employee would be a highly compensated employee
11 at Google or Facebook joining our software developer team.

12 Q. Where did you believe the funds for the Bahamas, the
13 purchase of the Bahamas properties came from?

14 A. From FTX's operating cash. That is the same thing as the
15 FTX Arena funds, which is to say from its revenue and from
16 venture capital investments in the company.

17 Q. Who was responsible for being the public face of FTX?

18 A. I was.

19 Q. Why did you do it?

20 A. It was an accident at first. I hadn't intended to be a
21 public face of anything. I'm somewhat introverted, naturally.
22 I took a few interviews and those ended up going better than I
23 thought they would. After not too long, there was more demand
24 for me to do interviews. Even when it became sort of
25 overwhelming, when there were more PR and interview requests

1 than I could manage or that made any sense for me to be doing
2 as CEO, by that point it was too late to have a new public face
3 of the company. I had become that public face. Most of the
4 outlets weren't interested in having someone else speak.

5 MS. SASSOON: Objection.

6 THE COURT: Strike what other outlets were or weren't
7 interested in.

8 MR. COHEN: We can move on.

9 Q. Why did you wear the shorts and the T-shirts?

10 A. I found them comfortable.

11 Q. What about not getting a haircut?

12 A. I was kind of busy and lazy and didn't bother getting
13 haircuts for long periods of time.

14 MR. COHEN: Let's pull up GX-1451.

15 Q. Do you recall seeing that, Mr. Bankman-Fried?

16 A. Yes, I do.

17 Q. Where was that taken?

18 A. This was taken in Los Angeles at the 2022 Super Bowl.

19 Q. I am going to ask you to identify whoever you can in the
20 photograph, starting at the left.

21 A. That's Katy Perry on the left. Next to her is Orlando
22 Bloom, her partner. Michael Kives is in the center in the
23 white shirt. That's me next to Kives. On the right there is
24 Kate Hudson.

25 Q. Were you in the Super Bowl stadium?

1 A. Yes.

2 Q. How did you come to be there?

3 A. I was going to LA for a few business trips. It was around
4 the time of the Super Bowl. We were running a Super Bowl ad
5 that year, FTX was, and for some reason at the time those fit
6 together in the minds of myself and a few people at the company
7 and it seemed natural for me to go to the Super Bowl. I had
8 never been. I thought maybe it would be interesting. So I
9 ended up there.

10 Q. When had you met Michael Kives?

11 A. Two nights earlier.

12 Q. Whose suite or box was that?

13 A. This was -- it was the box that Kives and friends were in.
14 I am not sure exactly who was renting it. I had been wandering
15 around the stadium late for another meeting.

16 MS. SASSOON: Objection.

17 THE COURT: Yes.

18 Q. Let me ask, to counsel's point, how did you come to be in
19 the box?

20 A. I had been wandering around that area of the stadium late
21 for another meeting I couldn't find. I ran into them and they
22 invited me in.

23 Q. Now, who was Mr. Kives?

24 A. Mr. Kives --

25 MR. COHEN: You can take that down.

1 A. He was formerly a talent agent who had become an investor
2 and venture capitalist.

3 Q. Did there come a time you invested in his company?

4 A. Yes.

5 Q. What was his company?

6 A. K5.

7 Q. Which entity actually did the investment?

8 A. It was funded by Alameda Research. I don't know off the
9 top of my head the name of the entity that did the investment.

10 Q. What was the reason for investing in K5?

11 A. I thought that they had a number of very promising venture
12 investments and, in addition to that, they had a number of
13 promising -- what they called incubations, essentially
14 companies that they would help start, that they would help get
15 off the ground, and then take an ownership stake in return for.

16 Q. Did Mr. Kives have relationships with celebrities and
17 politicians?

18 A. Yeah, he did.

19 Q. Did you take that into consideration in making the
20 investment?

21 A. I did. I felt like it could be potentially useful for FTX
22 to be able to have brand partnerships. I wasn't sure of the
23 exact pathway that that might take.

24 Q. Did there come a time that you became interested in making
25 donations to political candidates?

1 A. Yup.

2 Q. When about did that begin?

3 A. I made my first substantial contributions in 2020, but I
4 became much more involved and did far more in 2021 and 2022.

5 Q. Why did you get involved with political donations at that
6 time?

7 A. I had come to the belief that I could have substantial
8 impact on the world. There were issues that I personally cared
9 about for the world a fair bit, pandemic prevention being the
10 chief one. And I believe that the most effective way to help
11 prepare the world for future pandemics was through policy and
12 through discussions with Congress and the executive branch.

13 Q. Were any political donations related to FTX's business?

14 A. Yeah, there were some that were. There were a few that
15 were specifically done by FTX or to cryptocurrency logging
16 organizations. That wasn't the purpose of the majority of the
17 contributions, but it was the purpose of some.

18 Q. The ones that were related to the business, what was your
19 goal in making those donations?

20 A. Primarily, trying to foster the formation of a regulatory
21 structure for the crypto industry in the United States.

22 Q. Did others at FTX make donations?

23 A. Yeah.

24 Q. Who?

25 MS. SASSOON: Objection. Foundation first.

1 THE COURT: Yes. Sustained.

2 Q. Based on your interaction with others at FTX, did you ever
3 come to learn whether other employees of the company made
4 political donations?

5 A. Yes, I did.

6 Q. Who was that?

7 A. I know that Ryan Salame and Nishad Singh both made
8 political contributions. Others may have as well. I am not
9 aware of significant contributions by others.

10 Q. Let's take them one at a time. Did you ever have
11 discussions with Mr. Salame about political donations?

12 A. Yup.

13 Q. Did you ever tell him to make donations?

14 A. No.

15 Q. What would have happened if he said he didn't want to make
16 one?

17 MS. SASSOON: Objection.

18 THE COURT: Sustained.

19 Q. Did you ever direct Mr. Salame to make donations?

20 A. No.

21 Q. Did you have discussions with Nishad Singh about donations?

22 A. Yup.

23 Q. Did you ever direct him to make donations?

24 A. No.

25 Q. Based on your interactions with Mr. Salame and Mr. Singh

1 about donations, did you come to a view of where the funds were
2 coming from for their donations?

3 A. Yes.

4 Q. What was that?

5 MS. SASSOON: Objection, your Honor.

6 THE COURT: Sustained.

7 Q. Let me go back to your donations, Mr. Bankman-Fried. What
8 was the source of funds for your donations?

9 A. Loans from Alameda Research.

10 Q. Did you hire political consultants at all?

11 A. Yes.

12 Q. Do you remember who you hired?

13 A. There were a number of them for different purposes.

14 Guarding Against Pandemics is a group that we worked with a
15 bunch, on the crypto side there were others that we worked
16 with, and there were a dozen or so others in the wings.

17 Q. What was your reason for hiring political consultants?

18 A. I had had a full-time job. I was not an expert on
19 political donations. I wasn't an expert on where they would be
20 effective. I was not an expert on how to do them effectively
21 or in a compliant way. And I didn't -- it wasn't going to
22 become my area of expertise, so I talked with consultants and
23 others about it.

24 Q. Do you remember the name Michael Sadowsky?

25 A. Yup.

1 Q. Who was he?

2 A. He was one of the people that ran Guarding Against
3 Pandemics.

4 Q. During this same period of 2020 to 2021, did you give to
5 charitable causes?

6 A. Yes.

7 Q. Where did the funds come from that you gave to charitable
8 causes?

9 A. So, similarly, they were from -- some were made directly by
10 Alameda Research, some were contributions that I gave, and the
11 majority of the funds for that were loans that I took out from
12 Alameda.

13 Q. During this period did you also engage with members of the
14 United States Congress and their staff?

15 A. Yes.

16 Q. What was your reason for doing that?

17 A. There were two chief reasons. The first was, I would talk
18 with them about pandemic prevention and other nonbusiness
19 related areas that I cared about for the world. The second
20 was, I had a number of discussions with them about
21 cryptocurrency regulation.

22 Q. What was your goal in connection with cryptocurrency
23 regulation?

24 A. The primary goal --

25 MS. SASSOON: Objection. I believe this was asked and

1 answered.

2 THE COURT: Overruled.

3 A. The primary goal was helping to establish a regulatory
4 framework for crypto in general in the United States, and in
5 some cases specifically one that FTX would hopefully be able to
6 participate in.

7 Q. Now, FTX, the FTX we have been talking about, was an
8 international company, correct?

9 A. That's correct.

10 Q. So why were you interested in U.S. regulation?

11 A. There was a different company that, as you said, we have
12 not been talking about, FTX US. FTX US was a separate exchange
13 that I had started which was small, quite small, compared to
14 FTX international but which was U.S. based which did take U.S.
15 customers and which was seeking to offer crypto futures
16 products in the United States through regulatory frameworks
17 there.

18 Q. When did you start FTX US?

19 A. 2020.

20 Q. Now, did there come a time that you testified in front of
21 Congress?

22 A. Three times, yes.

23 Q. Approximately when was the testimony?

24 A. There was one in late 2021, I don't remember the exact
25 date, there was one in early 2022, and there was one in the

1 late spring, early summer of 2022.

2 Q. So starting with the first one at the end of 2021, you
3 recall what body you testified before?

4 A. The House Financial Services Committee.

5 Q. How did that come about?

6 A. The committee was hosting a hearing on cryptocurrency, and
7 they asked a few people in the industry to testify. They
8 requested that I come to testify. I originally declined. They
9 reached back out and reiterated their request more strongly, at
10 which point I accepted.

11 Q. And the testimony in early 2022, where was that before?

12 A. That was the senate agricultural committee.

13 Q. Why the agricultural committee?

14 A. The CFTC, the Commodity Futures Trading Commission, was the
15 prime U.S. regulator for commodity futures contracts and in
16 particular for Bitcoin futures contracts. As such, it was my
17 understanding at the time that if there would be a regulatory
18 license law framework for a company like FTX, it was likely to
19 be issued by the CFTC, and in fact FTX US had a subsidiary with
20 a CFTC license at that point. The senate agricultural
21 committee had oversight over the CFTC.

22 Q. Did the FTX have a government affairs department?

23 A. Yes.

24 Q. What did that do?

25 A. It assisted on everything related to FTX US' operations in

1 Washington D.C., chiefly meetings with regulators and
2 congressmen and their staffers about the crypto industry as a
3 whole and regulatory frameworks for it, and with respect to FTX
4 US derivatives applications in particular for licensure.

5 Q. Who was the head of that group?

6 A. Mark Wetjen.

7 Q. Do you know Mr. Wetjen's background?

8 A. Yes. He was a former --

9 MS. SASSOON: Objection. 401.

10 THE COURT: Sustained.

11 Q. How did Mr. Wetjen come to be hired by FTX?

12 A. I had met Mr. Wetjen as an employee of another exchange --
13 not a cryptocurrency exchange; a traditional exchange in the
14 United States -- that we had been in talks with. I started
15 talking more with him about his goals, and he seemed like a
16 very good fit as a head of policy for FTX US.

17 Q. Before your testimony did you make written submissions?

18 A. Yes.

19 Q. Did you work with anyone on those submissions?

20 A. Yes.

21 Q. Who was that?

22 A. Mark Wetjen and Zach Dexter were both involved.

23 Q. Who was Zach Dexter?

24 A. Zach Dexter was the CEO of FTX US Derivatives, the
25 subsidiary of FTX US that had a CFTC license.

1 Q. I think you mentioned three times in the testimony. We
2 have talked about two. The third time was in the middle of
3 2022, is that right?

4 A. Yes, that's right.

5 Q. Who did you testify before then?

6 A. The house agricultural services committee.

7 Q. What was the reason for that testimony?

8 A. I think I mangled the name a little bit, but the house
9 agricultural committee.

10 FTX US Derivatives had an application before the CFTC
11 to expand its license, to allow it to actually offer
12 cryptocurrency futures in the traditional sense in the United
13 States.

14 There was -- I was aware of a fair bit of political
15 talk about this in Washington, D.C. The house agricultural
16 committee ended up hosting a hearing on FTX's application, FTX
17 US Derivatives application to the CFTC. So it was a house
18 committee hearing on the company that I owned, and there were
19 competitors of ours who I believed to be pushing back against.

20 MS. SASSOON: Objection. No foundation.

21 THE COURT: Beyond that, it's essentially all
22 unresponsive. The question was: Who did you testify before?
23 And the answer was: The house agricultural committee, and then
24 it went on from there.

25 MS. SASSOON: I believe the question was, what was the

1 reason for the testimony? And this portion of the answer, your
2 Honor, about what he believed competitors were doing, there is
3 a lack of foundation.

4 THE COURT: Thank you. Sustained.

5 MR. COHEN: Let me come back to that.

6 Q. Mr. Bankman-Fried, did you come to a view as to what
7 competitors were doing with regard to the agricultural
8 committee?

9 A. Yes.

10 MS. SASSOON: Objection.

11 Q. Before you answer --

12 THE COURT: What's the ground?

13 Q. What's the basis for it?

14 THE COURT: Excuse me.

15 MS. SASSOON: Leading.

16 THE COURT: Overruled.

17 Q. Don't tell me what they said. Just tell me what your basis
18 for it was.

19 A. My basis for it was conversations with staff both at FTX
20 and with staff of congressmen.

21 Q. What was your understanding then?

22 MS. SASSOON: Objection.

23 THE COURT: What's the relevance of this, counsel?

24 MR. COHEN: It's to round out why he was appearing on
25 this testimony which the government has played for the jury.

1 MS. SASSOON: Your Honor, not only is this not
2 relevant, but it's clear that the answer is derived from
3 hearsay conversations, not any firsthand observations by the
4 witness.

5 THE COURT: Sustained.

6 MR. COHEN: We will move on.

7 Q. New topic, Mr. Bankman-Fried.

8 Are you familiar with something called ECO Serum?

9 A. Yes.

10 Q. What was that?

11 A. It was an entity that was pushing for adoption of a token
12 called Serum, SRM.

13 Q. Did you ever hear of the phrase staking?

14 A. Yes.

15 Q. What does that mean to you?

16 A. Staking referred to a practice in the cryptocurrency
17 ecosystem where if you held some cryptocurrency asset, you
18 could do what's called staking it, which meant effectively
19 putting it somewhere, locking it up for some period, often so
20 it couldn't be withdrawn, and then giving an interest payment
21 as a reward for doing so.

22 Q. Could customers on FTX stake their Serum?

23 A. Yes.

24 Q. What would they receive if they did so?

25 A. They would receive tokens, chiefly Serum tokens, but also

1 in some cases other tokens as a reward over time.

2 Q. Did there come a time that you had a discussion with anyone
3 about ECO Serum staking?

4 A. Yes.

5 Q. When was that?

6 A. This was in late 2021 or early 2022.

7 Q. Who did you speak with?

8 A. Nishad.

9 Q. Tell us what you said.

10 A. I had told Nishad that I saw a significant increase in
11 interest payment -- sorry. That's later on. This one was, I
12 had told Nishad or, rather -- I apologize. I told Ramnik first
13 and then later had a conversation with Nishad about the same
14 topic.

15 Q. Let me do it this way, sir.

16 At the end of the year, year end 2021, did you have
17 any conversations with Ramnik?

18 A. Yes.

19 Q. What was the topic of those discussions?

20 A. So with Ramnik I had a conversation around FTX's revenue
21 for the year 2021.

22 Q. What did you say?

23 A. I saw that it was -- that it looked to me at the time like
24 it was going to be a little over \$1 billion.

25 Q. Did it turn out to be over \$1 billion?

1 A. Ramnik told me that his calculations had it as a little bit
2 under \$1 billion.

3 Q. What, if anything, did you do after that?

4 A. I asked him to first confirm if that was correct because my
5 calculations were a little bit different, and if it was correct
6 to check if there were any other sources of revenue that we
7 were missing that would frankly get it over 1 billion.

8 Q. And what happened after that?

9 A. I didn't hear back about it for a little while. I then
10 asked Ramnik for an update on it.

11 (Continued on next page)

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1 BY MR. COHEN:

2 Q. Moving back, why did you want the revenue to get over a
3 billion?

4 A. It's just a round number.

5 Q. Okay. Did you hear back from anyone about this issue?

6 A. Yeah. I heard from Ramnik that Nishad had updates on it,
7 so I then asked Nishad.

8 Q. What did he tell you?

9 A. Nishad told me that he had dealt with it.

10 Q. Did you come to learn anything more about that?

11 A. Yeah. I—I asked him what that meant. He said that there
12 were EcoSerum staking rewards that were another 50 million or
13 so of revenue.

14 Q. And what had been done, if anything, with those rewards?

15 A. That there were—that FTX was charging a fee on the
16 interest payments made for people staking EcoSerum—I believe
17 it was about a 25 percent fee on the interest payments—and
18 that that was contributing revenue to FTX.

19 Q. And that's what got you to the billion?

20 A. Uh-huh.

21 Q. What was your reaction to that?

22 A. I was a little surprised. I had not thought of
23 EcoSerum-staking-related things at all. I hadn't been
24 anticipating getting that as a response. I had been
25 anticipating either that no, there was no other revenue or yes,

1 there were other, you know, interest payments with respect to
2 some program that I had thought more about or maybe OTC-related
3 things that had not been accounted for.

4 Q. You mentioned OTC-related things.

5 A. Yes.

6 Q. What is that?

7 A. There was an OTC platform and feature on FTX whereby
8 customers, if they wanted to, instead of putting out an offer
9 to buy a Bitcoin for \$10,000 in an order book, they could
10 instead go to a market maker, usually Alameda, and just say,
11 I'd like to buy one Bitcoin, what price would you sell that at
12 right now, they'd give back a number, and they could either
13 accept or decline.

14 Q. In connection with reaching a billion dollars in revenue
15 for 2021, did you—did the topic of backdating any document
16 come up?

17 A. I don't recall it coming up, no.

18 Q. Were you familiar with something at FTX called the
19 insurance fund?

20 A. Yes.

21 Q. What was that?

22 A. The insurance fund is a word we used to describe the amount
23 of money that we were pledging to cover customer account
24 losses. This was related to the risk of clawbacks or
25 socialized losses.

1 Q. Can you explain how that worked.

2 A. Yes. So if there were a customer account that had a margin
3 position, either futures or—or a spot open, markets moved, its
4 assets declined in value, and it ended up with more liabilities
5 than assets, it ended up with, say, you know, \$3,000 of
6 liabilities, \$2,000 of assets backing that, it had a net
7 liability of a thousand dollars, would close down the accounts
8 position but it would still have that net liability, and
9 someone had to cover it. Either it had to be FTX had to cover
10 it or FTX's customers had to cover it. That's what socialized
11 losses or clawbacks were. But before those came, FTX would try
12 and cover it. The insurance fund, that was the amount of money
13 FTX pledged to use to cover such customer account losses.

14 MR. COHEN: Can we call up GX 751 in evidence.

15 Q. Okay. If you look at the top, there's an FTX message. The
16 5.25 million—

17 MR. COHEN: Can you highlight the top, Brian.

18 Q. "The 5.25 million FTT we put in our insurance fund in 2019
19 now makes the fund worth over 100 million USD." What was your
20 understanding of that, Mr. Bankman-Fried?

21 A. My understanding was that we were pledging to our customers
22 that if there were any losses from—from a customer's account,
23 before socializing any losses to other users, before clawing
24 back funds, FTX would spend at least 5.4 million US dollars and
25 5.2 million FTT tokens in covering that account.

1 Q. And then underneath it, there's something called backstop
2 fund—

3 A. Yes.

4 Q. —with size and some number. Do you see that?

5 A. Yes.

6 Q. Okay. Were you the person who calculated the numbers
7 behind the backstop fund?

8 A. No.

9 MR. COHEN: Okay. All right. You can take that down.

10 Q. Did there come a time that the insurance fund did not cover
11 a large loss?

12 MS. SASSOON: Objection, leading.

13 THE COURT: Sustained.

14 Q. Let me come at it this way: Have you ever heard of an
15 entity called MobileCoin?

16 A. Yes.

17 Q. What was MobileCoin?

18 A. MobileCoin was a cryptocurrency.

19 Q. Okay. And did there ever come a time that there was an
20 issue with MobileCoin on the exchange?

21 A. Yes.

22 MS. SASSOON: Objection. Still leading.

23 THE COURT: I'll allow it.

24 Q. Tell us about that.

25 A. Yes. So there was a trader on FTX that put on a

1 significant position in a few cryptocurrencies. MobileCoin was
2 one; BTMX, another cryptocurrency, was another one. The
3 account grew in value and was borrowing a substantial amount,
4 collateralized by those assets. It grew to hundreds of
5 millions of dollars in assets and hundreds of millions of
6 dollars that it was borrowing. That was significant but not
7 particularly unusual for FTX at the time. However, there was a
8 steep increase in the price of the assets it was using as
9 collateral—BTMX and MobileCoin and others. BTMX went up over
10 a thousand percent over, so more than ten times in price. That
11 significantly increased the value of its account, and the
12 amount that it could and did borrow against that.

13 As this was happening, concerns were raised to me by
14 Ryan Salame and Gary and Nishad about whether this account was
15 engaging in something improper. They expressed concerns to me
16 that this account might be—although we, to my knowledge,
17 didn't have proof—that that—that it was—or confidence that
18 it was—might be engaging in what we would have thought of as
19 market manipulation. As—as the judge said, I don't mean that
20 as a legal term, just as my understanding of what that meant.
21 In particular, their concern was that it might be causing a
22 substantial increase in the price of BTMX and MobileCoin and
23 others.

24 MS. SASSOON: Objection. Narrative.

25 THE COURT: Sustained. Ask another question,

1 Mr. Cohen.

2 MR. COHEN: Sure.

3 Q. As a result of what was going on, did FTX suffer a loss?

4 A. FTX did not itself suffer a loss, no.

5 Q. Did any entity suffer a loss?

6 A. Alameda took on a large position.

7 Q. Why was that?

8 A. This trader's position grew to hundreds of millions of
9 dollars in assets and in borrows. I looked at it and said that
10 I was going to take responsibility for monitoring it. I
11 probably didn't do as good a job as I could have. The account
12 ended up withdrawing a lot of money, exploiting a—a loophole
13 that I hadn't noticed, and at that point I became very
14 concerned about the account's position. It still had a
15 negative—a positive value, rather. The assets were still
16 worth far more than the liabilities, but the assets had
17 increased a extremely large amount, very recently, and I was
18 skeptical of the future pricing of those. This was time for
19 the risk engine process to kick in. But the position was large
20 enough and the tokens illiquid enough that it couldn't happen
21 in the order book. It went to the backstop liquidity provider
22 system, and the only backstop liquidity provider willing to
23 take on a large position in those tokens was Alameda Research.
24 As such, we passed that account's position over to Alameda
25 Research.

1 Q. Did the insurance—

2 MS. SASSOON: Objection. Objection, your Honor, to
3 the testimony that it was Alameda Research. That's not a
4 person. Saying Alameda Research was willing to take on the
5 position.

6 THE COURT: Overruled.

7 But let me clarify something. You said the position
8 was large. That was a position in what, just for clarity?

9 THE WITNESS: It had assets of a few different
10 cryptocurrencies—MobileCoin and BTMX—and it had borrows of a
11 significant amount of US dollars and Bitcoin.

12 THE COURT: And the tokens were illiquid, what did
13 that mean?

14 THE WITNESS: The trading volume was not that large in
15 BTMX particularly and MobileCoin. In addition to that, their
16 price—at least BTMX's price—had gone up by more than a factor
17 of 10 over the past weeks, which I felt was potentially
18 indicative of a market that might not sustain itself.

19 THE COURT: And so by tokens illiquid, did you
20 mean—or did you mean something else—did you mean that if you
21 went to sell the tokens, you couldn't get the price at which
22 the tokens had been trading in the very near recent past?

23 THE WITNESS: That is essentially what I meant, yes.

24 THE COURT: Thank you.

25 Please go on.

1 MR. COHEN: Thank you, your Honor.

2 BY MR. COHEN:

3 Q. Did the insurance fund wind up being involved here?

4 A. Not substantially. I'm not sure if it was involved not at
5 all or only to a small extent.

6 Q. Why is that?

7 A. The account still had positive net asset value when it was
8 passed off to Alameda Research as a backstop liquidity
9 provider. In addition to that, I felt at the time that I had
10 taken responsibility for the management of that account by
11 saying as much to Ryan and Gary and Nishad, that I felt that
12 they had been right to be concerned about it, that I had not
13 done as much as I should have monitoring that account
14 subsequent to taking responsibility, and that as such, it was
15 further appropriate that Alameda Research, which I owned,
16 should be the one to end up with that position.

17 Q. Why not FTX?

18 A. So FTX itself did not take positions in assets like that.
19 FTX was not itself a backstop liquidity provider and didn't
20 itself take on liquidating accounts. It would pass them on to
21 trading firms that knew how to deal with large token balances.

22 Q. And did it wind up going to Alameda?

23 A. Yup.

24 Q. Okay. All right. New topic, Mr. Bankman-Fried.

25 I think you mentioned several times Slack and Signal.

1 A. Yup.

2 Q. What were they?

3 A. They were two messaging platforms that FTX used.

4 Q. Why did FTX use them?

5 A. It used them chiefly because they had a much better
6 platform designed for conversational-style interactions. Email
7 works well for distributing a message to a person or group of
8 people or for a back-and-forth with one person on a topic, but
9 Slack, for instance, had a number of features that made it easy
10 to create channels for different topics, to have different
11 threads within the channel, to post files or comments, to
12 interact with many people at once on those in realtime, and so
13 it was—it was I understood to be one of the standard workplace
14 communications software, and it was something that we found
15 very useful.

16 Q. And have you ever heard the term "encryption"?

17 A. Yes.

18 Q. What was your understanding of that term?

19 A. "Encryption" refers to effectively the ability to send a
20 message to someone without third parties overhearing that
21 message. It was prominent, you know, in World War Two with the
22 Allied and Axis's messages and code-breaking efforts. In
23 modern internet, I understood it to be a way to communicate
24 messages electronically whereby you would have the message and
25 the recipient would have the message but no one else would be

1 able to see what that message said.

2 Q. And how, if at all, did Slack and Signal relate to
3 encryption?

4 A. So both were encrypted from the general public, as in they
5 weren't public messages that you would send. They would only
6 be visible to the intended targets. However, with Slack, the
7 company Slack itself would also have access to those messages.
8 Signal had what was called end-to-end encryption, which meant
9 that even Signal, the company, didn't know what messages were
10 being sent, only the sender and receiver did.

11 Q. And was there a business reason for using this?

12 A. Yeah. There were a few different business reasons for
13 using it.

14 Q. What were they?

15 A. We were concerned about hacking attempts on ourselves or on
16 third-party providers. There were a few instances where
17 third-party software that we used got hacked and FTX
18 information that it had access to was leaked out to the world.

19 We were also concerned about ex-employees potentially
20 taking data from the company and selling it to competitors. We
21 had seen that happen in the industry before. And especially
22 when we were headquartered in Hong Kong, there were concerns—

23 MS. SASSOON: Objection, your Honor. The witness has
24 repeatedly used the phrase "we," "we," "we" here and in other
25 responses, and we'd just like clarification on the "we."

1 MR. COHEN: I'm happy to follow up, Ms. Sassoon.

2 THE COURT: Okay.

3 Q. You used the term "we."

4 A. Yes.

5 Q. Who do you refer to?

6 A. I apologize. I refer to myself there, to me.

7 Q. Okay.

8 A. I have a habit that I still haven't broken of using the
9 term "we" so as to not single out myself or other employees.

10 Q. So going forward, please let us know when you mean "we" and
11 others or "we" yourself.

12 A. Yes.

13 Q. Okay. Did FTX have a—well, let me back up.

14 Have you ever heard of a data retention policy?

15 A. Yeah.

16 Q. What did it mean to you?

17 A. It meant a policy about what corporate records needed to be
18 kept for the long-term, which ones had to be deleted promptly,
19 and which fell into neither category.

20 Q. Okay. And did FTX have such a policy?

21 A. Yeah.

22 Q. Yes or no: Did you review it?

23 A. Yeah.

24 Q. Okay. What was your understanding, Mr. Bankman-Fried, of
25 how the policy worked?

1 A. My understanding was that there were groups of documents
2 and records and communications that needed to be preserved for
3 the foreseeable future. Those included various regulatory
4 interactions, they included all official communications and
5 business records on particular topics, especially topics that
6 regulators had expressed interest in to us. And that there
7 were, on the flip side, some sorts of records and
8 communications that had to be deleted after some time period
9 for data sensitivity reasons, and then many that there's no
10 requirement in either direction.

11 Q. Okay. So three categories?

12 A. Yeah.

13 Q. Mr. Bankman-Fried, did there come a time that outside
14 investors invested in FTX?

15 A. Yup.

16 Q. Okay. And about when was that?

17 A. Other than the seed investment that Binance had made in
18 2019, the first substantial one was in 2021, the spring of
19 2021.

20 Q. And do you recall what name was given to that?

21 A. It was the series—I believe it was the series B.

22 Q. So it was investors invest—outside investors investing in
23 FTX in a round called series B?

24 A. Yeah.

25 Q. Do you recall about how much was invested?

1 A. It was around a billion dollars.

2 Q. And that was in mid-2021?

3 A. Yup.

4 Q. Was there another investment by outside investors in FTX?

5 A. Yup.

6 Q. When was that?

7 A. There was a follow-on investment a few months after that
8 first investment, and then there was another round that was I
9 believe agreed to in late 2021 and closed in early 2022.

10 Q. Okay. Let me break this down. You used the phrase
11 "follow-on."

12 A. Yes.

13 Q. What do you mean by that?

14 A. It was a—I believe we called it the B1 round. It was at
15 effectively the same or very similar terms to the first, the
16 series B investment, for investors who basically needed more
17 time from that round to complete their diligence process.

18 Q. And about how much was the series B1 investment for?

19 A. I believe it was around 500 million or so.

20 Q. And about when was that?

21 A. That was in the summer of 2021.

22 Q. Okay. And was there another investment in FTX by outside
23 investors?

24 A. Yup.

25 Q. When was that?

1 A. That was negotiated and agreed to in late 2021, closed in
2 early 2022.

3 Q. Okay. And did that have a name?

4 A. I believe it was—that was a series C.

5 Q. Series C. And about how much was invested in that round?

6 A. I think it was around a billion as well.

7 Q. Okay. Now coming back to the series B round, what
8 information, if any, was provided to the investors before they
9 invested?

10 A. Before they invested, there were a number of documents and
11 spreadsheets that we sent to prospective investors, and in
12 addition, we had conversations with them.

13 Q. Did you ever hear the term "data room"?

14 A. Yes.

15 Q. What does that mean to you?

16 A. It's a—a folder, effectively, posted online, where you can
17 upload a bunch of files and share them with people. In this
18 case, we had a data room for—that we created that we uploaded
19 files to that the investors could look at.

20 Q. And that was for the series B?

21 A. Yeah, although we had one for each of the investment
22 rounds.

23 Q. Would the data room get updated from time to time?

24 A. Yup.

25 Q. Okay. What would it be updated with?

1 A. It would be updated with new documents and new financials
2 as they came out, or other sort of ad hoc things.

3 Q. On the FTX side, who interacted with outside investors?

4 A. Ramnik was the one who did so the most; I did so as well;
5 and then there were some people who occasionally did.

6 Q. Do you remember who they were?

7 A. The people who occasionally did?

8 Q. Yes.

9 A. There would occasionally be a call for developers, and so I
10 think Nishad was on a couple calls with investors at some point
11 in time. We would sometimes have some someone from our finance
12 team get on the call with prospective investors. I think
13 Jayesh was sometimes on calls with investors. We would
14 sometimes have someone from the US team, from FTX.US, on calls
15 with investors. Brett Harrison and Zach Dexter were both on
16 some calls. We also would sometimes have someone from the
17 legal department on the calls, which would be Dan Friedberg or
18 Can Sun.

19 Q. You mentioned someone named Jayesh.

20 A. Yes.

21 Q. Who was that?

22 A. He was the head of finance for FTX International.

23 Q. And what was his last name?

24 A. I—Peswani. I'm mispronouncing that, I'm pretty sure.

25 Q. That's okay. And you said on the US team you mentioned a

1 new name, Brett Harrison.

2 A. Yes.

3 Q. Who was that?

4 A. He was for a time the president of FTX.US.

5 Q. Okay. Have you ever heard, in connection with an outside
6 investment, the term "valuation"?

7 A. Yes.

8 Q. What does that mean?

9 A. That meant the value of the total company according to an
10 investment round. So if investors, for instance, bought
11 10 percent of a company for \$5 million, that would mean the
12 valuation of the total company was 50 million.

13 Q. Okay. And if you recall, sir, what valuation—

14 THE COURT: Excuse me. Again, to clarify.

15 MR. COHEN: Sure. Sorry, your Honor.

16 THE COURT: That's just one way of putting a value on
17 a company that's not publicly traded, right?

18 THE WITNESS: That is correct. That is the only way
19 I've ever heard the term "valuation" used in that context, but
20 that does not mean it's the only way one could decide what the
21 company is worth. One could absolutely come up with other
22 metrics that—to value a company.

23 THE COURT: Let's go on.

24 MR. COHEN: Thank you, your Honor.

25 BY MR. COHEN:

1 Q. What valuation were the investors using in the rounds we've
2 just described?

3 A. Yeah, so again, using the metric that—that—that I had
4 talked about, the first round, the series B round, was a
5 valuation of roughly \$18 billion. The last round, the series
6 C, was of 40 billion.

7 Q. So investors were investing in FTX in the last round at a
8 valuation of 40 billion.

9 A. Yeah.

10 Q. Okay.

11 MR. COHEN: Your Honor, this might be a good time for
12 our afternoon break.

13 THE COURT: Okay. Fifteen minutes, folks.

14 THE DEPUTY CLERK: Will the jury please come this way,
15 bring your notebooks with you.

16 (Recess)

17 (Continued on next page)

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1 (In open court; jury not present)

2 THE COURT: Okay. Everybody here? Please be seated.

3 Counsel, just so you have it in mind, though I'm not
4 going to say anything to the jury now, I don't know how this is
5 going to go over the next few days, but if we are not done by
6 next Thursday, I'm considering sitting next Friday.

7 MR. COHEN: Understood, Judge.

8 THE COURT: Okay.

9 (Continued on next page)

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1 (Jury present)

2 THE COURT: The defendant and the jurors all are
3 present, as they have been throughout.

4 You may continue, Mr. Cohen.

5 MR. COHEN: Thank you, your Honor.

6 BY MR. COHEN:

7 Q. Mr. Bankman-Fried, I want to move forward in time now. I
8 want to call your attention to May of 2022. What, if anything,
9 did you—did you observe occurring in the crypto markets at
10 that time?

11 A. There was a large decrease in cryptocurrency prices.

12 Q. Okay. Can you give an example of what you saw.

13 A. So Bitcoin, the largest cryptocurrency, fell from roughly
14 \$40,000 per coin to about 30,000, so 25 percent decrease, and
15 most other cryptocurrencies had similar declines.

16 MR. COHEN: Can we call up DX 1614, please, in
17 evidence.

18 Q. This is a price, list of prices for Bitcoin. Calling your
19 attention to the May 2022 period, what did you observe,
20 Mr. Bankman-Fried?

21 THE COURT: Hasn't he just told us precisely that?

22 MR. COHEN: Well, okay.

23 Q. Let me go further. Did you observe anything beyond May,
24 Mr. Bankman-Fried?

25 A. After May, that it—

1 Q. Yeah, in terms of Bitcoin.

2 A. Yeah. After dropping to about \$30,000 in May, it fell
3 again in mid-June to about \$20,000.

4 MR. COHEN: Okay. We can take 1614 down.

5 Q. And did this have any impact on the market?

6 A. Yeah. The whole crypto market fell both times. Many coins
7 fell similar amounts to what Bitcoin had, a few—

8 MS. SASSOON: Objection, your Honor. I don't think
9 the witness is in a position to opine whether it was this that
10 caused an impact on the market.

11 THE COURT: Mr. Cohen, what do you say?

12 MR. COHEN: I think I can get at it a different way,
13 your Honor.

14 BY MR. COHEN:

15 Q. Mr. Bankman-Fried, were you familiar with a company called
16 Terra and a company called Luna?

17 A. It was one ecosystem, but yes.

18 Q. What did you know about them?

19 A. Terra was a cryptocurrency, Luna was another
20 cryptocurrency, related to each other. Terra was a volatile
21 cryptocurrency that was, you know, the token representing the
22 value of the project. Luna—sorry. Luna was. I misspoke.
23 Luna was the volatile one. Terra was a stablecoin, which means
24 it—it's—it was intended to maintain a price of about 1 dollar
25 consistently. Its backing was in Luna tokens, however.

1 Q. What, if anything, did you observe with regard to Terra and
2 Luna in the May period?

3 A. In May 2022, Luna crashed close to zero from tens of
4 billions of dollars of value, and then Terra, which was backed
5 by the value of Luna, fell close to zero as well, losing its 1
6 dollar pay.

7 Q. Were you familiar with a company called Three Arrows
8 Capital?

9 A. Yes.

10 Q. What were they?

11 A. They were a cryptocurrency trading firm, sort of like
12 Alameda.

13 Q. Did you observe anything happening—what did you observe,
14 if anything, with regard to Three Arrows Capital during this
15 period?

16 A. Three Arrows Capital ended up going bankrupt in June of
17 2022, and I understood that that had been caused by, among
18 other things, them having—

19 THE COURT: Sir, sir, you were asked what you
20 observed, not what you understood.

21 Q. Just what you observed.

22 A. Understood. Three Arrows Capital went bankrupt in June of
23 2022.

24 Q. Okay. And continuing, I think earlier you mentioned
25 certain crypto lenders—

1 A. Yeah.

2 Q. —do you recall that? And again, who were the large
3 lenders in the space?

4 A. Genesis, Celsius, BlockFi, and Voyager were four of the
5 larger ones.

6 Q. What, if anything, did you observe about them in the May to
7 June period?

8 MS. SASSOON: Objection, your Honor. Vague.

9 THE COURT: Rephrase, please.

10 MR. COHEN: Okay.

11 Q. All right. I'll take it one by one then.

12 Mr. Bankman-Fried, what, if anything, did you observe
13 in the market with regard to Celsius?

14 MS. SASSOON: Objection, your Honor. Same objection.

15 THE COURT: Sustained.

16 Q. Were you in communication with any of the lenders during
17 the May to June period?

18 A. Yes.

19 Q. Okay. And did you also observe what was happening to them
20 in the marketplace?

21 A. Yes.

22 Q. Okay. And what—just your personal knowledge, sir. What
23 did you observe?

24 THE COURT: Sustained.

25 MS. SASSOON: Objection, your Honor.

1 THE COURT: Look, if somebody called in a loan on
2 which his company was on the hook, that's one thing, but that's
3 not what you're doing. You're asking much broader questions.

4 MR. COHEN: Okay, your Honor.

5 THE COURT: And you're calling for all kinds of
6 hearsay. And opinion.

7 MR. COHEN: Okay.

8 BY MR. COHEN:

9 Q. Did the decline in price in Bitcoin have any impact on
10 Alameda?

11 A. Yes, it did.

12 Q. What was that?

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

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

20 A. Yes.

21 Q. What does that mean?

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

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

10 Q. If I could interrupt.

11 A. Yup.

12 Q. Long meaning you bought the stock?

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

18 Q. You also used the phrase "correlated with the market."
19 What does that mean?

20 A. It means that it had historically tended to be the case
21 that if the cryptocurrency market would increase in value—that
22 is, say, if Bitcoin and other major cryptocurrencies went
23 up—that the assets Alameda held would increase in price, and
24 conversely, that if the market overall were to decline, if
25 there were a market crash, that the assets Alameda held would

1 decrease in value.

2 Q. So what happened to Alameda's value around May 2022?

3 A. Well, there were, you know, large decreases in—in market
4 prices, Bitcoin fell from \$65,000 or so at the peak in late
5 2021 to 30,000 in May 2022 and 20,000 in June 2022, and as a
6 result, Alameda's net asset value fell from above \$40 billion
7 at the peak in late '21 to around \$10 billion ultimately in
8 June of 2022.

9 Q. One more term. I'm not sure we defined "net asset value."

10 A. Ah, yes. So when a company has assets and also has
11 liabilities, the net asset value is those assets minus those
12 liabilities. So if you had \$10,000 of assets but you took out
13 a \$2,000 loan to purchase those, your net asset value would be
14 \$8,000.

15 Q. Are you familiar with the concept of hedging?

16 A. Yes.

17 Q. What is your understanding of that concept?

18 A. Hedging is putting on a trade to protect against the risk
19 of a market move.

20 Q. Did there come a time that you discussed the topic of
21 hedging with anyone at Alameda?

22 A. Yes.

23 Q. Who was that?

24 A. Chiefly with Caroline Ellison, sometimes with other people
25 as well.

1 Q. When was the first time you remember discussing hedging
2 with Ms. Ellison?

3 A. In late 2021.

4 Q. And what did you say to her?

5 A. At that time Alameda was leveraged long the market. It had
6 far more at the time in assets than in liabilities. It had, my
7 understanding at the time, was something like 50 billion of
8 assets against—

9 MS. SASSOON: Objection. Move to strike. The
10 question was what did he say to her.

11 THE COURT: The answer is all stricken. The jury will
12 disregard it.

13 Put the question again. Please read it back to the
14 witness.

15 MR. COHEN: Sure. Read it back.

16 (Record read)

17 A. I suggested that Alameda hedge its exposure, its risk
18 of—that could come in a market decrease.

19 Q. Okay. And what was her response?

20 A. She discussed it with me. She ultimately weakly said that
21 she would look into doing so but was—I interpreted her to be
22 far less enthusiastic than I was about it.

23 Q. After the conversation in late 2021 about hedging, did you
24 have any other conversations about hedging?

25 A. Yes.

1 Q. Who were they with?

2 A. Chiefly with Caroline Ellison, sometimes with other people
3 as well.

4 Q. Okay. About how many other conversations did you have and
5 when?

6 A. I had a conversation every month or two with her over the
7 course of 2022.

8 Q. And I don't think we have to go one by one, but generally
9 what was the substance of what you said in these conversations?

10 A. I would check in periodically to see if Alameda had in fact
11 hedged, and was told each time that it had not done so but was
12 planning to look into doing so in the near future.

13 Q. As of June 2022, had Alameda hedged against the market?

14 A. No.

15 Q. You said you also spoke to other people besides
16 Ms. Ellison. Who was that?

17 A. Ben Xie and Sam Trabucco and Ramnik Arora.

18 Q. And again, Ben Xie was?

19 A. Head of trading at Alameda.

20 Q. And Sam Trabucco?

21 A. He was formerly the co-CEO, although on the way out.

22 Q. Okay. And I think you mentioned—I think we covered
23 Ramnik.

24 A. Yes.

25 MR. COHEN: Can we bring up for the witness Government

1 Exhibit 36 in evidence.

2 Q. Take a moment. Do you recall seeing this document,
3 Mr. Bankman-Fried?

4 A. Yes.

5 Q. And what was it?

6 A. This was a document Caroline put together to discuss how to
7 manage Alameda's risk in late 2021.

8 Q. Okay. And do you recall the context in which this document
9 was prepared?

10 A. Yes, I do.

11 Q. What was that?

12 A. There were multiple pieces of context, one of which was
13 Alameda considering making more venture investments, second one
14 of which was me expressing some concern about Alameda's risk to
15 Caroline.

16 Q. Okay. Take a look in the middle at the entry called main
17 question.

18 A. Yeah.

19 Q. It lists five topics. Do you see that?

20 A. I do, yes.

21 Q. Do you recall discussing those topics with Ms. Ellison?

22 A. Yes.

23 Q. Okay. Can you go through them for us. Let's start with
24 the first one.

25 A. Yeah. Bullet point 1 referred to FTX raising money from

1 equity investors.

2 Q. And what was that a reference to?

3 A. That was a reference to the fact that at that point FTX had
4 raised money from equity investors at an \$18 billion valuation,
5 and was considering doing another fundraising round.

6 Q. Okay. And what about the second entry, "invest in less
7 ventures"?

8 A. That's somewhat straightforward, but do less venture
9 investing, spend less capital on it.

10 Q. These were options you were discussing with her.

11 A. Yes.

12 Q. What about No. 3, "sell more FTT"?

13 A. Alameda had a substantial holding in FTT and could have
14 chosen to sell some more of it.

15 Q. And four, get shorter overall.

16 A. Yes. That was referring to hedging.

17 Q. Okay. How does shorter refer to hedging?

18 A. The particular risk that Alameda had, it was long the
19 market. It had—it owned stakes in assets that were correlated
20 to the market and so it was at risk of losing money if there
21 was a market decrease. Getting shorter means selling assets,
22 so that would have been the direction that would have protected
23 or mitigated that risk.

24 Q. Okay. Did you ever discuss with anyone specific
25 investments that Alameda should hedge?

1 A. Yes.

2 Q. Who did you discuss that with?

3 A. Caroline Ellison, Ramnik Arora, and there were a few other
4 people who were listening in.

5 Q. When were those discussions?

6 A. Late 2021.

7 Q. And do you recall what specific investments you discussed
8 hedging?

9 A. I recall discussing it as a general matter and then
10 specifically with respect to Genesis Digital Assets, GDA.

11 Q. And what was GDA?

12 A. That was the Bitcoin mining firm that Alameda invested in.

13 Q. And what did you say about—what, if anything, did you say
14 about hedging GDA?

15 MS. SASSOON: Objection, your Honor. These refer to
16 conversations with multiple different people and so the
17 question is vague.

18 THE COURT: Yes.

19 MR. COHEN: Okay. I'll break it down.

20 Q. The conversation about GDA, who was that with?

21 A. I had a conversation with Ramnik and then a conversation
22 with Caroline and Ramnik.

23 Q. Okay. And when were those conversations?

24 A. Late 2021.

25 Q. Okay. Let's take the first one with Ramnik. What did you

1 say to him?

2 A. I said that I expected that if we invested more in GDA, we
3 would hedge our stake in the company with Bitcoin.

4 Q. Why did you say that?

5 A. GDA was a Bitcoin mining firm. That meant that the—the
6 revenue that it made was in Bitcoins, and its future business
7 was in Bitcoins. It, you know, got Bitcoins using computers
8 over time. Because of that, it was very—seemed very clearly
9 to me to be correlated to the market and to Bitcoin in
10 particular. I had felt that the GDA investment was good in
11 that we were buying it for less than I expected it would bring
12 in, in profit, but had strong market risk. And so the trade
13 that I expressed to Ramnik would make sense would be investing
14 in GDA and simultaneously hedging with Bitcoin the market risk
15 from that.

16 Q. And you mentioned a second conversation with Ramnik and
17 Ms. Ellison.

18 A. Yes.

19 Q. What did you discuss with them?

20 A. In that conversation I informed Caroline that there was
21 going to be an investment in GDA and suggested that Alameda
22 hedge roughly \$2 billion worth for it.

23 Q. Did Alameda put on that hedge?

24 A. No.

25 MR. COHEN: Okay. We can take this down, Brian.

1 Q. Let me call your attention now to June of 2022,

2 Mr. Bankman-Fried.

3 A. Yup.

4 Q. Did an issue arise at that time about Alameda's NAV?

5 A. Yes.

6 Q. Okay. What do you recall happening?

7 A. The first thing that I recall happening is I was in the FTX
8 hut as were Gary and Nishad, and Caroline came over to us
9 concerned.

10 Q. Let me stop you for a moment. You mentioned the FTX hut, I
11 believe.

12 A. Yes.

13 Q. What was that?

14 A. So this was the FTX Bahamas headquarters. There was a
15 giant parking lot. On that parking lot there were about seven
16 buildings, which we called huts. Each one could fit about 20
17 people or so. And the main part of the FTX headquarters was
18 one of those huts.

19 Q. Did Alameda also have a hut in that area?

20 A. Yeah. One of those seven was Alameda's office.

21 Q. Okay. So you mentioned that Ms. Ellison came over to the
22 FTX office.

23 A. Yes.

24 Q. Who was there?

25 A. I was there, Gary and Nishad were there, at least as of

1 later on, Adam Yedidia was there, and there were likely other
2 people in the office as well that I can't remember.

3 Q. What, if anything, did Ms. Ellison say?

4 A. She approached us and said that she was concerned that
5 Alameda might have just gone bankrupt.

6 (Continued on next page)

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1 Q. Did she say anything else?

2 A. Yeah. She asked what we should do, what we should tell
3 Alameda's lenders, and if there were other things we should be
4 doing or thinking about.

5 Q. What was your reaction?

6 A. I was very surprised and fairly concerned.

7 Q. Why were you surprised?

8 A. I had not expected that Alameda would be bankrupt. Bitcoin
9 had just crashed from \$30,000 to \$20,000, and I did expect
10 Alameda would have a NAV decrease from that, but I had
11 anticipated that it would still have roughly positive \$10
12 billion of net-asset value as of then.

13 Q. How would you describe her demeanor?

14 A. She was nervous.

15 MS. SASSOON: Objection.

16 THE COURT: Overruled.

17 MS. SASSOON: She was nervous. It's not a description
18 of her demeanor.

19 THE COURT: Overruled.

20 Q. What happened next?

21 A. I asked her how confident she was that Alameda had just
22 gone nearly bankrupt.

23 Q. What, if anything, did she say?

24 A. She had she was not very confident.

25 Q. So what happened next?

1 A. I said that before we got into what steps we had to take,
2 we should first figure out what exactly had happened and what
3 Alameda's NAV definitely was.

4 Q. Did you speak to anyone else at the time?

5 A. Yes. Gary and Nishad.

6 Q. What happened then? What did you say to Gary and Nishad?

7 A. I described the situation, said that Caroline had
8 uncertainties about Alameda's NAV, and she had expressed
9 particular uncertainties about Alameda's balances on FTX, and
10 so asked that they investigate this.

11 Q. What, if anything, did they do?

12 A. They spent the next three hours digging into Alameda's NAV
13 in general and its accounts on FTX.

14 Q. And they being Gary and Nishad were in the FTX office?

15 A. Yes.

16 Q. Did Ms. Ellison remain in the office?

17 A. For some time, but she later went back to the Alameda
18 office to work on it from there.

19 Q. Prior to hearing this information, what had been your plan
20 for the day?

21 A. I had a trip scheduled to Washington, D.C. later that
22 afternoon. I had meetings scheduled with senators and their
23 staff.

24 Q. Why were you meeting with senators and their staff, very
25 briefly?

1 A. There was a proposed bill in the senate, senate agriculture
2 committee in particular, that would create a regulatory
3 framework for crypto derivative exchanges.

4 Q. After your conversation with Ms. Ellison and Gary and
5 Nishad, what did you do with respect to this trip?

6 A. I put that off. I was not going to fly to D.C. while
7 Alameda might be bankrupt.

8 Q. Now, I believe you said that Gary and Nishad spent about a
9 couple of hours working on the issue?

10 A. Yeah.

11 Q. Did anyone else help them?

12 A. Caroline did as well, and then later on Adam Yedidia and
13 Andrea.

14 Q. Is that Andrea Lincoln?

15 A. Yes.

16 Q. Did there come a time that they told you what they had
17 found out?

18 A. Yes.

19 Q. Can you go over that for us.

20 A. Yeah. After a few hours, they told me that there had been
21 a bug and that Alameda's NAV was about \$8 billion higher than
22 Caroline had thought.

23 Q. What was your understanding about a bug?

24 A. I didn't --

25 THE COURT: Could we find out what was said, if that's

1 what you want to elicit.

2 MR. COHEN: Yes, your Honor. Your question is better
3 than mine.

4 Q. What was said about the bug?

5 MS. SASSOON: Your Honor, I would just ask for
6 clarification about who is speaking.

7 THE COURT: Please.

8 MR. COHEN: Let me start again.

9 Q. Was there a conversation after Gary, Nishad, Adam and
10 Andrea finished their work?

11 A. After they finished their preliminary work, yes.

12 Q. Tell us who said what. Please go through that.

13 A. Nishad said that there had been a bug that had caused
14 Alameda to miscalculate its balances and that it had \$8 billion
15 more than it thought. Caroline said that that, in turn, meant
16 that Alameda's overall net-asset value was roughly positive 8
17 to \$10 billion rather than zero to 2 billion.

18 Q. Did anyone say anything else?

19 A. I asked how confident people were in the new number. I
20 wanted to make sure that there wasn't going to be a further
21 revision back down. All of the developers' pricing confirmed
22 that they had looked into this and could each corroborate that
23 the new number was the correct one. I asked Caroline to
24 confirm that this definitely meant that Alameda's NAV was
25 positive 8 to 10 billion, that it hadn't already been taking

1 this into account, and she said that they had in fact confirmed
2 that and that in fact this explained some otherwise confusing
3 decreases in Alameda's assets over the past few months.

4 Q. How would you describe her demeanor?

5 A. It appeared to be relieved.

6 Q. How would you describe Nishad's demeanor?

7 A. Similar.

8 Q. And Gary?

9 A. Similar.

10 Q. After you had this conversation, what happened next?

11 A. So after that conversation and after I had confirmed for
12 sure that things were as we understood, a few things happened
13 that day. The first was that Caroline said that, given this
14 update that Alameda was not in fact bankrupt, that it probably
15 made sense to go ahead and send a balance sheet to lenders who
16 were asking for one. I said that sounded right to me. She
17 also said it probably made sense to go ahead and send back
18 loans to lenders who were asking for loans back from Alameda,
19 and I said that that sounded right to me as well.

20 Q. We will come back to that.

21 Did you have any further discussions with anyone in
22 the room about what to do about -- now that you had found the
23 book?

24 A. Yes. With the FTX developers, I suggested, first, that
25 they prioritize fixing this particular bug and making sure that

1 all of the numbers associated with it were correct and, after
2 having done that, that they review whatever system had led to
3 this bug in the first place and strongly consider rewriting
4 that system or cleaning it up because it was probably not a
5 very robust system in my mind if it had led to a very large
6 misreported figure.

7 THE COURT: Excuse me for a minute.

8 You used the phrase a minute ago, "send back loans to
9 lenders."

10 THE WITNESS: Yes.

11 THE COURT: What did that mean?

12 THE WITNESS: Yeah. I apologize. I forgot to give
13 context for that.

14 Some of Alameda's third-party lenders, like Genesis
15 and others, had requested that Alameda return some of the loans
16 that it had taken out from them.

17 THE COURT: You mean pay them?

18 THE WITNESS: Yes.

19 THE COURT: Go ahead, counsel.

20 MR. COHEN: Your Honor, thank you for clarifying.

21 Q. In these discussions after the bug was discovered, did the
22 topic of FTX's accounting come up?

23 A. Yes.

24 Q. What was discussed?

25 A. I suggested that it would probably make sense to do a more

1 general overhaul of FTX's accounting, given both this and other
2 things that were going on at the same time.

3 Q. Now, moving forward, did there come a time that the bug was
4 fixed?

5 A. Yeah.

6 Q. Who worked on that?

7 A. I know that Adam Yedidia and Nishad Singh both worked on
8 it.

9 Q. Do you know if the fix of the bug was recorded anywhere?

10 A. Yes. There is a memo they wrote up to memorialize it.

11 MR. COHEN: Can we call up DX-488 for identification.

12 Q. Take a moment to go through this, Mr. Bankman-Fried, and
13 let me when you have. If you need to see multiple pages, let
14 us know.

15 A. Yup, that looks like it.

16 Q. What is this document?

17 A. This is that memo that was written up.

18 Q. Did you see it at the time?

19 A. Yes.

20 MR. COHEN: The defense offers Exhibit 488, not for
21 its truth.

22 MS. SASSOON: Objection, your Honor.

23 THE COURT: Ground.

24 MS. SASSOON: 401 and hearsay.

25 THE COURT: Mr. Cohen.

1 MR. COHEN: Your Honor, we are just offering it for
2 the fact that the memorandum was done, not for the content of
3 the memo.

4 THE COURT: Memorandum being done divorced from the
5 content is not relevant.

6 MR. COHEN: Not for the -- your Honor, may we come to
7 sidebar?

8 THE COURT: No. This is straightforward.

9 Sustained.

10 Q. You also mentioned that one of the follow-up items was the
11 accounting. Do you recall what happened after that?

12 A. Yeah. There is -- there are two projects related to FTX's
13 accounting. One of them was to overhaul the entire accounting
14 system and the other was specifically to overhaul the parts of
15 it that were related to bank deposits and withdrawals.

16 Q. Do you know whether that took place?

17 A. The second one did take place and was completed. The first
18 one was begone but not fully completed.

19 Q. Who handled the project about bank withdrawals?

20 THE COURT: I think you misspoke. I think the witness
21 said deposits.

22 MR. COHEN: I'm sorry, your Honor.

23 A. Adam Yedidia.

24 MS. SASSOON: Your Honor, I want to make a foundation
25 objection. I don't believe it was elicited who was part of the

1 discussions about accounting and how he would know who did this
2 project.

3 THE COURT: The objection is overruled. The answer is
4 in.

5 Next question.

6 Q. Mr. Bankman-Fried, did there come a time that you learned
7 about another liability that Alameda owed to FTX?

8 A. Yes.

9 Q. When did you learn about that?

10 A. I learned about pieces of it at different points in time.
11 The first pieces of it were on this day in June.

12 Q. Who did you learn about it from?

13 A. I learned about it from the developers at FTX, from Gary
14 and Nishad in particular, and then later from conversations
15 with Caroline as well, ultimately from a new database that was
16 created.

17 Q. Let's take them one by one. Take us through the
18 conversations -- let me ask this. The conversations with Gary
19 and Nishad, did you speak with them together?

20 A. There were conversations with us together. There were also
21 conversations I overheard.

22 Q. Let's break this down. The conversations you participated
23 in with Gary and Nishad, what was discussed?

24 A. The ones in June 2022 or later?

25 Q. Start with June, and then we will move to later.

1 A. So in June 2022, around this date, I was told that there
2 was the bug, this \$8 billion miscalculation of Alameda's
3 net-asset value. And Gary and Nishad told me in person that
4 day in the conversation that it was stemming from something
5 called fiat@. That was the -- that it was related to bank
6 account deposits and withdrawals and two of those that had gone
7 through Alameda historically.

8 Q. Did you know what fiat@ was at the time?

9 A. No.

10 Q. Did you later learn?

11 A. Yes.

12 Q. How did you learn?

13 A. I ultimately learned what it was by looking it up in a
14 database that I ultimately got access to, although I had heard
15 bits and pieces about it in the interim.

16 Q. Did Gary and Nishad in that initial conversation discuss
17 the size of the liability?

18 A. There were some discussions about liabilities. There was
19 also a lot of uncertainty that they were still looking into. I
20 remember hearing that there was.

21 THE COURT: Excuse me, please. We will all get done
22 with this more efficiently if you would focus on the question
23 better.

24 The question was: Did Gary and Nishad in that initial
25 conversation discuss the size of the liability? They either

1 they did, they didn't, or you don't recall, presumably. Would
2 you answer that.

3 A. I don't recall them specifically discussing that liability,
4 no.

5 Q. Did there come a time where you had later conversations
6 with Gary and Nishad where you discussed the liability?

7 A. By the liability, are you referring to the fiat@?

8 Q. Yes.

9 A. Ultimately, by October of 2022, yes, there were explicit
10 conversations with them about the fiat@ liability.

11 Q. Now, you mentioned you also had conversations, I think you
12 said, with Ms. Ellison?

13 A. Yes.

14 Q. Do you recall those conversations about the liability?

15 A. I had conversations with her about Alameda's liabilities
16 and liabilities on FTX. I am not sure I had conversations with
17 her until later on about the fiat@ liability in particular.

18 Q. I think you also mentioned Mr. Yedidia.

19 A. Yes.

20 Q. Same question.

21 MS. SASSOON: Your Honor, form.

22 Q. Do you recall having a discussion with Mr. Yedidia about
23 the liability, fiat@ liability?

24 A. I don't recall having a discussion at the time with him
25 about the fiat@ liability size in particular. I don't recall

1 discussing that with him until November 2022, although I did
2 have other discussions with him.

3 Q. Did there come a time that you learned of the size of the
4 fiat@ liability?

5 A. Yes.

6 Q. What was the size?

7 A. Around 8 billion.

8 Q. Who did you learn that from?

9 A. I ultimately learned confidently that the fiat@ liability,
10 in particular its size, was 8 billion from a database.

11 Q. Can you explain that.

12 A. Yes. In around September and October of 2022, FTX's
13 developers had built a second database, a Google-hosted
14 database that was similar to but different -- but not the same
15 as the AWS primary database. The primary purpose of this was
16 to have a source that nondevelopers could interact with. They
17 had expressed the concerns to me that if I accidentally
18 requested too much data --

19 MS. SASSOON: Objection. Hearsay.

20 MR. COHEN: Your Honor, I might be able to streamline
21 this, if I might.

22 THE COURT: We are all on the same team on that.

23 MR. COHEN: Thank you.

24 THE COURT: That's not to say that you can elicit
25 hearsay like this.

1 MR. COHEN: I understand. I think there is a way to
2 shorten this. We shall see.

3 Q. This database you referred to, Mr. Bankman-Fried, when did
4 that come into effect?

5 A. I am not sure when it first came into effect. I believe I
6 got access in October of 2022.

7 Q. Was it a database that had been available to you before
8 October?

9 A. No.

10 Q. Did you go on the database?

11 A. Yes.

12 Q. What did you find?

13 A. Among other things, I found something called fiat@FTX.com.

14 Q. What did you conclude after finding that?

15 A. That there was an account with a negative \$8 billion
16 balance that was a subaccount of an Alameda affiliate.

17 Q. What was your reaction, if any, of finding out that Alameda
18 had a liability of \$8 billion?

19 A. I was very surprised.

20 Q. Why was that?

21 A. I had certainly, as of prior to this sequence, been under
22 the belief that Alameda's total liability to FTX was reflected
23 in the info@ account that I had looked at. That was Alameda's
24 primary trading account on FTX. I had seen liabilities of
25 roughly \$2 billion in that account and far more than that in

1 assets. Now I had come to realize that the total liability was
2 far more than that.

3 Q. How did this liability compare to what you had seen on the
4 info@ account?

5 A. So this liability was larger. It was about 8 billion
6 instead of about 2 billion, making roughly 10 billion in total,
7 and without substantial collateral posted directly on the FTX
8 account.

9 Q. Upon seeing this, what was your reaction?

10 A. I was surprised. I reached out to developers to confirm
11 what this was, and I started to think through what the
12 implications of it were.

13 Q. Did you believe that it could be paid back?

14 A. Yes.

15 Q. What did you base that on?

16 A. I had confirmed multiple times, and I did again, that
17 Alameda's net-asset value had already included all liabilities,
18 including this one, in other words, that Alameda had
19 approximately 10 billion more in the value of its assets than
20 in its liabilities, including this liability. As such, I was
21 of the view that Alameda had plenty in asset value to be able
22 to cover the liability.

23 Q. Did you consider any other assets?

24 A. By other assets, can you clarify, other than what?

25 Q. Of Alameda.

1 A. Yes. I looked at obviously the collateral on FTX. I
2 looked at its off-FTX assets, and I also looked into Paper Bird
3 and a few other things not on Alameda's balance sheet.

4 Q. Let me break that down. What was Paper Bird?

5 A. Paper Bird was a company that held my equity stake in FTX.

6 Q. Why were you looking at Paper Bird in connection with this
7 liability?

8 A. In connection with this liability, I wanted to check
9 basically, is Alameda going to be able to be good for it. Does
10 Alameda have enough in value to cover a total liability of \$10
11 billion. And that meant doing a more comprehensive view of
12 what assets it had access to.

13 Traditionally it had not put my holding in FTX equity
14 through Paper Bird on its balance sheets. It had treated those
15 as separate, but I was more than happy to pledge everything I
16 had, including that, as security for any of Alameda's
17 liabilities, including this one, and so it could potentially
18 act as backup security for liabilities.

19 Q. Let me go back for a moment. I meant to cover this.

20 You recall a conversation in June with Ms. Ellison
21 about repaying Alameda's lenders?

22 A. Yeah.

23 Q. Did that repayment take place?

24 A. Repayments did take place, yes.

25 Q. How much was repaid?

1 A. My understanding was, it was initially around a billion, in
2 total about two billion in June.

3 Q. How, in your experience, did that compare with other loans
4 that Alameda had paid back to lenders?

5 A. It was a sizeable but not extremely anomalous loan recall
6 amount.

7 Q. Where did you believe the funds to pay the lenders were
8 coming from?

9 A. From Alameda's assets. Alameda had at the time 5 to \$10
10 billion of highly liquid assets off of FTX in its wallets, bank
11 accounts, and other exchange accounts.

12 Q. Now, I think we discussed earlier that from time to time
13 Ms. Ellison would send you balance sheets.

14 Do you recall that?

15 A. Yup.

16 Q. How regularly would she do that?

17 A. Every month or two.

18 Q. What would the balance sheets show?

19 A. They would show Alameda's net-asset value and a
20 consolidated summary of its assets and liabilities.

21 Q. How long would they be?

22 A. The ultimate balance sheets would usually be one page,
23 maybe two pages.

24 Q. During the summer of 2022, do you recall speaking with
25 Alameda's lenders yourself?

1 A. I did, yes.

2 Q. Who did you speak with?

3 A. I had conversations with Genesis, with BlockFi, with
4 Celsius, and with Voyager.

5 Q. Let's stay with Genesis. Who did you speak with at
6 Genesis?

7 A. I spoke with two people: Matt Ballensweig, who had been
8 one of Alameda's account managers there, and I spoke with their
9 ultimate CEO, so the CEO of the company that owns Genesis.

10 Q. First of all, who initiated the conversation with the CEO?

11 A. Genesis. Matt Ballensweig actually reached out to set that
12 up.

13 Q. What did you discuss with the CEO?

14 A. We had a phone call. We touched on Alameda's borrowing
15 from Genesis, though it was not the primary topic. The primary
16 topic was Genesis talking about potentially raising equity
17 capital.

18 Q. From whom?

19 A. From me.

20 Q. Me, meaning you personally?

21 A. Me personally, FTX, Alameda, or any source.

22 Q. Did FTX ultimately invest in Genesis --

23 A. No.

24 Q. -- or provide capital?

25 Did you have a conversation with anyone from BlockFi

1 during the summer of 2022?

2 A. Yes.

3 Q. Who did you speak with?

4 A. I spoke with Zac Prince, CEO, and a number of other people
5 in their management team.

6 Q. What was the topic of that discussion?

7 A. The topic was BlockFi potentially raising capital from FTX.

8 Q. Did FTX ever provide capital to BlockFi?

9 A. Yes.

10 Q. How did that come about?

11 A. After a number of discussions over a fairly brief time
12 period, we understood that it was urgent. We gave a
13 substantial line of credit, I think a couple of hundred million
14 dollars, to BlockFi in return for options to acquire the
15 company.

16 Q. Did you have conversations with anyone from Celsius during
17 this period?

18 A. Yes.

19 Q. Who did you speak with at Celsius?

20 A. I spoke with the board of directors.

21 Q. What was the topic of that conversation?

22 A. They were looking for emergency capital.

23 Q. Did FTX provide any capital to Celsius?

24 A. No.

25 Q. Finally, did you have conversations during this period with

1 anyone from Voyager?

2 A. Yes.

3 Q. Who were those conversations with?

4 A. Its CEO.

5 Q. What was the topic?

6 A. Voyager was looking for emergency capital.

7 Q. Did FTX provide any capital to Voyager?

8 A. It provided a small amount and did not ultimately provide
9 more.

10 Q. Now, let's return back to June of 2022. You mentioned that
11 you would get balance sheets on a regular basis from
12 Ms. Ellison, is that correct?

13 A. Yes.

14 Q. Do you recall receiving a balance sheet from her in or
15 about June 2022?

16 A. Yeah, roughly then.

17 Q. Do you recall discussing it with her?

18 A. Not in depth, but briefly, yes.

19 Q. Tell us what you remember about that conversation.

20 In fact, hold on.

21 MR. COHEN: Let's pull up GX-44.

22 Q. This is GX-44 in evidence. Do you recognize this, sir?

23 A. Yes, I do.

24 Q. What is this?

25 A. This is the balance sheet that she sent me around then.

1 Q. And this being the one that's displayed, alt 7?

2 A. Yes.

3 Q. Do you recall discussing it with her at the time?

4 A. Briefly, yes.

5 Q. Tell us what you remember about the discussion.

6 A. She said that she was preparing balance sheets for lenders.
7 This was late June. The second quarter ended at the end of
8 June, so Alameda was going to send an update to most of its
9 lenders in the week or two after this. She sent me this as a
10 balance sheet that she was planning to send to Alameda's
11 lenders.

12 Q. What, if anything, did you say to her or she to you about
13 this balance sheet?

14 MS. SASSOON: Your Honor, objection. Vague. He is
15 saying this balance sheet. There is a full government exhibit,
16 Government Exhibit 44, on the screen. He has also referred to
17 a single tab. So I would ask for clarification.

18 MR. COHEN: Sure. I thought I had clarified, but I
19 can clarify again.

20 Q. We are talking about what's displayed on the government
21 exhibit at alt 7.

22 A. That's what I recall, yes. It may have been this larger --
23 as part of this larger spreadsheet.

24 THE COURT: The exhibit appears to contain six or
25 seven parts, and the witness is testifying as if the exhibit is

1 one thing.

2 MR. COHEN: Right. I'm getting to that, your Honor.

3 THE COURT: That would be a very good idea.

4 MR. COHEN: You read my mind.

5 THE COURT: No, I didn't.

6 MR. COHEN: Maybe it's unreadable.

7 Q. At the bottom -- if you could lift it up a little bit,

8 Brian -- you notice that there are a number of tabs?

9 A. Yup.

10 MR. COHEN: Just for identification, just go to alt 1

11 and alt 2, alt 5, and so on.

12 Q. Mr. Bankman-Fried, do you recall talking about each of the

13 entries on this spreadsheet?

14 A. No.

15 Q. Do you recall whether the topic of Paper Bird came up?

16 A. Yes.

17 Q. How did it come up?

18 A. I asked her whether Paper Bird was included in the balance

19 sheets. I believe I had asked this once or twice before as

20 well.

21 Q. And what did she say?

22 A. She said that, no, it was not included in the spreadsheets

23 because she didn't view it as a subsidiary or part of the

24 Alameda group.

25 Q. What was your reaction?

1 A. I said it was totally her call, but that she could consider
2 doing it.

3 Q. Did the topic of limiting any of the materials sent to the
4 lenders come up?

5 MS. SASSOON: Objection. Leading.

6 THE COURT: Sustained.

7 Q. What else did you talk about with Ms. Ellison?

8 A. To be clear, this is talking on or around June 20?

9 Q. Yes. In connection with this spreadsheet.

10 MS. SASSOON: Again, objection to this spreadsheet.

11 MR. COHEN: To alt 7.

12 A. I recall her saying that she was tentatively planning on
13 sending something like this out, that she had thought about a
14 few different ways of constructing it. I don't remember any
15 detail being discussed about that. And I remember looking over
16 it and saying that it seemed reasonable to me.

17 Q. Let's move forward to July and August, Mr. Bankman-Fried.

18 Do you recall having a conversation with Mr. Yedidia
19 in which the term bulletproof came up?

20 A. Yes.

21 Q. First of all, do you remember where that conversation took
22 place?

23 A. No, I don't.

24 Q. But you recall what the subject matter of the conversation
25 was?

1 A. Yes.

2 Q. Why don't you tell us.

3 A. Adam had asked me what Alameda's risk profile had looked
4 like after the market crash in -- crashes in May and June of
5 2022. I said that I thought that it -- in effect that it
6 thought it was decent but not bulletproof anymore.

7 Q. What did you mean by not bulletproof?

8 A. I meant that I thought that there was some risk associated
9 with Alameda at that point, that I could conceive of a way in
10 which it could reasonably have serious risk further down the
11 road if action weren't taken.

12 Q. What kind of risks?

13 A. The risk I was thinking about chiefly at the time was the
14 risk of a future market crash. Its NAV had fallen from about
15 40 billion to about 10 billion since late 2021, as Bitcoin fell
16 about 70 percent. I had been of the view that if Bitcoin fell
17 another 50 percent from then, in addition to the 70 percent it
18 had already fallen, as if it had fell down to about \$10,000 per
19 coin, that Alameda might then be roughly insolvent.

20 Q. Let's move forward to August of 2022.

21 You recall mentioning a project to work on the
22 accounting for Alameda's NAV, correct?

23 A. Yes.

24 Q. What, if anything, did you notice about Alameda's NAV in
25 August 2022?

1 A. To be clear, its overall NAV or its NAV on FTX?

2 Q. Its NAV on FTX. I'm sorry.

3 MS. SASSOON: Objection. Form.

4 THE COURT: Ground.

5 MS. SASSOON: What did you notice about the NAV? It's
6 not something you can see in front of you, so there is no
7 foundation, and the form.

8 THE COURT: Sustained as to form.

9 MR. COHEN: Maybe we could do it another way.

10 Q. Did there come a time, Mr. Bankman-Fried, that you observed
11 anything regarding interest payments on Alameda's account?

12 MS. SASSOON: Objection. Leading.

13 THE COURT: Sustained.

14 Q. Did you have a conversation with Nishad Singh in or around
15 October -- August 2022?

16 MS. SASSOON: Objection.

17 THE COURT: Overruled.

18 A. Yes.

19 Q. What was the subject of that conversation?

20 THE COURT: Was there one conversation or more than
21 one?

22 MR. COHEN: I was going to take them one by one, your
23 Honor.

24 Q. Go ahead. More than one?

25 A. I had many -- on what topic in particular?

1 Q. On the Alameda account.

2 A. Yes.

3 Q. What was the subject of that conversation?

4 A. I had noticed that the amount of revenue FTX was collecting
5 from interest had suddenly increased by a substantial amount.
6 I had brought that up with Nishad as just a flag. It was
7 something I frequently did when I saw it, significant changes
8 in data, so that people would investigate if there was
9 something unexpected going on.

10 Q. What, if anything, did Nishad say to you?

11 A. He said, after a little bit of investigating, oh, yeah, I
12 know what's going on there. I'll deal with that.

13 Q. Did he tell you what it was?

14 A. I believe he said something about interest payments in
15 Alameda. I don't remember there being detail.

16 Q. Did there come a time when you found out the detail?

17 A. Yeah.

18 Q. When was that?

19 A. That was in, I believe, late October of 2022.

20 Q. Who did you find it out from?

21 A. I found it out from Nishad.

22 Q. What did he tell you?

23 A. The fiat@ account, the one that had the \$8 billion
24 liability, had been moved from its own separate account to
25 becoming a subaccount of info@ of Alameda's primary trading

1 user, which had resulted in a substantial increase in
2 line-of-credit interest payments on that user. It had then
3 subsequently been moved to a different Alameda affiliated
4 account in -- I don't remember exactly when that second move
5 happened.

6 Q. Did Nishad tell you why it had been moved?

7 A. He said that it had been moved in response to interest
8 payments.

9 Q. Did you ever hear the term around this time the Korean
10 account?

11 A. Yes.

12 Q. What was your understanding of that?

13 A. That was that second Alameda affiliated account. It had an
14 email address which was roughly seoyun88, I think, and was
15 referred to a few times as the Korean account, and I think I
16 referred to it that way as well.

17 Q. Continuing in August of 2022, did the topic of hedging come
18 up again with anyone?

19 A. Yes.

20 THE COURT: I'm sorry. I thought we were just
21 discussing October.

22 MR. COHEN: I had to go back and cover this.

23 THE COURT: So we are not continuing in August of '22.
24 We are returning, going back.

25 MR. COHEN: Can we step back.

1 THE COURT: Return to the future.

2 MR. COHEN: Thank you, your Honor.

3 Q. Stepping back.

4 A. Yes.

5 Q. Did the topic of hedging come up again?

6 A. Yes.

7 Q. Who did it come up with?

8 A. Chiefly with Caroline.

9 Q. Can you tell us what was discussed with Caroline.

10 A. Yes. Subsequent to the June market crash and the fiat@ bug
11 and fix, I became fairly concerned about Alameda's risk. It
12 had fallen 75 percent in asset value since late the previous
13 year as a result of market crashes. It had not hedged against
14 those market crashes, despite the many conversations, and I was
15 very concerned that if there was one or two more market crashes
16 subsequent to that, Alameda might go bankrupt.

17 Q. What would a hedge have done in connection with Alameda's
18 NAV?

19 A. Had there been a sufficient quantity of hedges late the
20 previous year, its NAV would still have been --

21 MS. SASSOON: Objection.

22 THE COURT: What's the objection?

23 MS. SASSOON: Speculative to say what exact effect a
24 hedge would have.

25 THE COURT: I think that's for cross-examination. He

1 has already qualified it by saying, a sufficient amount of
2 hedges. Who knows what that means.

3 MS. SASSOON: Yes, your Honor.

4 THE COURT: Let's go ahead.

5 Q. Please finish your answer, sir.

6 A. Its NAV would have fallen not very much from the previous
7 year. It would still be many times higher than it was that
8 day. In other words, it would have offset much of the losses
9 that its assets had suffered.

10 MR. COHEN: Can we call up GX-25B in evidence, please.
11 These are notes by Ms. Ellison.

12 Can we turn to the second page, please. Pull up the
13 paragraph entitled: Things Sam is freaking out about. First
14 entry is hedging.

15 Q. Do you recall discussing this with Ms. Ellison?

16 A. Yes.

17 Q. Were you freaking out?

18 A. I don't tend to show a lot of freakoutness, but relative to
19 my standard, yes.

20 MR. COHEN: We can take that down.

21 Q. Now let's move to September, Mr. Bankman-Fried.

22 A. Yes.

23 Q. Did there come a time when you considered shutting down
24 Alameda?

25 A. Yes.

1 Q. Why were you considering shutting it down?

2 A. There were a few concerns that were combining in my mind.
3 One was that it hadn't hedged. It had a large decrease in
4 value from that, and I was concerned about future risk of its
5 positions and also concerned about its risk management
6 capabilities at that point in time.

7 At the same time, I had the impression at the time
8 that its culture had been decaying somewhat, that it was harder
9 and harder for Alameda to hire good employees, chiefly because
10 they kept going to FTX instead, and that there might not be the
11 right management in place for Alameda to justify its risk going
12 forward.

13 MR. COHEN: If we could call up GX-18 in evidence,
14 please.

15 Q. Did you write a memo about this?

16 A. Yes, I did.

17 Q. Is this the memo?

18 A. Yes.

19 MR. COHEN: Call out the second line. But I think it
20 might be time for Alameda Research to shut down. It is the
21 second line from the top. Can you highlight that, Brian.

22 Brian, you can drop that down. Go back to the
23 reasons.

24 Q. These were the reasons you have discussed about why you
25 were considering shutting down Alameda?

1 A. Yes. Those and some that I have not yet mentioned.

2 MR. COHEN: If we can call out number 2, Brian, and
3 2A, please, and highlight it.

4 Q. You said: The fact that we didn't hedge as much as we
5 should have alone cost more in EV than all the money Alameda
6 has ever made or ever will make, and that's the kind of
7 critical mistake we're likely to make if I'm not actually
8 running the show here.

9 What did you mean by that, sir?

10 A. I had meant that Alameda had, on the one hand, lost a very
11 large amount of value by not hedging, probably north of \$10
12 billion, that, in addition to that, I was concerned that in the
13 future it might make similar mistakes, that those both had
14 negated directly a lot of the value, that Alameda had made all
15 the money that it had made over time, and that any amount of
16 risk that it had caused was a big concern in my mind above and
17 beyond the actual direct money loss so far.

18 Q. What did you mean by EV?

19 A. Sorry. Expected value.

20 MR. COHEN: We can take this down.

21 Q. Now, this memo we were just looking at, who did you send it
22 to?

23 A. I sent this to Gary and Nishad.

24 Q. And did you have conversations with them about it, either
25 in person or over Signal?

1 A. I did over Signal. I am not sure that I did in person.

2 Q. What did you say to them and they to you?

3 A. I sent this to them. I said, roughly, just throwing this
4 out here, interested in your guys' takes on it.

5 Q. What was their reaction?

6 A. They took a little bit to discuss it. They said that they
7 were talking with Caroline about it as well, and they
8 ultimately came back and said they didn't think it was a good
9 idea.

10 Q. Did they tell you why?

11 A. I at the time did not feel confident that I had gotten a
12 clear reason why. I do believe that they said something about
13 it being difficult to shut Alameda down.

14 Q. Do you recall at a certain point that Caroline was included
15 in the conversations you were having?

16 A. There were -- there was a separate conversation that did
17 include her ultimately, yes.

18 Q. Let me just lay the foundation. This separate
19 conversation, who was on that?

20 A. Myself, Caroline, Gary and Nishad.

21 Q. What was discussed in that one?

22 A. It was on the same topic of whether or not to shut Alameda
23 down.

24 Q. What was Caroline's view on whether to shut Alameda down?

25 A. She did not think we should.

1 Q. Did you end up shutting Alameda down in September?

2 A. No.

3 Q. Continuing in September, do you recall having a
4 conversation with Nishad with regard to Alameda's condition?

5 A. Yes.

6 Q. How did that come about?

7 A. I was -- I believe I was traveling. Some day in September
8 I received a message from him that he wanted to talk to me when
9 I got back. I got back fairly late that evening, and he asked
10 to talk to me on the balcony of the Orchid.

11 Q. I'm sorry. I didn't hear. Someone was coughing. You said
12 the Orchid?

13 A. I'm sorry. The Orchid 6, the Orchid penthouse.

14 Q. Did you speak with him on the balcony?

15 A. Yes.

16 Q. What did he say to you and you to him?

17 A. He said that he was very concerned about a number of
18 topics. He said he was concerned about liabilities, about
19 Alameda, and about marketing, and wasn't sure what to do.

20 Q. Let's take those one at a time.

21 Nishad said he was concerned about liabilities?

22 A. Yes.

23 Q. What did he say to you? What did you say to him?

24 A. He said -- and I don't remember it being specified more
25 clearly than what I'm about to say -- that liabilities had

1 gotten far larger than they had used to be or then we had
2 thought they were.

3 Q. Was he referring to liabilities of Alameda or FTX?

4 MS. SASSOON: Objection.

5 THE COURT: Sustained.

6 Q. Keep going, Mr. Bankman-Fried. What else did he say, if
7 anything, about liabilities?

8 MS. SASSOON: Objection.

9 THE COURT: Ground.

10 MS. SASSOON: Form.

11 THE COURT: Overruled.

12 A. He said that he didn't know what to do and wanted my
13 thoughts on the scale of liabilities, and I think he may have
14 thrown out a number of 8 billion or so.

15 Q. What did you say to him?

16 A. I said, effectively, that I was also concerned about
17 Alameda's liabilities, that they were larger than I would have
18 wanted them to be, larger than I had thought they were.

19 I also said that I felt that Alameda still was quite
20 net positive in value, that its net-asset value was around
21 positive \$10 billion, that it was still making money trading,
22 and that -- yeah. Sorry. On the topic of liabilities. That's
23 what I remember him saying.

24 Q. You said the topic of marketing came up.

25 A. Yes.

1 Q. What was discussed?

2 A. Nishad expressed concern about marketing expenses.

3 Q. What did he say?

4 A. He said that he was skeptical and concerned with our
5 marketing. He mentioned FTX's brand partnerships and
6 endorsements. He mentioned K5, Kives' firm, and thought that
7 they were bad and didn't make sense.

8 Q. What, if anything, did you say?

9 A. I said that my impression, although I wasn't confident, was
10 that the more recent marketing opportunities that we found
11 didn't seem very good but that we hadn't been doing many of
12 them for that reason, that the marketing team was a little bit
13 of a mess, in my opinion, at that point in time, and that was
14 one of the reasons I didn't particularly trust the new
15 opportunities they were finding and didn't want to greenlight
16 significant new marketing.

17 I also said that I thought some of the older marketing
18 expenses hadn't turned out to work, that there were some duds
19 there, but that it had been my impression that if you added it
20 up all together, it actually looked quite effective and that,
21 in addition to being very effective, it was a reasonable
22 expense relative to the size of FTX, that FTX was making about
23 a billion a year in revenue, spending 1 to \$200 million a year
24 on marketing all told, and that the impact from that put
25 together, I thought, had been quite large and very successful,

1 that a number of our earlier deals -- the FTX Arena being one,
2 the Tom Brady partnership being another one, the MLB umpire
3 patches being the third one, and the Super Bowl commercial
4 being the fourth -- had together been extremely valuable and
5 effective and more than outweighed the other ones, but that I
6 wasn't confident about any piece of that, and that if he and/or
7 Claire, who was his partner and had been looking into this to
8 some extent at the time, want to take charge of this, look into
9 it, come up with the recommendations, make decisions, I would
10 be really happy for them too.

11 Q. Let me just back up. Who was Claire?

12 A. This was Claire Watanabe, Nishad's romantic partner at the
13 time.

14 Q. Did she live in the apartment with you?

15 A. Yes.

16 Q. What connection, if any, did she have to marketing?

17 A. She had been doing a review of the marketing team at both
18 her own and my initiative because of our suspicions that it was
19 not functioning very well at the moment.

20 Q. How would you describe Nishad's demeanor during this
21 conversation?

22 A. I interpreted him to be very nervous, very halting.

23 Q. How did you leave things at the end of the conversation?

24 A. I asked if he had any thoughts or suggestions or ideas. He
25 said he really appreciated the thought of looking into

1 marketing more and that either he or Claire would do so, that
2 he understood my points about it, and he asked me what I
3 thought he should focus on. I said that there were a huge
4 number of things he could focus on and that he should focus on
5 what he wanted but that, for what it was worth, I thought the
6 most valuable thing that he had been doing by far was the value
7 he had been providing to FTX, both in terms of its code base
8 and in terms of his management and employees.

9 MR. COHEN: Your Honor, this might be a natural
10 breaking point.

11 THE COURT: All right, ladies and gentlemen, Monday
12 morning, 9:30.

13 Counsel remain.

14 Enjoy the weekend, folks.

15 (Jury not present)

16 THE COURT: Mr. Cohen, this is time to play guess the
17 question.

18 MR. COHEN: Yes. I think I know what your Honor is
19 going to ask.

20 I would say, your Honor, assuming nothing unusual,
21 extended sidebars, evidentiary issues, and we will take up --
22 over the weekend we will think about your Honor's point about
23 the balance sheets and whether we want to submit anything or
24 not. I think I will finish in the morning on Monday.

25 THE COURT: A little finer than that, please, if you

1 can.

2 MR. COHEN: I think maybe by 11:30, maybe sooner.

3 THE COURT: What do you anticipate, Ms. Sassoon?

4 MS. SASSOON: Significant cross-examination, your
5 Honor.

6 THE COURT: I got that on one.

7 MS. SASSOON: Sorry. I missed the end of what you
8 said.

9 THE COURT: I got that on one.

10 MS. SASSOON: I would like to --

11 THE COURT: I am not going to hold you to it. I just
12 want to try to plan the week.

13 MS. SASSOON: I don't think anyone would benefit from
14 a day and a half of cross-examination, so I will try to keep it
15 streamlined, and it obviously depends on when the defense
16 finishes. But if it is midday on Monday, I expect the cross
17 will continue into Tuesday.

18 THE COURT: Any current view of whether there will be
19 a rebuttal case and, if so, how long?

20 MR. REHN: Your Honor, we are expecting a brief
21 rebuttal case, probably less than two hours total of testimony.

22 THE COURT: So that gets us all the way through
23 Tuesday, yes?

24 MS. SASSOON: Yes.

25 THE COURT: One more question. Give me an idea of

1 what each side is going to want in terms of closing argument.

2 MR. ROOS: I think for the government, somewhere
3 between two and three hours.

4 THE COURT: Plus rebuttal, yes? Is that what you have
5 in mind?

6 MR. ROOS: Plus rebuttal.

7 THE COURT: Mr. Cohen.

8 MR. COHEN: About the same for the defense, your
9 Honor.

10 THE COURT: Putting aside a charge conference, which I
11 anticipate might be somewhat protracted, given the track record
12 in this case, I don't see any real chance of the case going to
13 the jury before Thursday or even Friday.

14 Anybody disagree with that?

15 MR. ROOS: No. Depending on what your Honor is
16 thinking for the charge conference, I think there is --

17 THE COURT: I think it ought to be 10 minutes, and I
18 have tried bigger and harder cases than this with charge
19 conferences that long, but I'm not very sanguine here.

20 MR. ROOS: Depending on whether the closings would
21 start sometime on Wednesday and carry into Thursday or start on
22 Thursday and likely end on Thursday, I think your Honor is
23 right, that likely the jury is not going to get the case until
24 sometime Thursday or Friday.

25 THE COURT: Or conceivably Monday.

1 MR. ROOS: Or conceivably Monday. Although I think,
2 as your Honor indicated, I think Friday, it would be -- it
3 would make sense, given how things are going, to sit Friday of
4 next week, or at least allow them to deliberate that day.

5 THE COURT: I'm certainly leaning that way, but I
6 imagine delivering the charge is going to take a matter of
7 hours in this case. I would like it to be much shorter, but
8 that has been significantly within the hands of counsel. We
9 may have a lot of disagreements about it, but you've asked for
10 a lot of things.

11 OK. Anything else we can accomplish this afternoon?

12 MR. ROOS: Just on the subject of the charge
13 conference, does your Honor want to just wait until we are
14 done, or schedule it now for some time next week?

15 THE COURT: I am not going to do it until the fat lady
16 has sung.

17 MR. COHEN: Your Honor, we have one last point.

18 THE COURT: Yup.

19 MR. COHEN: If the government is going to go ahead
20 with a rebuttal case, we would ask that the identity of the
21 witnesses be provided to us in advance and not the night
22 before.

23 MR. ROOS: I think the point of rebuttal is rebuttal
24 to whatever the defense has done. Since they are still putting
25 on their case, we can't really know, and it may be the night

1 before. We will keep it in mind. They gave us maybe 24 hours
2 before they put on their case who the witnesses were, so we
3 will keep that in mind and try to act reciprocally.

4 THE COURT: All I am going to say about it is, I
5 understand Mr. Cohen's point. And if I were in his shoes, I
6 would ask for the same thing. I understand Mr. Roos' point.
7 And if I were in his shoes, I would give you the same answer.

8 Treat each other with respect, which you have almost
9 uniformly done in this case, and any lapses have been
10 uncharacteristic and inadvertent, I know.

11 Thank you. Good weekend.

12 (Adjourned to October 30, 2023 at 9:30 a.m.)
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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

-----x

7
8 New York, N.Y.
9 October 30, 2023
9:30 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

BY: DANIELLE R. SASSOON

NICOLAS ROOS

17 DANIELLE KUDLA

SAMUEL RAYMOND

18 THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

BY: MARK S. COHEN

21 CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present)

2 THE COURT: I am going to tell the jury that it's
3 unclear whether we will finish by the end of Thursday and see
4 if any of them has a real serious problem about sitting on
5 Friday, if we are not done, and to be aware that we may go into
6 next week.

7 Let's get the witness on the stand.

8 (Jury present)

9 THE COURT: Good morning, everyone. I hope you had a
10 nice weekend, especially that wonderful day we had Saturday.

11 It is not clear that we will be able to finish by
12 Thursday afternoon. I would appreciate it if after the morning
13 break, if any of you would be very seriously inconvenienced by
14 holding court this coming Friday, if we are not done, that you
15 let me know in a note, and let me know what the problem is.
16 And be aware that if we are not finished this week, we will go
17 into next week at that point.

18 Mr. Bankman-Fried, you are still under oath.

19 Mr. Cohen, you may continue.

20 MR. COHEN: Thank you, your Honor.

21 SAMUEL BANKMAN-FRIED, resumed.

22 DIRECT EXAMINATION (cont'd)

23 BY MR. COHEN:

24 Q. Good morning, Mr. Bankman-Fried.

25 A. Good morning.

1 Q. Mr. Bankman-Fried, when we left off last week we were
2 speaking about the period of September and October of 2022.
3 During your time as CEO of FTX, did you prepare priorities
4 lists?

5 A. Yes, I did.

6 Q. What were those?

7 A. They were lists that I would post in Slack every couple of
8 weeks of what I and the company were working on.

9 Q. Did you prepare such lists in September and October of
10 2022?

11 A. Yup.

12 Q. What was the purpose of these lists?

13 A. They had a few purposes. One was so that I could
14 communicate to the company what I was and wasn't focusing my
15 attention on. One was so that the employees could give
16 feedback on it if there are things they thought I should be
17 changing, things I should be more highly prioritizing. One was
18 that I could get updates from employees on the things I was
19 paying attention to.

20 Q. Would you prepare them on a regular basis?

21 A. Yup. Every couple of weeks.

22 Q. In the ordinary course of FTX's business?

23 A. Yup.

24 MR. COHEN: Can we call up DX-5 for identification,
25 please, just for the witness only.

1 Q. Mr. Bankman-Fried, take a moment and go through this
2 document and let me know if you recognize it.

3 A. Yes, I do.

4 Q. What is it?

5 A. That is one of the priority lists from late September,
6 early October of 2022.

7 MR. COHEN: The defense offers Exhibit 5.

8 MS. SASSOON: No objection.

9 THE COURT: Received.

10 (Defendant's Exhibit 5 received in evidence)

11 MR. COHEN: May we publish it, your Honor?

12 THE COURT: Yes.

13 Q. Looking at first page where it says priorities, there are a
14 number of names, Mr. Bankman-Fried. I don't want you to read
15 them all out, but who are these folks generally?

16 A. These are generally managers at FTX or people who had
17 self-directed work.

18 MR. COHEN: If we could continue to the next page.
19 Brian, if we can make the whole page a bit larger.

20 Q. You see there is 16 items on this page?

21 A. Yup.

22 Q. Were these the priorities that you were talking about?

23 A. Yes, they are.

24 MR. COHEN: Brian, condense the page again.

25 Q. If you look at the top it says: Priorities, Sam

1 Bankman-Fried, and then it says 10/9/22. What does that refer
2 to?

3 A. That's the date that this post was last updated on.

4 Q. Below that it says currently live issues. What does that
5 refer to?

6 A. That was how we referred to the priorities, priorities that
7 were still live, as in still ongoing, not yet completed.

8 MR. COHEN: If we can come back to the list, Brian.

9 Q. I am not going to go through all 16 items with you,
10 Mr. Bankman-Fried, but just a few.

11 MR. COHEN: If we can call out number 1, data.

12 Q. It says: Data. Then there is some entries and: Close to
13 done.

14 What did that refer to?

15 A. The FTX data team was building out a second database for
16 FTX in Google Cloud to complement the main AWS database. I was
17 told that the purpose of this was so that nondevelopers could
18 have database access as well, including myself.

19 MR. COHEN: If we could continue to number 4, call out
20 number 4.

21 Q. API throughput @Gary Wang, @Lelia Clark. ETA, 10/15.

22 What did that refer to?

23 A. During busy times, when markets were moving a lot, FTX's
24 core systems would get backlogged and our largest customers
25 were consistently saying they would trade much more, multiples

1 more on the exchange if they could send more orders, especially
2 during busy periods. So this is a project which had been
3 ongoing for six months or so to roughly 5X, the number of
4 orders that we could process as an exchange.

5 Q. When you said to 5X the orders, what did you mean by that?

6 A. There is -- at the core of FTX is what's called the
7 matching engine, which is the piece of computer code where
8 people send orders to buy and sell cryptocurrencies and it
9 pairs those off against each other. So it's what determines --
10 if you send an order saying, I'd like to buy one Bitcoin for
11 \$11,000, there is a seller willing to sell at that price to
12 you. And that piece of computer code could handle -- could
13 basically run through a certain number of orders the user had
14 submitted, of trades they had submitted per second. That
15 number was in the thousands to tens of thousands per second,
16 and this project was to increase by a factor of five, roughly,
17 the number of trades per second that our systems could handle.

18 Q. You've indicated @Gary Wang and @Lelia Clark.

19 What did that mean?

20 A. Those were the people who were chiefly responsible for this
21 project.

22 MR. COHEN: If we can call out item 15, please.

23 Q. Latency reduction, and then it calls out a person. What
24 did that refer to?

25 A. So this was a similar project. Rather than talking about

1 the number of trades per second the exchange could handle, this
2 was talking about how long it took to handle a single trade.
3 So if you sent an order to buy this one Bitcoin and there was a
4 seller, basically how long was it between when you told FTX
5 that you wanted to buy and when FTX said congratulations, you
6 are successful, you bought. That was on the order of 10 to 100
7 milliseconds, which is to say a tenth of a second or a
8 hundredth of a second, and this project was to make that much
9 faster.

10 MR. COHEN: Now if we could call out number 6, please.

11 Q. It says: User risk score and then @Nishad Singh, @Alfred
12 Xue, 10/10. How's this going.

13 What does this refer to?

14 A. There were a number of areas on FTX where users would have
15 some ability if we were acting with bad intent to try abuse the
16 system. Credit card fraud was one of the most prominent areas.
17 We were trying to be on the lookout for users who might have
18 stolen someone else's credit card and then trying -- be trying
19 to use it to buy crypto. And we had a lot of speed bumps in
20 place to limit how much new users could take actions that were
21 susceptible to fraud until we determined that they were in fact
22 legitimate. User risk score was an attempt to come up with a
23 single metric for how confident we were that a particular user
24 was not attempting to do anything malicious.

25 Q. And it says @Nishad Singh, @Alfred Xue.

1 Who was that?

2 A. So Nishad, obviously, was the head of engineer. Alfred was
3 one of the developers at FTX who worked for Nishad.

4 MR. COHEN: We can take that down.

5 Finally, if you can call up number 9, item 9, please.

6 Q. Getting accounting right on FTX @Andrea Lincoln ETA, 10/15,
7 what did this refer to?

8 A. This was a significant and long-running project to overhaul
9 FTX's accounting infrastructure. The core goal was for the
10 developer team to have at all points in real time displayed
11 what FTX's revenue was, what its expenses were, how much was in
12 each bank account and how much it had invested, how much
13 funding it had received, everything else that went into its
14 financial statements.

15 Q. Go ahead.

16 A. Prior to this, each year there were -- it took months of
17 work to get the developer team and the accounting team and
18 finance team on the same page about what each of the terms
19 meant about exactly what we are trying to calculate for
20 financials in the first place. So the goal here was to clean
21 all of that up.

22 Q. Again, who was Andrea Lincoln?

23 A. She was one of the developers at FTX.

24 Q. Had she been one of the people who worked on the bug-fix
25 project we talked about?

1 A. She had been involved, yeah.

2 Q. How, if at all, did getting accounting right relate to the
3 bug fix project?

4 A. It did to some extent. Part of getting accounting right
5 meant that the dev team had to understand the fiat@ account
6 very well. Otherwise, the accounting wouldn't have been right,
7 since this project required it, but it was also much broader
8 than that and included, among other things, making it easier to
9 calculate and display FTX's total revenue ever. It was
10 prompted by, in part, the fiat@ bug, but also, in part, general
11 concerns about it being messy to figure out exactly what --
12 reconciling FTX's finances each year.

13 MR. COHEN: Brian, you can take down number 9.

14 Q. Just looking at this page, Mr. Bankman-Fried, there are 16
15 items. How much of your personal item did they take up?

16 A. I was probably spending 30 minutes to an hour per day on
17 each one of these, so maybe 12 hours a day total on these.

18 Q. What would you do with your personal time on these
19 projects?

20 A. It depended on the project. There were a few of these for
21 which the time I spent was effectively doing the project
22 itself. Those were things for which it was mostly having
23 conversations with people. So if there is a deal that needed
24 to be negotiated, I might be directly involved in that.

25 For most of these, however, what I would do would be,

1 at a high level, manage the people who were themselves
2 implementing this project and, once they had something built,
3 give feedback on how it felt. I might say, hey, I think it
4 would be cool if we had this sort of feature for users. A
5 developer would build it out. And then I would test it out and
6 say: I found it confusing where this button was. I found this
7 language confusing. Did other people have the same impression.

8 Q. In total, how much revenue did these 16 items relate to?

9 A. So obviously many of them didn't end up getting done.

10 MS. SASSOON: Objection. Form.

11 THE COURT: Sustained.

12 Q. What was the impact, if any, of these items on revenue?

13 A. At the time my belief was that, put together, these would
14 roughly double FTX's revenue.

15 Q. From what to what?

16 A. From roughly 1 billion per year to roughly 2 billion per
17 year.

18 MR. COHEN: We can take DX-5 down.

19 Q. Mr. Bankman-Fried, in the September, October period, did
20 you have an understanding of what constituted customer funds?

21 A. Yes, I did.

22 Q. Can you tell us what it was?

23 A. Yeah. If you have a purely spot exchange, no margin, no
24 futures, no leverage, no borrowing, then customer one deposits
25 ten Bitcoins, customer two deposits five Bitcoins, the customer

1 funds are those 15 Bitcoins.

2 If you have a margin exchange, like FTX, then customer
3 one deposits ten Bitcoins, customer three withdraws three
4 Bitcoins, going to negative three Bitcoins, likely
5 collateralized by some other asset, the customer funds would be
6 the seven Bitcoins remaining; in other words, the net between
7 all users put together.

8 Q. On FTX's system, when the customer withdrew these Bitcoins,
9 what could the customer do with them?

10 A. They could do anything with those Bitcoins. Those were not
11 customer funds anymore. When a customer withdrew those
12 Bitcoins, that was the customer's Bitcoins. So customer two in
13 that hypothetical could spend the three Bitcoins on rent, they
14 could spend it on food, they could spend it on vacation or
15 anything. FTX's goal was to manage risk, to as best we could.

16 MS. SASSOON: Objection. Beyond the scope of the
17 question.

18 THE COURT: Yes. Strike FTX's goal and so forth after
19 that.

20 Q. Let me ask another question. In connection with the
21 customer borrows, did FTX attempt to manage risk?

22 A. Yes, it did.

23 Q. How did it do that?

24 A. The core risk that FTX faced related to borrows was what
25 would happen if there was an account that went overall negative

1 for which that customer could not or would not be able to have
2 enough value. So if all of the customers' assets became less
3 than all of the customers' liabilities, that could potentially
4 create a hole in the system. That was the core risk that FTX
5 was trying to manage.

6 Q. And how was it trying to do that?

7 A. It was trying to do that generally with the risk engine and
8 related processes whereby it would look at users' accounts,
9 look at users' assets, in some cases context on the users, and
10 if we became concerned that the user might end up running out
11 of assets, that the user might end up with an overall negative
12 value, that we would begin to margin call that user, to sell
13 off their positions, close them down and potentially using
14 backstop liquidity providers and have the goal, if possible, of
15 avoiding having to claw back or socialize losses.

16 Q. Let's continue on, Mr. Bankman-Fried. We talked a lot last
17 week about conversations you had about hedging.

18 A. Yup.

19 Q. Up through the middle of 2022.

20 From June, July, 2022 to September 2022, did you have
21 conversations about hedging?

22 A. Yes, I did.

23 Q. Who did you have them with?

24 A. Chiefly with Caroline Ellison. In some cases, Ben Xie and
25 Sam Trabucco were also on the thread.

1 Q. Let's take your conversations first with Ms. Ellison
2 between June and September. About how many times did you speak
3 with her about the topic of hedging?

4 A. I spoke -- in June and July, I spoke chiefly once, followed
5 up a few times, and then in September we spoke a few times.

6 Q. Let's go to the June, July conversation. Where was that
7 conversation?

8 A. That was in the Orchid 6 apartment in the study.

9 Q. What did you say to her and what did she say to you?

10 A. I had organized the conversation. This was after the
11 market crash in mid June, when Bitcoin fell to \$20,000. This
12 is after the fiat bug had been found and fixed. So this was
13 when Alameda's net asset value was about \$10 billion, down
14 from --

15 MS. SASSOON: Objection.

16 THE COURT: Yes. All of that is stricken. It's
17 unresponsive.

18 Q. Just say what you said to Ms. Ellison and what she said to
19 you.

20 A. Understood.

21 I called the meeting with Caroline, and I told her
22 that I was very concerned about Alameda, about, to some extent,
23 its historical failure to hedge, but much more so about its
24 current market exposure.

25 Q. Go on.

1 A. I said that I was very concerned that its NAV had fallen
2 from 40 billion to 10 billion over the prior year, and that, as
3 far as I could tell, it still had not hedged against the risk
4 of a market collapse, that the 70 percent crash to that point
5 had led to the decrease in NAV, and I said that if there were
6 another 50 percent broad market decrease, I was worried that
7 Alameda might become insolvent.

8 Q. What did she say?

9 A. She started crying. She agreed. And she agreed that
10 Alameda should have hedged. She also said that maybe it
11 shouldn't have made some of the venture investments. She said
12 she was also concerned about it. And she also offered to step
13 down.

14 Q. How did you react?

15 A. Well, I kind of took them point by point. On the last
16 point, I said it was her decision what she wanted to do. On
17 the other points, you know, what I said was that, at the end of
18 the day, I was worried maybe I hadn't communicated clearly
19 enough with her about hedging earlier and that it wasn't about
20 like blame for me. I didn't -- that's not how I thought of it,
21 and that the past wasn't what mattered the most, that what
22 mattered the most was that going forward Alameda protect
23 against a future market collapse that, by far, my biggest
24 concern was that if Alameda remained unhedged that it might go
25 bankrupt. And so I said that I thought the focus should be on

1 urgently putting on the hedges that would protect against that.

2 Q. Did you respond to her offer to step down?

3 A. Yeah. I said that that was obviously her decision about
4 what to do, that I hadn't been asking her to do that. That's
5 not what I intended at all. But ultimately that wasn't my
6 decision to make.

7 Q. You said you had another conversation or conversations with
8 Ms. Ellison about hedging in September, is that correct?

9 A. Yes.

10 Q. Where were those conversations?

11 A. Those conversations were chiefly over Google Docs sent, I
12 think, via Signal.

13 Q. What did you say to her and what did she say to you?

14 A. I checked in again on the status of Alameda's hedging and
15 was told that Alameda had hedged after our prior conversation.
16 I had also seen some of that in progress.

17 Q. What did you talk to Ms. Ellison about and what did she
18 talk to you about?

19 A. Yes. I asked what the scale of hedges was. She calculated
20 what Alameda's hedges were at that point, gave me the number.
21 I said that first I was very glad that that had happened. It
22 definitely made me less concerned but that my instinct had been
23 that it would actually have been a bigger number, that Alameda
24 would have hedged about twice as much as it seems like it
25 actually had. And subsequent to that Caroline sent me some

1 spreadsheets trying to calculate how much Alameda should hedge.

2 Q. Was there any further discussion after that about hedging?

3 A. Yeah. After a back and forth on those spreadsheets,
4 Caroline ultimately agreed that Alameda should hedge more than
5 it had, and Alameda did in fact do so.

6 Q. You mentioned in this period from June to September you
7 also had conversations about hedging with Sam Trabucco.

8 Do you recall those?

9 A. He was on the Signal thread that this was often discussed
10 on.

11 Q. What about Ben Xie?

12 A. He was also on that same Signal thread. Trabucco at this
13 point was not commenting much. He was effectively out of the
14 picture and had been for a little while. Ben Xie would
15 sometimes comment on it.

16 Q. You are referring to the thread you had with Ms. Ellison?

17 A. Yes, that's correct.

18 Q. Now, continuing in September, do you recall last week we
19 talked about a memorandum you had written about the possibility
20 of shutting down Alameda?

21 A. Yes.

22 Q. I am not going to go over that again, but I will ask you,
23 around the time of that memorandum, do you recall a discussion
24 about the size of the liability that Alameda owed to FTX?

25 A. I recall some time during that month a discussion. I don't

1 recall exactly in what context it came.

2 Q. Do you recall whether it was in person or over a chat?

3 A. I know that -- I don't recall confidently, no.

4 Q. Who was it with?

5 A. Caroline, Gary, and Nishad were all involved. I believe a
6 few other people were as well, but I am not a hundred percent
7 confident.

8 Q. What did you say and what did Gary, Caroline, and Nishad
9 say?

10 A. Just to clarify, with respect to the thread about shutting
11 down Alameda?

12 Q. The size of the liability.

13 A. The size of the liability. I remember looking into it to
14 some extent myself.

15 THE COURT: Sorry, Mr. Bankman-Fried. The question
16 was, what did you say and what did they say?

17 THE WITNESS: I remember numbers a bit north that -- I
18 don't remember specifically which one of them said the
19 number -- a bit north of \$10 billion of total liability being
20 discussed then.

21 MR. COHEN: Can we call DX-5 back up again. We can go
22 to the second page and call out the first entry, entry number
23 1.

24 Q. You just told us that was a project to get you and other
25 nondevelopers further access, correct?

1 A. That's correct.

2 Q. Did there come a time that you did get such access?

3 A. Yes.

4 Q. When was that?

5 A. In October of 2022.

6 Q. Did there come a time that you used the new access to
7 review the database?

8 A. Yup.

9 Q. What did you determine?

10 A. I did a number of queries, but most relevantly in one of
11 them I found an account called something like Seoyun, a
12 Seoyun88, which had something with fiat in the name and a
13 roughly \$8 billion liability.

14 Q. What did you do after you found this account?

15 A. I reached out to a few people to confirm what this account
16 was.

17 Q. Who did you reach out to?

18 A. I don't remember the full list. I believe that it was a
19 few FTX developers.

20 Q. What did you do after reaching out to them?

21 A. So after reaching out to them, I learned that this was --

22 THE COURT: I'm sorry. The question is, what you did
23 after you spoke to them?

24 THE WITNESS: Yes. After I spoke to them, I started
25 to compile a list myself of all accounts on FTX that were

1 affiliated with Alameda, what their balances were, and tried to
2 put together a full picture of what not just Alameda's
3 financials were and FTX's financials but also Alameda's
4 accounts on FTX.

5 Q. Did you come to a view of how, if at all, the fiat@ account
6 related to this analysis?

7 A. Yes, I did.

8 Q. What was that?

9 A. So the view that I came to was that the fiat@ account, this
10 \$8 billion liability, had always been built into Alameda's
11 financials, that Alameda's NAV and balance sheets already
12 reflected it, and so the NAV was in fact roughly positive 10
13 billion. This didn't make the NAV 2 billion instead.

14 I came to the view that, on FTX, for at least almost
15 all of the period, the info@ account, Alameda's primary trading
16 account on FTX, had not reflected this liability, that this had
17 been, for most of FTX's existence, a separate ledger that
18 didn't appear on info@ and didn't appear on the admin user's
19 dashboard that I could see, and that the total scale of
20 liabilities was on the ballpark of \$10 billion that Alameda had
21 to FTX.

22 Q. How did you react when you determined that?

23 A. I reacted. I felt like I needed to do a further analysis.
24 I felt like it was neither -- that if it had been far smaller,
25 I would not have been concerned at all. If it were far larger,

1 I would have been calling it a crisis. It was neither of
2 those. It was at a level where I wanted to make sure I
3 understood the context and I understood what was securing it.

4 Q. Last week we talked about the concept of liquidity.

5 Do you recall that, sir?

6 A. Yes.

7 Q. What, if anything, did that have to do with this analysis
8 you did?

9 A. Yeah. There are two parts of the analysis. One was
10 solvency effectively. The other was liquidity. The liquidity
11 piece of it that you were referencing was effectively if FTX
12 users requested withdrawals, how much could we process. Any
13 time that you have a margin exchange, customer assets include
14 both customers' assets but also their borrows, their
15 liabilities. If you need to fill old customer positive assets,
16 you would need to recall all loans and liquidate all positions,
17 which leaves a practical question of, which I looked into at
18 the time, of effectively how many liquid assets FTX had on
19 hand, how many Alameda had on hand, if necessary, and I believe
20 the answer was 5 to \$10 billion worth.

21 Q. What, if anything, did that mean to you?

22 A. That felt like a lot more than had ever been required
23 before by a factor of 10 or more. It was also far less than it
24 had been a year ago. And I certainly didn't feel like Alameda
25 was in a position where it could do a \$4 billion expenditure,

1 for instance.

2 Q. You also mentioned a concept called solvency.

3 A. Yes.

4 Q. Can you explain that and how, if at all, it factored into
5 your analysis.

6 A. Yes. So solvency, at least as I was thinking of it,
7 referred to -- effectively to net-asset value, to whether -- to
8 the relationship between assets and liabilities. If a company
9 had more assets than liabilities, it was solvent. If it had
10 fewer assets than liabilities, it was insolvent. If Alameda
11 were insolvent, that, in my mind, would have been a very
12 significant problem. That would have been similar to the few
13 hours of crisis prior to the fiat@ bug fix in June.

14 Q. And in September, October, was it your view that Alameda
15 was insolvent?

16 A. No. My view was that it had about positive \$10 billion of
17 net-asset value, which is to say that whatever its liabilities
18 were, it had all of that and then another \$10 billion of
19 assets, and that that also wasn't counting some other assets
20 that were securing the position as well.

21 Q. Staying in October, did there come a time that you took a
22 trip?

23 A. Yes.

24 Q. Where did you go?

25 A. I took a few trips. The longest was to the Middle East.

1 Q. Before we get to the Middle East trip, I should ask you, in
2 your duties as CEO of FTX, how often did you travel?

3 A. Probably too much in retrospect. About half the time I was
4 gone, more than a hundred days in 2022.

5 Q. What was the primary place you went to?

6 A. I went all over, but the single place I went to the most
7 was Washington, D.C.

8 Q. Why was that?

9 A. To meet with senators, with policy makers, with regulators
10 there, both about general crypto regulation of the United
11 States and about FTX US derivatives licensing application.

12 Q. Let's come back. You said you took a trip to the Middle
13 East in October, is that correct?

14 A. Yup.

15 Q. Did anyone go with you?

16 A. Yeah.

17 Q. Who was that?

18 A. From the company, Ramnik did.

19 Q. Just to remind everyone, what was Ramnik's role?

20 A. He was effectively -- he was the head of product base.
21 Also effectively the person in charge of both venture investing
22 and fundraising.

23 Q. What was the purpose of your trip to the Middle East?

24 A. There were multiple purposes. I had been invited to speak
25 at a conference there which was happening that month. I had

1 earlier that year, or possibly late 2021, I don't remember the
2 exact date, been invited to visit Dubai and meet with the
3 regulators there. FTX had just secured a license with the
4 Dubai financial regulators, but I had cancelled that trip. And
5 the Dubai regulators I understood to have been asking that I
6 come visit them at some point, so I owed them a trip as well.

7 On top of that, there were prospective investors in
8 the Middle East who had wanted to meet in person, and there
9 were some government officials who wanted to talk about the
10 growth of the Blockchain industry, and we also had a few
11 employees in the Middle East and an office there that I wanted
12 to check out.

13 Q. Have you ever heard the term sovereign wealth fund?

14 A. Yup.

15 Q. What's that?

16 A. It's an investment firm or venture capital firm that is
17 funded by a government.

18 Q. Did that relate at all to your Middle Eastern trip?

19 A. Yeah.

20 Q. Can you tell us how?

21 A. Yeah. One of our larger investors had been a sovereign
22 wealth fund, Temasek, from Singapore, and in the Middle Eastern
23 trip we were going to meet with a few sovereign wealth funds
24 there.

25 Q. You just told us that in September you had done an analysis

1 of this \$8 billion liability relating to the fiat@ account.

2 Do you recall that, sir?

3 A. Yup.

4 Q. Why did you go on a trip to the Middle East in October?

5 A. Because I viewed Alameda as solvent and FTX as solvent and
6 as decently liquid. Had that analysis come up the other way,
7 had it come up the way we briefly thought things were in June
8 of 2022, with Alameda being essentially bankrupt or borderline
9 bankrupt, I would have been in full-on crisis mode. But in my
10 view at the time that wasn't the case.

11 Q. Did you speak with any FTX employee before you went on the
12 trip?

13 A. Yeah. I spoke with a number, probably the most with Adam
14 Yedidia.

15 Q. Can you tell us what you said to Mr. Yedidia and what he
16 said to you.

17 A. Yeah. I described the trip that I was at that time
18 planning to go on, and he said that he was skeptical that I
19 should go on it, that it wasn't worth the time and wasn't worth
20 some other counterparty complications associated with it. I
21 laid out the reasons that I found it compelling but said I
22 wasn't confident. After hearing that, he said, oh, that
23 changed his mind, that particularly the excitement of investors
24 there. He didn't feel like it was worth the trip.

25 Q. You used the phrase counterparty complications.

1 A. Yeah.

2 Q. Maybe you could explain that.

3 A. So FTX's largest competitor was Binance. Binance was the
4 largest crypto exchange in the world. It had 40 percent of
5 global roughly. Binance was headquartered in the Middle East
6 and the relationship between FTX and Binance was frosty at that
7 point and had been for a little while. So by traveling to the
8 Middle East, there is a risk that I would be upsetting Binance
9 by quote/unquote stepping on their turf.

10 Q. At the end of your conversation with Mr. Yedidia, what was
11 his view on whether you should go on the Middle Eastern trip?

12 A. He said he thought it definitely made sense.

13 Q. Did you take the trip?

14 A. I did.

15 Q. How did you regard the trip?

16 A. I thought it was overall pretty successful.

17 Q. Did you end up speaking with any investors?

18 A. I did.

19 Q. What was the reaction?

20 A. They were interested. They were going to do more
21 diligence.

22 MS. SASSOON: Objection.

23 THE COURT: Pardon?

24 MS. SASSOON: For him to speculate whether they were
25 interested.

1 THE COURT: The answer is stricken.

2 A. They expressed --

3 THE COURT: Excuse me. Stop. I have ruled.

4 THE WITNESS: Understood.

5 Q. After you came back from your trip -- let's do it this way.

6 Let's move ahead now, Mr. Bankman-Fried, to November of 2022.

7 MR. COHEN: Can we call up, please, GX-1087.

8 This is a calendar of November 2022. I am going to

9 circle November 11.

10 Q. What happened on November 11, Mr. Bankman-Fried?

11 A. That was the day that FTX filed for bankruptcy.

12 Q. Now I am going to ask you a series of questions that relate
13 to the period from the 1st up through the 11th, OK?

14 A. Yup.

15 Q. Let me start with November 2. Did anything happen on that
16 day?

17 A. Yes.

18 Q. Why don't you tell us.

19 A. A CoinDesk article came out. CoinDesk is a crypto industry
20 news site which leaked an old copy of an Alameda Research
21 balance sheet.

22 Q. What, if anything, was your response to this CoinDesk
23 article?

24 A. I reached out to Caroline to ask if she wanted to comment
25 on it.

1 Q. Finish your answer.

2 A. She was traveling and didn't get back to me until after the
3 article came out, and then we and others talked about whether
4 she wanted to send a tweet in response to it.

5 Q. Did there come a time that a tweet was sent?

6 A. Yup.

7 MR. COHEN: Let's take a look at Government Exhibit
8 875 in evidence.

9 Q. Mr. Bankman-Fried, what is this?

10 A. This is that tweet.

11 Q. I want to go through a couple of parts of that tweet with
12 you. This is, first of all, from November 6. It says at the
13 top: A few notes on the balance sheet info that has been
14 circulating recently. That specific balance sheet is for a
15 subset of our corporate entities. We have 10 billion of assets
16 that aren't reflected there.

17 What was your understanding of that statement?

18 A. My understanding is that was true.

19 Q. Why was it true?

20 A. Among other things, Paper Bird had far more than that
21 amount of assets, chiefly equity holdings in FTX. That was not
22 reflected on the Alameda balance sheet.

23 Q. You used the phrase Paper Bird?

24 A. Yes.

25 Q. Which I think you used last week. Just to remind everyone,

1 what was that?

2 A. That was a company that held my and my Gary's equity stakes
3 in FTX.

4 Q. Continuing down to the next --

5 THE COURT: Who owned Paper Bird?

6 THE WITNESS: Gary and I did.

7 THE COURT: Go ahead.

8 Q. Continuing down to the next entry, it says: The balance
9 sheet breaks out a few of our biggest long positions. We
10 obviously have hedges that aren't listed.

11 What was your reaction to that, Mr. Bankman-Fried?

12 A. That seemed self-evidently true to me.

13 Q. Why was that?

14 A. There were no messages listed on that balance sheet, and
15 Alameda had put on hedges.

16 Q. And continuing to the last entry: Given the tightening in
17 the crypto credit space this year, we returned most of our
18 loans by now.

19 What was your reaction to that, sir?

20 A. That seemed true to me.

21 Q. Why is that?

22 A. The loans that Alameda had taken out from third-party desks
23 had fallen by far more than 50 percent over the prior year.

24 MR. COHEN: We can take this exhibit down.

25 Q. Now, continuing in that period in November, let's go to

1 November 6.

2 MR. COHEN: Let's pull up Government Exhibit 874 in
3 evidence. Brian, if we can expand that.

4 Q. Looking at the top of it, it says -- first of all, who is
5 this from?

6 A. That is CZ, Changpeng Zhao, the CEO of finance.

7 Q. It says: As part of Binance's exit from FTX equity last
8 year, Binance received roughly \$2.1 billion USD equivalent in
9 cash, BUSD and FTT. Due to recent revelations that have come
10 to light, we have decided to liquidate any remaining FTT on our
11 books.

12 Do you see that, sir?

13 A. Yes.

14 Q. I want to take it in steps. The first sentence says --

15 MR. COHEN: If you can highlight it Brian.

16 Q. -- as part of Binance's exit from FTX equity last year,
17 Binance received roughly \$2.1 billion and so on.

18 What does that refer to?

19 A. So in mid 2021, we had bought out Binance's equity holdings
20 of FTX. It had been the seed investor in FTX.

21 Q. Continuing on he says: Due to recent revelations that have
22 come to light, we have decided to liquidate any remaining FTT
23 on our books.

24 What did that refer to?

25 A. CZ was declaring that they were going to sell off the FTT

1 that they had gotten from this equity buyout, which was around
2 \$500 million worth.

3 MR. COHEN: You can take that down, Brian, and you can
4 take down the slide.

5 Q. What, if anything, was your response to this tweet from CZ?

6 A. I discussed, again with Caroline and others, about whether
7 any of us should send a tweet in response to it.

8 Q. What, if anything, happened with respect to customer
9 withdrawals?

10 A. They increased massively.

11 Q. Can you explain to us what happened.

12 A. Yeah. Historically, FTX had seen roughly \$50 million per
13 day of net deposits or withdrawals. On Sunday, November 6, it
14 saw about \$1 billion of net withdrawals.

15 Q. What was your reaction, if anything, to the size of those
16 withdrawals?

17 A. I was concerned.

18 Q. Why were you concerned?

19 A. It signaled a potential, what I viewed to be a potential
20 run on the bank and a risk of a liquidity crisis if that
21 increased.

22 Q. Let me stop you. You used the phrase, run on the bank.

23 A. Yeah.

24 Q. What did that mean to you?

25 A. So what that meant to me was, if there is a bank and all of

1 its customers --

2 MS. SASSOON: Objection.

3 THE COURT: Sustained.

4 Q. What did it mean to you in connection with FTX?

5 A. What it meant to me in connection with FTX was that it
6 was -- FTX was a marketing exchange. That meant that there
7 were borrows, that there was leverage, and that, because of
8 that, if many customers all at once wanted to close down their
9 positions and withdraw everything from the exchange, that would
10 necessitate closing down the other side of those positions and
11 recalling all borrows.

12 In other words, the only way to return all funds, the
13 only way to process all withdrawals for all users was to
14 liquidate every open margin position on the exchange and shut
15 down the business. Obviously, that would be in a most extreme,
16 100 percent withdrawals scenario. But \$1 billion was already
17 about ten times as much as I had ever seen in a given day.

18 Q. Did you discuss with anyone responding to CZ's tweet?

19 A. Yes.

20 Q. Who did you discuss it with?

21 A. I don't remember the exact list, but I know that Caroline,
22 Zane, Ramnik, Nishad, and Gary were all at least tangentially
23 involved.

24 Q. I think we all know the names. You mentioned Zane. Who
25 was that?

1 A. Zane was the head of institutional customer relationships
2 for FTX. Basically, that meant that he was the point person
3 that large trading firms would talk to.

4 Q. What was his last name?

5 A. Tackett.

6 Q. Did there come a time that a response was put out to CZ's
7 tweet?

8 A. Yup.

9 Q. Let's take a look at Government Exhibit 876 in evidence.
10 Take a moment.

11 Mr. Bankman-Fried, do you recognize this?

12 A. I do.

13 Q. What is it?

14 A. This is that response.

15 Q. And it was put out by Ms. Ellison, correct?

16 A. Yup.

17 Q. Why did she put out the response?

18 A. Because ultimately the response was an offer from Alameda,
19 and she put it out as Alameda's CEO.

20 Q. Continuing in the next, it says: CZ Binance, if you're
21 looking to minimize the market impact on your FTT sales,
22 Alameda will happily buy it all from you at 22.

23 Do you see that?

24 A. Yup.

25 Q. What did that refer to?

1 A. So our understanding was that CZ was signaling that he was
2 going to sell \$500 million of FTT roughly over a three-month
3 period, roughly, and FTT had been trading above \$22 per token
4 and had been above that level for a fairly long time. This
5 represented a level that we had discussed and decided it would
6 make sense and be profitable for Alameda to buy those FTT
7 tokens at and an offer for CZ to do it in one big chunk to
8 Alameda rather than by working it out over the course of months
9 and hopefully saying hassle on both sides.

10 Q. In your view, did Alameda have the funds to purchase the
11 FTT at \$22?

12 A. Yeah. I remember checking and seeing that Alameda had \$5
13 billion, roughly, of liquid assets at hand.

14 MR. COHEN: We can take this slide down.

15 Q. As we move from November 6 into November 7, what, if
16 anything, did you observe with respect to withdrawals?

17 A. They didn't just continue at the pace of -- they increased
18 further. On Monday, Monday November 7, FTX saw about \$4
19 billion of net withdrawals from the platform. That was about
20 100 times an average day.

21 Q. What, if anything, did that mean to you?

22 A. That meant that we were -- that we might be, in my view at
23 the time, days away from a liquidating crisis if this
24 continued.

25 MR. COHEN: Let's move now to November 7, to the

1 morning of November 7.

2 Can we call up Government Exhibit 878, please.

3 THE COURT: Sorry. We were just on November 7.

4 MR. COHEN: Yes. We were merging into it. We are now
5 in the morning, your Honor.

6 Q. Do you recall, Mr. Bankman-Fried, seeing Government Exhibit
7 878 before?

8 A. Yup.

9 Q. What is it?

10 A. This was a tweet thread that FTX's Twitter account sent out
11 in response to concern about slow withdrawal processing on FTX.

12 Q. Were you part of the people who worked on this?

13 A. Yup.

14 Q. Who else worked on it?

15 A. Gary Wang and Nishad provided the technical input for it,
16 and then FTX's customer support team, I believe Keith in
17 particular, were involved in terms of actually posting it.

18 Q. So at the top it says: Support updates, number 1. Number
19 2, it says: Matching engine, etc., all running smoothly. BTC
20 withdrawals: Chunk through them. Node is throughput limited.
21 We're switching it to process from both ends, which should help
22 speed it up.

23 What did that refer to, sir?

24 A. So I was told by Gary at the time that FTX -- Bitcoin
25 withdrawals were backlogged, which meant that if a customer

1 requested to withdraw one Bitcoin, it would take hours for us
2 to actually send them that Bitcoin, whereas usually we were
3 processing them in seconds to minutes, and that the cause of
4 that was that we were seeing so many withdrawals so quickly
5 that we basically hit various speed bumps in the code that had
6 been written to process Bitcoin withdrawals, that there were
7 pieces of it that just weren't built to send them that quickly,
8 but that Gary was rewriting it to be that much faster.

9 Q. Continuing, finally, with number 3: Stablecoins processing
10 of the banks are closed for the weekend, though. USD
11 stablecoin creations redemptions might be slower until wires
12 clear tomorrow, especially for some coins/chains.

13 What did that refer to, Mr. Bankman-Fried?

14 A. This came on -- late on a Sunday night. Most bank
15 functions don't happen during weekends. They only happen
16 during weekdays. So if a customer wanted to do a wire transfer
17 withdrawal from FTX, unless they happened to bank at a very
18 specific bank, they would have to wait until Monday for it.

19 In addition to that, if there were massive stablecoin
20 withdrawals, which there were that day, FTX potentially -- FTX
21 would have to use dollars in a bank account to create those
22 stablecoins in order to send them for customer withdrawals and
23 that, in turn, involved a bank wire transfer which also
24 couldn't happen until the week started. So those were two
25 reasons that U.S. dollar and stablecoin withdrawals were at

1 least to some extent delayed for a day or so.

2 MR. COHEN: We can take this down.

3 Q. Continuing into the evening of November 7, did there come a
4 time, sir, that you put up a tweet?

5 A. Yup.

6 MR. COHEN: Let's take a look at GX-866, please.

7 If you could expand the top part, Brian.

8 (Continued on next page)

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1 BY MR. COHEN:

2 Q. So the entry says, No. 1, "A competitor is trying to go
3 after us with false rumors."

4 Then below that it says, "FTX is fine. Assets are
5 fine."

6 Do you see that, Mr. Bankman-Fried?

7 A. Yup.

8 Q. What was the first entry a reference to?

9 A. Binance.

10 Q. And what false rumors are you referring to?

11 A. There had been a number over the prior month or so. My
12 impression had been that Binance was running a number of
13 campaigns against us online, chiefly targeted at attacking FTX
14 for working with regulators, and paying people on Twitter to
15 say—

16 MS. SASSOON: Objection to that last portion about
17 foundation with respect to paying people on Twitter.

18 THE COURT: Yes. The jury will disregard the
19 impression. It's stricken.

20 Q. Okay. Let's move to the next entry. You said F—

21 MR. COHEN: No. Go back to No. 1, Brian.

22 Q. Underneath it, you said, "FTX is fine. Assets are fine."
23 What did you mean by that?

24 A. So at the point—so this—this tweet was posted in the
25 morning of November 7th. At the point where I posted it,

1 Alameda still had a net asset value of roughly positive
2 10 billion. FTX had no holes on its balance sheet. And there
3 had been no attack on the customer assets. And so my view at
4 the time was that the exchange was okay and that there, you
5 know, there was no—no hole in terms of assets.

6 MR. COHEN: Okay. Now let's call out No. 2, Brian.

7 Q. You said here, "FTX has enough to cover all client
8 holdings. We don't invest client assets (even in treasuries).
9 We have been processing all withdrawals and will continue to
10 be. Some details on withdrawal speed."

11 What does this all refer to, Mr. Bankman-Fried?

12 A. Yeah. So the last thing—the prior thing we looked at was
13 the BTC notes and the banking and stuff. The first pieces of
14 that, FTX itself had effectively no liabilities and just
15 assets. And FTX did not do any investments with customer
16 assets. So FTX just kept the customer assets it held in
17 wallets and bank accounts. We had discussed whether to invest
18 in treasuries. Hadn't done that. And as of the time this was
19 sent, Alameda, which was obviously a large customer on FTX,
20 still had far more in assets than in liabilities.

21 MR. COHEN: Okay. Okay. You can take that down.

22 Q. Going into the evening of November 7th, what, if anything,
23 did you observe with respect to customer withdrawals?

24 A. Yeah. They accelerated to about \$4 billion over the course
25 of the day.

1 Q. And what did this mean to you?

2 A. It meant that we were on the verge of a liquidity crisis.

3 Q. Okay. Now we've spoken several times about hedges. Do you
4 recall that, sir?

5 A. Yes.

6 Q. And I think you told us hedges got put on in September.

7 A. That's right.

8 Q. What effect, if any, did they have now in November?

9 A. Well, so far they hadn't been relevant because there hadn't
10 been any market move. Alameda's assets and liabilities had
11 not, in my understanding at the time, moved that much since
12 mid-June. That would soon change, though.

13 Q. All right. So you said you thought there was a liquidity
14 issue. What did you mean by that?

15 A. So effectively, going into this, there had been roughly 5
16 to \$10 billion of liquidity on hand, which means ability to
17 immediately process or promptly process liquid customer
18 withdrawals. That was far more than had been needed before,
19 but in a two-day period, customers had withdrawn about
20 \$5 billion of liquid assets.

21 Q. What happened going into November 8th in terms of
22 withdrawals?

23 A. They were continuing at that same 3-to-\$4 billion-a-day
24 clip.

25 Q. And did anything else happen that—did anything happen that

1 changed your view of Alameda at that point?

2 A. Yes.

3 Q. What was that?

4 A. On the evening—so beginning on the evening of November 7th
5 and continuing into the morning of November 8th, there was a
6 market crash.

7 Q. Can you explain what you mean by that.

8 A. Yeah. So assets that I understood to be associated with
9 Alameda declined massively in value. FTT, over a 12-hour
10 period or so, fell I think roughly 80 percent. Solana fell
11 roughly 50 percent. This was—overall, this led to an
12 approximately 50 percent crash in Alameda's assets, and that
13 was the 50 percent crash that drove its net asset value from
14 close to \$10 billion to only a little bit above 0.

15 Q. Okay. And what, if anything, did that mean to you?

16 A. That meant that Alameda was still solvent but that there
17 was very little margin for error left, that we were risking a
18 solvency crisis.

19 Q. And now coming back to the hedges we talked about.

20 A. Yes.

21 Q. What, if any, effect did they have?

22 A. Unfortunately none.

23 Q. Why was that?

24 A. The hedges had been in general market instruments, both
25 cryptocurrency and equities, things like Bitcoin. However,

1 unlike all of the previous market crashes, the 70 percent
2 crashes over the first half of the year that had led to the
3 large decline in Alameda's NAV from 40 billion or so to
4 10 billion or so, this crash was not a broad crash. Bitcoin
5 had been down 70 percent over the first half of the year, but
6 on November 7th and 8th, 2022, Bitcoin basically didn't move.
7 Even though FTT was down over 50 percent, Solana was down
8 around 50 percent, Bitcoin was down maybe 10 percent, and
9 stocks basically didn't move at all. The hedges, which would
10 have been helpful against the prior crashes to protect income,
11 had effectively no benefit for what happened here.

12 MR. COHEN: Let's call up again Government
13 Exhibit 866. And call out the first entry.

14 Q. Where you say, "FTX is fine. Assets are fine."

15 A. Yup.

16 Q. Once you learned the information you just related, what, if
17 anything, did you do?

18 A. I took down this tweet thread.

19 MR. COHEN: All right. At this time, your Honor, I'd
20 like to read from Government Exhibit 2001, which is a
21 stipulation agreed upon by the parties, and in evidence.

22 "The exhibits set forth in attachment B below are
23 authentic copies of tweets and retweets posted at the dates and
24 times indicated on the exhibits, but which were later deleted
25 at dates and times listed in attachment B." And it lists

1 Government Exhibit 866, deleted November 8, 2022, at 5:37 p.m.

2 BY MR. COHEN:

3 Q. Okay. All right. Now I want to pick up—well, let me just
4 ask you one question, and then we'll come back to it.

5 On November 8th, what, if anything, were you thinking,
6 what, if anything, did you do with respect to FTX and Alameda?

7 A. A few things. The first was, effectively began liquidating
8 Alameda. It had reached that critical threshold where its NAV
9 was barely positive, and started to get all liquidity it could
10 put together, begun closing down positions, and potentially
11 closing down the company entirely. And at the same time I had
12 calls with potential investors.

13 Q. Why were you calling potential investors?

14 A. Because in my view at the time, while Alameda was still
15 solvent, as was FTX, it was potentially going to be a lengthy
16 process to close down the company, to liquidate its holdings,
17 and with the run on the bank, customers—

18 MS. SASSOON: Objection. "Run on the bank."

19 THE COURT: Pardon me?

20 MS. SASSOON: "With the run on the bank."

21 MR. COHEN: He defined it in terms of FTX.

22 THE COURT: I don't think exactly, but I'll let it
23 stand. I think everybody understands what he's saying.

24 A. With the run on FTX. The—customers were requesting
25 billions of dollars immediately of—of withdrawals. And if we

1 didn't want to have delays, then that was—potentially
2 significant delays, that was going to potentially need
3 significant amounts of outside capital, and so—

4 Q. When you—finish your answer, sir. I'm sorry.

5 A. And so I was calling prospective investors about that.

6 Q. We'll come back to it, but from November 8th forward, did
7 you continue to call investors?

8 A. I did.

9 Q. Okay. Now continuing in that week, that week of
10 November 1st to November 11th, during that week did you have
11 any conversations with Nishad Singh?

12 A. I did, yes.

13 Q. What were the topics of those conversations?

14 A. There were chiefly two topics. One topic, which was the
15 operational topic, was just on doing everything that we could
16 to support FTX and its customers. The other was on Nishad's
17 personal finances and situation.

18 MR. COHEN: Okay. Let's call up Government
19 Exhibit 480A in evidence.

20 Q. Okay. And this is a chat between you and Nishad; is that
21 right?

22 A. Yup.

23 MR. COHEN: Okay. If we can, Brian, expand what's in
24 blue.

25 Q. This is him talking. "One thing that'd seriously help me

1 is if I didn't have debts. I think most of them are loans.
2 500m for me exercising, more for US investments. I hope we can
3 unwind these but not sure."

4 "Maybe 80m extra or so are donations/personal/etc.
5 that went through my bank acc and are in my name."

6 And then continuing to the bottom, he said, "would you
7 be ok letting me trade to get rid of the 80? The only change
8 in deliverable is the taxable amount, since the rest was
9 already delivered. Sorry. I know this is not an important
10 thing to focus on and not the point, I'm just having a really
11 hard time, and I think this may help me get back, idk."

12 Do you see that, Mr. Bankman-Fried?

13 A. Yes.

14 MR. COHEN: Continuing on in the document, Brian.

15 Q. You say, "will think about this." He says "thanks."

16 You say, "what does 'trade' mean?" He says, "sell FTT
17 or SRM earlier in 2022." And you say, "I think that's probably
18 fine."

19 What does that refer to, Mr. Bankman-Fried, that
20 exchange?

21 A. So I wasn't sure exactly what he had intended. I
22 understood, at a high level, that he wanted to get out of his
23 own personal loans at that point in time.

24 Q. Okay. What was his demeanor during these conversations,
25 this week?

1 A. He was actively suicidal. He had expressed that explicitly
2 to myself and to others. We had a—a therapist on call and
3 meeting with him and overseeing him more or less constantly.

4 Q. Don't say anything more about that.

5 A. Yeah.

6 Q. Okay. How did you—what did you mean when you said, "I
7 think that's probably fine"?

8 A. I meant two things. The first thing was that assuming that
9 we got through the crisis, I would do what I could in good
10 faith to get his personal finances in a more comfortable
11 situation. I wasn't sure exactly what form that would take.
12 And the second was that I wanted to be reassuring to him, so I
13 wanted to make sure he didn't take any actions against himself.

14 Q. Did you agree to backdate any documents with him?

15 A. No.

16 MR. COHEN: Okay. If we can take that down and pull
17 up GX 480C.

18 Q. Okay. This is another chain between you and Nishad.

19 MR. COHEN: Brian, if we could call up the blue.

20 Q. "When I briefly called Dan he was very upset with us and
21 blamed basically the three of us and said it was super F'd up."

22 MR. COHEN: Continuing on the next blue, Brian. I'm
23 sorry. Drop that. Okay. No, no, no. I'm sorry. Back up.
24 Give me the whole page again; I'll tell you what to pull up.
25 From here to here. Okay. Forgive my bad handwriting.

1 Q. You say—back and forth with Mr. Singh, you say, "makes
2 sense. I don't hate the idea of them being pissed at me.
3 There were pros and cons, mostly cons, but it might help move
4 on."

5 Then he says, "this is wildly selfish of me, but they
6 may need to know that it wasn't a ton of people orchestrating
7 it. I think it makes sense to more likely to want to be here
8 to help save the situation, at least. Even if you did think
9 that was a good idea, idk how you say it, I don't really have a
10 strong rec."

11 You say, "yup. Fwiw I don't think that's super
12 selfish, I think that's probably correct."

13 What did you understand him to be saying here and what
14 did you mean with your response?

15 A. I understood him to be saying that he wanted me to tell
16 people that he was not involved in it, in causing the crisis,
17 and to be—and him to be claiming that employees at FTX would
18 be more comfortable working with him if they heard that was the
19 case.

20 Q. And what did you mean by your response?

21 A. I agreed with the second part of that, that it very well
22 might be, you know, make it easier for people to work together
23 to the extent that they weren't blaming Nishad.

24 MR. COHEN: Okay. We can take that down.

25 Q. During your conversations in that first week of November,

1 did Zane Tackett come up?

2 A. Yes.

3 Q. Can you tell us how that came up.

4 MS. SASSOON: Objection. Form. Which conversation?

5 THE COURT: Form.

6 Q. Let me take it in steps.

7 During the week of November—well, it's more than a
8 week—the period of November 1 to November 11th, did you have a
9 conversation with Nishad about what he should say to Zane
10 Tackett?

11 A. Yes.

12 MS. SASSOON: Objection. Sidebar, your Honor.

13 THE COURT: Okay.

14 (Continued on next page)

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1 (At the sidebar)

2 MS. SASSOON: I'm not entirely sure where this is
3 going, but I asked for a sidebar because there is a
4 conversation described in Michael Lewis's book that is sourced
5 to the defendant that we consider a false exculpatory and
6 inadmissible hearsay, and I don't know if that is where you're
7 going, but I would ask for a preview outside the presence of
8 the jury to lodge any hearsay objections.

9 MR. COHEN: Sure.

10 THE COURT: Mr. Cohen.

11 MR. COHEN: Where this is going is, he had a
12 conversation—he, the defendant, had a conversation with Nishad
13 who said, *What do I tell Zane Tackett*, who was the person
14 dealing with institutional investors, and the defendant said, *I*
15 *don't think we did anything wrong. I don't think you did*
16 *anything wrong.* And Nishad said, *That's not good enough.* And
17 that's what I'm seeking to elicit.

18 MS. SASSOON: Your Honor, we would object to that as
19 hearsay. Does not go to his state of mind because it does not
20 meet the contemporaneous requirement of the state of mind rule.
21 It's after the collapse had effectively happened, the
22 defendant's been exposed, he's trying to cover his tracks and
23 he's trying to prevent—

24 MR. COHEN: That's the government's interpretation of
25 the evidence. We're entitled to bring it out and argue the

1 opposite interpretation, which is that our client was
2 continuing to say that he thought neither he nor Mr. Singh had
3 done anything wrong, then Mr. Singh is acting in an opposite
4 way. It's really a relevancy objection.

5 THE COURT: Give me the offer of proof again exactly?

6 MR. COHEN: Sure. It's—I don't think it's the
7 passage counsel was thinking of, but anyway, the offer of proof
8 is, it speaks to Mr. — Nishad says to him, *I need to know what*
9 *to say to Zane Tackett*, who was head of institutional invest—

10 THE COURT: I know.

11 MR. COHEN: Okay. And Mr. Bankman-Fried says, *Well, I*
12 *will say tell him we didn't do anything wrong. I didn't, you*
13 *didn't*. And Mr. Singh says, *That's not good enough*. That's
14 the sum and substance I'm trying to elicit.

15 THE COURT: And you say that "that's not good enough"
16 is not admissible because?

17 MS. SASSOON: The whole thing of "we didn't do
18 anything wrong" is not admissible. It's not a statement of his
19 then-existing state of mind as to future intent or plan. It's
20 a retrospective statement to try to absolve himself of
21 responsibility and under the cases that interpret Rule 803(3),
22 like *Cardascia*, the state of mind exception focuses on the
23 contemporaneity of the statement and the unlikelihood of
24 deliberate or conscious misrepresentation. This conversation
25 has every indicia of deliberate or conscious misrepresentation,

1 and this does not pertain to future intent or plans. It's
2 after the scheme has been exposed.

3 MR. COHEN: It's after the bankruptcy filing, your
4 Honor, on November 11th, when, according to the government, the
5 conspiracy is still in effect. This is the first time I've
6 heard in this trial that the conspiracy ended the first week of
7 November.

8 THE COURT: I don't think you heard that. I certainly
9 didn't.

10 MS. SASSOON: And—

11 MR. COHEN: Can I finish, please.

12 MS. SASSOON: I'm sorry.

13 MR. COHEN: And the fact that the defendant is
14 testifying to his own state of mind, that he believed he had
15 not done anything wrong during that period before the filing,
16 that he didn't think Mr. Singh had done anything wrong before
17 the filing, is certainly relevant to the issues in this case,
18 and certainly goes to his state of mind.

19 MS. SASSOON: Your Honor, there's no general exception
20 that any statement during a conspiracy is admissible under
21 803(3). Only the government is permitted to put in
22 co-conspirator statements. What the defense has to show is
23 that the statement itself pertains to future intent or plan.
24 The bankruptcy happened later, but at this point employees are
25 demanding answers, the defendant is in hot water, he's lying on

1 Twitter, he's trying to cover—

2 MR. COHEN: That's their interpretation.

3 THE COURT: Stop interrupting, please.

4 MR. COHEN: I'm sorry. I'm sorry. I'm sorry.

5 MS. SASSOON: And if he wants to get on that stand and
6 say, "I didn't think I was doing anything wrong," that's one
7 thing, but to offer a self-serving hearsay statement that he
8 gave to his employee, who he wanted to enlist in not exposing
9 his crimes, does not meet Rule 803(3).

10 MR. COHEN: We just heard the government's summation
11 on that point. They're entitled to give it, your Honor, but
12 the defendant is entitled to say, at the time, not after the
13 fact, he didn't think—he did not think he did anything wrong,
14 and that's what he said to Mr. Singh. And Mr. Singh objected
15 to that. It goes to the weight of this, and not admissibility.

16 MS. SASSOON: Are you trying to offer this under
17 803(3) or another rule?

18 MR. COHEN: His statement comes in as 803(3), the
19 defendant's state of mind. How could it not?

20 MS. SASSOON: It requires that it be a statement of
21 the declarant's then-existing state of mind, such as motive,
22 intent, or plan, or emotional, sensory, or physical condition,
23 but not including a statement of memory or belief to prove the
24 fact remembered or believed. And—

25 THE COURT: Sustained.

1 (In open court)

2 THE COURT: Objection sustained.

3 BY MR. COHEN:

4 Q. Okay. Mr. Bankman-Fried, you mentioned that during this
5 week, starting around November 8th, you started to contact
6 investors.

7 A. Yup.

8 Q. Did you have any contact with Binance?

9 A. Yes.

10 Q. What was that contact?

11 A. Beginning with the market crash, late on the 7th and early
12 on the 8th, I reached out to CZ, the CEO of Binance, about
13 potentially acquiring FTX.

14 Q. Did anything happen with respect to that potential
15 acquisition?

16 A. Yeah. Later that day they signed a letter of intent to
17 acquire FTX.

18 Q. And what happened with respect to that letter of intent?

19 A. About a day later they backed out of it.

20 Q. Okay. Did you speak with other investors that week?

21 A. I did, yes.

22 Q. Okay. Let me call your attention to the end of that week.
23 Did there come a time when you had a conversation with Can Sun?

24 A. Yes, I did.

25 Q. And just to remind everyone, who was he?

1 A. He was the general counsel of FTX.

2 Q. Okay. And I meant to ask you this. During the week or the
3 period November 1st to November 11th, where were you working?

4 A. I was working from a—the apartment that I was renting in
5 Albany after I moved out of the Orchid 6 penthouse.

6 Q. Okay. Did there come a time that you changed to a
7 different location?

8 A. Yeah. Midway through that week, my apartment became
9 overfull with people and so we moved to the Conch Shack, which
10 was a house in Albany that some employees lived in.

11 Q. And about how many employees were working in the Conch
12 Shack?

13 A. 20 to 40 over time.

14 Q. And how many hours were you working?

15 A. 22 a day, 23 a day, roughly.

16 Q. Okay. Now did there come a time during the end of this
17 week where you had a conversation with Mr. Sun?

18 A. Yes.

19 Q. Okay. How did that come about?

20 A. I had had a call with Apollo, who was a potential source of
21 liquidity investor, or lender for FTX, about an emergency line
22 of credit. I had in that call given them a spreadsheet which
23 summarized the financial state of FTX and of Alameda and of the
24 fiat account and other things.

25 Q. Did the spreadsheet include the \$8 billion liability we've

1 been discussing?

2 A. Yeah.

3 Q. Okay. All right. Please continue.

4 A. And they were—they told me that they were considering
5 whether or not to make an investment of a few billion dollars,
6 and that they had a series of questions, one of which was on
7 what the compliance framework or context was for the fiat@
8 account.

9 Q. And what, if anything, did you do after you heard that?

10 A. I had a follow-up call with them, and before that call, I
11 asked to talk to Can.

12 Q. And where did your conversation with Mr. Sun take place?

13 A. I think we were walking around Albany.

14 Q. Okay. Why weren't you in the work area?

15 A. It was overflowing at that point in time.

16 Q. Okay. And as best you can remember, why don't you tell us
17 what you said to Mr. Sun and what he said to you.

18 A. Yeah. I described the call I had had with Apollo to him
19 and relayed the question that they had asked around the
20 compliance framework for the fiat@ account. I said that I
21 wanted to make sure that I didn't say anything wrong, or
22 incorrect on the call I had with Apollo, so I wanted to talk
23 with Can about it.

24 Q. What topics did you go over with him?

25 Take your water. In fact, I'm going to simplify it

1 instead of trying to finish. Do you know—

2 A. I'm good.

3 Q. Why don't you tell us what you said to Can and what he said
4 to you.

5 A. Yeah. So I—after I described the context in the call to
6 Can, Can said that he had been trying—been thinking about
7 that, very recently, over the past day or so, that in his view,
8 there were different buckets of assets, effectively, that there
9 were different buckets of balances and positions on FTX,
10 depending on what users were doing with them, how they were
11 using the system; and that those would be treated differently
12 with respect to borrowing that Alameda had done. Can said that
13 he had—that for assets that were lent out to earn interest on
14 the spot margin order book, those clearly could be borrowed.
15 He said that for assets that were used as collateral for margin
16 trading, those were also borrowable. He said that for user
17 assets that were staked out, they probably were, but it
18 depended on the exact format of that. Staking is various forms
19 of interest-earning activity. But that for assets that were
20 purely spot assets, at least for digital assets that were
21 purely spot assets, with no margin and no futures trading, that
22 he wasn't sure that, in his view, the terms of service
23 supported borrowing those assets.

24 Q. And what did you say, if anything?

25 A. I said that that lined up at a high level with my

1 understanding. We then briefly discussed the size of those
2 buckets and how they compared to Alameda's borrowing.

3 Q. And what did Can say, if anything?

4 A. Can said that the—that the—that he had gotten a number
5 for specifically the interest-earning assets lent out in the
6 spot margin borrow/lending order book and that those might be
7 enough to cover all of the info@ accounts borrowing but not the
8 info@ plus fiat@ accounts, borrowing those put together, but
9 that he didn't have numbers on the top of his head for the
10 other buckets—I think there were some other smaller buckets I
11 didn't mention there that he discussed as well—and wasn't sure
12 off the top of his head how those compared to the full scale of
13 Alameda's borrowing.

14 Q. And did the topic of what to tell Apollo come up?

15 A. Yeah. I mean, I was—the context for the conversation was
16 me figuring out what to tell them, and as we went through this,
17 I told Can that my plan was just to relate my best
18 understanding of the framework to Apollo in our call that was
19 coming up and that I didn't disagree with anything that Can had
20 said and, you know, wouldn't say anything that was contrary to
21 it.

22 Q. Did you subsequently have the call with Apollo?

23 A. Yes, I did.

24 Q. Did Can participate in that call?

25 A. No, he wasn't on the call.

1 Q. Okay. Now continuing to November 9th of that week.

2 A. Yeah.

3 Q. Did there come a time that you became aware that there was
4 going to be an Alameda all hands meeting?

5 A. Yes.

6 Q. How did you learn that?

7 A. Caroline sent me a message saying there's going to be one.

8 MR. COHEN: If we could call up Government
9 Exhibit 414A in evidence.

10 Okay. If we could pull up the blue at the top, Brian.

11 Q. This is Caroline speaking. "Thinking about what to tell
12 people at Alameda all hands."

13 "Right now I'm thinking a vibe of 'Alameda is probably
14 going to wind down, if you don't want to stay or want to take
15 some time off no pressure, if you do want to help with stuff
16 like making sure our lenders get repaid it's super
17 appreciated.' Does that seem right?"

18 MR. COHEN: And if we can show the gray now, Brian.

19 Q. And you respond, "and maybe something about there being a
20 future of some sort for those who are excited but that you
21 can't know for sure what it is."

22 What did you understand her to be saying and what are
23 you saying here?

24 A. I understood her to be describing what she was planning to
25 say at the all hands meeting coming up, that she was going to

1 tell Alameda employees that Alameda was probably going to be
2 shutting down as a business and, you know, closing down its
3 positions, and that she, you know, wanted help doing so. And I
4 threw out a suggestion about, you know, maybe there would be a
5 future venture for people who are staying that we're excited
6 about, but I didn't actually have anything concrete.

7 Q. Now did you attend that all hands meeting?

8 A. No, I did not.

9 Q. Did you speak with Caroline after the meeting?

10 A. She sent me a message after the meeting, yeah.

11 MR. COHEN: Let's call up Government Exhibit 414B.

12 If you can call up the—well, I don't think—we don't
13 need to expand it. I'm looking at the bottom part.

14 Q. She says, there, "Did this, think it went well, people
15 seemed—"

16 MS. SASSOON: Object. This is not yet in evidence,
17 your Honor.

18 THE COURT: All right.

19 MR. COHEN: Oh, I thought it was. I'm sorry.

20 Okay. Let's take it down.

21 Q. Did you speak with Caroline after the meeting?

22 A. She sent a message.

23 Q. What did she say to you?

24 A. She said that the meeting had gone well and that—no other
25 content about what meeting had been about, really.

1 Q. And sometime after the meeting did you speak with Constance
2 Wang?

3 A. Yeah.

4 Q. Who is that?

5 A. The COO of FTX.

6 Q. And after you spoke with Constance Wang, what, if anything,
7 did you do?

8 A. I looked into data to check the history of Alameda's
9 accounts on FTX.

10 Q. Okay. Did you look at anything in particular?

11 A. Yeah. I looked at what had happened with the info@ account
12 and fiat@ accounts over the course of June 2022.

13 Q. All right. Now moving forward, Mr. Bankman-Fried, on
14 November 11th you stepped down from the company; is that
15 correct?

16 A. Yes.

17 Q. Okay. And after stepping down did there come a time that
18 you spoke to any journalists?

19 A. Yeah.

20 Q. Okay. Why did you do that?

21 A. I felt like it was the right thing for me to do to try and
22 talk about what had happened.

23 Q. Okay. Did there come a time that you spoke with George
24 Stephanopoulos?

25 A. Yup.

1 Q. And who was he?

2 A. He was a host of *Good Morning America*.

3 Q. And why did you speak with him?

4 A. The same reason. I wanted to tell people, tell the world
5 what I knew.

6 Q. Okay. This conversation, which I think the government
7 played a portion of, took place when?

8 A. I think it was early December of 2022.

9 Q. And in early December 2022 what information did you have
10 available to you?

11 A. I had my memory. I had very little beyond that. I'd been
12 cut off from nearly all systems shortly after the bankruptcy
13 filing.

14 Q. Okay. Who did you go with to speak with
15 Mr. Stephanopoulos?

16 A. I mean, I—it was me.

17 Q. Did he tell you, or his team tell you in advance what
18 questions he would ask?

19 A. No.

20 Q. So why did you go?

21 A. I felt like I wanted to apologize for what had happened and
22 I wanted to explain, as best I could, given what I did and
23 didn't know at the time.

24 Q. Okay. Now going back to November 12th, did there come a
25 time that you met with the Securities Commission of the

1 Bahamas?

2 A. Yeah.

3 Q. Okay. And where was the meeting?

4 A. We had multiple meetings. They were at the headquarters of
5 the Securities Commission.

6 Q. Who was there?

7 A. Christina Rolle, the head of the Securities Commission of
8 the Bahamas; her staff; the joint provisional liquidators;
9 myself; Krystal Rolle, my Bahamian attorney; and my father; and
10 then for the first meeting there were others in the
11 headquarters but not in the meeting itself.

12 Q. Okay. And after the meeting what happened next?

13 A. Just to clarify, because there were multiple meetings, are
14 you—you're referring to the November 12th meeting?

15 Q. November 12th, yes. I'll get to the others.

16 A. Yeah. So in that meeting in particular, Gary Wang was at
17 the headquarters as well, although not in the interview itself.

18 THE COURT: Sorry. Mr. Bankman-Fried, the question
19 was: What happened next?

20 THE WITNESS: Yes. Understood.

21 A. So after that, most of the people who had been at the SCB
22 headquarters drove down to the FTX office.

23 Q. And what, if anything, happened at the FTX office?

24 A. At the FTX office, Gary and I were directed to help
25 transfer the remaining assets under FTX's custody to a custody

1 system set up by the Securities Commission, the Bahamian
2 regulators.

3 Q. And yes or no: After November 12th did you have additional
4 meetings with the members of the SCB and the joint provisional
5 liquidators?

6 A. Yes, many.

7 Q. What were you trying to do?

8 A. I was trying to help customers, help bankruptcy process, be
9 helpful any way I could.

10 MR. COHEN: One moment, your Honor.

11 Thank you, Mr. Bankman-Fried. I have nothing further.

12 THE COURT: Okay. We'll take our morning break here.
13 Fifteen minutes.

14 THE DEPUTY CLERK: All rise. Jury, please come this
15 way and bring your notebooks with you, please.

16 (Recess)

17 (Continued on next page)

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1 (In open court; jury not present)

2 MS. SASSOON: Your Honor, what did you have in mind
3 for timing of lunch, just for my planning purposes?

4 THE COURT: Somewhere between 12:30 and 1.

5 MS. SASSOON: Great. Thank you.

6 THE COURT: Juror No. 3 has a flight Friday morning
7 that she would like to keep for her uncle's 70th birthday.

8 And Juror No. 8 has indicated that she'll have to let
9 us know tomorrow, because she needs to consult her calendar at
10 home.

11 Andy, you'll mark that next in order, please.

12 And we'll bring in the jury.

13 (Continued on next page)

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1 (Jury present)

2 THE DEPUTY CLERK: Please be seated, everyone.

3 THE COURT: The defendant and the jurors all are
4 present, as they've been throughout.

5 Ladies and gentlemen, I'll be in a better position to
6 let you know about Friday probably tomorrow, but as soon as I
7 can, I will.

8 The defendant is reminded he's still under oath.

9 Ms. Sassoon, you may proceed.

10 MS. SASSOON: Thank you, your Honor.

11 CROSS EXAMINATION

12 BY MS. SASSOON:

13 Q. Mr. Bankman-Fried, you testified a bunch about Alameda. Up
14 through November of 2022, you owned 90 percent of Alameda,
15 correct?

16 A. Yes.

17 Q. And until FTX and Alameda declared bankruptcy, that never
18 changed, right?

19 A. That's correct.

20 Q. Fair to say then that Alameda was an entity that was
21 affiliated with FTX?

22 MR. COHEN: Objection.

23 THE COURT: Form.

24 Q. Would you agree, Mr. Bankman-Fried, that Alameda was an
25 entity affiliated with FTX?

1 MR. COHEN: Objection.

2 THE COURT: Ask it a different way.

3 Q. You owned both Alameda and FTX, correct?

4 A. I owned substantial stakes in both.

5 Q. And you talked a lot about Alameda as a customer of FTX.

6 If Alameda made money, that meant that you would make money,
7 right?

8 A. Essentially, yes.

9 Q. And for a period of time you were a billionaire, correct?

10 A. Yup.

11 MS. SASSOON: And if we could briefly pull up
12 Government Exhibit 67, which is in evidence.

13 Q. Mr. Bankman-Fried, does this fairly show that you were
14 90 percent owner of Alameda?

15 A. Yup.

16 Q. Mr. Bankman-Fried, would you say that you were not involved
17 at all in Alameda trading in 2022?

18 A. I was not involved as a general principle in day-to-day
19 trading. I had some involvement in some higher-level
20 discussions and hedging-related trading discussions.

21 Q. So you would not say that you were not at all involved in
22 Alameda trading?

23 A. Depends on how you define "trading."

24 Q. Yes or no, Mr. Bankman-Fried: In 2022, would you say that
25 you were not at all involved in Alameda trading?

1 A. I would say I was not involved for the most part. I would
2 not say I was not involved at all in any way.

3 Q. You were receiving some information about Alameda
4 throughout 2022, correct?

5 A. Yes.

6 Q. And so you were not walled off from Alameda trading
7 decisions, right?

8 MR. COHEN: Objection, form.

9 THE COURT: Overruled.

10 A. I was not generally making trading decisions, but I was not
11 walled off from information from Alameda.

12 Q. You named Caroline and Sam Trabucco co-CEOs around August
13 of 2021, right?

14 A. That's correct.

15 Q. And after they were named co-CEOs, you continued to meet
16 with them to talk about Alameda business, right?

17 A. With Caroline, at least.

18 Q. And sometimes with Sam Trabucco as well, correct?

19 A. For the first period.

20 Q. When you say the first period, we're talking about after
21 August 2021, right?

22 A. Yes.

23 Q. And Caroline would send you updates about Alameda's trading
24 profits and losses, right?

25 A. Yup.

1 Q. And sometimes you continued to give input on trading
2 decisions, yes?

3 A. Yes.

4 Q. You participated in a chat group called Vertex, correct?

5 A. Yup.

6 Q. And that was with Caroline Ellison, Sam Trabucco, and Ben
7 Xie?

8 A. Yes.

9 Q. And in that chat group the four of you would sometimes
10 discuss Alameda trading, right?

11 A. Yup.

12 Q. After you stepped down as CEO, you also still told Caroline
13 when to buy certain cryptocurrencies from time to time, right?

14 A. I'm not sure exactly what that's referring to.

15 Q. Well, do you recall giving instructions to ever buy
16 cryptocurrencies after you named Caroline co-CEO?

17 A. I don't recall an instance. I'm not confident there wasn't
18 one.

19 Q. MAPS, that's a cryptocurrency, correct?

20 A. Yes.

21 MS. SASSOON: Mr. Bianco, can you show the witness
22 what's marked as Government Exhibit 1630.

23 Q. Do you see that this is a chat between you, Ms. Ellison,
24 and Sam Trabucco?

25 A. Yup.

1 MS. SASSOON: The government offers Government
2 Exhibit 1630.

3 MR. COHEN: No objection.

4 THE COURT: Received.

5 (Government's Exhibit 1630 received in evidence)

6 MS. SASSOON: Mr. Bianco, if you could publish that.

7 BY MS. SASSOON:

8 Q. Mr. Bankman-Fried, do you see this is dated January 24,
9 2022?

10 A. Yup.

11 Q. And do you see at the top you wrote, "On OXY/MAPS how much
12 have we bought the last few days?" When you said "we," you're
13 referring to Alameda, correct?

14 A. Yup.

15 Q. And do you see beneath that, you said, "Guessing we should
16 twap longer, 1 to \$2 million of each over the next day or two,"
17 do you see that?

18 A. Yup.

19 Q. And you gave direction to Caroline and Sam Trabucco to buy
20 OXY and MAPS, correct?

21 A. No.

22 Q. You're giving them direction with respect to the trading of
23 MAPS, correct?

24 A. No.

25 Q. Do you see Caroline Ellison's response, "Yup, that sounds

1 good, 200K of MAPS"?

2 A. Yup.

3 Q. And you wrote back "lol"?

4 A. Yup.

5 Q. January 2022, that's after you announced Caroline and
6 Trabucco as co-CEOs, right?

7 A. Yup.

8 Q. You also told Caroline around the summer of 2022 to buy
9 something called JGBs, right?

10 A. I'm not sure if it was buy or sell, but it was related to
11 the hedging, yes.

12 Q. And that stands for Japanese government bonds?

13 A. Yes.

14 Q. And so you gave her directions with respect to either the
15 buying or selling of JGBs, correct?

16 A. Yes.

17 Q. And you also testified that you had some heated discussions
18 with Caroline Ellison in 2022 about hedging, right?

19 A. Yeah.

20 Q. And she sent you spreadsheets with analysis of the hedging,
21 correct?

22 A. Yup.

23 Q. And hedging, that's a form of trading, isn't it?

24 A. Yeah.

25 Q. FTX declared bankruptcy on November 11, 2022, right?

1 A. Yes.

2 Q. And you were arrested in this case on December 13, 2022,
3 correct?

4 A. Yes.

5 Q. And I believe you touched on this in your direct. After
6 FTX declared bankruptcy but before your arrest, you made
7 certain public statements, correct?

8 A. Yup.

9 Q. And you did public interviews.

10 A. Yes.

11 Q. I think you said you wanted to get out there and tell what
12 you knew?

13 A. Mm-hmm.

14 Q. You wanted to tell the truth?

15 A. Yup.

16 Q. And when you spoke publicly about FTX, you understood it
17 was important to tell the truth, right?

18 A. Yup.

19 Q. And that you had to be precise about what you said, right?

20 A. As best I could, given what I knew and didn't know.

21 Q. And it was important to be careful in what you said,
22 correct?

23 A. As best I could.

24 Q. Once you became a high-profile CEO, you understood that
25 people would be watching what you said, correct?

1 MR. COHEN: Objection, form.

2 THE COURT: Overruled.

3 A. Yes.

4 Q. And you understood that you had to be careful about what
5 you said in public, right?

6 A. Yeah.

7 (Continued on next page)

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1 Q. And sometimes you even ran what you said through a public
2 relations filter, correct?

3 A. Yes.

4 Q. And that was to make sure that you were precise about what
5 you said, right?

6 A. In general.

7 Q. And you testified about this, but on December 1, 2022, you
8 did an interview, for example, with George Stephanopoulos on
9 Good Morning America, right?

10 A. Yes.

11 Q. We saw a clip from that interview, didn't we?

12 A. Yes.

13 Q. You also did an interview hosted by someone named Mario
14 Nawfal. I don't know if I'm pronouncing that right. Do you
15 recall that?

16 A. Not specifically, but I am not saying I didn't.

17 Q. Did you do an interview on something called Twitter Spaces?

18 A. Yeah, I did a couple.

19 Q. And those were live streamed?

20 A. Yup.

21 Q. And one of the ones that you did was arranged December 1 of
22 2022, right?

23 A. Sounds about right.

24 Q. So that's after the bankruptcy was declared, correct?

25 A. Yup.

1 Q. And this interview covered topics related to the collapse
2 of FTX, right?

3 A. They did, yes.

4 Q. And isn't it true, yes or no, that you stated on this
5 podcast that you were not involved at all in Alameda trading
6 and hadn't been for years?

7 A. I don't recall what I said.

8 MS. SASSOON: Your Honor, the government offers
9 Government Exhibit 2508.

10 We can pull up, Mr. Bianco, 2508-T for the Court and
11 counsel. If we could also offer 2508-T as an aid to the jury.

12 THE COURT: Any objection?

13 MR. COHEN: Your Honor, may we have a sidebar, please?

14 THE COURT: Yes.

15 (Continued on next page)

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1 (At sidebar)

2 MR. COHEN: Your Honor, the parties have had a
3 practice of sharing exhibits that they will be using in
4 examination the night before. This was not shared with us, so
5 it's the first I am seeing it in connection with this. I just
6 want to know what purpose it's being offered for before we say
7 whether we have an objection or not.

8 MS. SASSOON: Your Honor, the defense at no time asked
9 us to share exhibits that we intended to use on
10 cross-examination. I think it's obvious that we are going to
11 introduce exhibits during cross-examination. It's also
12 necessary because he denied recalling making the statements.
13 It's the defendant's own statement and it is being used to
14 impeach.

15 THE COURT: Any objection?

16 MR. COHEN: No.

17 (Continued on next page)

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1 (In open court)

2 MS. SASSOON: The government offers Government Exhibit
3 2508 and 2508-T as an aid.

4 THE COURT: 2508 is an audio?

5 MS. SASSOON: Yes.

6 THE COURT: They are received.

7 (Government Exhibits 2508 and 2508-T received in
8 evidence)

9 THE COURT: So far as 2508-T, the transcript, ladies
10 and gentlemen, the instruction I gave you earlier in the trial
11 about transcripts as compared with recordings, audio and video,
12 applies here too. It's the audio or the video, whichever it
13 is, that is the evidence.

14 MS. SASSOON: Mr. Bianco, you can now play government
15 Exhibit 2508 for the jury.

16 (Audio played)

17 Q. The statement, I was intentionally not getting involved in
18 it because I was concerned about a conflict of interest, that's
19 your voice, Mr. Bankman-Fried, correct?

20 A. Yeah. It sounds like it.

21 Q. In early December 2022, you spoke to a journalist at the
22 Financial Times, correct?

23 A. I am not sure.

24 Q. Do you recall speaking to a journalist by the name of
25 Joshua Oliver?

1 A. At various points, yes.

2 Q. Do you recall speaking to him after FTX declared
3 bankruptcy?

4 A. Yes.

5 Q. Isn't it true that Mr. Oliver asked you questions about
6 FTX's collapse?

7 A. I don't remember.

8 Q. Do you recall telling Mr. Oliver that you had walled
9 yourself off from trading and risk management at Alameda?

10 A. I don't remember what I said.

11 MS. SASSOON: Mr. Bianco, if you could please pull up
12 Government Exhibit 2503, what's marked as Government Exhibit
13 2503.

14 The government offers Government Exhibit 2503.

15 Mr. Bianco, if you could scroll down.

16 MR. COHEN: Your Honor, is this being offered for its
17 truth?

18 THE COURT: I'm waiting to find out.

19 MS. SASSOON: For the fact that it was said, your
20 Honor, not for its truth.

21 MR. COHEN: On that basis, no objection.

22 THE COURT: Received, not for the truth, but the fact
23 that the statements were made.

24 (Government Exhibit 2503 received in evidence)

25 MS. SASSOON: Mr. Bianco, if you could publish this

1 and start at the first page.

2 Q. Mr. Bankman-Fried, do you see that this is an article by
3 Joshua Oliver, dated December 4, 2022?

4 A. It looks like it.

5 MS. SASSOON: Mr. Bianco, if we can go to the second
6 page.

7 Q. I am going to read to you from the top here: The FTX
8 founder insisted that he had walled himself off from trading
9 and risk management at the Alameda Research trading firm, which
10 he majority owned, for conflict-of-interest reasons related to
11 his role as guardian of customer assets as chief executive of
12 the exchange FTX.

13 Do you see that, Mr. Bankman-Fried?

14 A. I see that.

15 MS. SASSOON: You can take that down.

16 Q. These statements to Joshua Oliver and on the podcast we
17 listened to, they were before you knew you had been indicted in
18 this case, correct?

19 A. That's correct.

20 Q. And at that time you were aware that your private Signal
21 messages with Caroline, Nishad, and Gary that predated November
22 2022 had been auto deleted, correct?

23 MR. COHEN: Objection to form.

24 THE COURT: Overruled.

25 A. Some of them.

1 Q. In fact, all of them from the hashtag organization chat,
2 for example, correct?

3 A. Probably.

4 MS. SASSOON: Mr. Bianco, let's pull up Government
5 Exhibit 1083.

6 Q. Mr. Bankman-Fried, I'll direct your attention to row 1,
7 hashtag organization. Do you see the auto-deletion status
8 column?

9 A. Yup.

10 Q. Do you see where it says that, as of May 11, 2021, messages
11 would be deleted after one week?

12 A. Yup.

13 MS. SASSOON: Let's go to row 2.

14 Q. Do you see the group name of that chat was Sam/Gary/Nishad?

15 A. Yup.

16 Q. When was auto delete for those messages set to 24 hours,
17 Mr. Bankman-Fried?

18 A. I can read the document. It says 2021.

19 MS. SASSOON: You can take that down.

20 Q. Looking at the third row, the group name SBF Caroline
21 Nishad, do you see that that was set to four weeks auto
22 deletion?

23 A. Yup.

24 Q. And row 4, the fantastic three whose participants were Gary
25 Wang, Nishad Singh, and Sam Bankman-Fried, that had a one-week

1 auto deletion, correct?

2 A. Yes.

3 MS. SASSOON: We can take that down.

4 Q. At the time you made these statements that we just looked
5 at on the podcast and to Joshua Oliver, you did not know that
6 Caroline Ellison would be cooperating with the government,
7 correct?

8 A. I didn't know with confidence.

9 Q. There was no public information that Caroline Ellison was
10 cooperating with the government, correct?

11 A. Just rumors.

12 Q. And at that time as well Gary Wang had not yet pleaded
13 guilty as a cooperating witness, correct?

14 A. To my knowledge, yeah.

15 Q. And in fact it was not until January of 2023 that you
16 learned Nishad Singh had pleaded guilty to a cooperation
17 agreement, correct?

18 A. I don't remember exactly when I learned that with
19 confidence. That sounds roughly correct.

20 Q. These public statements before your arrest were also before
21 you knew the government had obtained a search warrant for your
22 Twitter account, correct?

23 A. I had no knowledge one way or another. Yes.

24 Q. And at that point you had no knowledge that the government
25 might obtain a search warrant for your Google account, right?

1 A. I suspected. I didn't know.

2 Q. You did not know that the government, one way or the other,
3 whether it had obtained a search warrant for your Google
4 account, correct?

5 A. That's correct.

6 Q. And you didn't know at that point that the government had
7 subpoenaed millions of documents, correct?

8 A. I am not sure whether I knew that at that point.

9 Q. Is it your testimony that you may have known in early
10 December 2022 that the government had subpoenaed millions of
11 documents?

12 A. I can't recall exactly when. I heard rumors about it at
13 some point.

14 Q. And this point in early December 2022 was before you knew
15 that the government had copies of documents that show you were
16 involved in Alameda trading decisions, correct?

17 A. I am not sure I would phrase them that way, but it was
18 before I had specific knowledge of that.

19 Q. This was also before you knew the government had Caroline
20 Ellison's journal with her notes about Alameda, correct?

21 A. I don't know whether I knew that at that point. I might or
22 might not have. I can't remember exactly when I learned that.

23 Q. You think you may have learned that by December 1, 2022?

24 A. I may have heard rumors. I can't remember when.

25 Q. And these interviews after FTX's collapse in early December

1 2022 was before you knew that the government had Google
2 metadata showing you had been accessing Alameda balance sheets
3 in 2022, correct?

4 A. Yeah.

5 Q. These statements in early December, they were before you
6 prepared for your testimony at this trial, right?

7 A. That's correct.

8 Q. Let's talk about what you did before you testified today
9 and last week. After you were arrested, but before this trial,
10 the government produced documents to you, correct?

11 A. Yup.

12 Q. Is it fair to say that you carefully reviewed some of those
13 documents?

14 A. Yup.

15 Q. And you've had months at this point with most of the
16 government's evidence, correct?

17 MR. COHEN: Objection.

18 THE COURT: Form.

19 Q. The government produced evidence in this case to you
20 beginning several months ago, correct?

21 A. Yes.

22 Q. And, among other things, you saved the transcript from
23 Caroline Ellison's guilty plea to your Google Drive, correct?

24 A. Yeah, that's correct.

25 Q. You looked at the Signal messages that were preserved,

1 correct?

2 A. Some of them.

3 Q. You reviewed some of your emails too, right?

4 A. Some of them.

5 Q. And you reviewed some Google documents from Caroline
6 Ellison's drive that the government produced to you, correct?

7 A. Yup.

8 Q. And you looked at Excel spreadsheets that were shown during
9 this trial, didn't you?

10 A. Yes.

11 Q. You ran queries in FTX's AWS database, right?

12 A. Right.

13 Q. And you have known for weeks what exhibits the government
14 marked for use at this trial because the government disclosed
15 those to you, correct?

16 MR. COHEN: Objection.

17 THE COURT: Overruled.

18 A. No.

19 Q. No, the government did not disclose the exhibits to you?

20 A. My understanding is that I was not aware until very shortly
21 before and often not at all of what exhibits. I don't
22 particularly assign blame to one party on that.

23 Q. Isn't it true that the government produced a drive to you
24 that had all the exhibits it marked for potential use at this
25 trial?

1 A. My understanding is, there are multiple different versions
2 of that over time.

3 Q. And you received multiple versions of that over time,
4 correct?

5 A. Yes.

6 Q. And you reviewed the content of those drives, right?

7 A. Some of it.

8 Q. The government also produced to you notes from its
9 interviews with witnesses, correct?

10 A. Yes.

11 Q. And you reviewed many of those notes, didn't you?

12 A. Yup.

13 Q. And you have also sat here throughout this trial, right?

14 A. Yup.

15 Q. And you listened to the testimony of the witnesses, haven't
16 you?

17 A. Yup.

18 Q. Caroline Ellison?

19 A. Yup.

20 Q. Gary Wang?

21 A. Yup.

22 Q. Nishad Singh?

23 A. Yup.

24 MR. COHEN: Objection.

25 THE COURT: What's the objection?

1 MR. COHEN: Are we going to go through every witness?

2 MS. SASSOON: That was three, your Honor.

3 THE COURT: Overruled.

4 Q. You were here for the testimony at the very start of the
5 trial of Adam Yedidia, correct?

6 A. Yup.

7 Q. And that was all before your own trial testimony, right?

8 A. That is correct.

9 Q. Mr. Bankman-Fried, would you agree that you know how to
10 tell a good story?

11 A. I don't know. It depends on what metric you use.

12 Q. Let's talk about when you were CEO of FTX. You were in
13 charge of raising money from investors, right?

14 A. I was one of the people involved in that.

15 Q. And in your role as CEO, you participated pitching the
16 company to potential investors, right?

17 A. In some of the calls, yes.

18 Q. And the purpose of some of these meetings with potential
19 investors was to persuade them to give you money for your
20 company, right?

21 A. Essentially.

22 Q. And you did this dozens of times, right?

23 A. Yup.

24 Q. And in those pitches you would tell a story about your
25 company, right?

1 A. I would tell what I thought was the truth about the
2 company. You could call it a story.

3 Q. You would talk about, for example, how FTX was innovative,
4 correct?

5 A. Yes.

6 Q. As another example, you would talk about how FTX used an
7 automated liquidation protocol that set it apart from other
8 exchanges, right?

9 A. Yup.

10 Q. And you would tell that story over and over again to all
11 different kinds of potential investors, right?

12 A. Yup.

13 Q. And you were good at that, right?

14 A. I'm not sure I'm the person to judge.

15 Q. Didn't you raise more than a billion dollars for FTX from
16 investors?

17 A. Yup.

18 Q. Fair to say you are pretty good at this?

19 MR. COHEN: Objection.

20 THE COURT: Overruled.

21 A. Perhaps. Perhaps the company was valuable. I can't
22 confidently say where credit is due for that.

23 Q. Among other things, you raised millions of dollars, for
24 example, from Alfred Lin at Sequoia, right?

25 A. Yes.

1 Q. And were you aware at the time that Sequoia was one of the
2 most respected venture capital funds?

3 A. Yup.

4 Q. You also made a pitch to Congress, right?

5 A. I testified before Congress.

6 Q. And you testified before Congress about the merits of your
7 business, didn't you?

8 A. That was one of the topics I was asked about, yes.

9 Q. You would sometimes fly out to D.C. on a private plane,
10 correct?

11 A. Yes.

12 Q. And you would put on a suit, right?

13 A. Pretty much the only time.

14 Q. And you would testify under oath, correct?

15 A. Yup.

16 Q. And in part that testimony was to convince Congress that
17 FTX operated as a safe cryptocurrency exchange, right?

18 A. I'm not sure I viewed that particularly as my goal there.

19 Q. Is that one thing you described before Congress under oath?

20 A. It may have been.

21 Q. Do you recall one way or the other whether you described
22 before Congress that FTX was a safe cryptocurrency exchange?

23 A. I'm sure I said something similar to that. I don't recall
24 the exact phrasing.

25 Q. While you were CEO of FTX, you also made a pitch to

1 potential customers, yes?

2 A. I was involved in discussions about potential customers and
3 sometimes spoke to them.

4 Q. I think on direct examination you described how FTX spread
5 and grew somewhat organically at the beginning, right?

6 A. Yup, that's right.

7 Q. And one way that it grew was through your interactions with
8 customers on social media, fair?

9 A. Yeah.

10 Q. You posted on Twitter?

11 A. Yup.

12 Q. And your Twitter account was at SBF_FTX?

13 A. Yup.

14 Q. You knew that some FTX customers followed you on Twitter,
15 didn't you?

16 A. Yup.

17 Q. You also knew that your followers included people who could
18 potentially be customers of FTX, right?

19 A. Yup.

20 Q. You're familiar with the phrase crypto Twitter, right?

21 A. Yup.

22 Q. And does that refer to people on Twitter who are interested
23 in crypto?

24 A. Yup.

25 Q. And would you say your followers on Twitter included people

1 who were part of crypto Twitter?

2 A. Yup.

3 Q. And did you understand that crypto Twitter included people
4 who were also customers on FTX?

5 A. Yup.

6 Q. You were pretty proud that FTX caught on so quickly, right?

7 A. Yeah, I was.

8 Q. You attracted a lot of users through social media alone,
9 didn't you?

10 A. We attracted most of our original users through word of
11 mouth and social media.

12 Q. You also spoke to reporters as part of your job as CEO,
13 right?

14 A. Yup.

15 Q. And you understood when you did that that some of those
16 statements would be published in articles available to the
17 public, right?

18 A. Yup. That's right.

19 Q. And the public that could include your investors, right?

20 A. Yup.

21 Q. Existing customers of FTX?

22 A. Yup.

23 Q. Potential customers of FTX?

24 A. Yup.

25 Q. I believe you said on Friday something like that you were

1 surprisingly good with the press.

2 Do you remember that?

3 MR. COHEN: Objection.

4 THE COURT: What's the objection?

5 MR. COHEN: Mischaracterizes the testimony.

6 THE COURT: Give me a moment.

7 MS. SASSOON: Transcript 2416. I can do an exact
8 quote.

9 Q. Didn't you say on Friday: I took a few interviews and
10 those ended up going better than I thought they would after not
11 too long there was more demand for me to do interviews.

12 Do you recall that testimony?

13 A. Yup.

14 Q. Fair to say you did a good job with the press?

15 A. Certainly relative to what I had expected.

16 Q. You did a good job winning over customers, right?

17 A. FTX did a good job. I was probably part of that.

18 Q. And over time FTX acquired millions of users, didn't it?

19 A. Yup.

20 Q. And billions of dollars of customer assets were deposited
21 onto the platform, right?

22 A. Yup.

23 Q. By the start of November 2022, assets on the exchange,
24 excluding Alameda, were worth about \$15 billion?

25 A. As of when? Sorry?

1 Q. As of the start of November 2022.

2 A. That sounds plausible.

3 Q. Let's talk a little bit more about some things you were
4 telling the public prior to November 2022.

5 As CEO of FTX you made representations about how FTX
6 as an exchange would operate, right?

7 A. Yeah.

8 Q. And you made representations about how customer assets
9 would be treated, yes?

10 A. Yup.

11 Q. You made statements on Twitter?

12 A. Probably.

13 Q. And to journalists?

14 A. Probably.

15 Q. And before Congress.

16 A. Yup.

17 Q. When you say probably, are you uncertain whether you made
18 statements on Twitter about how FTX operated?

19 A. I wasn't sure if I spoke specifically to the part about
20 customer assets or not.

21 Q. Yes or no, do you recall tweeting about how customer assets
22 would be treated on FTX?

23 A. I don't recall in particular, but I suspect I did.

24 Q. But you don't recall?

25 A. No.

1 Q. Isn't it true that you wanted potential customers on FTX to
2 view FTX as trustworthy?

3 A. That would have been good, yes.

4 Q. And you wanted customers to view FTX as transparent?

5 A. Yup.

6 Q. And you wanted potential customers to view FTX as safe
7 compared to other crypto exchanges, right?

8 A. Yup.

9 Q. You wanted customers to trust you with their money, didn't
10 you?

11 A. Yeah.

12 Q. You said publicly while you were CEO of FTX that FTX had
13 reformed how crypto exchanges worked, didn't you?

14 A. I don't recall that, but I may have.

15 Q. You recall saying that you had built a responsible system?

16 A. No. But I may have.

17 Q. Do you recall describing FTX as a thoughtful exchange?

18 A. No. But I may have.

19 Q. Do you recall describing FTX as having a healthy take on
20 risk management?

21 A. No. But it may have.

22 Q. Do you recall saying that you were providing clarity and
23 transparency to the crypto system?

24 A. No. But I may have.

25 Q. Do you recall saying that when it came to risk customers on

1 FTX would only be exposed to what they think they are being
2 exposed to?

3 A. I remember something roughly at that point, but not
4 details.

5 Q. FTX had a podcast, right?

6 A. Yes.

7 Q. And Tristan Yver, was he an FTX employee who hosted the
8 podcast?

9 A. Yes.

10 Q. You appeared from time to time on the podcast?

11 A. Yes, a couple of times.

12 Q. One of those times was on September 15, 2022, correct?

13 A. Could be.

14 Q. Do you recall going on the podcast in September 2022?

15 A. I don't recall exactly. That sounds plausible.

16 MS. SASSOON: At this time, Mr. Bianco, if you could
17 pull up Government Exhibit 2570.

18 And the government offers this clip from the podcast.

19 THE COURT: Any objection?

20 MR. COHEN: No, your Honor.

21 THE COURT: Received.

22 (Government Exhibit 2570 received in evidence)

23 MS. SASSOON: Mr. Bianco, if you could play that.

24 (Video played)

25 Q. That was you, Mr. Bankman-Fried, speaking, correct?

1 A. Yup.

2 Q. As CEO of FTX, you told customers that you believed the
3 crypto ecosystem was more innovative than traditional markets,
4 did you?

5 A. I said things in that direction. I am not sure
6 specifically what.

7 Q. Did you talk about the crypto ecosystem being more
8 equitable?

9 A. Yup.

10 Q. And more transparent?

11 A. Yup.

12 Q. Isn't it true you also told customers that there has always
13 hauls been regulation in crypto and we have always had duties?

14 A. I may have.

15 Q. Do you recall saying that?

16 A. Not specifically, but it doesn't surprise me.

17 MS. SASSOON: Mr. Bianco, can you pull up Government
18 Exhibit 825.

19 The government offers Government Exhibit 825.

20 MR. COHEN: No objection.

21 THE COURT: Received.

22 (Government Exhibit 825 received in evidence)

23 MS. SASSOON: Mr. Bianco, if you could publish that.

24 Q. Mr. Bankman-Fried, this is a tweet you posted on July 30,
25 2021, correct?

1 A. Yup.

2 Q. Do you see where you wrote: The industry is evolving, as
3 are regulators' stances, but the truth is, there's always been
4 regulation in crypto and we've always had duties.

5 A. Yup.

6 MS. SASSOON: You can take that down.

7 Q. You also marketed FTX as a safe crypto exchange compared to
8 your competitors, didn't you?

9 A. With FTX US I think that may be the case. I am not sure
10 about FTX International.

11 Q. Did you or did you not market FTX International as safe
12 compared to other crypto exchanges?

13 A. I don't specifically remember that. I am not sure.

14 MS. SASSOON: If we could pull up Government Exhibit
15 900A.

16 The government offers Government Exhibit 900A.

17 THE COURT: Hearing no objection, it's received.

18 (Government Exhibit 900A received in evidence)

19 MR. COHEN: I thought it was in already.

20 THE COURT: No harm, no foul.

21 MS. SASSOON: I believe the full video is in. This is
22 just a screenshot.

23 Mr. Bianco, if you could publish that, please.

24 We can go ahead and take that down.

25 Q. You publicly described FTX as the most regulated crypto

1 exchange by far, didn't you?

2 A. I think that's right.

3 Q. And you also acted like you cared about customer
4 protections, right?

5 A. I think I did care about them, yes.

6 Q. And you made public statements to that effect, didn't you?

7 A. I probably did.

8 Q. I didn't hear you.

9 A. I probably did.

10 Q. Yes or no, do you recall making statements that you cared
11 about customer protections?

12 A. Yes.

13 Q. In fact, over and over again in public forums you described
14 FTX platform as safe, correct?

15 A. I am not sure specifically what that is referring to. I
16 may have.

17 Q. Yes or no, do you recall making numerous public statements
18 to the effect that the FTX platform was safe?

19 A. I recall with respect to FTX US. It may be true with
20 respect to FTX International, but I don't specifically recall,
21 no.

22 Q. You were CEO of FTX International, yes?

23 A. Yes.

24 Q. Sitting here today, you cannot recall one way or the other
25 whether you made public statements that FTX was a safe

1 platform?

2 A. I am not sure exactly what you are referring to. I made a
3 lot of public statements.

4 Q. Yes or no, do you recall making public statements that FTX
5 was a safe platform?

6 A. I can't think of a specific one off the top of my head.

7 Q. Generally, do you recall in substance making statements
8 that FTX was a safe platform?

9 MR. COHEN: Objection.

10 THE COURT: Overruled.

11 A. Some things that were sort of like that, yes. I am not
12 sure exactly what you are referring to. But I am not saying --

13 THE COURT: Mr. Bankman-Fried, the issue is not what
14 she is referring to.

15 Please answer the question.

16 Q. Putting aside what I'm referring to, I'm asking whether you
17 recall making statements as CEO of FTX that in substance stated
18 that the FTX platform was safe.

19 A. I remember things around specific parts of the FTX platform
20 that were related to that. I don't remember a general
21 statement to that effect. I am not sure there wasn't one.

22 Q. In media interviews isn't it true that you insisted on that
23 FTX had protections for retail customers?

24 A. Yup.

25 Q. You told your customers that users' funds and safety come

1 first, didn't you?

2 A. Something to that effect, yes.

3 Q. And you also made statements that you would always allow
4 withdrawals, didn't you?

5 A. Yup.

6 MS. SASSOON: If we could pull up what's marked as
7 Government Exhibit 829.

8 The government offers Government Exhibit 829.

9 MR. COHEN: No objection.

10 THE COURT: Received.

11 (Government Exhibit 829 received in evidence)

12 MS. SASSOON: Mr. Bianco, can you publish that.

13 Q. Mr. Bankman-Fried, can you read the first line of your
14 tweet from August 9, 2021.

15 A. Sure. And, as always, our users' funds and safety come
16 first.

17 Q. Beneath that do you see where it says, we will always allow
18 withdrawals except in cases of suspected money
19 laundering/theft/etc.?

20 A. Yup.

21 MS. SASSOON: We can take that down.

22 Q. You also told customers that backstopping customer assets
23 should always be primary, right?

24 A. It wasn't specifically directed at customers, but, yes, I
25 did say that.

1 Q. You did say that on Twitter, didn't you?

2 A. Yup.

3 Q. I believe you testified that you understood that FTX
4 customers followed you on Twitter, right?

5 A. Yup.

6 Q. You also told customers that the core of crypto is the
7 freedom to own your own assets, right?

8 A. Yup.

9 Q. You made that statement in October of 2022, right?

10 A. I don't recall exactly when.

11 MS. SASSOON: Let's pull up Government Exhibit 857,
12 what's marked as 857.

13 And the government offers this exhibit.

14 MR. COHEN: No objection.

15 THE COURT: Received.

16 (Government Exhibit 857 received in evidence)

17 MS. SASSOON: Mr. Bianco, if you could publish that.

18 Q. Mr. Bankman-Fried, what's the date of this tweet which
19 includes the lines, thanks particularly to everyone who
20 highlighted the core of crypto: Economic freedom. The freedom
21 to own your own assets, to own your own data, to build your own
22 programs. What's the date of that?

23 A. It says October 23, 2022.

24 Q. According to your testimony in court, by this time you knew
25 that Alameda owed FTX about \$8 billion for spending customer

1 fiat deposits, right?

2 A. It's not how I phrased it, but I did know there was an \$8
3 billion liability.

4 Q. And that \$8 billion liability was for customer fiat
5 deposits that had gone to Alameda, right?

6 A. It was related to that, yes.

7 Q. And if Alameda in repaid that money, the liability would
8 not have been there, correct?

9 A. Yup. That's right.

10 Q. And you knew that as of October 23, 2022, didn't you?

11 A. Yup.

12 MS. SASSOON: You can take that down.

13 Q. In October you also told the public that customers mattered
14 more than anything, didn't you?

15 A. Excuse me. I didn't hear the second half of that.

16 Q. You stated publicly in October as well that customers
17 mattered more than anything, right?

18 A. I may have.

19 MS. SASSOON: Let's pull up Government Exhibit 858.
20 It's marked.

21 And the government offers this exhibit.

22 MR. COHEN: No objection.

23 THE COURT: Received.

24 (Government Exhibit 858 received in evidence)

25 Q. You see on October 30, 2022 you tweeted: I deeply

1 appreciate when policymakers engage constructively and
2 optimistically with the people who matter the most for the
3 industry's direction, the customers.

4 You tweeted that?

5 A. Yes.

6 MS. SASSOON: You can take that down.

7 Q. You also tweeted that the acceptable number of issues when
8 it comes to a client's money is zero, correct?

9 A. I am not sure.

10 Q. Do you recall saying that that was a huge focus for FTX?

11 A. I'm not sure what that's referring to.

12 MS. SASSOON: Mr. Bianco, can you publish Government
13 Exhibit 766, which is in evidence.

14 Q. Mr. Bankman-Fried, do you see this tweet from FTX official?

15 A. I do.

16 Q. What's the date of that tweet?

17 A. April 18, 2022.

18 MS. SASSOON: We can take that down.

19 Q. Mr. Bankman-Fried, fair to say that you wanted FTX's
20 customers to trust you?

21 A. That would have been ideal, yeah.

22 Q. And you even tweeted that lying to customers breaks sacred
23 rules of conduct everyone knows to follow, didn't you?

24 A. I may have. I don't recall that.

25 Q. You mentioned during your testimony earlier that you

1 testified before Congress, right?

2 A. Yup.

3 Q. And that included written and oral testimony?

4 A. Yup.

5 Q. That testimony was under oath, wasn't it?

6 A. I believe so.

7 Q. You submitted to Congress FTX's key principles document,
8 right?

9 A. Yup.

10 Q. And FTX's key principles had the stated goal to ensure
11 customer and investor protection, right?

12 A. That sounds right.

13 Q. And those principles, they weren't limited to FTX US,
14 correct?

15 A. Various principles refer to the industry, some refer to
16 FTX, some to FTX US.

17 Q. FTX's key principles, was that document limited to FTX US?

18 A. Not all of it, no.

19 Q. The name of the document was FTX US key principles,
20 correct?

21 A. They were not key principles for FTX. They were key
22 principles by FTX for the industry. Many of them, but not all
23 of them, refer to FTX as a business.

24 Q. Isn't it true that in those key principles you stated that
25 FTX offered the protections laid out in the principles today to

1 its customers?

2 A. Maybe something to that effect.

3 Q. So isn't it true that FTX held out this document as key
4 principles for its own exchange?

5 A. I am not sure.

6 Q. You were involved in reviewing this document, weren't you?

7 MR. COHEN: Objection to this document.

8 Q. FTX's key principles that you submitted to Congress under
9 oath, you reviewed it, right?

10 A. I read through it.

11 Q. And you were involved in crafting it, weren't you?

12 A. I don't remember being very involved in crafting it.

13 Q. You submitted it under oath to Congress, right?

14 A. Yes.

15 MS. SASSOON: Let's pull it up. Let's pull up
16 Government Exhibit 914A. Let's go to the second page.

17 Q. Do you see here this refers to the key principles document
18 and it says: FTX released this week FTX's key principles for
19 ensuring investor protections on digital-asset platforms where
20 we identified the most important components of an
21 investor-protection regime.

22 Can you read the next words after the parenthetical.

23 A. And how FTX offers those protections today with the direct
24 membership model.

25 MS. SASSOON: You can take that down.

1 Q. Let's actually pull it up back up and go to the second
2 page.

3 Among these principles you told Congress -- let's read
4 the first bullet -- these components include maintaining
5 adequate liquid resources to ensure the platform can return the
6 customer's assets upon request.

7 Do you see that?

8 A. Yup.

9 Q. And the next bullet says: Ensuring the environment where
10 customer assets are custodied including digital wallets are
11 kept secure.

12 Do you see that?

13 A. Yes.

14 Q. Third bullet: Ensuring appropriate bookkeeping or
15 ledgering of assets and disclosures to protect against misuse
16 or misallocation of customer assets.

17 Do you see that?

18 A. Yes.

19 Q. On the next page, at the top: Ensuring appropriate
20 management of risks, including market, credit counterparty and
21 operational risks.

22 Do you see that?

23 A. Yup.

24 Q. And can you read the last bullet.

25 A. Avoiding or managing conflicts of interest.

1 Q. Conflicts of interest are not a good thing, right?

2 A. They are a potential problem.

3 Q. And they are a potential problem that customers cared
4 about, right?

5 A. Yup.

6 Q. And a potential problem that your investors cared about,
7 right?

8 A. Right.

9 Q. And you wanted to reassure customers that you were not
10 going to use Alameda to profit at FTX at other customers'
11 expense, right?

12 A. Not in an improper way.

13 Q. We will come back to that.

14 Let's go to the eighth page of this PDF. I want to
15 direct you to the bottom of the page that starts with FTX has
16 policies and procedures. Do you see where it says: FTX has
17 policies and procedures for its platforms today that reflect
18 this basic principle by maintaining liquid assets for
19 customers' withdrawals, including a sufficient balance of
20 digital assets funded by the company for its non-U.S. platform.

21 Do you see this?

22 A. Yup.

23 Q. This is not about FTX US, correct?

24 A. That part is not. That's correct.

25 Q. Reading on it says: The resources are funded to provide

1 sufficient cover against user losses to ensure a customer
2 without losses can redeem its assets from the platform on
3 demand.

4 Do you see that?

5 A. Yup.

6 MS. SASSOON: You can take that down.

7 Q. In addition to submitting the FTX key principles document
8 to Congress, there was a press release put out by FTX that
9 accompanied the release of these principles, right?

10 A. I believe so, yes.

11 Q. And in the press release you stated that, quote, the
12 protection of investors in the public was a top priority for
13 the FTX exchanges, right?

14 A. Sounds about right.

15 Q. And the key principles were also posted on FTX's policy
16 blog, correct?

17 A. Yup.

18 Q. That was on the FTX website?

19 A. Yup.

20 Q. And you posted links to the policy papers on your Twitter
21 account, right?

22 A. Yup.

23 Q. And you also publicized your congressional testimony on
24 Twitter to your followers, right?

25 A. Yup.

1 Q. You publicly advocated for crypto regulation, correct?

2 A. Yup.

3 Q. And you told your customers on Twitter in October 2022 that
4 your support for regulation was contingent upon protecting he
5 customers, right?

6 A. I don't recall the context for that.

7 Q. Do you recall, yes or no, telling your followers on Twitter
8 in October that your support for regulation was contingent upon
9 protecting customers?

10 A. I don't recall that specifically, no.

11 MS. SASSOON: Let's pull up what's marked as
12 Government Exhibit 855.

13 Government offers Government Exhibit 855.

14 MR. COHEN: No objection.

15 THE COURT: Received.

16 (Government Exhibit 855 received in evidence)

17 MS. SASSOON: Mr. Bianco, can you publish that.

18 Q. On October 19 of 2022, you tweeted that your support for
19 regulation was contingent upon protecting customers, right?

20 A. Yup.

21 Q. You wanted your followers to think that consumer
22 protection, customer protection was important to you, right?

23 A. Sure.

24 Q. But this was really just for PR, wasn't it?

25 A. No.

1 Q. In private you said things like fuck regulators, didn't
2 you?

3 A. I said that once.

4 Q. And you also said in private that the stuff you said about
5 wanting good regulations was just PR, didn't you?

6 A. I said something that was related to that, yes.

7 Q. Let's look.

8 MS. SASSOON: Let's pull up Government Exhibit 803C,
9 which is in evidence.

10 Q. Do you see at the top a message from @Kelsey Tuoc that says
11 you had a lot of stuff about how you wanted to make
12 regulations, just good ones.

13 Was that pretty much just PR too?

14 A. I see that.

15 Q. Can you please read your last two messages.

16 A. Yeah. Just PR. Fuck regulators.

17 MS. SASSOON: Take that down.

18 Q. You called members of crypto Twitter, which included your
19 own followers and customers, dumb motherfuckers, right?

20 A. On one instance I called a specific subset of them that in
21 a private conversation to someone.

22 Q. So yes?

23 A. To a specific subset of them, yes.

24 Q. You testified last week that some of your donations to
25 politics were to foster regulatory structure for crypto.

1 Do you recall that?

2 A. Yup.

3 Q. At the time Binance was one of your largest competitors,
4 right?

5 A. Yup.

6 Q. And you wanted regulators to crack down on Binance, didn't
7 you?

8 A. In some ways, yes.

9 Q. Isn't it true that you thought regulation would help you
10 take more market share away from Binance?

11 A. I thought that would be one of the pros. There were pros
12 and cons.

13 Q. I want to talk a little bit about muffins.

14 You testified last week that FTX didn't have
15 restrictions on what people could do with funds they borrowed,
16 right?

17 A. Yup.

18 Q. And I think you said they could buy muffins with the money
19 if they wanted, right?

20 A. Yup.

21 Q. Isn't it true though that FTX had rules for when customers
22 could withdraw money from the exchange to buy muffins or
23 anything else?

24 A. Yeah.

25 Q. For example, a customer could withdraw their account

1 balance, right?

2 A. Customers could always withdraw their account balance,
3 that's correct.

4 Q. And a customer, as another example, could opt into the
5 spot-margin program, right?

6 A. Yup.

7 Q. Under certain circumstances a customer with spot margin
8 enabled could withdraw money from the exchange to buy muffins,
9 right?

10 A. Um-hum.

11 THE COURT: Sorry. Excuse me, Ms. Sassoon.

12 We need a word.

13 THE WITNESS: Sorry. Yes.

14 MS. SASSOON: I thought I heard that. Apologize, your
15 Honor.

16 Q. Now, yes or no, Mr. Bankman-Fried, a customer was not
17 permitted, for example, to deposit \$10 and then withdraw assets
18 worth a billion dollars to buy millions of muffins, right?

19 A. Depends on the context. In general, no.

20 Q. In general, no, you could not, taking those facts as the
21 facts, deposit \$10 to withdraw a billion dollars to buy muffins
22 or anything else?

23 A. Not without further context.

24 Q. When you say further context, you mean other assets on the
25 FTX exchange, right?

1 A. Or potentially off the exchange.

2 Q. Let's talk about that, Mr. Bankman-Fried.

3 I wrote this down. This is from your testimony
4 earlier today.

5 A. Um-hum.

6 Q. You were giving an example about a customer withdrawing
7 three Bitcoins, and you said that to withdraw those three
8 Bitcoins the customer would likely be collateralized by some
9 other asset on the exchange.

10 Do you recall that testimony?

11 A. Yup.

12 Q. Isn't it true that the rules you publicized for the FTX
13 exchange said that the collateral had to be on the exchange?

14 A. I am not sure exactly what we said. It usually did.

15 Q. Isn't it true that what you said publicly was that it
16 always did?

17 A. It's possible.

18 Q. Yes or no, do you recall any instance where you publicly
19 said, there are exceptions to collateralizing your withdrawals
20 on the exchange?

21 A. I am not sure. I don't specifically recall either.

22 Q. Can you identify a single one sitting on the stand right
23 now?

24 A. I can't recall a specific instance in that direction, no.

25 Q. Let me help you.

1 Is it your testimony that a customer did not have to
2 post their collateral to the exchange itself in order to
3 withdraw money?

4 A. In general, a customer had to have collateral on the
5 exchange in order to withdraw money.

6 Q. And you said that over and over again to the public, didn't
7 you?

8 A. I said things related to that. I am not sure if I said
9 exactly that.

10 Q. This was an essential feature of the automatic liquidation
11 engine, right?

12 A. Yes.

13 Q. For an automatic liquidation engine to know to liquidate an
14 account, the collateral had to be on the exchange, right?

15 A. The risk engine had to be at least aware of the collateral.

16 Q. And the risk engine, that's not a person, right?

17 A. No. There is a core computer process, that's right.

18 Q. And the core computer process only has information about
19 what assets are on the exchange, right?

20 A. Not necessarily.

21 Q. When it comes to liquidation, the liquidation protocol,
22 this computer process is evaluating collateral on the exchange,
23 correct?

24 A. It's evaluating the number that it is given in the
25 database. Those, in general, were assets held on the exchange.

1 It also includes lines of credit and other things.

2 Q. We will turn to lines of credit, but I want to talk more
3 about collateral.

4 A. Um-hum.

5 Q. In marketing FTX, didn't you claim that FTX's risk engine
6 insulates users from the risk management of any other
7 counterparties by custodying collateral?

8 A. Yup.

9 Q. And custodying collateral, that means the collateral is
10 with FTX, correct?

11 A. It means there is collateral with FTX, yes.

12 Q. Didn't you testify under oath before Congress that, quote,
13 FTX's risk management program requires that digital asset
14 collateral be placed on the platform itself, rather than
15 pledged, but not delivered to the platform to ensure the
16 platform has immediate access to the collateral for purposes of
17 managing market risks?

18 A. I don't remember the details. It probably had roughly
19 that.

20 Q. That's because that's how you marketed FTX, correct?

21 A. Sometimes, yes.

22 Q. Were there other times that you said, actually, just
23 kidding?

24 MR. COHEN: Objection.

25 THE COURT: Argumentative.

1 Q. Did you ever amend your testimony before Congress under
2 oath to say actually not all users have to post collateral to
3 withdraw money?

4 A. No.

5 Q. You also testified under oath before Congress that FTX,
6 quote, stored collateral from our users in a way which is not
7 always done in the traditional financial ecosystem to backstop
8 positions?

9 A. Yup.

10 Q. Now, you also testified before Congress about the FTX US
11 application in May of 2022, right?

12 A. Yup.

13 Q. And in your testimony you described how the risk and
14 clearing model for FTX International's platform worked, right?

15 A. I may have.

16 Q. And you testified that FTX's risk model on its
17 international platform would work well for its U.S. business
18 too, right?

19 A. A modified version of it.

20 Q. And didn't you testify under oath that FTX used, quote,
21 prefunded collateral deposits instead of credit extensions.

22 That was your testimony, wasn't it?

23 A. It may have been.

24 MS. SASSOON: Mr. Bianco, can you show the witness
25 what's been marked as Government Exhibit 2583.

1 The government offers Government Exhibit 2583.

2 MR. COHEN: Assuming it's not for its truth, no
3 objection.

4 THE COURT: Is it for its truth?

5 MS. SASSOON: Your Honor, it's the defendant's own
6 statements.

7 THE COURT: I understand. But I'm asking you how
8 you're offering it.

9 MS. SASSOON: We don't think the representations were
10 accurate, so, no, it's not being offered for its truth.

11 THE COURT: It's received, not for its truth.

12 (Government Exhibit 2583 received in evidence)

13 MS. SASSOON: Mr. Bianco, can you publish that.

14 Q. Mr. Bankman-Fried, do you see this is testimony of Sam
15 Bankman-Fried, cofounder and CEO of FTX, dated May 12, 2022?

16 A. Yes.

17 MS. SASSOON: If we could go to the second page.

18 Q. I want to direct your attention to the second full
19 paragraph.

20 Do you see where it says prefunded collateral deposits
21 instead of credit extensions?

22 A. Yup.

23 Q. And the next sentence says: Second, the system also
24 requires that customers transfer the required collateral to
25 support their trading to the FTX platform before they can begin

1 trading.

2 Do you see that?

3 A. Yup.

4 MS. SASSOON: You can take that down.

5 Q. In early December 2022, you did an interview with Andrew
6 Ross Sorkin from the New York Times, right?

7 A. Yup.

8 Q. In that interview didn't you describe FTX's borrow/lend
9 program as a program where, quote, users were lending billions
10 of dollars to each other collateralized by assets on the
11 exchange?

12 A. I don't remember exactly what I said.

13 MS. SASSOON: Mr. Bianco, if you could pull up just
14 for the witness Government Exhibit 2585-T.

15 Actually, pull up Government Exhibit 2568-T. If you
16 could go to page 8 of the PDF.

17 Q. Mr. Bankman-Fried, I direct your attention to the bottom of
18 page 8 and to page -- sorry -- page 7 of the transcript, page 8
19 of the PDF.

20 Do you see where it says, there is the? There is the
21 borrow lending facility. Do you see that?

22 A. Yes, I see it.

23 MR. COHEN: Are you on 7 or 8? I see.

24 Q. If you could read from there to the end of the sentence.
25 Look up when you're done.

1 A. All right.

2 Q. Do you now recall that you told Andrew Ross Sorkin that,
3 quote, there is the borrow/lending facility where users were
4 lending billions of assets to each other collateralized by
5 assets on the exchange?

6 A. Yup.

7 MS. SASSOON: Take that down.

8 Q. Mr. Bankman-Fried, a typical customer on the FTX exchange
9 could go negative in certain types of assets, right? I think
10 you testified about that.

11 A. Yup.

12 Q. But to do so, their overall account balance across all
13 assets had to stay above zero, right?

14 A. That's generally true, yes.

15 Q. Otherwise, if their whole account balance approached zero
16 or was approaching going negative they would be liquidated,
17 right?

18 A. Right.

19 Q. That was the whole selling point of FTX's innovative
20 liquidation engine?

21 A. That was part of it, yes.

22 Q. A typical customer, for example, would not be permitted to
23 hold an overall negative account balance for days, right?

24 A. That is usually correct, yes.

25 Q. Or months, right?

1 A. Yup.

2 Q. They would be liquidated before that happened, right?

3 A. In most cases, yes.

4 Q. And the typical customer could not, for example, pledge
5 their house as collateral to trade on FTX, right?

6 A. There is no standard program for that, no.

7 Q. And they couldn't pledge their equity in an outside
8 investment, right?

9 A. Not without discussing it with FTX.

10 Q. The general rules did not allow for pledging an outside
11 investment as collateral in the exchange, right?

12 A. I am not sure that's true.

13 Q. Can you name any customers that were allowed to pledge
14 outside investments as collateral for withdrawing money on FTX
15 apart from Alameda?

16 A. I can name a couple of instances where we considered or in
17 fact did do that.

18 Q. When did you in fact do that?

19 A. I believe that we did that with a firm called Crypto Lotus,
20 and I believe that we considered that with Three Arrows.

21 Q. Crypto Lotus, you said, is one customer that was allowed to
22 pledge an outside investment. What was the size of that
23 investment?

24 A. I don't recall the exact amount. I think it may have been
25 a hundred million.

1 Q. A hundred million?

2 A. My guess.

3 Q. Can you recall any other instance where a customer other
4 than Alameda and Crypto Lotus with this 100 million was
5 permitted to post as collateral an outside investment?

6 A. Not off the top of my head.

7 Q. Sitting here today, the answer is no?

8 A. Correct.

9 Q. When Crypto Lotus was allowed to pledge this outside 100
10 million, was that disclosed to the public?

11 A. Not specifically, no.

12 Q. And you were friends with the head of Crypto Lotus, weren't
13 you?

14 A. I don't think so.

15 Q. You had a personal relationship with the head of Crypto
16 Lotus?

17 A. Who are you referring to?

18 Q. Yes or no.

19 A. There was someone from Crypto Lotus who I had talked to.

20 Q. Was that person your friend?

21 A. We didn't have nonwork discussions.

22 Q. So it's your testimony that you have no personal
23 relationship with anybody at Crypto Lotus?

24 A. There was a more junior employee who I had been friends
25 with.

1 Q. Now, apart from this one occasion with Crypto Lotus and
2 putting aside Alameda, customers were not permitted, for
3 example, to pledge crypto that they held on another exchange as
4 collateral for FTX withdrawals, right?

5 A. I can't think of a case where we -- another case where we
6 went through with that.

7 Q. So no other instance, putting aside Alameda, where that was
8 permitted?

9 A. I can't think of any, no.

10 (Continued on next page)

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1 BY MS. SASSOON:

2 Q. And for a typical customer on FTX, the amount the customer
3 could borrow off the exchange corresponded to the collateral
4 that customer deposited, right?

5 A. Plus lines of credit and other things, but yes.

6 Q. I'd like to ask you some questions about lines of credit,
7 but first, let me ask you this: Before November 2022, isn't it
8 true that you assured customers that Alameda played by the same
9 rules as other traders on FTX?

10 A. I said some things to that extent.

11 Q. Meaning you told customers in substance that Alameda played
12 by the same rules as other traders on FTX, correct?

13 A. I remember saying that Alameda had the same trading access
14 as other customers.

15 Q. Is that all you recall saying?

16 A. I don't know the details of what I said. That is the core
17 of what I recall.

18 Q. So sitting here today, you don't recall assuring customers
19 that Alameda generally played by the same rules as other
20 traders on FTX?

21 A. I'm not sure.

22 Q. Do you recall any instance of making those assurances?

23 MR. COHEN: Objection.

24 THE COURT: Overruled.

25 A. I'm not sure. I don't recall any right now. I'm not sure

1 exactly what you're referring to.

2 Q. Let's pull up Government Exhibit 817, which you testified
3 about. I think you said this was about front running—

4 A. Yup.

5 Q. —right? Now in your response, you wrote, "Alameda is a
6 liquidity provider on FTX, but their account is just like
7 everyone else's." Do you see that?

8 A. Yup, I do.

9 Q. Where in your response, if anywhere, does it say front
10 running?

11 A. At the time, I thought it was implicit from the question
12 that it was responding to.

13 Q. Mr. Bankman-Fried, it does not say front running anywhere
14 in your tweet, right?

15 A. It says liquidity provider in my tweet, and in the tweet it
16 was responding to, it described trading against the market.

17 Q. Does your tweet identify any way in which Alameda's account
18 was not like everybody else's?

19 A. No, it doesn't.

20 MS. SASSOON: Let's pull up what's marked as
21 Government Exhibit 318.

22 Q. This is an email that you sent on March 22, 2022, correct?

23 A. Yup.

24 MS. SASSOON: The government offers Government
25 Exhibit 318, not for its truth.

1 MR. COHEN: No objection.

2 THE COURT: Received.

3 (Government's Exhibit 318 received in evidence)

4 MS. SASSOON: Mr. Bianco, can you publish that.

5 BY MS. SASSOON:

6 Q. This is an email dated March 22, 2022, correct?

7 A. Yup.

8 Q. And I want to direct your attention to the email at the
9 bottom from Rob Creamer at genevatrading.com. And do you see
10 where he wrote, "One issue that was brought up to me
11 individually is the role of Alameda in the ecosystem and how
12 conflicts of interest are managed." Do you see that?

13 A. Yup.

14 Q. Does this email anywhere mention front running?

15 A. No. He had mentioned it to me in person.

16 Q. My question was: Does this email anywhere mention front
17 running?

18 A. No.

19 MS. SASSOON: Okay. Let's take that down.

20 Q. Look at the top. Does your email response mention anywhere
21 front running?

22 A. Not explicitly.

23 Q. The answer is no.

24 A. Not explicitly.

25 Q. The words "front running" are not in your email, correct?

1 A. I agree with that.

2 Q. And do you see where you wrote, "The rough answer is: 1)
3 Alameda is a trader on FTX 2) Alameda does not have any special
4 access; its account is like everyone else's"? Do you see that?

5 A. Yup.

6 MS. SASSOON: We can take that down.

7 Q. And didn't you tell journalists in 2022 that Alameda played
8 by the same rules as other traders on the exchange?

9 A. I'm not sure exactly what I said.

10 Q. Zeke Faux, he's a journalist, right?

11 A. Yup.

12 Q. He works at Bloomberg?

13 A. I think that's right.

14 Q. And you've met him before, right?

15 A. Yup.

16 Q. You've given him interviews before?

17 A. Yup.

18 Q. You met with him several times, didn't you?

19 A. Yup.

20 Q. And among other times, you met with him in early 2022,
21 correct?

22 A. I don't remember exactly when. That sounds about right.

23 Q. And he came to the Bahamas?

24 A. Yup.

25 Q. And didn't you tell him in early 2022 that Alameda played

1 by the same rules as other traders?

2 A. I don't remember exactly what I said.

3 Q. Are you denying that you said to Zeke Faux, "Alameda plays
4 by the same rules as other traders"?

5 A. I'm not denying that. I'm saying I don't remember.

6 Q. So you might have said that.

7 A. I'm not sure what I said.

8 MS. SASSOON: Mr. Bianco, can you pull up Government
9 Exhibit 2511B.

10 Q. And Mr. Bankman-Fried, I want to direct your attention to
11 the middle paragraph and ask you to read from the word "but"
12 that's at the end of the fourth line of the second paragraph
13 until the word "FTX." Actually, could you just read that one
14 sentence.

15 MR. COHEN: To himself?

16 MS. SASSOON: Yes.

17 THE COURT: Yes.

18 A. I've read that.

19 Q. Now do you remember telling Zeke Faux in early 2022 that
20 Alameda played by the same rules as other traders?

21 A. Not in that wording, no.

22 Q. So you don't recall that.

23 A. No.

24 Q. Do you recall telling him that in other wording?

25 A. I recall saying that Alameda wasn't front running other

1 customers, that its trading access was like other customers. I
2 don't remember exactly how I said it.

3 Q. And did you tell Zeke Faux that Alameda received special
4 treatment in other respects?

5 A. I don't remember talking about it.

6 Q. So you didn't say that to him.

7 A. I don't remember doing so.

8 Q. You told other members of the media that Alameda's account
9 access on FTX was the same as other users, didn't you?

10 A. I'm not sure about the phrasing.

11 MS. SASSOON: Let's pull up Government Exhibit 2525,
12 just for the witness and the Court and counsel.

13 And if we could go to the second page.

14 And the government offers Government Exhibit 2525.

15 THE COURT: Received.

16 (Government's Exhibit 2525 received in evidence)

17 MS. SASSOON: Mr. Bianco, if you could publish the
18 second page for the jury.

19 BY MS. SASSOON:

20 Q. Mr. Bankman-Fried, do you see the February 8, 2022, email
21 you sent to Patricia Kowsmann at wsj.com?

22 A. Yup.

23 Q. Could you read the fifth bullet point here. Out loud,
24 please.

25 A. Yup. "While Alameda is a user on FTX, their volume is a

1 very small fraction of overall exchange volume, and their
2 account's access is the same as others'. It and its traders
3 does not have any special access to client information, market
4 data, or trading."

5 MS. SASSOON: Okay. We can take that down.

6 Q. While you were CEO of Alameda, you also claimed that
7 Alameda had no special privileges on FTX, didn't you?

8 A. I'm not sure about the phrasing.

9 Q. In substance, did you claim that Alameda had no special
10 privileges on FTX?

11 A. I'm not sure. I don't remember doing so in those words.

12 Q. Do you remember doing so in other words?

13 A. I remember saying that I did not believe Alameda would be
14 front running or preying on user's information on the exchange,
15 that their trading access was just like other users'. I'm not
16 sure. I did thousands of interviews. I don't honestly
17 remember the details.

18 Q. That's the limit of what you recall describing about
19 Alameda being the same as other customers?

20 A. That's the limit of what I can remember off the top of my
21 head.

22 Q. Isn't it true you said Alameda and FTX operated separately?

23 A. I'm not sure about the exact phrasing.

24 Q. Did you make representations that in substance conveyed
25 that Alameda and FTX operated separately?

1 A. In some ways, yes.

2 Q. What do you mean "in some ways"?

3 A. I remember that coming up in some specific instances with
4 respect to specific ways in which they could operate
5 separately. I'm not sure about the more general context.

6 Q. Isn't it true that in September of 2022 you claimed that
7 Alameda was a wholly separate entity from FTX?

8 A. I remember saying—using that phrase at some point.

9 Q. And that was published in an article by *Bloomberg*, right?

10 A. I don't remember where.

11 Q. But you remember saying it.

12 A. I remember that phrase. I don't remember what the context.

13 Q. Do you remember that being a public statement of yours?

14 A. I think so.

15 Q. You also told the public that FTX viewed Alameda as a
16 "neutral piece of market infrastructure." Do you recall that?

17 A. No, I don't. I'm not sure I didn't say it, though.

18 MS. SASSOON: Mr. Bianco, can you pull up Government
19 Exhibit 906. It's marked but not in evidence.

20 Can you go to the next page.

21 Mr. Bianco, do you have a redacted version of this
22 exhibit?

23 Why don't we take that down. We'll come back to it.

24 BY MS. SASSOON:

25 Q. Sitting here today, Mr. Bankman-Fried, do you deny that

1 Alameda was the only FTX customer that accepted FTX customer
2 fiat deposits directly into its own bank account?

3 A. FTX has other payment processors.

4 Q. That's not what I asked. I asked you whether you denied
5 that Alameda was the only FTX customer that accepted FTX
6 customer deposits directly into its own bank account.

7 A. I'm not sure. I'm not sure if there were other payment
8 processors that were also FTX customers.

9 Q. Can you identify a single one sitting here today?

10 A. I'm not confident.

11 Q. So no, you cannot?

12 A. Not with hundred percent confidence.

13 Q. Sitting here today, do you deny that Alameda's main trading
14 account had a \$65 billion line of credit that no other customer
15 had?

16 A. Yup, that was the maximum withdrawable size.

17 Q. So you agree that Alameda was the only customer with a
18 \$65 billion line of credit.

19 A. In terms of maximum size, yes.

20 Q. And sitting here today, do you deny that Alameda's main
21 trading account had an "Allow Negative" flag?

22 A. I—I'm not sure which account that applied to in
23 particular. It may have.

24 Q. Sitting here today, isn't it true that you know that the
25 info@alamedaresearch account had an "Allow Negative" flag?

1 A. I don't remember which subaccounts did and didn't.

2 Q. Sitting here today, do you deny that Alameda had some
3 accounts with an "Allow Negative" flag?

4 A. I believe that's correct.

5 Q. And that flag did not apply to other FTX customers,
6 correct?

7 A. Not to my knowledge.

8 THE COURT: Not to your knowledge. There's a double
9 negative there.

10 THE WITNESS: I'm sorry. I don't know of any other
11 customers that weren't FTX related in some way that it applied
12 to.

13 THE COURT: Thank you.

14 BY MS. SASSOON:

15 Q. Sitting here today, do you deny that Alameda could withdraw
16 billions of dollars from the FTX exchange using a line of
17 credit without risk of being liquidated?

18 A. I think that might be right. I'm not sure about the risk
19 of being liquidated part.

20 Q. Let me ask it this way: Alameda—do you deny that Alameda
21 could withdraw billions of dollars from the FTX exchange using
22 a line of credit without being subject to the typical
23 auto-liquidation protocol?

24 MR. COHEN: Objection, form.

25 THE COURT: Overruled.

1 A. That might be right.

2 Q. You don't deny it.

3 A. I don't deny it, no.

4 MS. SASSOON: Your Honor, I'm at a natural breaking
5 point, but I can continue if you'd prefer that I do.

6 THE COURT: Okay. 1:45, folks.

7 THE DEPUTY CLERK: All rise. Will the jury please
8 come this way and bring your notebooks with you.

9 (Luncheon recess)

10 (Page 2636 SEALED by order of the Court)

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1 (In open court; jury not present)

2 THE COURT: Let's bring in the jury.

3 (Jury present)

4 THE COURT: The defendant and the jurors all are
5 present, as they've been throughout.

6 Mr. Bankman-Fried, you're still under oath.

7 You may proceed, Ms. Sassoon.

8 MS. SASSOON: Thank you, your Honor.

9 BY MS. SASSOON:

10 Q. Mr. Bankman-Fried, I want to touch briefly on a few things
11 you said in your testimony last week.

12 You testified, didn't you, that you didn't cut your
13 hair because you were busy and lazy, right?

14 A. That sounds about right.

15 Q. Isn't it true that while you were CEO of FTX, you told your
16 employee Andy Croghan that it was "negative EV for me to cut my
17 hair"?

18 A. I thought it might have been.

19 Q. Did you say that to your employee?

20 A. I don't remember whether or not I said it.

21 Q. Do you recall saying to Andy Croghan you kept your hair
22 long because it was important for the business "for people to
23 think I look crazy"?

24 A. I don't think I said that in that way.

25 MS. SASSOON: Mr. Bianco, can you pull up Government

1 Exhibit 907.

2 The government offers Government Exhibit 907.

3 MR. COHEN: I assume not for its truth, your Honor?

4 MS. SASSOON: That's correct.

5 MR. COHEN: No objection.

6 THE COURT: Received on that basis.

7 (Government's Exhibit 907 received in evidence)

8 MS. SASSOON: Mr. Bianco, can you go to page 3,
9 please, and publish that for the jury. Actually, please first
10 publish the first page for the jury.

11 BY MS. SASSOON:

12 Q. Mr. Bankman-Fried, do you recognize this article from *The*
13 *New York Times*?

14 A. Vaguely.

15 Q. And do you see it's dated May 14, 2022?

16 A. Yup.

17 MS. SASSOON: And Mr. Bianco, can we go to page 3.
18 First can we go to page 2.

19 Page 3?

20 Mr. Bianco, is page 3 not loading or just not on my
21 screen?

22 Okay. Let's go to page 4.

23 BY MS. SASSOON:

24 Q. And Mr. Bankman-Fried, do you see at the top where it says,
25 "'I was like, "Sam, you've got to cut your hair, dude--it looks

1 ridiculous,"' Mr. Croghan said. "And he said, 'I honestly
2 think it's negative EV for me to cut my hair. I think it's
3 important for people to think I look crazy.'" Do you see
4 that?

5 A. I see that on the screen.

6 Q. Do you deny that you said that to Mr. Croghan?

7 A. I have no memory of saying it in that way and don't think I
8 would have. I may have said parts of that or that with other
9 context.

10 Q. At the time this article was published did you put out any
11 statement denying what was published by *The New York Times*?

12 A. I don't remember reading this at the time.

13 Q. Didn't you just testify that you recognized the article,
14 Mr. Bankman-Fried?

15 A. Vaguely.

16 MS. SASSOON: We can take that down.

17 Q. You testified last week that you wore shorts and T-shirts
18 because they were comfortable, right?

19 A. Yeah.

20 Q. Anthony Scaramucci, he was one of your investors, right?

21 A. I believe so.

22 Q. And he actually traveled with you to the Middle East to
23 meet with additional investors to raise money, right?

24 A. Yup.

25 Q. And when you were in the Middle East, didn't he tell you

1 that you needed to wear a suit and tie to your meetings?

2 A. For some of them, yeah.

3 Q. And didn't you tell him that T-shirt and shorts were part
4 of your brand?

5 A. I don't remember saying that. I may have.

6 Q. Yes or no: Do you recall saying that?

7 A. I don't recall it, no.

8 Q. The name Alameda Research, you testified last week that you
9 chose that name in order to be under the radar from your
10 competitors, right?

11 A. Yeah.

12 Q. That's not what you said in 2021, right?

13 A. I'm not sure.

14 Q. In 2021 didn't you say that you used the name Alameda
15 Research to mislead banks?

16 A. I don't remember saying that.

17 MS. SASSOON: Mr. Bianco, can you please play
18 Government Exhibit 917 in evidence.

19 Q. And this is a clip from a podcast you did in April, on
20 April 1, 2021.

21 (Video played)

22 Q. That was you talking in that video, Mr. Bankman-Fried,
23 correct?

24 A. Yup.

25 Q. You testified that you stumbled your way into Michael

1 Kives's Super Bowl party. Do you recall that?

2 A. The seats at the actual physical Super Bowl, yes.

3 Q. And you flew to the Super Bowl in a private jet, didn't
4 you?

5 A. I don't remember.

6 Q. You don't recall flying to the Super Bowl in a private
7 plane?

8 A. I don't recall how I got there.

9 Q. Is that because you traveled on private planes so
10 frequently?

11 A. It's because I traveled over a hundred times that year. I
12 can't recall how I went any particular time.

13 Q. And many of those times on a private plane, correct?

14 A. Some of them, yes.

15 Q. You spent around \$15 million on private jet travel while
16 you were FTX CEO, correct?

17 A. I'm not sure what the number is.

18 MS. SASSOON: Mr. Bianco, can we show the witness
19 what's been marked as Government Exhibit 1473.

20 Q. That's a photo of you, correct?

21 A. Yup.

22 MS. SASSOON: The government offers Government
23 Exhibit 1473.

24 MR. COHEN: No objection.

25 THE COURT: Received.

1 (Government's Exhibit 1473 received in evidence)

2 MS. SASSOON: Mr. Bianco, can you publish it for the
3 jury.

4 BY MS. SASSOON:

5 Q. Mr. Bankman-Fried, is that you in shorts and a T-shirt on a
6 private plane?

7 A. Chartered plane, at least, yes.

8 Q. You also hired planes to fly Amazon packages to the Bahamas
9 for FTX, correct?

10 A. Not me personally. I think FTX did something of that sort.

11 Q. And you authorized that, right?

12 A. Yeah.

13 Q. And that cost hundreds of thousands of dollars to fly
14 packages on planes to FTX in the Bahamas?

15 A. I'm not sure exactly how much it cost.

16 Q. How much would you approximate it cost?

17 A. I don't know.

18 MS. SASSOON: We can take that down.

19 Q. So you authorized it but you didn't know what it cost.

20 A. That's—that's correct.

21 Q. You testified about some money you donated to charity. Do
22 you recall that?

23 A. Yup.

24 Q. And isn't it true that you thought it would be good for FTX
25 public relations to spend millions of dollars in donations each

1 year?

2 A. I thought that some donations could have public—positive
3 public relations value. Those were separate from what I was
4 testifying about, but yes.

5 Q. You also testified about a document retention policy at
6 FTX. Do you recall that?

7 A. Yup.

8 Q. Isn't it true that you set your Signal messages with FTX
9 employees to auto-delete before any such policy went into
10 effect?

11 A. Yeah.

12 Q. You testified that investors invested in FTX in the last
13 investment round at a valuation of \$40 billion. Do you recall
14 that testimony?

15 A. Yup.

16 Q. And isn't it true that for FTX International, the valuation
17 was actually 32 billion?

18 A. You're right. 32 plus 8 for FTX.US.

19 Q. So just to be clear, in that round, FTX International is
20 valued at 32 billion, correct?

21 A. Yup, that's correct.

22 Q. You also testified that you wished FTX had done a better
23 job managing risk. Do you recall that?

24 A. Yeah.

25 Q. While you were CEO of FTX, isn't it true that you said the

1 opposite?

2 A. There were times when I did. Rather, I never said I didn't
3 want it to do well at managing risk; there were times I said I
4 thought it had done well.

5 Q. And isn't it true that you made statements such as FTX
6 meeting the highest risk standard around the world?

7 A. I'm not sure. I said things like that. I'm not sure about
8 that one in particular.

9 Q. Didn't you testify before Congress that "the FTX model
10 should be able to fit into any regulatory framework with the
11 highest of risk standards around the world"?

12 A. I may have.

13 MS. SASSOON: Mr. Bianco, can you pull up Government
14 Exhibit 913B. The government offers Government Exhibit 913B.

15 MR. COHEN: What is this part of?

16 MS. SASSOON: This is an excerpt from congressional
17 testimony.

18 MR. COHEN: Is it from an exhibit that's already in?

19 MS. SASSOON: No. The government offers Government
20 Exhibit 913B.

21 MR. COHEN: Okay. Your Honor, I'm not sure what's
22 actually being offered.

23 THE COURT: What's on the screen.

24 MR. COHEN: Yeah. Can we have some foundation of what
25 it is then.

1 THE COURT: Ms. Sassoon?

2 MS. SASSOON: So I believe 913 is in evidence, and
3 this is another excerpt from that same testimony.

4 MR. COHEN: Then no objection, your Honor.

5 THE COURT: Received.

6 (Government's Exhibit 913B received in evidence)

7 MS. SASSOON: Mr. Bianco, if you could publish that.

8 BY MS. SASSOON:

9 Q. Do you see, Mr. Bankman-Fried, where it says, "As a result,
10 the FTX model should be able to fit into any regulatory
11 framework with the highest of risk standards around the world"?

12 A. That's part of the sentence.

13 Q. Can you see that?

14 A. Yeah.

15 Q. And didn't you testify before Congress under oath that a
16 key principle of FTX was performing adequate risk management to
17 protect customer assets?

18 A. Yup.

19 Q. You also claimed that FTX had a conservative approach to
20 managing risk, didn't you?

21 A. On—I'm not sure exactly what that was referring to.

22 Q. You don't recall saying that?

23 A. I don't remember the context.

24 Q. Do you recall saying that in any context?

25 A. I'm not confident.

1 MS. SASSOON: Mr. Bianco, if you could pull up what's
2 marked as Government Exhibit 2583.

3 And the government offers Government Exhibit 2583.

4 MR. COHEN: No objection if it's not for its truth.

5 MS. SASSOON: Not for its truth, your Honor.

6 THE COURT: Received on that basis.

7 (Government's Exhibit 2583 received in evidence)

8 MS. SASSOON: Mr. Bianco, can you scroll down.

9 Can you go up a page, please.

10 BY MS. SASSOON:

11 Q. Do you see the heading here, Mr. Bankman-Fried, "The FTX
12 risk management system is tested safe and conservative"?

13 A. I do see that.

14 MS. SASSOON: We can take that down.

15 Q. During your time as CEO of FTX, you went so far as to
16 publicly criticize other businesses in the industry that you
17 considered less than maximally responsible in terms of their
18 actual underlying financial health. Do you recall that?

19 A. I don't recall that quote. I recall the sentiment.

20 Q. And you expressed that publicly, didn't you?

21 A. At some times. I'm not sure what you're referring to in
22 particular.

23 Q. For example, you went on a podcast with Matt Levine in July
24 of 2022 and you criticized other businesses that you said were
25 less than maximally responsible in the industry. Do you recall

1 that?

2 A. Vaguely.

3 Q. And you criticized other crypto businesses that you said
4 had poor risk management. Do you recall that?

5 A. Not that phrasing, but I may have.

6 Q. So yes or no: Do you recall expressing that sentiment
7 publicly on a podcast with Matt Levine?

8 A. Yeah, I do.

9 Q. We've talked a lot about margins. FTX also had customers
10 who engaged in spot trading, right?

11 A. Yup.

12 Q. Customers, for example, like Marc-Antoine Julliard, right?

13 A. I believe so.

14 Q. And an example of spot trading is using US dollars, for
15 example, to buy one Bitcoin, right?

16 A. Yup.

17 Q. And spot trading does not involve leverage, right?

18 A. That's correct.

19 Q. And a customer could join FTX and decide not to opt into
20 the spot margin, right?

21 A. That's right.

22 Q. And they could decide not to loan out their assets,
23 correct?

24 A. That's right.

25 Q. And isn't it true that in November of 2022, FTX did not

1 prioritize in any way the withdrawals of customers who only did
2 spot trading on the exchange?

3 A. We didn't get around to doing that at that time, that is
4 correct.

5 Q. Prior to November 11, 2022, you were at all times the CEO
6 of FTX, correct?

7 A. Yup.

8 Q. You worked very hard, right?

9 A. Yup.

10 Q. You cared a lot about your business.

11 A. Yup.

12 Q. You had a vision for the business, right?

13 A. Yup.

14 Q. And you were so focused on the success of your business
15 that you had very little time for anything else, right?

16 A. Generally, yeah.

17 Q. For example, you didn't have a lot of time for dating.

18 A. That's right.

19 Q. And sometimes I believe you testified you were working 22
20 hours a day, correct?

21 A. During particularly crazy times, yes.

22 Q. And is it fair to say you wanted FTX to grow?

23 A. Yeah.

24 Q. And you wanted it to be successful.

25 A. Yup.

1 Q. And as the owner of Alameda, you also wanted Alameda to
2 make money, right?

3 A. Yup.

4 Q. You wanted Alameda to be successful, correct?

5 A. Yup.

6 Q. Correct?

7 A. Yes.

8 Q. One feature FTX offered was margin trading; is that right?

9 A. Yes.

10 Q. And if a customer deposited money, they could trade with
11 some leverage on FTX, correct?

12 A. Yup.

13 Q. And margin trading refers to making trades on the FTX
14 exchange, correct?

15 A. In this context, yes.

16 Q. I'm asking you about margin trading generally on FTX. That
17 refers to trading on the FTX exchange, doesn't it?

18 A. Yup. Yes.

19 Q. And FTX had limits for how much leverage a customer could
20 trade with; isn't that right?

21 A. In general, yes.

22 Q. And for example, the larger the trade, the less leverage
23 was generally permitted on FTX, correct?

24 A. Generally; not always.

25 Q. That was the general rule for the exchange, correct?

1 A. In many circumstances, yes.

2 Q. Didn't you advertise that the larger the trade, the lower
3 the leverage?

4 A. At least at some points in time, that is—I think at many
5 points in time that was true.

6 Q. And that would include in 2022, correct?

7 A. I believe so.

8 Q. Now when you founded FTX, a big selling point was FTX's
9 superior liquidation engine, right?

10 A. Yup.

11 Q. You were very proud of that?

12 A. Yeah.

13 Q. You marketed it to your customers?

14 A. Yup.

15 Q. And to your investors?

16 A. Yup.

17 Q. And to Congress. You described it to Congress?

18 A. We mostly described the perspective of the FTX.US engine,
19 which had many similarities to the FTX International one.

20 Q. The FTX.US model was modeled after the FTX International
21 superior liquidation engine, right?

22 A. That sounds about like what I would have said.

23 Q. And you marketed this liquidation engine to the public too,
24 right?

25 A. Yeah.

1 Q. And sometimes you referred to this as FTX's "risk-reducing
2 market structure"; is that right?

3 A. I'm not sure about that.

4 Q. So you have the liquidation engine, sometimes it was
5 referred to as the risk management engine?

6 A. Yup.

7 Q. And I want to return to your testimony before Congress.

8 MS. SASSOON: If we could pull up 913A.

9 And this is testimony before Congress on December 8,
10 2021. This is in evidence, so if we could publish this for the
11 jury.

12 Q. And isn't it true that in this testimony before Congress,
13 in December of 2021, you described FTX's "risk-reducing market
14 structure"?

15 MS. SASSOON: And we could go to the next page.

16 A. Yeah.

17 Q. And you talked about its "resilient risk-reducing
18 platform," right?

19 A. Yup.

20 MS. SASSOON: And if we could go to the fifth page of
21 this pdf.

22 Q. Isn't it true that you testified that FTX's "automated risk
23 management systems helped to minimize risk and protect
24 investors"?

25 A. Yup.

1 Q. You also testified that "automated risk management systems
2 ensure customer accounts trading multiple different assets do
3 not go net negative across customer positions." Do you see
4 that?

5 A. Yup.

6 Q. And this was a way to prevent losses to other customers on
7 the exchange, correct?

8 A. Yup.

9 Q. And when we talk about liquidating an account using the
10 risk engine, that means selling the collateral posted for the
11 account to cover any trading losses, right?

12 A. In general.

13 Q. And you claimed to Congress and elsewhere that this
14 liquidation model was safe and conservative, right?

15 A. That's what I believed.

16 Q. So yes, you said that publicly, right?

17 A. Yeah.

18 Q. And you told the public, for example, that this
19 automatic—and we can take that down—that this automatic
20 liquidation process at FTX would prevent clawbacks, right?

21 A. Would—I don't think it went quite that far. That it would
22 help reduce or prevent clawbacks.

23 Q. So yes or no: You made statements that your liquidation
24 engine would prevent clawbacks?

25 A. I don't remember saying it with exactly that phrasing.

1 THE COURT: Did you say it in words or in substance?

2 THE WITNESS: With a qualifier, yes.

3 BY MS. SASSOON:

4 Q. Well, let's pull up your exhibit, Defense Exhibit 6, and
5 look at page 2.

6 This is the white paper for FTT, right?

7 MS. SASSOON: If we could go to the first page,
8 Mr. Bianco.

9 Q. I believe you testified on direct exam that it was the FTT
10 white paper?

11 A. Yup.

12 Q. And this was posted publicly?

13 A. Yup.

14 MS. SASSOON: And if we could go to the second page.

15 Q. Do you see under "FTX Features" where it says "Preventing
16 Clawbacks"? Do you see that?

17 A. I see it saying that it significantly reduces the
18 likelihood of clawbacks.

19 Q. Do you see the heading "Preventing Clawbacks"?

20 A. Yes.

21 Q. And beneath that, as you noted, it says, "FTX significantly
22 reduces the likelihood of clawbacks from ever occurring by
23 using a three-tiered liquidation model." Do you see that?

24 A. Yup.

25 MS. SASSOON: We could take that down.

1 Q. Isn't it true that you also told the public that there was
2 never a day when FTX customer losses exceeded FTX daily
3 revenue?

4 A. Yeah.

5 Q. And you stated that because of that, FTX risk management
6 did not have any big issues, didn't you?

7 A. That it had not yet had any, yeah.

8 Q. And you told the public that unlike other exchanges,
9 because of its risk engine, FTX had never had clawbacks, right?

10 A. I—yeah, I think I probably said that.

11 Q. And you marketed—I believe you testified that you marketed
12 this engine, and in doing so, didn't you criticize poorly
13 designed exchanges that "lost hundreds of millions of dollars
14 of customer funds to clawbacks"?

15 A. Yup.

16 Q. And you claimed that FTX was solving that issue by
17 preventing clawbacks with the three-tiered liquidation model,
18 right?

19 A. Not without qualifiers.

20 MS. SASSOON: Well, let's pull up what's marked as
21 Government Exhibit 2534.

22 And Mr. Bianco, if you could scroll.

23 Q. This is a marketing deck for FTX, correct?

24 A. I'm not sure. It looks like one.

25 Q. And did FTX have marketing decks?

1 A. It did sometimes have marketing decks.

2 Q. And those decks were shared with people external to FTX,
3 correct?

4 A. Generally, yes.

5 MS. SASSOON: The government offers Government
6 Exhibit 2534.

7 MR. COHEN: Objection, foundation.

8 MS. SASSOON: Your Honor, we can offer it subject to
9 connection.

10 THE COURT: I'll take it subject to connection.

11 (Government's Exhibit 2534 received in evidence)

12 MS. SASSOON: If we could go to page 4.

13 BY MS. SASSOON:

14 Q. Do you see here it says, "current futures exchanges are
15 designed really poorly"?

16 A. I see that.

17 Q. And do you see the first bullet says those exchanges "lost
18 hundreds of millions of dollars of customer funds to
19 clawbacks"?

20 A. Yup.

21 MS. SASSOON: Let's go to page 6.

22 Q. Do you see at the top where it says "How is FTX Solving
23 These Issues?"

24 A. Mm-hmm.

25 Q. And what does it say underneath that?

1 THE COURT: Sorry. We need a word.

2 A. Yes.

3 Q. And what does it say right underneath that?

4 A. "Preventing Clawbacks," that it "significantly reduces the
5 likelihood of clawbacks."

6 Q. Mr. Bankman-Fried, what are the two words under the
7 question of "How is FTX Solving These Issues?"

8 A. The first word is "Preventing," the second word is
9 "Clawbacks."

10 Q. And in marketing FTX, you said that FTX's three-tiered
11 liquidation model was one way to prevent clawbacks, right?

12 A. I remember saying that it would—that I believed it would
13 reduce likelihood of them.

14 Q. And do you not consider reducing the likelihood of
15 clawbacks the same thing as preventing clawbacks?

16 A. I think it's ambiguous.

17 Q. And does this page say both?

18 A. Yeah. One is as a general header, the other is as a
19 specific statement.

20 Q. And in describing how FTX would reduce clawbacks, you
21 marketed FTX's fast liquidation process, right?

22 A. Yeah. In substance.

23 Q. And the unique backstop liquidity provider program, right?

24 A. Yup.

25 Q. And you also referred to FTX's insurance fund, which you

1 stated would prevent customer losses, right?

2 A. Yup.

3 Q. Now I think you said you didn't recognize this deck
4 specifically. Is this consistent with how you marketed the
5 liquidation engine?

6 A. At a high level, yes.

7 Q. Is there anything on this page that is different from how
8 you marketed the liquidation engine?

9 A. I mean, I—I don't think I would have used the phrase "we
10 leverage the insurance fund to prevent customer losses"
11 verbatim, but similar sentiment.

12 Q. So the substance here is consistent with how you marketed
13 the liquidation engine, correct?

14 A. More or less.

15 Q. I believe you testified that you had some involvement in
16 responding to customer support tickets. Do you recall that?

17 A. Yup.

18 Q. And FTX had some internal written guidance for how to
19 respond to customers, didn't it?

20 A. It may have.

21 Q. Were you familiar with written guidance for how to respond
22 to customer inquiries?

23 A. I'm familiar with one or two early documents, or at least I
24 vaguely remember them. I don't remember the details of them.

25 Q. Were you aware that FTX had written guidance for frequently

1 asked questions?

2 A. That rings a bell.

3 Q. And did you see that type of document?

4 A. I at least glanced at it. I don't know whether I read it
5 in detail.

6 Q. And so you were aware that your employees relied on written
7 guidance to respond to customer support questions.

8 A. I'm not sure about that.

9 Q. Well, did you review written guidance for frequently asked
10 questions or not, Mr. Bankman-Fried?

11 A. I—I remember at one point seeing a document that had a
12 title something like that. I'm not sure whether it was
13 something employees relied on.

14 Q. When you saw it, what did you believe it related to?

15 A. Someone's thoughts—I can't remember if it was mine or
16 someone else's—on ways to respond to some customer support
17 questions.

18 Q. So did you personally write some thoughts for how to
19 respond to customer support questions?

20 A. I don't remember.

21 Q. Didn't you just testify that you wrote your own thoughts
22 for how to respond to customers?

23 A. I don't think I said that.

24 Q. So the document that you recall seeing, what was it?

25 A. I don't remember any details about it.

1 Q. So yes or no, Mr. Bankman-Fried: Are you aware that
2 written guidance for responding to customer questions included
3 the statement "FTX doesn't have clawbacks"?

4 A. That particular phrasing doesn't ring a bell for me.

5 Q. I'll move on.

6 Mr. Bankman-Fried, you never disclosed to the public
7 that Alameda was not subject to the same automatic liquidation
8 process as other FTX customers, right?

9 A. I'm not sure we did.

10 Q. Sitting here today, do you recall ever publicly disclosing
11 that?

12 A. No.

13 Q. And in 2022—in 2020, isn't it true that you directed Gary
14 and Nishad to change the rules in the code so that the
15 auto-liquidation rules that applied to other customers on the
16 exchange would not apply in the same way to Alameda?

17 A. I suggested that they make some alteration to it, yes.

18 Q. For that purpose, correct?

19 A. Yup.

20 Q. And so by 2020, you knew that Alameda had distinct rules
21 for liquidation, correct?

22 A. Yeah.

23 Q. And you certainly knew that in May 2022 when you authorized
24 the FTX terms of service, correct?

25 A. At a high level, yeah.

1 Q. And you didn't tell FTX customers about this change in the
2 code, correct?

3 A. I don't think so.

4 Q. And you didn't tell your investors about this change to the
5 code, correct?

6 A. I'm not sure.

7 Q. Do you recall ever telling your investors that you directed
8 this change in the code?

9 A. No.

10 Q. And when you told Congress about FTX's liquidation
11 protocol, did you make clear that Alameda's accounts were not
12 subject to the same rules?

13 A. No.

14 Q. And what we've just been talking about, that's the "Allow
15 Negative" flag, correct?

16 A. I'm not sure.

17 Q. Sitting here today, you're not sure?

18 A. That's correct.

19 Q. That's your testimony?

20 MR. COHEN: Objection.

21 THE COURT: Overruled.

22 A. That's correct.

23 Q. You were CEO of FTX, right?

24 A. Yes.

25 Q. And you called the shots as the CEO, didn't you?

1 A. I called some of them.

2 Q. And you're a pretty smart guy, right?

3 MR. COHEN: Objection.

4 THE COURT: Sustained.

5 Q. You think of yourself as a smart guy?

6 MR. COHEN: Same objection.

7 THE COURT: Overruled.

8 A. In many ways. Not in all ways.

9 Q. You went to MIT, correct?

10 A. Yup.

11 Q. You studied physics there?

12 A. Yup.

13 Q. And as CEO of FTX, you thought highly of yourself, right?

14 A. I did.

15 Q. And you were dedicated to the success of your business,
16 right?

17 A. That's right.

18 Q. So much so that sometimes you worked seven days a week.

19 A. Usually.

20 Q. So much so that sometimes you were too busy to get a
21 haircut, right?

22 A. Yup.

23 Q. And I believe you testified that the auto-deleveraging
24 event that preceded this change to the code was potentially
25 catastrophic to the exchange, right?

1 A. That's right.

2 Q. It presented systemic risk to the entire system and all of
3 its platforms, right?

4 A. That's right.

5 Q. And it was potentially very bad for the platform, right?

6 A. Yup.

7 Q. So is it your testimony that as CEO of FTX, after this
8 catastrophic event, you did not learn the details of the code
9 change that you directed?

10 A. That's correct. I trusted Gary and Nishad.

11 Q. You testified on direct that FTX had an AWS database,
12 correct?

13 A. Yup.

14 Q. And you described its content, right? For example, it
15 stored customer account information?

16 A. Yup, that's right.

17 Q. And it had information about trades?

18 A. Yup.

19 Q. And customer balances?

20 A. Yup.

21 Q. And as CEO, you had access to the database, correct?

22 A. Nope.

23 Q. Your testimony is that you did not have the ability to
24 access the database?

25 A. I never did. To my knowledge, I didn't have access to it.

1 Q. I'm asking you whether you had authorization to search the
2 database.

3 A. I have no idea whether someone had created an account in my
4 name that in theory was designed for me. If so, I never used
5 it.

6 Q. And so it's your testimony that until October 2022, you
7 never looked in the database.

8 A. That's correct. And even as of then, I never looked in the
9 AWS database.

10 Q. After FTX declared bankruptcy, isn't it true that one of
11 the first things you did was try to restore your administrative
12 access to the AWS database?

13 A. That's not how I would put it.

14 Q. Isn't it true that in the weeks following the bankruptcy,
15 you asked to have your access to the AWS database restored?

16 A. Not—I was not specifically looking for my personal access
17 to the AWS database.

18 Q. Isn't it true you were requesting AWS access?

19 A. I was requesting it on behalf of the joint provisional
20 liquidators in the Bahamas.

21 Q. So yes or no: You made requests to restore access to the
22 AWS database?

23 A. I'm not sure exactly what you're referring to here.

24 THE COURT: Look, could you just answer the question
25 instead of trying to ask the questioner what she's referring

1 to?

2 THE WITNESS: Okay.

3 A. No.

4 Q. Isn't it true that you made to-do lists after FTX's
5 collapse that included things like "try to get AWS access"?

6 A. Probably.

7 Q. And so isn't it true that you were trying to get AWS access
8 after FTX declared bankruptcy?

9 A. Yes.

10 Q. Now putting aside the AWS database, you did know that
11 Alameda had a line of credit with FTX while you were CEO,
12 correct?

13 A. Yes.

14 Q. And it's true, isn't it, that most customers of FTX did not
15 have a line of credit, right?

16 A. That's correct.

17 Q. Most customers had to post actual assets with FTX in order
18 to borrow money, right?

19 A. Yes, that's correct.

20 Q. But you permitted Alameda to borrow without requiring that
21 it post collateral to the exchange, right?

22 A. To my knowledge, a number of market makers had lines of
23 credit.

24 Q. That wasn't my question, Mr. Bankman-Fried. My question
25 was: You permitted Alameda to borrow from FTX without

1 requiring that it post collateral to the exchange.

2 A. That was not my understanding at—I'm not sure what time
3 period you're referring to.

4 Q. Yes or no: While you were CEO of FTX, you permitted
5 Alameda to borrow from the exchange without requiring it to
6 post collateral in the same fashion as other FTX customers.

7 A. That does not describe my understanding for most of my
8 tenure as CEO of FTX.

9 Q. Didn't you just testify that most customers did not have a
10 line of credit?

11 A. That's correct.

12 Q. And wasn't the effect of Alameda's line of credit
13 permitting it to borrow without posting collateral?

14 A. That is correct.

15 Q. And isn't it true that at least by May of 2022, you
16 understood that Alameda's line of credit permitted Alameda to
17 withdraw money from the exchange without posting collateral?

18 A. I'm not sure I understood that as of then, no.

19 Q. You testified under oath in this courtroom before, didn't
20 you?

21 A. Yup.

22 Q. And you were asked "In May of 2022, could Alameda's
23 collateral take the form of assets that were not posted to the
24 exchange," correct?

25 MR. COHEN: Objection.

1 THE COURT: Could I have a page reference.

2 MS. SASSOON: Transcript page 2260-61.

3 THE COURT: What's the objection?

4 MR. COHEN: For the reasons previously stated, your
5 Honor, we object to the use of this transcript in this fashion.

6 THE COURT: Overruled.

7 BY MS. SASSOON:

8 Q. Mr. Bankman-Fried, you testified under oath in this
9 courtroom previously, correct?

10 A. Yup.

11 Q. And you were asked, "In May of 2022, could Alameda's
12 collateral take the form of assets that were not posted to the
13 exchange?" You were asked that, correct?

14 A. I don't remember exactly what I was asked or what I
15 answered.

16 MS. SASSOON: Mr. Bianco, can you please pull up
17 Transcript 2260-61.

18 Q. I want to direct your attention to line 24 on page 2260.
19 You were asked: "I'm asking about Alameda only. In your view,
20 in May of 2022, that Alameda's collateral could take the form
21 of assets that were not posted to the exchange."

22 "A. I had the view that it potentially could."

23 Do you see that?

24 A. Yes.

25 Q. And that was your testimony, right?

1 A. Yeah.

2 MS. SASSOON: We could take that down.

3 Q. Now the size of Alameda's line of credit was \$65 billion,
4 correct?

5 A. I believe that was the maximum.

6 Q. And you testified during your direct about the account
7 info@alameda-research.com, right?

8 A. Yup.

9 (Continued on next page)

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1 Q. That was Alameda's main trading account, correct?

2 A. Yup.

3 Q. And despite your testimony that you never looked in the
4 database, you were familiar with that account, weren't you?

5 MR. COHEN: Objection to form.

6 THE COURT: Sustained.

7 Q. Mr. Bankman-Fried, you were familiar with that account
8 during your time as CEO of FTX, correct?

9 A. Yup.

10 Q. And you testified that you understood that the info@
11 account had a negative balance in the billions at various
12 points in time, correct?

13 A. I don't remember which points in time that was referring
14 to.

15 Q. Yes or no, you testified that you understood that the info@
16 account had a negative balance in the billions at various
17 points in time?

18 A. That is not how I remember my testimony.

19 Q. Didn't you testify, Mr. Bankman-Fried --

20 THE COURT: There was a court reporter. So if there
21 is a page and a line --

22 MS. SASSOON: Yes. 2355, your Honor.

23 Q. And the quote is, quote: My understanding was that it was
24 around \$2 billion on average of borrowing through the info@
25 account.

1 Did you give that testimony?

2 A. That sounds about right.

3 Q. You knew that during your time as FTX CEO, right?

4 A. Yup.

5 Q. Just to be clear, you understood that this account had a
6 negative balance in the multiple billions while you were CEO?

7 A. Overall positive, but negative in some assets.

8 Q. Wasn't it your testimony that it was your understanding
9 that it was around \$2 billion on average of borrowing through
10 that account?

11 A. Yeah.

12 Q. You testified last week that you gave Gary and Nishad some
13 instructions to increase Alameda's line of credit on FTX,
14 correct?

15 A. I gave them suggestions, and I believe that's how they were
16 interpreted, yes.

17 Q. Isn't it true you testified that you told them it probably
18 made sense to increase the line of credit such that it would be
19 able to continue providing orders.

20 That was your testimony, right?

21 A. Yeah.

22 MS. SASSOON: If we could publish Government Exhibit
23 644 in evidence.

24 Q. This is a snapshot from the AWS database. I want to direct
25 your attention to the first row, Mr. Bankman-Fried.

1 Just to be clear, in advance of this trial you spent
2 time searching the AWS database, correct?

3 A. That is correct.

4 Q. You ran queries in the database?

5 A. Yup.

6 Q. You knew how to do that?

7 A. I learned how to do that, yes.

8 Q. So, yes, you ran queries?

9 A. Yes.

10 Q. And here, for account the user name
11 info@AlamedaResearch.com, Do you see where it says borrow
12 roughly 65 billion?

13 A. Yup.

14 Q. Do you see that for this account the allow-negative column
15 is checked?

16 A. Yes, I do.

17 Q. Do you see, under spot margin enabled, that is not checked?

18 A. I do see that.

19 Q. And spot margin enabled, that's the program that allowed
20 customers who posted collateral to withdraw borrowed funds from
21 the exchange, right?

22 A. That was the most frequent way, yes.

23 Q. But spot margin is not enabled for this account?

24 A. Not on that particular subaccount.

25 Q. When you say for that particular subaccount, we are talking

1 about the info@AlamedaResearch.com account that you said had a
2 negative balance, correct?

3 A. We are talking particularly about account 9, one of the
4 accounts on that issuer, yes.

5 Q. Without spot margin enabled for this account, this account
6 was borrowing using a special line of credit, right?

7 A. I'm not sure if that's -- I'm not sure if that's exactly
8 the right pricing. It may be.

9 Q. It says \$65 billion under borrow, right?

10 A. Yes, I see that.

11 Q. As CEO, you were aware of lines of credit, correct?

12 A. Yup.

13 Q. And that they were not extended to most customers at the
14 exchange, right?

15 A. Yup.

16 Q. And I think you testified that lines of credit were
17 provided to other market makers on the exchange.

18 Do you recall that?

19 A. Yup.

20 Q. And when we are talking about market makers, I just want to
21 be clear, the typical or average customer of the exchange was
22 not given a line of credit, right?

23 A. That's essentially correct.

24 Q. And isn't it true that for other market makers on the
25 exchange with lines of credit, they were prohibited from

1 withdrawing money off the exchange through their line of
2 credit?

3 A. I'm not a hundred percent confident in that.

4 Q. Didn't you sign lines-of-credit agreements for market
5 makers of FTX?

6 A. Um-hum. Yes, I did.

7 Q. Didn't those agreements say that the money could not be
8 withdrawn off of the exchange?

9 A. I think some of them did say that.

10 Q. And as far as you know, there was no other customer in the
11 exchange with a \$65 billion line of credit, correct?

12 A. That is correct.

13 Q. And there were no other customers with a line of credit of
14 a billion dollars or more, right?

15 A. That's correct.

16 Q. And these other market makers, you didn't own those
17 companies, right?

18 A. That's correct.

19 Q. They were not affiliated entities of FTX, correct?

20 A. That's correct.

21 Q. So if those market makers made money, you were not the
22 recipient of the profits, right?

23 A. That's correct.

24 MS. SASSOON: Now I want to pull up Government Exhibit
25 5, which is in evidence, which the parties have stipulated is a

1 document called LOCs, dated September 5, 2022.

2 Q. Mr. Bankman-Fried, you created this document, right?

3 A. It looks like a document I made.

4 Q. When you say it looks like a document you made, is the
5 content here the content of a document that you created?

6 A. I believe so.

7 Q. And you are aware, aren't you, that Google metadata
8 obtained from a search warrant by the government shows that you
9 created this spreadsheet?

10 MR. COHEN: Objection.

11 THE COURT: Sustained as to form.

12 MS. SASSOON: Let's pull up Government Exhibit 5M.

13 Q. This is metadata for Government Exhibit 5, correct?

14 A. I'm not sure.

15 Q. What's the email address associated with the creation
16 information for Government Exhibit 5M?

17 A. Sam@alameda-research.

18 MS. SASSOON: We can take that down and if we can pull
19 back up Government Exhibit 5.

20 Q. In this document you created, do you see row 2?

21 A. I do.

22 Q. What is the email in column A?

23 A. Info@AlamedaResearch.com.

24 Q. What is the number in your spreadsheet in column B in row
25 2?

1 A. About 65 billion.

2 Q. What is the next largest line of credit listed in this
3 spreadsheet you made?

4 A. 150 million.

5 Q. So Alameda's line of credit was more than \$64 billion
6 larger than any other customer, correct?

7 A. Yup.

8 Q. Now, by September of 2022, Alameda was only about 2 to 3
9 percent of trades on FTX, right?

10 A. Yup.

11 Q. You had successfully gotten a number of other market makers
12 besides Alameda to trade on FTX, right?

13 A. Yup.

14 Q. And Alameda was just one of 10 or 15 core market makers, I
15 think you testified?

16 A. By volume, yes.

17 Q. So none of those other core market makers ever had a line
18 of credit more than \$150 million, right?

19 A. That's right.

20 Q. And the purpose of this line of credit was to help FTX
21 customers meet bids and offers on the exchange, right?

22 A. That was my understanding.

23 Q. So this was for trading on the exchange, wasn't it?

24 A. That was my original understanding, yes.

25 MS. SASSOON: Let's look at Government Exhibit 96 in

1 evidence.

2 Q. You see this says FTX line of credit?

3 A. Yup.

4 Q. And the first sentence says: This line of credit
5 agreement.

6 Do you see that?

7 A. Yup.

8 Q. And the size of this line of credit is \$250,000.

9 Do you see that?

10 A. Yup.

11 MS. SASSOON: Now, let's go to the second page.

12 Q. You signed this, right?

13 A. Yup.

14 Q. And in extending lines of credit to market makers besides
15 Alameda, this was the type of contract that market makers
16 signed, right?

17 A. At least in some cases. I am not sure beyond that.

18 MS. SASSOON: Let's go back to the first page.

19 Q. Can you name another market maker that did not sign a
20 line-of-credit agreement?

21 A. I'm honestly not sure who did and didn't.

22 Q. Let's look at item number 4, funds advanced through the
23 line of credit.

24 Can you read item B.

25 A. May not be withdrawn from FTX exchange and.

1 Q. With respect to this line-of-credit agreement, the line of
2 credit could not be used to withdraw money from the FTX
3 exchange, correct?

4 A. Yeah. Or at least that's what the agreement said, yeah.

5 Q. And Alameda never signed one of these agreements, right?

6 A. I'm not sure.

7 Q. Are you aware of a line-of-credit agreement signed by
8 Alameda?

9 A. I am not aware for almost anyone.

10 Q. So the answer is no?

11 A. That's correct.

12 Q. And Alameda was permitted to use its line of credit to
13 withdraw money from the exchange, right?

14 A. I now believe that was probably true.

15 Q. And that was never publicly disclosed, correct?

16 A. Not that I know of.

17 Q. Instead, you told the public that FTX viewed Alameda as a
18 neutral piece of market infrastructure, right?

19 MR. COHEN: Objection to form.

20 THE COURT: Sustained as to form.

21 MS. SASSOON: Let's put up what's marked as Government
22 Exhibit 906.

23 The government offers Government Exhibit 906.

24 MR. COHEN: If it's not offered for its truth, no
25 objection, your Honor.

1 THE COURT: Received on that basis.

2 (Government Exhibit 906 received in evidence)

3 MS. SASSOON: If we could publish the first page of
4 Government Exhibit 906.

5 Q. Mr. Bankman-Fried, do you see this is an article by Kate
6 Rooney published on September 19, 2022?

7 A. Yup.

8 MS. SASSOON: If we could go to the next page.

9 Q. Looking at the second paragraph, do you see where it says:
10 Bankman-Fried said he's worked over the past few years to
11 eliminate conflicts of interest at Alameda. I don't run
12 Alameda anymore. None of FTX does. We view it as a neutral
13 piece of market infrastructure.

14 Do you see that?

15 A. I do see that.

16 Q. And you said that, right?

17 A. Presumably.

18 Q. Do you recall saying that?

19 A. Only vaguely.

20 Q. You deny that you said that?

21 A. I'm not saying I didn't say it.

22 Q. Mr. Bankman-Fried, you agree, don't you, that Alameda could
23 never have accumulated a multibillion dollar negative balance
24 in FTX if it had been a regular customer of the exchange,
25 right?

1 MR. COHEN: Objection to form.

2 THE COURT: Overruled.

3 A. I disagree.

4 Q. You disagree.

5 MS. SASSOON: Mr. Bianco, if you can pull up what's
6 marked as Government Exhibit 2554.

7 For the witness, if you could pull up the unredacted
8 version of this document.

9 Q. Mr. Bankman-Fried, this is a document that you wrote after
10 FTX collapsed, right?

11 A. It looks like one.

12 MS. SASSOON: The government offers the redacted
13 version of Government Exhibit 2554.

14 MR. COHEN: No objection.

15 THE COURT: Received.

16 (Government Exhibit 2554 received in evidence)

17 MS. SASSOON: Mr. Bianco, if you could publish
18 Government Exhibit 2554. Let go to page 8. If we could zoom
19 in on item number 48.

20 Q. Didn't you write, Mr. Bankman-Fried: If Alameda had been a
21 100 percent separate completely unrelated trading firm in every
22 way, this wouldn't have happened. At least it wouldn't have
23 happened to FTX. Alameda wouldn't have had the fiat@
24 relationship and it wouldn't have had on nearly as large of a
25 position.

1 You see that?

2 A. I do.

3 Q. Mr. Bankman-Fried, isn't it true that from the early days
4 of FTX Alameda was allowed to exceed normal borrowing limits on
5 the exchange, yes or no?

6 A. I am not sure.

7 Q. Well, as you testified, after FTX collapsed and before you
8 were arrested, you spoke to a number of reporters, right?

9 A. Yup.

10 Q. That was before you knew you would be facing criminal
11 charges, correct?

12 A. Yeah.

13 Q. Back in early December 2022, didn't you admit to several
14 reporters that Alameda had been allowed to exceed normal
15 borrowing limits on the FTX exchange since its early days, yes
16 or no?

17 A. I don't remember saying it in that way.

18 MS. SASSOON: Let's pull up Government Exhibit 2503,
19 which is in evidence.

20 Q. Do you see this is the article by Joshua Oliver on December
21 4, 2022?

22 A. Yup.

23 MS. SASSOON: If we could go to the second page and
24 continue.

25 Q. Do you see there where it says: He admitted that Alameda

1 had been allowed to exceed normal borrowing limits on the FTX
2 exchange since its early days.

3 Do you see that?

4 A. I can read that, yeah.

5 Q. Are you denying that you said that?

6 A. I don't think I would have said that in that way. I am not
7 sure exactly what's that is referring to.

8 Q. In early December 2022, did you put out any public
9 statement disputing this article?

10 A. I don't remember. Probably not. I disagreed with nearly
11 every article written about me then.

12 Q. You voluntarily gave interviews to a number of reporters,
13 correct?

14 A. Yup.

15 Q. And you made statements on the record, correct?

16 A. Yup.

17 Q. Is it your testimony that Josh Oliver wrote something you
18 didn't say?

19 A. I'm not sure. That appears to be linking to something. I
20 am not sure what that is. I'm not sure the context.

21 MS. SASSOON: We can take that down.

22 Q. Fair to say that you never disclosed to customers anything
23 about Alameda being allowed to exceed normal borrowing limits
24 on FTX, right?

25 A. I think that's right.

1 Q. You never posted that to Twitter?

2 A. That's right.

3 Q. You didn't say it to Congress?

4 A. That's right.

5 Q. You didn't say it in advertisements for FTX?

6 A. That's right.

7 Q. And you didn't disclose it on the FTX website, right?

8 A. Not to my knowledge.

9 Q. And isn't it true that as CEO of FTX you were aware that
10 Alameda had more leeway than other traders on the exchange?

11 MR. COHEN: Objection.

12 THE COURT: Sustained as to form.

13 Q. Mr. Bankman-Fried, isn't it true that you used those words
14 that you knew that Alameda had more leeway than other traders
15 on the FTX exchange?

16 A. As of when?

17 Q. Yes or no, do you recall saying that?

18 A. Not in those words specifically, and I don't know what
19 context it was in.

20 THE COURT: Sir, do you remember saying that in words
21 or in substance?

22 THE WITNESS: Referring to -- referring to some
23 particular things in some particular time periods, yes.

24 THE COURT: Go ahead. Thank you.

25 Q. When you say referring to some particular things and time

1 periods, in what ways were you referring to Alameda having more
2 leeway on the exchange?

3 A. Well, it is certainly the case that -- it is certainly the
4 case that eventually I came to know that Alameda had put on a
5 far larger position than I had anticipated and that that was a
6 result of the, among other things, fiat@ relationship.

7 Q. It was also the result of the margin rules that did not
8 apply to Alameda, correct?

9 A. I'm not sure that's how I see it, no.

10 Q. Zeke Faux, he's a journalist, right?

11 A. Yes.

12 Q. I believe you testified you spoke with him a number of
13 times, right?

14 A. Yes.

15 Q. In early December 2022, you spoke with Zeke Faux on the
16 record, right?

17 A. When?

18 Q. December of 2022.

19 A. Yes.

20 Q. He came to your penthouse in the Bahamas, right?

21 A. Yup.

22 Q. You spoke with him for hours?

23 A. I don't remember how long.

24 Q. It was about 11 hours, wasn't it?

25 A. No.

1 Q. More than five, wasn't it?

2 A. No.

3 Q. He was at your penthouse for upwards of 10 hours, wasn't
4 he?

5 A. I am not sure how long he was around there. I think we
6 spoke for roughly one hour.

7 Q. And in that in-person meeting didn't you tell him that
8 Alameda did not have to follow the same margin rules as other
9 traders at FTX?

10 A. I am not sure. I may have.

11 MS. SASSOON: Your Honor, permission to approach the
12 witness.

13 THE COURT: Yes.

14 Q. I'm handing you Government Exhibit 2511, what's been marked
15 as that.

16 Do you recognize this?

17 A. No.

18 Q. You have never seen it before?

19 A. No.

20 MS. SASSOON: Then let's pull up what's marked as
21 Government Exhibit 2511A.

22 Q. Do you recognize this?

23 A. I recognize -- I didn't read it, but I recognize it.

24 Q. And this is an article written by Zeke Faux about his time
25 with you in the penthouse, correct?

1 A. Yes.

2 MS. SASSOON: The government offers Government Exhibit
3 2511A.

4 MR. COHEN: As long as it's not for its truth, no
5 objection.

6 THE COURT: Received on that basis.

7 (Government Exhibit 2511A received in evidence).

8 Q. If you could turn to page 224 of the book that I handed
9 you.

10 MS. SASSOON: Mr. Bianco, if you could go to page 6 of
11 the article.

12 Q. For ease, let's just look at page 6 of the article. It
13 should be up on your screen.

14 Do you see it says here an article by Zeke Faux --

15 THE COURT: This is not in evidence, I believe.

16 MS. SASSOON: I apologize. The government offers
17 2511A.

18 THE COURT: Counsel.

19 MR. COHEN: On the same grounds as before, your Honor.

20 MS. SASSOON: Mr. Bianco, if you could publish the
21 first page.

22 THE COURT: No, he can't. I have not ruled yet.

23 MS. SASSOON: I apologize, your Honor.

24 THE COURT: Come to the sidebar, please.

25 (Continued on next page)

1 (At sidebar)

2 THE COURT: If it's not for the truth, what's its
3 relevance?

4 MS. SASSOON: Your Honor, it's to impeach because it's
5 inconsistent with his trial testimony. I think it also is
6 admissible for its truth because it's an adoptive admission.

7 THE COURT: How is it an adoptive admission?

8 MS. SASSOON: Because this was published publicly, and
9 he never said anything to dispute what's in that article.

10 THE COURT: Did you establish that he even read it?

11 MR. COHEN: It's in the book that he just said he
12 never saw.

13 THE COURT: This is not the book.

14 MS. SASSOON: He said there were a number of articles
15 and he didn't like them, so I could ask a follow-up question.

16 THE COURT: I think you should. You know the fact
17 that something appears in a magazine, I have a problem with it.

18 MR. ROOS: Judge, is the issue that he is disputing
19 that he said that? Because if it's two levels of hearsay, his
20 statement is not for the truth or it's the defendant's
21 statement.

22 THE COURT: That's a statement to the reporter. But
23 hearsay as to the reporter saying he said it.

24 MR. ROOS: That's what the objection is to.

25 THE COURT: That wasn't really his objection. His

1 objection was, as long as it's not for the truth. But I'm
2 raising the point, then what's its relevance if it's not for
3 the fact of what the reporter said he said?

4 MR. ROOS: There are obviously two levels, as your
5 Honor appreciates, of hearsay. I was understanding his
6 objection to be to the defendant's statement, not for its
7 truth.

8 MR. COHEN: It's also getting pretty commutative, if
9 you ask me.

10 THE COURT: I don't know about that. That's the
11 point.

12 (Continued on next page)

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1 (In open court)

2 MS. SASSOON: Mr. Bianco, if you could pull up 2511A
3 just for the witness.

4 MR. COHEN: Your Honor, if we might. We are having a
5 technical issue at the defense table. One minute.

6 THE COURT: It's five to 3. Let's take our afternoon
7 break, and we will get the plugs resolved.

8 (Recess)

9 THE COURT: Everything plugged back in?

10 MR. COHEN: Yes, your Honor. Thank you.

11 (Jury present)

12 THE COURT: The defendant and the jurors all are
13 present, as they have been throughout.

14 The witness is reminded he is still under oath.

15 You may continue, Ms. Sassoon.

16 MS. SASSOON: Thank you, your Honor.

17 BY MS. SASSOON:

18 Q. Mr. Bankman-Fried, yes or no, did you tell Zeke Faux that
19 Alameda did not follow the same margin rules as other traders
20 on FTX and that it had more leeway on the exchange?

21 A. I don't remember.

22 Q. I handed you a book marked 2511 before the break. If you
23 could turn to page 224 and take a look at the bottom.

24 MS. SASSOON: And for the Court's benefit, Mr. Bianco
25 and defense counsel's benefit, if you could pull up 2511.

1 Q. If you could read to yourself at the bottom of the page,
2 starting what FTX is and ending with he said.

3 A. I've read that.

4 Q. Does that refresh your memory about whether you told Zeke
5 Faux that Alameda did not follow the same margin rules as other
6 traders on FTX and that it had more leeway on the exchange?

7 A. No, it doesn't.

8 MS. SASSOON: We could take that down.

9 Q. I want to talk to you about MobileCoin.

10 A. OK.

11 Q. You testified about an incident involving MobileCoin,
12 right?

13 A. Yup.

14 Q. And that was around April of 2021?

15 A. That sounds about right.

16 Q. And you were still CEO of Alameda at the time?

17 A. Yup.

18 Q. And on that occasion an FTX customer exploited a loophole
19 in the risk engine, correct?

20 A. A few of them, yes.

21 Q. When I say a few of them, you mean a few loopholes?

22 A. Yes.

23 Q. And the automatic liquidation engine or risk engine did not
24 shut down the position in time, correct?

25 A. It didn't shut it down as quickly as I would have wanted it

1 to.

2 Q. And because of that, by the point that you were shutting
3 down the position, it was too big for any of the backstop
4 liquidity providers to step in, right?

5 A. Outside of Alameda, correct.

6 Q. And you said that Alameda stepped in but that was not
7 through an automatic process, right?

8 A. That's right.

9 Q. That was a manual intervention, correct?

10 A. Yup.

11 Q. And you testified that Alameda was willing to take on the
12 large position of tokens, right?

13 A. Right.

14 Q. When you said Alameda was willing, you meant you decided
15 that Alameda would do this, right?

16 A. Effectively, yes.

17 Q. Because you were the CEO, correct?

18 A. Yup.

19 Q. You testified that the insurance fund wasn't involved
20 because the account still had a positive net asset value,
21 right?

22 A. Among other reasons.

23 Q. That was a reason you gave in your testimony, correct?

24 A. That was one of them, yup.

25 Q. To be clear, when you decided to transfer this account to

1 Alameda, Alameda ultimately ended up losing about \$800 million
2 on this position, right?

3 A. That wasn't my memory, but I am not sure.

4 Q. You recall that Alameda lost hundreds of millions of
5 dollars from taking over this account.

6 A. I recall that it might have. I don't recall what
7 ultimately happened.

8 Q. Do you have any memory of Alameda losing any money in
9 taking over this position?

10 A. I don't recall how it turned out months later.

11 Q. I didn't hear you. I'm sorry.

12 A. I don't recall how it ultimately turned out. I knew that
13 was a risk.

14 Q. And so you have no memory one way or the other whether
15 Alameda lost or made money on that position?

16 A. I wouldn't say I have no memory. I don't feel confident.
17 I could take a wild guess if you wanted me to.

18 Q. I don't want you to take a wild guess.

19 A. OK.

20 MS. SASSOON: One moment.

21 Q. And you testified that the tokens in this account that
22 Alameda took over were illiquid, right?

23 A. At least many of them were at least relatively illiquid.
24 I'm sorry. That's correct.

25 Q. What that meant was, if you wanted to sell the tokens, you

1 couldn't get the price at which the tokens has been trading in
2 the very near recent past, correct?

3 A. That's right.

4 Q. And so you knew, when you transferred this account to this
5 account to Alameda, that Alameda was going to lose money on the
6 account, right?

7 A. I don't think I knew it would. I thought it very well
8 might.

9 Q. There was no other backstop liquidity provider that would
10 take on this account, correct?

11 A. That's correct.

12 Q. That's because it was a loser, right?

13 A. I'm not sure I'd put it that way.

14 Q. That's because no other backstop liquidity provider was
15 willing to take on the risk of losing hundreds of millions of
16 dollars on this position, correct?

17 A. That sounds right.

18 Q. In this instance, the positive net value of the coin did
19 not translate into millions of available dollars, correct?

20 A. I suspected that it very well might not.

21 Q. And yes or no, if Alameda, if you had not transferred this
22 account to Alameda, FTX would have ended up with a loss, right?

23 A. If I hadn't taken any of my actions, I don't think FTX
24 would have ended up with a loss.

25 Q. If the account ended up having a negative value, the

1 insurance fund of FTX would have to cover that loss, correct?

2 A. Yes.

3 Q. And assuming that loss was in the hundreds of millions of
4 dollars, that would have been a loss larger than daily revenue,
5 correct?

6 A. Yup, that's right.

7 Q. And if FTX covered that loss, covered a loss of hundreds of
8 millions of dollars, that would have shown up on FTX's books,
9 correct?

10 A. Yeah.

11 Q. And investors would have seen that, correct?

12 MR. COHEN: Objection.

13 THE COURT: What's the objection?

14 MR. COHEN: Speculation.

15 THE COURT: Sustained as to form.

16 Q. Mr. Bankman-Fried, in the event that FTX suffered a
17 multihundred million dollar loss, that would show up on FTX's
18 books, right?

19 A. I presume that it came in a form of like an insurance fund
20 loss, yes.

21 Q. And FTX sent its financial information to its investors,
22 correct?

23 A. It ultimately did end up sending them. I am not sure
24 contemporaneous to that time period.

25 Q. But it sent financial information about FTX revenue, right?

1 A. Yeah, that's right.

2 Q. And expenses, correct?

3 A. It eventually started sending them. I am not sure as of
4 then.

5 MS. SASSOON: If we can pull up Government Exhibit 64.
6 This is in evidence.

7 Mr. Bianco, if you could publish this for the jury,
8 please.

9 Q. Do you recall Caroline Ellison testified that this was an
10 Alameda update document that she sent to you?

11 A. I think so.

12 MS. SASSOON: Mr. Bianco, if you could zoom in on the
13 section: Notable idiosyncratic PNL stuff.

14 Q. Do you see where it says negative 850 million from BTMX
15 thing?

16 A. Yup.

17 Q. And the MobileCoin exploit, that also involved BTMX,
18 correct?

19 A. I believe so, yes.

20 MS. SASSOON: We can take that down.

21 Q. You did not disclose to FTX's investors that the
22 liquidation engine had been exploited, correct?

23 MR. COHEN: Objection. Form.

24 THE COURT: What's the objection?

25 MR. COHEN: Form.

1 THE COURT: Yes, I heard that. What's wrong with the
2 form?

3 MR. COHEN: Leading.

4 THE COURT: Overruled. It's cross-examination.

5 A. I had screwed up there as well.

6 Q. Yes or no, did you disclose to your investors that a
7 customer had exploited FTX's liquidation engine?

8 A. No. Although I am not sure that's exactly how I would
9 describe that incident.

10 Q. A moment ago didn't you say that a customer exploited
11 loopholes in the risk engine?

12 A. Yes. I can explain, if you want.

13 Q. That's all right.

14 You also didn't disclose to customers that a customer
15 had exploited loopholes in the risk engine, correct?

16 A. Same response.

17 Q. What's the answer, Mr. Bankman-Fried?

18 A. No. That's not exactly how I would phrase it, but that's
19 correct. I did not.

20 Q. And this incident in April 2021, soon thereafter, in July
21 2021, you raised about \$900 million from investors, right?

22 A. That's right.

23 Q. That was from highly respected VC firms?

24 A. Among others, yes.

25 Q. You publicized that to your Twitter followers, right?

1 A. Yup.

2 Q. You continued to raise money in 2021 and early 2022, right?

3 A. Yup.

4 MS. SASSOON: Mr. Bianco, if we could pull up
5 Government Exhibit 1023, which is in evidence, so publish it to
6 the jury.

7 Q. Mr. Bankman-Fried, do you recall Professor Easton's
8 testimony that this is a list of investors whose funds were
9 transferred from FTX to Alameda between July 2021 and January
10 2022?

11 A. I don't remember -- I remember at a high level him arguing
12 that. I don't remember the specifics.

13 Q. When you say you remember him arguing that, do you recall
14 testimony to that effect?

15 A. I remember testimony on that topic, yeah.

16 Q. Ryan Salame, he was one of your trusted employees, right?

17 A. Yeah.

18 Q. You considered him a loyal employee?

19 A. I think I did.

20 Q. And after you raised more than a billion dollars from
21 investors, you told Ryan Salame to transfer that money to
22 Alameda, didn't you?

23 A. Nope.

24 Q. Didn't you tell Ryan Salame something to the effect of, why
25 would you leave the fucking funds just sitting there?

1 A. I have no memory of that.

2 Q. You have no memory of that?

3 A. That's correct.

4 Q. Let's talk about ECO Serum. You testified on direct that
5 in late 2021 you had some discussions about getting FTX revenue
6 to a billion dollars, right?

7 A. Yup.

8 Q. I believe you said you wanted revenue for 2021 to be over a
9 billion because it's just a round number, right?

10 A. Ideally, yes.

11 Q. And you testified that those conversations were in late
12 2021 or early 2022, correct?

13 A. Sometime around then. I don't remember exactly when.

14 Q. And you testified that, around late 2021, Nishad told you
15 that, quote, he had dealt with it?

16 A. Something to that effect, yes.

17 Q. And I believe you also testified that at that time Nishad
18 told you he dealt with it by including \$50 million worth of ECO
19 Serum staking awards in revenue, correct?

20 A. Fees on those, yes.

21 Q. And that got revenue above \$1 billion?

22 A. I believe so.

23 Q. You testified that when Nishad described this you, you were
24 surprised?

25 A. Yup.

1 Q. You had not thought about this at all prior to that?

2 A. That's right.

3 Q. As part of your role in raising money for FTX, you sent FTX
4 revenue numbers to your investors, right?

5 A. That's right.

6 Q. Something called an FTX stat sheet was among the financial
7 information you sent, right?

8 A. Yup.

9 Q. And you sent FTX revenue stats to investors multiple times
10 during 2021, right?

11 A. Yeah, I believe so.

12 MS. SASSOON: If we could publish what's in evidence
13 as Government Exhibit 320.

14 Q. This is an email that you sent to Paradigm, which is one of
15 your VC investors, correct?

16 A. Yup.

17 Q. And the attachment to this email on April 25, 2021 says FTX
18 stats, 2021-04-23 Excel.

19 Do you see that?

20 A. Yes.

21 Q. And this is that FTX stat sheet we have been talking about?

22 A. I think so.

23 MS. SASSOON: Let's take a look at that. If we could
24 pull up Government Exhibit 320A, the email attachment.

25 Q. If we look at column E, row 8, at that point, in April of

1 2021, FTX revenue was \$705 million.

2 Do you see that?

3 A. Annualized, yes.

4 Q. And at that point in time that figure did not include any
5 money from Serum staking fees, right?

6 A. I'm not sure. I could guess, make an educated guess, but I
7 am not sure.

8 Q. What's your educated guess?

9 A. It probably did.

10 MS. SASSOON: If we go to the FTX data tab.

11 Q. This is a breakdown of sources of revenue, right?

12 A. Yup.

13 Q. And there is futures revenue, spot fees revenue.

14 MS. SASSOON: If we could scroll to the right.

15 Q. There is no column for staking revenue, correct?

16 A. I don't obviously see one. There are other things I don't
17 see here as well.

18 Q. But you don't see a column for staking fee revenue,
19 correct?

20 A. No. Not unless it is folded into some other column here.

21 (Continued on next page)

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1 MS. SASSOON: And if we can now pull up Government
2 Exhibit 51, which is in evidence.

3 BY MS. SASSOON:

4 Q. Do you see that, Mr. Bankman-Fried?

5 A. Yup.

6 Q. This is also an FTX stat spreadsheet, right?

7 A. Yes.

8 Q. And this, in column E, row 8, has revenue above a billion
9 dollars for 2021, right?

10 A. Yeah.

11 Q. So this is an FTX stat spreadsheet as of the end of 2021,
12 right, or later?

13 A. I'm not sure when it's as of.

14 Q. This would be by the end of the year or later?

15 MR. COHEN: Objection.

16 THE COURT: Overruled.

17 A. It looks like it was—if you scrolled over, I could give
18 you more information about when it was from.

19 MS. SASSOON: Mr. Bianco, if you could scroll over.

20 A. Looks like this is from sometime around the fall of 2022.

21 Q. And so this is after year end 2021 at some point.

22 A. Yup, by a fair bit.

23 Q. And this was also sent to investors, right?

24 A. I'm not sure if this one in particular was. It may have
25 been. Some of them were.

1 Q. And you continued to send FTX stat spreadsheets to
2 investors after 2021, right?

3 A. Yup.

4 Q. And the \$1 billion revenue figure here includes the
5 EcoSerum staking fees, right?

6 A. I'm not sure. Probably.

7 Q. Didn't you testify that that's what got revenue above a
8 billion dollars?

9 A. The revenue numbers that I was getting on the FTX
10 spreadsheet were not quite in line with the revenue numbers
11 that were popping up on the financials. I'm not entirely sure
12 why.

13 Q. Let's take a look.

14 MS. SASSOON: Mr. Bianco, there's a tab here called
15 Financials. If you can keep going among the tabs. Right
16 there.

17 Q. And do you see column C, row 31 and 32, you have staking
18 fees of 69 plus million dollars?

19 A. Yup, I see that.

20 Q. And so this spreadsheet sent after the end of 2021 does
21 include the staking fees, right?

22 A. I include some staking fees. I'm not sure if that's just
23 EcoSerum or if that's also other things.

24 MS. SASSOON: Now let's pull up Government
25 Exhibit 323, which is in evidence.

1 Q. Now this document, which says Rewards Agent Agreement, is
2 about EcoSerum staking fees, right?

3 A. Sorry. Can I read it?

4 Q. Sure. And if you'd like the page turned, let me know and
5 Mr. Bianco will facilitate that.

6 A. All right. Turn the page.

7 Turn the page.

8 Turn the page.

9 Turn the page.

10 All right. Yes, that's what this looks like.

11 Q. And you signed this, right?

12 A. Yup.

13 Q. And if we could go back to the first page of the document.
14 It's dated January 1, 2021, right?

15 A. That's when it's effective as of.

16 Q. But you didn't sign it on January 1, 2021, right?

17 A. I probably not.

18 Q. This document wasn't created until the end of 2021,
19 correct?

20 A. I'm not sure exactly when it was created, but probably.

21 Q. Probably because you signed it much later than January 1,
22 2021, correct?

23 A. That's my guess.

24 Q. And that's your guess because you don't recall signing it
25 on January 1, 2021, right?

1 A. It's my best guess that I don't specifically recall when I
2 signed this, but given how things unfolded, my guess is that I
3 signed it roughly when you're saying.

4 Q. And isn't that your guess because, as you testified, you
5 weren't thinking about EcoSerum staking fees at all until late
6 2021, when you wanted to get revenue above a billion dollars?

7 A. Yup, that's right.

8 Q. And this wasn't the first time that you signed a document
9 more than a year after its supposed effective date, correct?

10 A. I think it was not.

11 Q. Meaning you had signed other documents more than a year
12 after their supposed effective date, correct?

13 A. Yup, that's right.

14 MS. SASSOON: We could take that down.

15 Q. You testified about a conversation with Caroline Ellison
16 where you discussed maybe Alameda shouldn't have made venture
17 investments. Do you recall that testimony?

18 A. Yeah, I remember that.

19 Q. Now when we're talking about maybe Alameda shouldn't have
20 made venture investments, you made the decision for those
21 venture investments, right?

22 A. For some of them.

23 Q. It was your decision to spend several billions of dollars
24 on venture investments in 2021 and 2022, correct?

25 A. Yeah, I think a few billion—excuse me. Sorry. I think a

1 few billion of them were my decision.

2 Q. For example, it was your decision to buy out Binance's
3 equity stake in FTX for about \$2 billion in July of 2021,
4 right?

5 A. I was heavily involved in those discussions. There
6 were—the discussions of what to do, I likely was the one who
7 ultimately pulled the trigger.

8 Q. You were the final decision-maker, correct?

9 A. Yeah.

10 Q. And some of the investments that you directed depended for
11 their success on the crypto market continuing to perform well,
12 correct?

13 A. Yeah.

14 Q. For example, I think you said the crypto mining company GDA
15 was one example of that.

16 A. Yup.

17 Q. And when I say GDA, I mean Genesis Digital Assets.

18 A. Yup, that's right.

19 Q. And you thought those investments were worthwhile, right?

20 A. I did.

21 Q. And you were willing to take on the risk of a market
22 downturn and make those investments.

23 A. I was—I was excited to do so if they were hedged.

24 Q. Well, you made many of these investments before Alameda was
25 hedged, right?

1 A. My understanding at the time I made them, that Alameda
2 would be promptly hedging them.

3 Q. Well, yes or no: You made some of those investment
4 decisions before Alameda was actually hedged.

5 A. Before they actually hedged, yes.

6 Q. And you thought that there was a chance those investments
7 could make a lot of money, right?

8 A. Yeah.

9 Q. And when Alameda wasn't hedged, there was also risk
10 associated with these investments, right?

11 A. Yeah.

12 Q. And even with hedging, there was still risk, correct?

13 A. Yes, risk never goes to zero.

14 Q. You considered yourself risk neutral while you were CEO of
15 FTX, right?

16 A. I—in particular contexts, yes.

17 Q. For example, in the context of investment decisions, right?

18 A. It depends on the size of the investment.

19 Q. For some of these venture investments you took a
20 risk-neutral approach, correct?

21 A. On noncorrelated small factors, yes.

22 Q. So I want to understand what you mean by that. Put in
23 simple terms, didn't you consider yourself more comfortable
24 than other people doing things, making investment decisions
25 that might backfire if there was a chance at making a lot of

1 money?

2 MR. COHEN: Objection, form.

3 THE COURT: Overruled.

4 A. As a general matter, in many contexts, at least compared to
5 many people, I think that was true.

6 Q. And let's just talk about a few of your other investments.

7 You spent about \$23 million buying out your favorite
8 video game, right?

9 A. Not at the time that I—that we made the acquisition, but
10 yes.

11 Q. I didn't follow that. Yes or no: Did you buy out
12 Storybook Brawl?

13 A. Yes.

14 Q. And was that about a \$23 million investment?

15 A. I don't remember the exact number. That sounds about
16 right.

17 Q. You also made investments in the media, right?

18 A. I think there were a few small ones, yeah.

19 Q. For example, you invested in The Block, which is a
20 cryptocurrency news site, right?

21 A. Yup.

22 Q. And among other things, didn't you provide about
23 \$16 million to finance the purchase of an apartment in the
24 Bahamas for the CEO of The Block?

25 A. I don't remember the details. I know that I was asked if

1 we would loan money with respect to it. I don't remember what
2 came of that.

3 Q. So yes or no: Do you recall helping finance the purchase
4 of an apartment for The Block's CEO?

5 A. I remember there were discussions around that. I don't
6 remember what the conclusion was.

7 Q. So sitting here today, do you recall whether you provided
8 financing for the CEO of The Block to get an apartment?

9 MR. COHEN: Asked and answered. Objection.

10 THE COURT: Overruled.

11 A. I don't recall for sure.

12 Q. You might have?

13 MR. COHEN: Same objection.

14 A. Yeah, we might have.

15 THE COURT: Go ahead.

16 MS. SASSOON: If we could publish Government
17 Exhibit 1029.

18 Q. This slide refers to a company called Dave Inc. It was
19 your decision to invest in Dave Inc., correct?

20 A. I was not the one leading that initiative.

21 Q. You were part of the decision to invest in Dave, correct?

22 A. I was part of the decision, yes.

23 MS. SASSOON: And if we could publish Government
24 Exhibit 1028.

25 Q. Do you see where it says Skybridge Capital?

1 A. I see that.

2 Q. You directed the investment in Skybridge Capital, correct?

3 A. I wouldn't say I directed it. I think I approved it.

4 Q. You approved it, right? And you signed the agreement?

5 A. I—I probably did.

6 MS. SASSOON: And if we could go to Government
7 Exhibit 1033.

8 Q. Do you see where it says Modulo Capital, Inc.?

9 A. Yup.

10 Q. You directed the investment in Modulo, correct?

11 A. Yeah, I think that's effectively correct.

12 MS. SASSOON: And we could take that down.

13 Mr. Bianco, if you could publish Government
14 Exhibit 1030.

15 Q. Do you see where it says K5 Global Holdings?

16 A. I see that.

17 Q. You directed the investment in K5, correct?

18 A. I directed an investment. I want to be clear. I'm not
19 saying I directed this investment as displayed there,
20 necessarily, but I did direct an investment in it.

21 Q. You were the one who decided to provide money to K5, right?

22 A. Yup.

23 MS. SASSOON: And if we could publish Government
24 Exhibit 1032.

25 Q. See where it says Robinhood shares?

1 A. I see that.

2 Q. That was your decision to invest in Robinhood, right?

3 A. Yeah, that's right.

4 Q. And after those shares were purchased, you transferred them
5 to yourself, right?

6 A. I'm not sure what you mean by that.

7 MS. SASSOON: Well, let's pull up Government
8 Exhibit 200 in evidence.

9 Q. And do you see at the top where it says "Alameda Research,
10 Unanimous Consent of Board of Directors, Stock Transfer"?

11 A. Yup.

12 Q. And this is transferring the Robinhood stock to yourself,
13 right?

14 A. Transferring it from one company that I was a partial owner
15 of to another company I was a partial owner of. Sorry. I'm
16 not sure it says it's transferred to me.

17 Q. Well, you owned the company that it was transferred to,
18 right?

19 A. I was one of the owners of both of the companies
20 transferred from and to.

21 Q. So the company it was transferred to, the only two owners
22 were you and Gary Wang, right?

23 A. I don't recall whether Nishad was also an owner or not.

24 Q. So at most, it was you, Gary, and Nishad?

25 A. Yeah, same as—that's correct, yes.

1 Q. And this says, "Unanimous Consent of Board of Directors."
2 Looking at the bottom, you were the only member of the board,
3 correct?

4 A. It looks like it.

5 Q. Well, were you in fact the only member of the board?

6 A. I'm not sure which board of directors this is referring to.

7 Q. Were you the only member of the board of directors of
8 Alameda? And I'll direct your attention to the second sentence
9 of this document.

10 A. Of some Alameda entities, not of others. And my memory, my
11 belief at that point was that I was not—that that was not the
12 case for most Alameda entities. It appears it was for this one
13 as of then.

14 Q. So the entity here, Alameda Research Ltd., you were the
15 sole member of the board of directors, correct?

16 A. This makes it seem like I was as of then. I probably was
17 as of then. It wasn't my intention to be.

18 Q. You said it wasn't your intention to be. You signed this
19 document, right?

20 A. Yes.

21 Q. And this document says you were the chairman and sole
22 member of the board of Alameda Research Ltd., correct?

23 A. Yup.

24 THE COURT: You owned 90 percent of the stock, right?

25 THE WITNESS: That is correct, yes.

1 THE COURT: So did you become director by mistake or
2 accident or something else?

3 THE WITNESS: No. I'm not saying I didn't approve
4 this transfer. I absolutely did approve this transfer.

5 MS. SASSOON: If we could show the witness what's been
6 marked as Government Exhibit 933.

7 And Mr. Bianco, if you can scroll. And my colleagues
8 can correct me if this is already in evidence.

9 My colleagues have indicated this is in evidence, so
10 we can go ahead and publish it.

11 BY MS. SASSOON:

12 Q. This is an affidavit that you filed in court, right?

13 A. I'm not sure.

14 Q. You don't recognize it?

15 A. I recognize the topic. I haven't read through the—I don't
16 know. Sorry. I didn't read through this one.

17 Q. Do you see on this page we're looking at here, it says
18 Affirmation of Samuel Bankman-Fried?

19 A. Yup. Yup. I see that.

20 Q. And this was submitted to a judicial court, correct?

21 A. Yes.

22 Q. And is it your testimony that you submitted an affirmation
23 to a court without reading it?

24 A. Sorry. I was saying I had not just now read it. I hadn't
25 gotten to the point of seeing what this was yet.

1 Q. Oh, go ahead. Take your time. And if you'd like me to
2 turn the page, that's fine. Just let us know.

3 A. Flip the page.

4 Q. And my question—I'm not going to quiz you on the document,
5 just whether you recall filing this affirmation in court.

6 A. Yup, yeah, I do.

7 Q. And you filed this after FTX declared bankruptcy, right?

8 A. Yup.

9 Q. And the purpose of this affirmation was to lay claim to the
10 Robinhood shares, correct?

11 A. That wasn't how I understood it at the time.

12 Q. Well, let's look at page 3, paragraph 8.

13 And it says: "I confirm that there has been no change
14 in the shareholding and that the shares are still legally and
15 beneficially owned as to 90% by me and 10% by Gary." Do you
16 see that?

17 A. I see that.

18 Q. And as stated in this affidavit, those shares were worth
19 about \$650 million, right?

20 A. Something like that, yeah.

21 Q. And you were asserting that these shares belonged to you,
22 right?

23 A. That the shares of Emergent belonged to myself and Gary,
24 ultimately mostly for the purposes of the bankruptcy estate,
25 yes.

1 Q. Here you're saying that the bankruptcy estate doesn't own
2 the shares, you do, correct?

3 A. It is saying that they were owned, according to Antiguan
4 law, by myself and Gary, yes.

5 Q. And that entity controlled the Robinhood shares, right?

6 A. I—that was my understanding at the time. I'm not sure if
7 it was actually true.

8 Q. And at the time you filed this affidavit, many FTX
9 customers could still not access their funds that were on the
10 exchange, right?

11 MR. COHEN: Objection.

12 THE COURT: Ground.

13 MR. COHEN: Relevance.

14 MS. SASSOON: May I proffer the relevance, your Honor.

15 THE COURT: Come to the sidebar.

16 (Continued on next page)

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1 (At the sidebar)

2 MS. SASSOON: Your Honor, it goes to intent and proof
3 of the crimes because customer money was spent to buy these
4 shares, and after the bankruptcy, he was trying to get ahold of
5 this money for himself.

6 MR. COHEN: The government made a pretrial motion that
7 the Court granted not to get into the post-bankruptcy
8 proceedings and prohibiting the defense from offering proof
9 that he was seeking to make customers whole and in fact, they
10 had not suffered the losses that they claimed. I don't know
11 how the government could have it both ways here, Judge.

12 THE COURT: It's not a matter of both ways.
13 Overruled.

14 (Continued on next page)

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1 (In open court)

2 THE COURT: The objection is overruled.

3 BY MS. SASSOON:

4 Q. Mr. Bankman-Fried, at the time that you asserted ownership
5 over these shares, you were aware, weren't you, that many FTX
6 customers were still unable to access their funds in FTX?

7 A. Extremely aware.

8 Q. And isn't it true that after FTX collapsed you considered
9 calling the Robinhood broker to see if the broker would give
10 you the shares without thinking about it?

11 A. When are you referring to?

12 Q. After FTX declared bankruptcy, isn't it true that you
13 considered calling the Robinhood broker to see if the broker
14 would give you the shares without thinking about it?

15 A. Yeah. My intention was to hand it to the provisional
16 liquidators.

17 Q. That wasn't my question, Mr. Bankman-Fried.

18 THE COURT: Answer stricken. Answer stricken. Pose
19 the question again, please.

20 Q. After FTX declared bankruptcy, you considered calling the
21 Robinhood broker to see if the broker would give you the shares
22 without thinking about it, correct?

23 A. I didn't actually consider doing that.

24 MS. SASSOON: Mr. Bianco, can you pull up Government
25 Exhibit 2556.

1 Q. Mr. Bankman-Fried, do you recognize this as portions of a
2 document that you wrote in December of 2022?

3 A. Yup.

4 MS. SASSOON: The government offers Government
5 Exhibit 2556.

6 MR. COHEN: No objection.

7 THE COURT: Received.

8 (Government's Exhibit 2556 received in evidence)

9 MS. SASSOON: Mr. Bianco, for now, if you could just
10 publish from the date at the top through item No. 3. If you
11 could zoom in on that and publish it.

12 BY MS. SASSOON:

13 Q. Mr. Bankman-Fried, you wrote this document, right?

14 A. Yup.

15 Q. And the date here is 2022-12-25, right?

16 A. Yup.

17 Q. And item No. 3 says, "Should I try calling up the broker
18 HOOD is with and see if they'll just give me the shares without
19 thinking about it?"

20 A. I see that.

21 Q. And HOOD, that stands for Robinhood?

22 A. Yup.

23 MS. SASSOON: We could take that down.

24 Q. Would you agree, Mr. Bankman-Fried, that ultimately,
25 Alameda's venture investments were too large?

1 A. Given that it didn't hedge them, yes.

2 Q. And would you agree that Alameda's venture investments used
3 up too much of Alameda's balance sheet?

4 A. Given that it didn't hedge them, yes.

5 Q. And would you agree that they used up too much of Alameda's
6 balance sheet, especially if you considered the risk of a
7 crash?

8 A. Same answer.

9 Q. If you could answer the question, Mr. Bankman-Fried.

10 A. I—given that it did not end up hedging them, yes.

11 MS. SASSOON: Mr. Bianco, if you could pull up
12 Government Exhibit 2554 for the witness. And scroll down.

13 I believe this is in evidence, so if we could publish
14 this page, please.

15 Q. I want to direct your attention to the top,
16 Mr. Bankman-Fried.

17 And you wrote this, right?

18 A. Yup.

19 Q. And do you see where it says:

20 "Alameda's VC investments. . . were too large and used
21 up too much balance sheet, especially once you think about the
22 real crash scenarios that could come"?

23 A. Yup.

24 Q. Does it say anywhere here, "because of the failure to
25 hedge"?

1 A. Not in those two sentences it doesn't. It does in the rest
2 of the document.

3 Q. Does it say in this sentence anything about hedging?

4 A. Not in that sentence, no.

5 MS. SASSOON: If we could take that down.

6 Q. So I want to talk to you about hedging. This is something
7 you were concerned about throughout 2022, right?

8 A. Yup.

9 Q. You discussed it with Caroline, right?

10 A. Yes, that's right.

11 Q. It's your testimony that you told her to hedge, right?

12 A. I—I suggested it, yes.

13 Q. And in May, when Terra and Luna collapsed, you were unhappy
14 that Caroline had not hedged, right?

15 A. Yup.

16 Q. You knew in May that the failure to hedge had a negative
17 effect on Alameda's net asset value, right?

18 A. Yup.

19 Q. Caroline would send you balance sheets, I think you
20 testified, right?

21 A. Yup.

22 Q. And she did that about once every couple months?

23 A. Yup.

24 Q. And you would review them.

25 A. Yup.

1 Q. And so you knew that Alameda's positive assets included
2 substantial holdings in what we've been calling Sam coins,
3 right?

4 A. Yes.

5 Q. Things like FTT?

6 A. Yup.

7 Q. And Serum?

8 A. No.

9 Q. Solana?

10 A. Yes.

11 Q. And Alameda was a large holder of FTT and Solana, right?

12 A. Yup.

13 Q. And this failure to hedge that you've talked about, that
14 continued throughout 2022, right?

15 A. Not through all of 2022. Eventually Alameda did hedge.

16 Q. And that was after June, right?

17 A. Yup, that's right.

18 Q. And so when crypto prices crashed in May 2022, you were
19 aware that Alameda at that time was not hedged, right?

20 A. I'm not sure exactly what I was aware of. I suspected it
21 had not hedged. It depends on exactly when you're asking as
22 of.

23 Q. Well, in May 2022, you learned that Alameda still had not
24 hedged, right?

25 A. Yup, that's right.

1 Q. And so you knew that the value of its cryptocurrencies had
2 gone down.

3 A. Yup.

4 Q. And you knew also that Alameda was highly leveraged around
5 that time, right?

6 A. I don't know what you mean by "highly." I knew it was
7 leveraged.

8 Q. I think you testified that Alameda had been leveraged long
9 the market for the prior year, right, yes or no?

10 A. Yes.

11 Q. And that was because of investments in crypto?

12 A. Yup.

13 Q. Including venture investments, right?

14 A. Yup.

15 Q. And so it was leveraged in part as a result of the venture
16 investments you directed, correct?

17 A. Yes.

18 Q. And in June of 2022, you were aware that Alameda's
19 third-party loans were being recalled, right?

20 A. I was aware that some fraction of them were.

21 Q. And you were aware that billions of dollars in loans were
22 being recalled, weren't you?

23 A. It depends on when in June you're talking about. One
24 to—1 billion roughly at the beginning was my understanding.

25 Q. So by the beginning of June you knew that around a billion

1 dollars had been recalled?

2 A. Sorry. By shortly after the bug fix meeting.

3 Q. And so what date do you give to the bug fix meeting?

4 A. I think that was, I think—so June 13th is I think the date
5 that the coin crashed, so I think it was—it was that date plus
6 or minus a day.

7 Q. And so within a day or two of that, you knew that about a
8 billion dollars of loans had been recalled?

9 A. Yeah, I—something to that effect, yes.

10 Q. When you say "something to that effect," do you mean within
11 a day of that or—

12 A. Within a day of that was what my knowledge was as of. I'm
13 not sure if I'm recalling a figure from like a week-long period
14 or a month-long period, going into that.

15 Q. So—

16 A. Like how long looking back that billion was over.

17 Q. So sitting here today, what's your best memory of when you
18 understood that about a billion dollars of loans had been
19 recalled?

20 A. Oh, yeah. Within a few days of the mid-June crash, I was
21 aware that about a billion had been recalled.

22 Q. That was a stressful time, wasn't it?

23 A. Yeah, it was a—a relatively stressful time and extremely
24 stressful few hours.

25 Q. And when you talk about "extremely stressful few hours,"

1 are you talking about Caroline telling you that Alameda might
2 be bankrupt?

3 A. Yup.

4 Q. And Alameda's assets had plunged, right?

5 A. Yup.

6 Q. And the crypto markets overall were not doing well?

7 A. Yup.

8 Q. And several crypto companies that were fairly large were on
9 the verge of collapsing, right?

10 A. Roughly. I don't know exactly what you're referring to,
11 whether they had just collapsed or were going to soon or were
12 on the verge of, but roughly, yes.

13 Q. The whole industry was at risk, right?

14 A. Much of it was, yeah.

15 Q. And you, around that time, were having some calls with some
16 of Alameda's lenders?

17 A. Yup.

18 Q. And I think you said the situation was so concerning that
19 you actually canceled a trip to Washington, DC, right?

20 A. I pushed it back before the bug was discovered.

21 Q. And you understood in the discussions you were having
22 around that time that to repay Alameda's lenders would require
23 Alameda to borrow more money from FTX, right?

24 A. No.

25 Q. That's your testimony?

1 A. That's correct.

2 Q. So it's your testimony that you did not know repaying
3 Alameda's lenders would involve borrowing money from FTX.

4 A. That is correct.

5 Q. Isn't it true that you had a meeting in FTX's Bahamas
6 office with Caroline and other employees?

7 A. There were discussions, yeah.

8 Q. And during this meeting didn't you discuss that Alameda's
9 access to third-party loans was being pulled back and it might
10 need to borrow more from FTX?

11 A. That's not my memory of it.

12 Q. We talked earlier about an interview you did with Josh
13 Oliver. Do you recall that?

14 A. Which—is this the December interview?

15 Q. Yes.

16 A. Yup.

17 Q. And this is before you were under indictment, right?

18 A. I'm not sure if it was before I was under indictment. I
19 think it's before I was aware that I certainly was.

20 Q. It was before you were arrested, correct?

21 A. Yup.

22 Q. Before you had any knowledge of a federal indictment,
23 correct?

24 A. Certainly before I had confident knowledge.

25 Q. And in this interview with Josh Oliver, didn't you state

1 that you met with employees who said that Alameda's access to
2 third-party loans is being cut back and it might need to borrow
3 more money from FTX?

4 A. I don't remember exactly what I said to him or the context.
5 I did not believe that Alameda did need to borrow from FTX in
6 order to process the loan repayments.

7 Q. Yes or no: Do you recall saying that in the meeting it was
8 stated that Alameda would need to borrow more from FTX to repay
9 its loans?

10 A. I'm not sure whether that—whether or not that was floated
11 out at one point or another. My memory is that was ultimately
12 decided that that was not the case and that the financials
13 confirmed that was not the case.

14 MS. SASSOON: If we could pull up Government
15 Exhibit 2503 in evidence. Go to the third page.

16 Q. And I want to direct your attention to where it says, "He
17 recalled at least one meeting." Do you see that paragraph?

18 A. I'm not sure what that's referring to.

19 MS. SASSOON: We can take that down.

20 A. Among other things, it says May.

21 THE COURT: There's no question pending,
22 Mr. Bankman-Fried.

23 THE WITNESS: Understood. Sorry.

24 Q. Isn't it true that in these meetings about Alameda's loan
25 recalls, you decided, in your words, to extend Alameda more

1 credit?

2 A. That's not exactly how I remember it.

3 Q. How do you remember it?

4 A. My memory is that the level of credit utilization by
5 Alameda did not substantially increase.

6 Q. So yes or no: Do you recall saying that you decided to
7 extend Alameda more credit at this time?

8 A. I don't recall saying that. I'm not sure I didn't say
9 something sort of like that.

10 Q. Do you recall saying that to Zeke Faux in December of 2022?

11 A. Not particularly, no.

12 Q. You didn't say it or you don't recall saying it?

13 A. I don't think I said it in those words. I can't recall
14 saying it in any words, but I can't recall some of what I did
15 say, so I'm not sure.

16 Q. If you could take a look at that book that I handed you.
17 Is it still up there?

18 MS. SASSOON: And for the Court, Mr. Bianco, can you
19 pull up Government Exhibit 2511.

20 Q. And Mr. Bankman-Fried, I want to direct you to page 227.

21 A. Okay.

22 Q. Okay. Mr. Bankman-Fried, did you tell Zeke Faux that after
23 the Luna crashed, when Alameda repaid its debts, that this was
24 the point at which Alameda's margin position on FTX got more
25 leveraged substantially?

1 A. I don't remember that, and I'm not sure exactly what that's
2 referring to and whether it's referring to—

3 Q. I'm not asking you to refer to the document, which is not
4 in evidence. I'm asking you if you recall saying that to Zeke
5 Faux.

6 A. I don't, no.

7 MS. SASSOON: You can take that down.

8 Q. At the time that Alameda was repaying its debts, you told
9 Caroline Ellison that she should repay the lenders in June,
10 right?

11 A. I agreed that it likely made sense to.

12 Q. And when you agreed that it made sense to repay Alameda's
13 lenders, you knew at that time that this put the FTX exchange
14 at risk, didn't you?

15 A. That's not how I was thinking of it.

16 Q. I'm not asking how you were thinking of it. I'm asking,
17 did you know that this put the FTX exchange at risk?

18 A. No, I did not.

19 Q. So your testimony is that you didn't know at the time that
20 there was a risk that Alameda would never be able to repay its
21 debts to FTX.

22 MR. COHEN: Objection. Asked and answered.

23 THE COURT: Overruled.

24 A. I did not at that time think that the odds of that were
25 significant.

1 Q. So when you say you didn't know at the time that the odds
2 were significant, you understood that that was a risk, correct?

3 A. There's always a risk with margin trading that there would
4 be clawbacks.

5 Q. That's not my question, Mr. Bankman-Fried. My question is
6 whether, in June of 2022, you knew that there was a risk that
7 Alameda specifically might not be able to repay its debts to
8 FTX.

9 A. I don't remember thinking of it that way. If you'd asked
10 me, I wouldn't have said that zero was the right number then or
11 ever for margin trading. I didn't think of there as being a
12 significant risk at that point in time. But it was not—I
13 would not have said that there was absolutely no risk.

14 Q. Mr. Bankman-Fried, I didn't ask you about margin trading.
15 I'm asking about Alameda's debt to FTX and whether you
16 understood, in June of 2022, that there was a risk that Alameda
17 could not repay that debt.

18 A. Okay. I did not think of that at the time as being a
19 significant risk, but I would not have said that there was no
20 risk at all.

21 Q. Just to be clear, Mr. Bankman-Fried, taking money from FTX
22 to pay back lenders, that's not margin trading, is it?

23 A. I'm not—I don't think that's what happened, and I'm also
24 not saying that's not margin trading.

25 THE COURT: Would you please answer the question.

1 A. I'm not sure I agree. I don't think I agree.

2 Q. If Alameda took money off FTX to repay its lenders, that's
3 not a margin trade, correct?

4 A. I'm not sure I agree with that.

5 Q. It's your testimony that that's a margin trade.

6 A. It's my testimony that it depends on the details, but that
7 that very well could be a margin trade. I'm sorry. It's a
8 hypothetical. I'm speculating here.

9 Q. You were CEO of FTX, right?

10 A. Yeah.

11 Q. And you know what margin trading is, correct?

12 A. Yeah. I'm telling you that sounds like a margin trade to
13 me, but it is speculative, so I don't know what to say about
14 that.

15 Q. Well, this is the question, Mr. Bankman-Fried.

16 A. Yup.

17 Q. Is withdrawing money from FTX to repay a lender within your
18 definition of a margin trade?

19 A. Potentially, yeah. I can explain if you want.

20 Q. Do you recall telling Zeke Faux in December of 2022 that
21 when Alameda repaid its third-party lenders, you understood
22 that there was a risk to FTX?

23 A. I don't recall that, no.

24 Q. Do you recall saying to Zeke Faux, we were all
25 aware—withdrawn.

1 Do you recall being asked whether you were all aware
2 there was a chance this would not work and saying, "That's
3 right, but I thought the risk was substantially smaller"?

4 A. I don't recall that in particular, no.

5 MS. SASSOON: If we could take a look at Government
6 Exhibit 2511.

7 Q. I'm going to direct you to page 226-227.

8 And I want to direct your attention to the middle of
9 the page, where it starts, "You were." And just ask you to
10 read those two sentences to yourself.

11 A. Sorry. Page 226, you said?

12 Q. Sorry. To 227. You could look at your screen if it might
13 be easier.

14 A. I don't see anything on it.

15 Okay.

16 Q. Once you've had a chance to read that, you can look up.

17 Does that refresh your recollection about whether you
18 told—whether Zeke Faux said to you, "You were all aware there
19 was a chance this would not work?" And you said, "That's
20 right, but I thought that the risk was substantially smaller"?

21 A. I—it doesn't; not in particular, no.

22 Q. Isn't it true that after the Terra/Luna crash and Alameda
23 repaying its debts, you understood there was a risk of a hole
24 in FTX customer funds?

25 A. I didn't believe there was a hole. I always believed there

1 was a risk of a hole.

2 Q. And so at that time you understood there was a risk of a
3 hole in FTX customer funds.

4 A. Just to be clear, I thought there was a risk that at some
5 point in the future there could become a hole as a product of
6 leverage in general. I don't remember anything more specific
7 to that period of time.

8 Q. At the time that Alameda repaid its lenders, you knew that
9 Alameda was not hedged, right?

10 A. I knew around then. I can't remember the exact sequencing.

11 Q. Mr. Bankman-Fried, at the time that you agreed to repay
12 Alameda's loans, you had no information at that point in time
13 that Alameda had put on any hedges, correct?

14 A. That's correct.

15 Q. And you agreed to repay the lenders anyway, right?

16 A. That's right.

17 MS. SASSOON: Now let's pull up Government Exhibit 44.

18 Q. And let's start at the main tab, which is the first tab.
19 Caroline sent this document to you, correct?

20 A. She sent a document that at least looked like one of the
21 tabs. It was probably this document.

22 Q. You received a document with many alternative tabs from
23 Caroline, correct?

24 A. I don't remember whether there were many alternative tabs
25 on it. There very well may have been.

1 Q. So yes or no: Do you recall receiving this document from
2 Caroline Ellison?

3 A. I—I don't recall specifically receiving this document as a
4 whole from her. I may have, but I don't recall it being in
5 particular this document.

6 Q. And so what about this document makes you think that you
7 received it from Caroline?

8 A. I remember receiving a document that at least looks like
9 one of the tabs on it.

10 Q. And which tab is that?

11 A. When I looked at Alt 7, that at least looked like the thing
12 I received, but honestly, some of the other tabs could have
13 been it as well. I don't remember exactly what it said.

14 Q. So this main tab—

15 A. Yup.

16 Q. —yes or no: Do you recall seeing this?

17 A. I don't have a recollection of seeing it, no.

18 Q. And I want to direct your attention to row 5, columns E and
19 F.

20 A. Yup.

21 Q. Where it says "Exchange Borrows," \$9.9 billion, do you see
22 that?

23 A. I see that.

24 Q. And I just want to compare that to bank balances. Do you
25 see where it says \$525 million?

1 A. Yup, I see that.

2 Q. And so it's apparent from this tab that Alameda does not
3 have \$8 billion sitting in a bank, correct?

4 A. I think that's—I think that's right. I'm not a hundred
5 percent sure how the assets are subdivided, but I think that's
6 right.

7 Q. It's your testimony you never saw this?

8 A. I don't think I said I never saw this. I don't recall
9 whether I saw this.

10 Q. Do you recall receiving a document from Caroline that had
11 eight tabs?

12 A. I'm not sure.

13 Q. Well, yes or no, do you recall receiving a document with
14 eight tabs?

15 A. I don't recall how many tabs the document I received had.

16 Q. Do you recall receiving from Caroline a balance sheet with
17 multiple tabs?

18 A. I assume you mean on or around late June of 2022?

19 Q. On or around late June 2022, do you recall receiving a
20 spreadsheet with eight tabs?

21 A. I don't—I don't—I don't specifically recall there being
22 eight-ish tabs on it. There very well may have been.

23 Q. Now yesterday you testified about alternative 7.

24 A. Yup.

25 Q. And you said you think you recalled seeing that tab, right?

1 A. Or something like that, yeah.

2 Q. And that's the second tab of this spreadsheet.

3 A. That's right.

4 Q. Now by the time you testified, you knew that the government
5 had obtained Google metadata showing that you had viewed this
6 spreadsheet on June 19, 2022; isn't that right?

7 MR. COHEN: Objection.

8 THE COURT: Ground?

9 MR. COHEN: Lacks foundation.

10 THE COURT: Overruled.

11 A. I'm not sure how to interpret the metadata.

12 Q. Yes or no, Mr. Bankman-Fried.

13 THE COURT: You were not asked how to interpret the
14 metadata.

15 THE WITNESS: I'm sorry. Can you repeat the question.
16 I'm sorry.

17 Q. At the time you testified at this trial, you knew that the
18 government had obtained Google metadata showing that you viewed
19 this spreadsheet, this eight-alternative spreadsheet on
20 June 19, 2022, correct?

21 MR. COHEN: Objection.

22 THE COURT: What's the objection?

23 MR. COHEN: Same objection, your Honor.

24 THE COURT: Same ruling.

25 A. I know that—I know that the—there was metadata that

1 suggested that—that in my view suggested that I may have
2 viewed it.

3 Q. So yes, by the time you testified, you were aware of Google
4 metadata related to this exhibit?

5 A. Yes.

6 Q. And this exhibit specifically, not a spreadsheet that looks
7 like this exhibit, correct?

8 A. That's right.

9 MS. SASSOON: We could take that down.

10 Q. After June 2022, you continued to direct additional venture
11 investments, right?

12 A. Yeah.

13 Q. And you traveled to the Middle East to try to raise
14 billions of dollars, right?

15 A. Among other things, yeah.

16 Q. And by September, you knew that Alameda owed FTX more than
17 \$10 billion, right?

18 A. Yup.

19 MS. SASSOON: And let's pull back up Government
20 Exhibit 5.

21 Q. And this is the spreadsheet that you acknowledged creating,
22 correct?

23 A. Yeah.

24 Q. And I want to direct your attention to columns G and H.

25 A. Yup.

1 Q. And you wrote this part of the spreadsheet as well,
2 correct?

3 A. I believe so, yes.

4 Q. And looking at row 2, columns G and F, where it says info@,
5 that's a reference to Alameda's info@ trading account, correct?

6 A. Yup, that's right.

7 Q. And where it says 55 billion, that's the number you got
8 adding Alameda's account balance to the \$65 billion line of
9 credit, correct?

10 A. Effectively—this—that's the number that was displayed to
11 me and that's where the system had—what the system had done to
12 produce it.

13 Q. So when you say it was displayed to you, this is a query in
14 the database that you ran, correct?

15 A. No. The admin user's dashboard.

16 Q. I see. So the admin user dashboard showed a negative
17 \$10 billion balance that became \$55 billion when you added the
18 line of credit, correct?

19 A. My memory is that the admin user's dashboard showed a
20 positive \$55 billion balance and showed somewhere else a
21 \$65 billion line of credit, and they subtracted those out to
22 find the balance net line of credit.

23 Q. And we can actually see you did that work in row 9. Do you
24 see where it says net?

25 A. Yup.

1 Q. And it says negative 5 billion?

2 A. Yup.

3 Q. And the reason it's negative 5 billion and not 10 is
4 because you also added the Cottonwood Grove account of
5 4.477 billion, right?

6 A. Yes, that's right.

7 Q. And ventures of 600 million.

8 A. Yup.

9 Q. But if you excluded Cottonwood and ventures, you'd get
10 negative 10 billion, correct?

11 A. That's right.

12 Q. And you put this together, right?

13 A. Yup.

14 Q. And so when you put this together, you had that financial
15 information, didn't you?

16 A. Yup.

17 MS. SASSOON: Now we can take that down.

18 Q. In September, you testified that you considered shutting
19 down Alameda, right?

20 A. That I suggested that we consider doing it, yes.

21 Q. And one thought you had was to replace Alameda with Modulo,
22 right?

23 A. Not fully replace but that perhaps it could hold some of
24 the shares.

25 Q. And you said to the extent there's a niche for a trading

1 firm, that firm should be Modulo, right?

2 A. That was part of the argument. It wasn't something I had
3 confidence in.

4 Q. And one reason you considered Modulo was because you said
5 it had a much lower PR cost than Alameda, right?

6 A. I think that's—I don't—I don't remember exactly what I
7 said.

8 MS. SASSOON: Well, let's pull up Government
9 Exhibit 18.

10 Q. And if you look at item 6, it says, "To the extent there's
11 a niche for a trading firm, that firm should be Modulo." And
12 one reason was "it has a much lower PR cost." Do you see that?

13 A. Yup, I do.

14 Q. And by comparison—if we could take that down—your first
15 reason was "the PR hit from Alameda and FTX both existing is
16 really large." Do you see that?

17 A. I do.

18 Q. And the difference between Alameda and Modulo was that it
19 was not as publicly known that you owned a big piece of Modulo,
20 right?

21 A. That wasn't the only difference.

22 Q. But in fact, you did own a large piece of Modulo, correct?

23 A. Significant though far smaller than Alameda.

24 Q. And the PR hit from Alameda and FTX both existing was
25 because it looked bad that you might still be involved in

1 Alameda, right?

2 A. At least some of it. I'm not sure I fully understood the
3 exact causes of the PR hit.

4 Q. Well, you understood that people considered it suspicious
5 that you owned FTX and also Alameda, a customer on the
6 exchange, right?

7 A. Yup.

8 Q. And that's because as the owner of Alameda, you would
9 profit if Alameda profited, right?

10 A. Yup.

11 Q. And if Alameda had special privileges on FTX, you would
12 ultimately profit, right?

13 A. I—it depends.

14 Q. Well, that's part of the conflict of interest that you were
15 often addressing, right?

16 A. Yup.

17 Q. At the same time, though—and we can zoom out—you
18 recognized that you couldn't really shut Alameda down, right?

19 A. Recognized that when?

20 Q. Well, in this document, you said, "the main downside here
21 is that given the amount Alameda is doing, we can't really shut
22 it down," right?

23 A. Yeah, that's right.

24 Q. And at that point Alameda wasn't the largest market maker
25 on the exchange anymore, right?

1 A. Well, not by volume.

2 Q. Right? There were 10 to 15 other market makers, right?

3 A. By volume, yes. Not by some other metrics.

4 Q. By the metric of volume, Alameda was not the largest market
5 maker anymore, right?

6 A. That's correct.

7 Q. And that was actually something you marketed, that Alameda
8 was not a significant market maker anymore, correct?

9 A. I don't think I would have used quite that phrasing, but
10 yes.

11 Q. Well, you told that to investors, right?

12 A. I told that—investors that it was no longer a dominant
13 market maker in terms of volume, yeah.

14 Q. And you told that to investors in terms of questions you
15 got about conflicts of interest between FTX and Alameda, right?

16 A. It was in response to a few different things. That was one
17 of them.

18 Q. You testified that you had a conversation with Nishad,
19 Gary, and Caroline where you discussed that Alameda had a
20 liability of about 10 billion, right?

21 A. Yeah.

22 Q. Where did that conversation happen?

23 A. I remember at least something roughly to that extent
24 happening in a—an in-person conversation.

25 Q. Didn't you testify just this morning that you couldn't

1 recall whether it was in person or on Signal?

2 A. I'm not sure exactly which conversation is being referred
3 to here. There was an in-person conversation that I was
4 present at which I think something at least roughly to that
5 extent came up. There may also have been Signal chats. I
6 can't remember the details.

7 MS. SASSOON: Your Honor, this is a natural point for
8 me to break, if that's all right with the Court.

9 THE COURT: It certainly is.

10 Ladies and gentlemen, 9:30 tomorrow morning, please.
11 Counsel remain.

12 THE DEPUTY CLERK: Jury, come this way, please. Bring
13 your notebooks with you.

14 (Continued on next page)

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1 (Jury not present)

2 THE COURT: Please be seated, everybody.

3 Mr. Bankman-Fried, you can go back to counsel table.

4 Time estimate, please, Ms. Sassoon?

5 MS. SASSOON: Yes, your Honor. Certainly expect to
6 finish before lunch and likely just two more hours or less.

7 THE COURT: And then just so I'm clear, the defense
8 will rest; is that right?

9 MR. COHEN: Well, we will have some redirect, your
10 Honor, but yes.

11 THE COURT: How long, please?

12 MR. COHEN: I'll know better once I see the transcript
13 tonight, but I would say one to two hours. Then we will rest.

14 THE COURT: Thank you.

15 Where does the government think it stands in terms of
16 a rebuttal?

17 MR. REHN: We're looking at likely one and possibly
18 two witnesses in rebuttal, each of which would be short—less
19 than a half hour on direct.

20 THE COURT: I don't know where you and Mr. Cohen had
21 left it on identifying people to each other, but fill me in,
22 please.

23 MR. REHN: Your Honor, we did disclose the identity of
24 the witnesses earlier today during the lunch hour.

25 THE COURT: So tell me.

1 MR. REHN: Yes. One is Rosanne Libretti, who is an
2 FBI data analyst; and the other is Zachary Allen.

3 THE COURT: Who is that?

4 MR. REHN: He's an employee of Apollo.

5 THE COURT: Okay. So we're going to be well into the
6 afternoon tomorrow, yes?

7 MR. EVERDELL: Your Honor, just to raise an issue
8 about the two witnesses. The first witness mentioned by the
9 government, Rosanne Libretti, is a new name for us. We've
10 never heard of this person before. I don't know if we have
11 materials for this person. Possibly we got some during lunch,
12 but we haven't been able to look at them, and it's also my
13 understanding from Mr. Rehn that this—she may be called in
14 rebuttal to Joseph Pimbley, so this may be in the form of a
15 rebuttal expert, in which case we haven't gotten the materials
16 and can't look at them till tonight, so we may have an
17 objection.

18 THE COURT: Mr. Rehn?

19 MR. REHN: I informed Mr. Everdell of her testimony at
20 the beginning of the lunch hour and offered she would be in
21 rebuttal to Mr. Pimbley. He asked me to expedite the
22 disclosure and I sent him the disclosure materials before the
23 end of the lunch hour.

24 THE COURT: How voluminous?

25 MR. REHN: They are not voluminous. It's about a

1 two-page expert disclosure and a single spreadsheet with two
2 charts attached.

3 MR. EVERDELL: Your Honor, in order to actually
4 understand what these materials are, we're going to have to
5 give them to our expert. I want to make sure he's available to
6 do this. This is quite short notice for a rebuttal expert, so
7 we may have an objection to this witness.

8 THE COURT: Well, look, if you have an objection, I'll
9 deal with it.

10 MR. EVERDELL: Yes, your Honor.

11 THE COURT: But you can't expect something other than
12 short notice when you haven't rested your case yet. I
13 understand it's Mr. Pimbley and he's gone, but it wasn't that
14 much there.

15 Okay. So in any case, we're going to be probably done
16 with evidence late tomorrow. All right. And we'll see what
17 the availability of the jurors for Friday is.

18 Okay. Anything else we can usefully accomplish
19 tonight?

20 MR. ROOS: Just if your Honor knows, I know we're not
21 done with the evidence, but a charge conference?

22 THE COURT: Well, as I said last week, after—

23 MR. ROOS: I'll withdraw.

24 THE COURT: After the fat lady sings. When it's all
25 over, it's all over, not before.

1 You're entitled to it before you sum up, and that's
2 when you're going to find out.

3 Okay. Thank you very much.

4 THE DEPUTY CLERK: All rise.

5 (Adjourned to October 31, 2023, at 9:30 a.m.)
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5	.2509

GOVERNMENT EXHIBITS

Exhibit No.	Received
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825	.2598
829	.2602
855	.2611
857	.2603
858	.2604
900A	.2599
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NAV1BAN1

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

-----x

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

-----x

7
8 New York, N.Y.
9 October 31, 2023
9:36 a.m.

10 Before:

11 HON. LEWIS A. KAPLAN,

12 District Judge

13 APPEARANCES

14 DAMIAN WILLIAMS

15 United States Attorney for the
16 Southern District of New York

BY: DANIELLE R. SASSOON

NICOLAS ROOS

17 DANIELLE KUDLA

SAMUEL RAYMOND

18 THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

BY: MARK S. COHEN

21 CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

NAV1BAN1

(In open court; jury not present)

THE COURT: Good morning. Before we bring the jury out, we've heard from the juror who didn't know her schedule yesterday, and that juror has no problem—that is, with sitting Friday.

Juror No. 3 cannot adjust her plans and make the event she wants to make by rescheduling the flight later on Friday. Is that right, Andy, Friday?

THE DEPUTY CLERK: That's correct, Judge.

THE COURT: And in any case, her return flight to New York would be on Saturday.

So it seems to me there are three options on the table. One is, depending on how things go today, we finish the government's rebuttal case, the cross and the rebuttal case, distribute the charge, which would probably be sometime midafternoon, and we do the charge conference today and close tomorrow, with the rebuttal closing going over into the next day, depending on how long the two closings are. Or we seat an alternate and excuse No. 3. So I'll be happy to hear views.

MS. SASSOON: The former proposal sounds realistic. Especially given the anticipated remaining length of the cross, it does seem feasible to have the charge conference later today by our estimate, and so at this time, we don't see a need yet to excuse one of the jurors.

THE COURT: Thank you.

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Bankman-Fried - Cross

1 Mr. Cohen?

2 MR. COHEN: Your Honor, I think our recommendation
3 would be to wait until the end of the day and see where we are,
4 because we could get pressed for time, depending on how the
5 examinations go.

6 THE COURT: Okay. We'll do that.

7 Let's get the jury.

8 I take it implicit in counsel's answers is that it
9 would be appropriate to tell Juror No. 3 that one way or
10 another, she will make her flight.

11 MS. SASSOON: Yes, your Honor.

12 MR. COHEN: Yes.

13 (Continued on next page)

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1 (Jury present)

2 THE COURT: Good morning, everyone.

3 THE JURORS: Good morning.

4 THE COURT: The record will reflect that the defendant
5 and all the jurors are present, as they have been throughout.

6 Mr. Bankman-Fried, you are still under oath.

7 Ms. Sassoon, you may continue.

8 MS. SASSOON: Thank you, your Honor.

9 SAM BANKMAN-FRIED, resumed.

10 CROSS EXAMINATION CONTINUED

11 BY MS. SASSOON:

12 Q. Mr. Bankman-Fried, you testified about meetings you had
13 with Bahamian government officials after FTX declared
14 bankruptcy in November 2022. Do you recall that?

15 A. Yup.

16 Q. And at that point in time you were still hoping that you
17 could regain control of FTX, right?

18 A. I was not myself prioritizing gaining control of FTX.

19 Q. I didn't ask about your priority.

20 THE COURT: Excuse me. Yes. I'm picking up where you
21 were going.

22 Q. I didn't ask about—

23 THE COURT: Just—go ahead, Ms. Sassoon.

24 MS. SASSOON: Thank you, your Honor. I apologize.

25 THE COURT: Going the same place, I think.

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Bankman-Fried - Cross

1 Q. I didn't ask about your priority. I asked if you were
2 hoping at that point in time to regain control of your company,
3 FTX.

4 A. My memory is play a role but not control.

5 Q. I didn't hear you. I apologize.

6 A. My memory is no; play a role but not control.

7 Q. And so at that point in time you were hoping you could
8 still play a role within FTX, correct?

9 A. Yes.

10 Q. And at that time you had cultivated a cozy relationship
11 with the Bahamian government, right?

12 MR. COHEN: Objection.

13 THE COURT: Sustained as to form.

14 Q. During your time as CEO of FTX, you spent time meeting with
15 Bahamian government officials, right?

16 A. Yes.

17 Q. And you cultivated a close relationship with members of the
18 Bahamian government, right?

19 A. Some of them.

20 Q. Philip Davis, for example, he was the prime minister of the
21 Bahamas while you were headquartered there, right?

22 A. He was.

23 Q. And you had meetings with him?

24 A. I did.

25 Q. In one of those meetings you discussed with him paying off

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Bankman-Fried - Cross

1 the Bahamian national debt of around \$11.6 billion, right?

2 A. I don't remember that.

3 Q. Just to be clear, you don't remember offering to Philip
4 Davis that FTX would pay off the Bahamian national debt?

5 A. No.

6 Q. Isn't it true you offered to help the Bahamian prime
7 minister's son with his job?

8 A. I offered to have a talk with him, yeah.

9 Q. About his job?

10 A. Yeah.

11 Q. And isn't it true you joked that Ryan Salame, your
12 employee, was effectively a member of the Bahamian government?

13 A. No, I don't think so.

14 MS. SASSOON: Let's pull up what's marked as
15 Government Exhibit 2504.

16 Q. And do you see this is a chat called Project Chinchilla
17 Chatter? Do you see that?

18 A. I do see that.

19 Q. And you're a member of this chat, correct?

20 A. Yup.

21 MS. SASSOON: The government offers Government
22 Exhibit 2504.

23 THE COURT: It's received.

24 (Government's Exhibit 2504 received in evidence)

25 MS. SASSOON: Mr. Bianco, can you publish that for the

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1 jury, please.

2 BY MS. SASSOON:

3 Q. And now that the jury can see it, this is a chat called
4 Project Chinchilla Chatter, correct?

5 A. Yup.

6 Q. And it's dated December 2, 2021?

7 A. Yup.

8 Q. And you sent messages in this chat?

9 A. Yup.

10 Q. And in the first message you wrote, "yeah, tbh—" that
11 stands for "to be honest"?

12 A. Yeah.

13 Q. "—the Bahamas has already asked if we want to do anything
14 with their CBDC." Do you see that?

15 A. Yup.

16 Q. And do you see a message from Nick Beckstead at 12:01 a.m.
17 that says, "Leopold is going to look online to try to figure
18 out who in the Bahamas government we should be talking to"? Do
19 you see that?

20 A. Yeah, I see that.

21 Q. And you wrote back, "His name is Ryan Salame." Right?

22 A. Yup.

23 Q. And that was one of your employees, correct?

24 A. Yup.

25 Q. You also gave the prime minister and his wife floor-side

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Bankman-Fried - Cross

1 seats at the FTX Arena in Miami, right?

2 A. I'm not sure. I think they did go to a game. I don't know
3 details.

4 MS. SASSOON: If we could scroll down in this chat,
5 please, Mr. Bianco.

6 Q. And do you see, you sent a message at 12:04 a.m.?

7 A. Yup.

8 Q. And can you read what you wrote?

9 A. "But yeah the prime minister is currently at FTX Arena in
10 Miami using FTX's floor side seats with his wife."

11 MS. SASSOON: We can take that down.

12 Q. In April 2022 you invited the Bahamian prime minister to a
13 private dinner hosted by FTX, right?

14 A. When was that? Sorry?

15 Q. Around April of 2022.

16 A. It's possible. I don't remember what that's referring to.

17 Q. Well, do you recall inviting him to a private dinner in
18 2022 with former President Bill Clinton and former UK Prime
19 Minister Tony Blair?

20 A. No, but it doesn't surprise me.

21 Q. Did you in fact attend a dinner with the Bahamian prime
22 minister, Bill Clinton, and Tony Blair?

23 A. During the conference, the FTX conference, there was
24 a—something like a dinner with them, yeah.

25 Q. When you say "something like a dinner," was it a dinner?

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Bankman-Fried - Cross

1 A. It may— I don't remember whether there was food. It may
2 have been.

3 Q. And you were there, right?

4 A. Yup.

5 Q. And you had invited the attendees, correct?

6 A. We had as a company.

7 Q. And Bill Clinton, he's one of the people you were
8 introduced to by Michael Kives, right?

9 A. Yeah, that's right.

10 MS. SASSOON: And at this time the government offers
11 Government Exhibit 1559, which is a video that was shared with
12 defense counsel.

13 THE COURT: Received.

14 (Government's Exhibit 1559 received in evidence)

15 MS. SASSOON: Mr. Bianco, can you please play
16 Government Exhibit 1559.

17 (Video played)

18 BY MS. SASSOON:

19 Q. Mr. Bankman-Fried, were you in that video?

20 A. Yup.

21 Q. Along with Bill Clinton?

22 A. Yup.

23 Q. And Tony Blair?

24 A. Yup.

25 Q. And the Bahamian prime minister?

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Bankman-Fried - Cross

1 A. Yes.

2 Q. Katy Perry?

3 A. Yup.

4 Q. And Orlando Bloom?

5 A. Yup.

6 Q. And that was at this conference you were talking about?

7 A. Yup.

8 Q. On November 9th—this was before FTX declared
9 bankruptcy—you learned that the Bahamas Securities Commission
10 requested Bahamian police to open an investigation of FTX
11 Digital Markets, right?

12 A. I don't recall learning exactly that. I had heard rumors
13 related to that and knew that the SCB was—had an
14 investigation.

15 Q. So by November 9th, you were aware of the possibility of
16 Bahamian investigations, correct?

17 A. Yeah, sometime around then. Sorry. I don't remember
18 exactly when it was.

19 Q. And by November 9th, you had halted withdrawals from FTX
20 for FTX customers, right?

21 A. Sometime around then. I don't remember exactly when.

22 Q. And withdrawals were halted because FTX was having
23 difficulty satisfying all customer withdrawals in a timely
24 fashion, correct?

25 A. Yup, that's right.

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1 Q. And after you halted withdrawals for FTX customers
2 generally, isn't it true that you offered to the Bahamian prime
3 minister to allow Bahamian customers on FTX to withdraw their
4 funds?

5 A. I don't think it was the Bahamian prime minister, but I did
6 write that in response to an email from my memory is a
7 different member of the Bahamian government.

8 Q. So to be clear, you offered to a member of the Bahamian
9 government to open withdrawals just for Bahamian customers so
10 that they could withdraw their funds, correct?

11 A. I asked if that was what they had wanted me to do.

12 Q. And you offered to do it, correct?

13 A. If that's what they wanted, yes.

14 MS. SASSOON: Well, let's pull up Government
15 Exhibit 248.

16 Q. This is an email you wrote on November 9, 2022, right?

17 I didn't hear if you answered. I apologize.

18 A. Sorry. I'm reading it.

19 Yes.

20 MS. SASSOON: The government offers Government
21 Exhibit 248.

22 THE COURT: Received.

23 (Government's Exhibit 248 received in evidence)

24 MS. SASSOON: If we could publish that, Mr. Bianco.

25 Q. And Mr. Bankman-Fried, this is an email you wrote on

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Bankman-Fried - Cross

1 November 9, 2022?

2 A. Yup.

3 Q. Ryan Pinder, he's a member of the Bahamian government?

4 A. Yup.

5 Q. And looking at the bottom, No. 6, do you see where you
6 wrote, "We are deeply grateful for what the Bahamas has done
7 for us and deeply committed to it"?

8 A. I do.

9 Q. And looking at the next paragraph, do you see where you
10 wrote, "As part of this, we have segregated funds for all
11 Bahamian customers on FTX and we would be more than happy to
12 open up withdrawals for all Bahamian customers on FTX so that
13 they can, tomorrow, fully withdraw all of their assets, making
14 them fully whole"? Do you see that?

15 A. Yup.

16 Q. And you did that, correct?

17 A. Briefly.

18 Q. And my question was unclear. You did open the exchange for
19 Bahamian customers only to withdraw money, correct?

20 A. For a short period, yes.

21 MS. SASSOON: We could take that down.

22 Q. I want to go back in time. When you first started FTX, FTX
23 could not open its own bank accounts, right?

24 A. That's essentially correct.

25 Q. It was not easy to get a bank account for a cryptocurrency

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Bankman-Fried - Cross

1 exchange, right?

2 A. Yeah, especially with various properties.

3 Q. Isn't it true that many banks did not want to transact at
4 all with a crypto exchange?

5 A. I'm not sure what you mean by "transact with." Are
6 you—opening a bank account or sending to one?

7 Q. Well, isn't it true that many banks did not want to open a
8 bank account for FTX?

9 A. Yes, that is true.

10 Q. And at that time you were still CEO of Alameda, correct?

11 A. Yup.

12 Q. And you decided to use Alameda bank accounts to accept FTX
13 customer money, right?

14 A. Yup.

15 Q. And those bank accounts had not originally been opened for
16 the purpose of receiving FTX customer deposits, right?

17 A. That's correct.

18 Q. And you knew about this at the time, that Alameda bank
19 accounts would be used to receive customer money, correct?

20 A. I knew it was used to receive deposits as of—I think it
21 was 2020, but, yeah.

22 Q. And eventually Alameda began receiving FTX customer funds
23 into an account under the name North Dimension, right?

24 A. It began receiving deposits into North Dimension, yes.

25 Q. And you knew about that when that was happening, right?

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Bankman-Fried - Cross

1 A. I learned about that I think after it had been rolled out,
2 but yes.

3 Q. You knew about it in 2020?

4 A. I think it was 2020. I don't remember the exact date.

5 Q. Certainly by 2021, correct?

6 A. Yup.

7 MS. SASSOON: And let's pull up Government Exhibit 568
8 in evidence.

9 Q. Looking at Government Exhibit 568, while North Dimension
10 was in use, this is what FTX customers would see when they went
11 to deposit dollars or fiat to their FTX account, right?

12 A. Partly, some of the time. I think it may have changed over
13 time.

14 Q. For a period of time this is what customers would see,
15 right?

16 A. It looks about right.

17 Q. And I believe you testified that you were aware at the time
18 that FTX had rolled out North Dimension deposit instructions to
19 its customers, correct?

20 A. At some time, yeah.

21 Q. When you say "at some time," while those instructions were
22 active, right?

23 A. Yup.

24 Q. And looking at these instructions, nowhere does it say here
25 Alameda, right?

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Bankman-Fried - Cross

1 A. Those do not, that's correct.

2 Q. And you never tweeted to your customers that Alameda was
3 receiving FTX customer fiat deposits into an entity called
4 North Dimension, right?

5 A. Not—no, I didn't.

6 Q. And you also never disclosed that Alameda was spending FTX
7 customer fiat deposits out of this account, right?

8 MR. COHEN: Objection, form.

9 THE COURT: Overruled.

10 A. That wasn't my belief at the time.

11 Q. At what time?

12 A. The time I think you're referring to; the time period
13 during which it was receiving customer deposits.

14 Q. I actually didn't ask about your beliefs. I'm just asking
15 whether you ever disclosed that Alameda was spending FTX
16 customer fiat deposits out of the North Dimension account.

17 A. No, I didn't know it was, and I certainly believed it
18 didn't.

19 Q. And I believe you testified that by September, or October,
20 you certainly knew that the money had been spent, correct?

21 A. Of 2022, to be clear?

22 Q. Yes.

23 A. I'm not sure I would say spend, but yeah, that it had been
24 used.

25 Q. So when you say "been used," it had been used by spending

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Bankman-Fried - Cross

1 it on Alameda investments and expenses, correct?

2 A. Investments, yeah, that's right.

3 Q. And at the time that you knew this, in September and
4 October of 2022, at the very least, you did not disclose it at
5 that time to FTX's customers, correct?

6 A. That's correct.

7 Q. Now prior to September 2022 you knew that Alameda was not
8 keeping FTX customer money in its bank accounts, right?

9 A. I'm not sure that I did, no.

10 Q. You say you're not sure that you did. Do you recall
11 knowing, prior to September and October 2022, that Alameda was
12 spending the FTX customer deposits?

13 A. No, I don't recall that.

14 Q. Well, isn't it true that as Alameda's CEO at the time, you
15 authorized the spending of FTX customer funds?

16 A. No, that's not my memory.

17 Q. Isn't it true you knew that those funds were being treated
18 as a liability that Alameda owed to FTX?

19 A. Yeah.

20 Q. And they were treated as liability because Alameda was
21 spending them, right?

22 A. Not necessarily because it was.

23 Q. You knew while you were Alameda's CEO that it was at least
24 possible, right?

25 A. Yeah.

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Bankman-Fried - Cross

1 Q. And didn't you testify that you understood that to the
2 extent that Alameda was borrowing and using the fiat deposits,
3 that would be reflected as a borrow on Alameda's account?

4 A. That's correct.

5 Q. So you permitted this, right?

6 A. I would have thought it was permissible. I didn't
7 necessarily think it was happening.

8 Q. But you didn't tell your employees, don't spend the FTX
9 customer deposits, right?

10 A. It's not how I would have phrased it. I didn't. I deeply
11 regret not taking a deeper look into it.

12 Q. And in substance, you did not tell your employees, don't
13 spend the FTX customer deposits.

14 A. I don't think I gave any direction that I can recall
15 relating to them.

16 Q. And you were CEO when the North Dimension account was set
17 up, correct, of Alameda?

18 A. That's right. That's right.

19 Q. And at no point did you tell your Alameda employees to hold
20 that money for the benefit of FTX customers, right?

21 A. I don't recall giving any directions.

22 Q. And as CEO of Alameda, you never instituted measures to
23 segregate FTX customer deposits from other Alameda funds,
24 correct?

25 A. I don't recall giving any directions relating to it.

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Bankman-Fried - Cross

1 Q. So you didn't put in place any measures to prevent
2 employees from spending that money.

3 A. I don't recall putting in, you know—giving any directions
4 relating to it, no.

5 Q. But at the time you were making representations before
6 Congress about the safeguarding of FTX customer assets,
7 correct?

8 A. Yup, that's right.

9 Q. You testified last week that it was the settlements team
10 that was managing the bank accounts, right?

11 A. Yup.

12 Q. The settlements team I think you said was between five to
13 ten people?

14 A. Alameda's was, yes.

15 Q. And these were lower-level employees within Alameda,
16 correct?

17 A. Some were lower level, some mid to higher level.

18 Q. What was the average salary of a settlements team employee?

19 A. I'm guessing 150,000.

20 Q. And that was a lot less than some of your higher-level
21 executives were making in salary and bonus, correct?

22 A. Comparing apples to oranges. The salary of one group was
23 less than the salary plus bonus of the other group, that is
24 correct.

25 Q. Well, was the settlements team receiving bonuses in the

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Bankman-Fried - Cross

1 multimillion dollars?

2 A. The higher-level employees, what I would refer to them,
3 was.

4 Q. And what about the other members of the settlements team?

5 A. I can't recall all of their compensation off the top of my
6 head.

7 Q. Some of the settlements team employees, that was their
8 first job out of school, right?

9 A. Yup.

10 Q. And it was their job to process payments for other
11 employees of Alameda, right?

12 A. Yeah, that's effectively correct.

13 Q. For example, if you wanted to direct a trade on behalf of
14 Alameda, you might tell the settlements team to process that,
15 correct?

16 A. Yup, that's correct.

17 Q. The settlements team did not decide how money was spent,
18 right?

19 A. Not unless it was spending related to their team.

20 Q. So generally, when it came to trading, investments, those
21 were not settlements team decisions, right?

22 A. Generally—there was some spillover between the trading and
23 settlements team.

24 Q. Who was on both the trading and settlements team?

25 A. It varied over time. And my memory gets fuzzier as I got

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Bankman-Fried - Cross

1 less involved in Alameda.

2 MS. SASSOON: Mr. Bianco, will you show the witness
3 what's been marked as Government Exhibit 2577.

4 Q. Do you recognize the names on this list as members of the
5 Alameda settlements team?

6 A. I recognize many of them.

7 MS. SASSOON: The government offers Government
8 Exhibit 2577.

9 MR. COHEN: No objection.

10 THE COURT: Received.

11 (Government's Exhibit 2577 received in evidence)

12 MS. SASSOON: Mr. Bianco, can you publish that.

13 BY MS. SASSOON:

14 Q. Let's take Lena Ngoy as an example. Do you recall that she
15 was a member of the Alameda settlements team?

16 A. Yup.

17 Q. She was not a trader, right?

18 A. She was involved in OTC trades.

19 THE COURT: Mr. Bankman-Fried, the question was
20 whether she was a trader.

21 A. Her title was not trader.

22 Q. And was she making trading decisions for Alameda?

23 A. I'm not sure.

24 Q. Are you aware of any trading decisions that Lena Ngoy made
25 for Alameda?

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Bankman-Fried - Cross

1 A. I can't recall any particular.

2 Q. Anyone on this list you recall making multimillion-dollar
3 trading decisions for Alameda?

4 A. Yes.

5 Q. Who?

6 A. Stephen Liu and Karen Chu (ph).

7 Q. Anyone on this list you recall making multimillion-dollar
8 investment decisions for Alameda?

9 A. By investment, no, I don't think so with respect to
10 investments.

11 Q. Now when you say you didn't know that Alameda customer
12 deposits were being—when you say you didn't know that FTX
13 customer deposits were being spent by Alameda, who was making
14 those decisions, Mr. Bankman-Fried?

15 MR. COHEN: Objection to form.

16 THE COURT: Sustained.

17 Q. When you learned—when you claim you learned in September
18 and October that \$8 billion had been spent, what, if anything,
19 did you know about who had spent it?

20 A. I'm not—I don't remember knowing anything about particular
21 employees.

22 Q. So it's your testimony that while you were CEO of Alameda,
23 some unknown people spent \$8 billion without your knowledge.

24 A. No, I don't think that was my testimony.

25 Q. Well, in September and October you learned that \$8 billion

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Bankman-Fried - Cross

1 of FTX fiat deposits had been spent, right?

2 A. Something approximating that, yes.

3 Q. And I think you testified that this was news to you?

4 A. Yeah.

5 Q. And you didn't call in your deputies and employees and say,
6 *Who spent \$8 billion?*

7 A. You're referring to in September and October?

8 Q. Yeah.

9 A. I had conversations with Alameda's leadership, with
10 Caroline in particular.

11 Q. And did you say, *Who spent \$8 billion?*

12 A. I asked her how it had happened, to the best of her
13 understanding.

14 Q. Isn't it true that when the North Dimension account was set
15 up, Caroline Ellison was just a trader at Alameda?

16 A. When it was set up, I think she was the head of trading. I
17 can't remember exactly what her title was then.

18 Q. She wasn't CEO, right?

19 A. Not when it was initially set up, no.

20 Q. Did you fire anyone for spending \$8 billion of FTX customer
21 deposits?

22 A. No.

23 Q. And so just to be clear, it's your testimony that while you
24 were Alameda's CEO, your employees were spending millions and
25 then billions of customer funds without you knowing it?

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Bankman-Fried - Cross

1 MR. COHEN: Objection. Asked and answered.

2 THE COURT: Overruled.

3 A. I don't think that was my testimony, no.

4 Q. So is it your testimony now?

5 A. I—I don't believe so. I don't remember the exact time
6 line of things, but I, to my knowledge now, don't believe that
7 was true while I was CEO.

8 Q. I believe you testified that in your view it was permitted
9 for Alameda to spend the dollar or fiat deposits of customers,
10 right?

11 A. Yup, that's correct.

12 Q. Did you ever institute any requirements for when or how
13 Alameda would repay that money?

14 A. I was under the impression that that was folded into the
15 risk management of Alameda's FTX account.

16 Q. When you say it was folded into the risk management, did
17 you put in place rules for that risk management while you were
18 CEO of Alameda?

19 A. When I was CEO of Alameda, I was—let me rephrase this.

20 As CEO of Alameda, I was concerned chiefly with
21 Alameda's overall risk management, with the overall portfolio,
22 and I was paying attention to the risk management of that
23 overall portfolio. As CEO of FTX, I was paying attention,
24 although not merely as closely as I should have been, to the
25 risk management of Alameda's account on FTX in particular.

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Bankman-Fried - Cross

1 Q. Did you give specific directions for the risk management of
2 any spending of FTX customer fiat deposits?

3 A. I gave directions for the risk management of Alameda's
4 account on FTX, which I believed would have included that had
5 it happened.

6 Q. Any specific directions to Alameda employees?

7 A. No, I don't recall specific directions to Alameda
8 employees.

9 Q. And are you aware of any other customer on FTX who had the
10 ability to spend FTX customer fiat deposits out of bank
11 accounts?

12 A. I think so.

13 Q. What customer?

14 A. I think multiple other payment processors for FTX had
15 accounts on FTX as well.

16 Q. Didn't you testify yesterday that those payment processors,
17 you did not know of a single one other than Alameda that was a
18 customer on FTX?

19 A. I think some were. I cannot say with a hundred percent
20 confidence.

21 Q. Now when your company Alameda spent this money, it was not
22 used exclusively for margin trading on the FTX exchange, right?

23 A. I'm not sure exactly the tracing of funds for it.

24 Q. Well, let's take a look at Government Exhibit 1045 in
25 evidence.

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Bankman-Fried - Cross

1 And do you recall Peter Easton testified about this
2 exhibit?

3 A. I don't recall that exhibit in particular. I think maybe
4 it would refresh my recollection if there was more context.

5 Q. You were here for Peter Easton's testimony, correct?

6 A. Yup.

7 Q. And do you see here it says "FTX fiat liability
8 11.3 billion"?

9 A. Yup.

10 Q. Inside the big black circle?

11 A. I see that.

12 MS. SASSOON: If we could go to page 3 of this
13 exhibit, Mr. Bianco.

14 Thank you, Mr. Bianco.

15 Q. Mr. Bankman-Fried, do you recall Peter Easton testifying
16 that this was how the \$11.3 billion of fiat deposits were
17 spent?

18 A. I do remember that, yes.

19 Q. And I just want to take a look at a few of these.

20 Genesis, where it says \$1.2 billion, Genesis was a
21 lender to Alameda, right?

22 Genesis, does that refer to Genesis Digital Assets?

23 A. Genesis Digital Assets was not a lender to Alameda.

24 Q. And did Alameda make a \$1.2 billion investment in Genesis
25 Digital Assets or in a company called Genesis?

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Bankman-Fried - Cross

1 A. Sorry. There are two companies with Genesis in their name.
2 I'm not sure which of those you're referring to.

3 Q. Transferring \$1.2 billion to Genesis, that's not a margin
4 trade on FTX, correct?

5 A. Probably not for either Genesis. Not saying I necessarily
6 agree with this exhibit.

7 Q. Putting aside whether you agree with this exhibit, K5, do
8 you see where it says 600 million?

9 A. Yup.

10 Q. Giving money to K5, that's not a margin trade on FTX,
11 right?

12 A. That's correct.

13 Q. \$500 million to Anthropic, do you see that?

14 A. I do.

15 Q. That's not a margin trade on FTX, right?

16 A. That's correct.

17 Q. And let's just take one more example.

18 Do you see where it says real estate, 228 million?
19 Spending money on real estate, that's not a margin trade on FTX
20 either, right?

21 A. I agree, were this exhibit correct, that is what it would
22 show.

23 Q. Again, I'm not asking about whether the exhibit is correct
24 or not—

25 A. That's correct.

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Bankman-Fried - Cross

1 Q. —just whether transferring money to Modulo, Dave Inc.,
2 Anthropic, K5, real estate, none of those things are margin
3 trades, correct?

4 A. They're not trades on FTX, I will say.

5 Q. And those investments that I just went through, each of
6 those was your decision, right?

7 A. No.

8 Q. I think we covered this yesterday, but Modulo, K5, Dave
9 Inc., those were your decisions, right?

10 A. Some of them were.

11 Q. Not Lena Ngoy, correct?

12 A. Some of them were neither mine nor Lena Ngoy's.

13 Q. The ones I just went through, those were yours, correct?

14 A. I may have authorized some of them. Some of them I
15 actively decided, others were not me.

16 Q. Modulo, that was you?

17 A. Yup.

18 Q. Anthropic, that was you?

19 A. Yes.

20 Q. K5, that was you?

21 A. Yes.

22 Q. Dave Inc., you said yesterday you were involved in that
23 decision?

24 A. I was involved. I was not the only one, but I was
25 involved.

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Bankman-Fried - Cross

1 Q. Buying the, \$35 million apartment, that was your decision?

2 A. Yes, that was one piece of the real estate.

3 Q. And that was your decision.

4 A. That particular one was, yes.

5 Q. You testified that in June of 2022, you learned of an
6 \$8 billion bug in the fiat@ account, right?

7 A. That's correct.

8 Q. And that bug you testified was the difference between
9 Alameda going bankrupt or not, correct?

10 A. Yup, that's right.

11 Q. And I believe you testified that your employees told you
12 that the bug related to the size of Alameda's liability to FTX
13 in the fiat@ account?

14 A. That it had some relation to that, yes.

15 Q. So they told you it related to the fiat@ account, right?

16 A. So they—they said that it had some relation to Alameda's
17 liability to FTX and that it had some relation to fiat
18 deposits. I don't remember them in that particular sentence
19 saying the fiat@ account in particular.

20 Q. Didn't you testify last week that, "Gary and Nishad told me
21 in person that day in the conversation that it was stemming
22 from something called fiat@"?

23 A. So separately in the conversation, they had—they mentioned
24 the word "fiat@." I don't remember them mentioning it in that
25 same sentence as the one you referenced, but in the same

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Bankman-Fried - Cross

1 conversation I did overhear them using the word "fiat@."

2 Q. I'm not asking you about one particular sentence,
3 Mr. Bankman-Fried.

4 A. Okay.

5 Q. I asked you whether your employees told you that this bug
6 had to do with the fiat@ account.

7 A. Yes, I do—sorry. They said that. They did not tell that
8 to me, but they did say it and I overheard it, or at least I
9 don't recall them specifically telling it directed to me.

10 Q. So you overheard this.

11 A. Yes.

12 Q. And you didn't say, *Hey, guys, what's this fiat@ account*
13 *that had an \$8 billion bug that almost made Alameda bankrupt?*

14 A. When I heard it, I didn't have all that context, but I did
15 ask what the fiat@ account—if that was an account—was
16 referring to.

17 Q. And you were told, weren't you, that it had to do with
18 Alameda's liabilities to FTX for customer funds, right?

19 A. Not at that time. I was told they were busy and I should
20 stop asking questions because it was distracting.

21 Q. So it's your testimony that your supervisees told you to
22 stop asking questions?

23 A. Yeah, and I agreed with them.

24 Q. And you left it at that, you never followed up, *What's the*
25 *fiat@ account?*

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Bankman-Fried - Cross

1 A. I eventually did. I don't recall following up that day and
2 regret not doing so.

3 Q. You canceled a trip to DC because of a crisis, right?

4 A. That's right.

5 Q. And Alameda was on the verge of being bankrupt, right?

6 A. That's what I—that's what I was concerned about for an
7 hour or two, yeah.

8 Q. And it all came down to this \$8 billion bug related to a
9 fiat@ account and you never got to the bottom of that?

10 A. They were still getting to the bottom of the details of it
11 at that time, but no. I had the number 2, 3, 4, and 5 people
12 at the company all each independently confirm to me that the
13 new understanding was correct, and I trusted them.

14 Q. You trusted them, but you had no interest in understanding
15 an \$8 billion bug in something called a fiat@ account?

16 MR. COHEN: Objection. Asked and answered.

17 THE COURT: Overruled.

18 A. I had interest in understanding it. They also were busy
19 and I had prioritized getting the high-level updates and making
20 sure that they were working on fixing it.

21 Q. An \$8 billion bug, was that not a big deal to you?

22 MR. COHEN: Objection.

23 THE COURT: Sustained.

24 Q. Now you told Adam Yedidia to fix this bug, right?

25 A. I—I told the developer team and leadership to make sure it

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Bankman-Fried - Cross

1 got fixed, and Adam was ultimately one of the people chiefly
2 working on it.

3 Q. You were in the courtroom for Adam Yedidia's testimony at
4 the start of this trial, correct?

5 A. I was.

6 Q. Do you recall his testimony that when he fixed the bug, he
7 told you that Alameda still owed \$8 billion to FTX customers
8 for their dollar deposits?

9 A. I recall something to that effect.

10 Q. And is it your testimony that when Adam Yedidia said that
11 under oath under a grant of immunity in this courtroom, that he
12 had it wrong?

13 A. I don't think I quite said that. I don't remember him
14 saying it in that way.

15 Q. So are you saying that Adam Yedidia had it wrong when he
16 described telling you that Alameda still owed \$8 billion to FTX
17 customers?

18 MR. COHEN: Objection.

19 THE COURT: Sustained.

20 Look, Mr. Bankman-Fried, did he tell you, in words or
21 in substance, after the bug was fixed, that Alameda still owed
22 \$8 billion to FTX customers for their dollar accounts?

23 THE WITNESS: I don't recall him telling that to me on
24 or around that day in words or in substance.

25 THE COURT: I didn't ask you about that day.

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Bankman-Fried - Cross

1 THE WITNESS: Oh. I apologize. Eventually, yes.

2 THE COURT: Proceed, counsel.

3 BY MS. SASSOON:

4 Q. And when, according to you, did Adam Yedidia tell you this?

5 A. So I first remember having concrete conversations about
6 this in particular in October of 2022. I was aware of some
7 pieces of it before then, however.

8 MS. SASSOON: Let's pull up Government Exhibit 50 in
9 evidence, which the parties have stipulated is a document
10 called Alameda Balances by FTX Sub dated September 13, 2022.
11 And let's go to the second tab called Sheet 2.

12 Q. And I just want to direct you to the Name column, the Name
13 column, row 13. Do you see in row 13 where it says
14 fiat@ftx.com?

15 A. I see that.

16 Q. And do you see where it says the value is about negative
17 19 billion?

18 A. I see that.

19 Q. And beneath that, do you see where it says "fiat@ftx.com
20 correction"?

21 A. I see that.

22 Q. And do you see next to that where it says about
23 7.9 billion?

24 A. I see that.

25 Q. And looking at columns I and J, do you see where it says

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Bankman-Fried - Cross

1 total negative 10 billion?

2 A. I see that.

3 MS. SASSOON: And I just want to correct myself. I
4 said September 13, 2022. The stipulation says this document is
5 dated June 13, 2022.

6 And we can take that down.

7 Q. Fair to say, Mr. Bankman-Fried, that prior to November of
8 2022, you were not transparent with customers about the risks
9 posed to the safety of the exchange by Alameda's spending of
10 customer funds?

11 A. It wasn't our policy to disclose customer account details.

12 Q. That wasn't my question. I asked you whether you would
13 agree that you were not transparent, prior to November of 2022,
14 about the risks posed to the safety of the exchange by
15 Alameda's spending of FTX customer funds?

16 A. So that phrasing of the question, no, I do not agree.

17 Q. Well, isn't it true that after FTX declared bankruptcy, you
18 gave assurances that if FTX reopened, it would have "way more
19 transparency"?

20 A. Yes.

21 Q. And you wrote, "There would have to be changes, of course,
22 way more transparency," right?

23 A. Yes.

24 Q. And you told customers at that time that FTX would operate
25 going forward with "radical transparency, transparency probably

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Bankman-Fried - Cross

1 always should have been giving." Did you say that?

2 A. Sorry. Said that to who?

3 Q. On November—withdrawn.

4 You said that to customers, didn't you?

5 A. I may have. I don't remember saying that to
6 customers—excuse me—to customers. I remember thinking about
7 saying that to customers. I may have said it.

8 Q. Is it fair to say that you didn't stick to your promise
9 that when it came to risk, customers on FTX would only be
10 exposed to what they think they are being exposed to?

11 A. I'm not sure that's fair to say.

12 Q. Do you agree, Mr. Bankman-Fried, that it was your practice
13 to maximize the potential to make money even if it created the
14 risk of going bust?

15 A. It depends on the context.

16 Q. In the context of your business dealings, wasn't it your
17 practice to maximize the potential to make money even if it
18 created the risk of going bust?

19 MR. COHEN: Objection to form.

20 THE COURT: Overruled.

21 A. It depends on which business dealings you're referring to.

22 Q. Would that be accurate with respect to some of your
23 business dealings, Mr. Bankman-Fried?

24 A. With respect to some of them, yes.

25 Q. You testified that in 2022 you reviewed Alameda balance

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Bankman-Fried - Cross

1 sheets that Caroline Ellison sent you, correct?

2 A. Yup, that's right.

3 MS. SASSOON: Let's pull up Government Exhibit 11,
4 which the parties have stipulated is a document called Balance
5 Sheet 10/1/22, dated October 7, 2022.

6 Q. I want to direct you to column E, row 5. Do you see where
7 it says that Alameda had roughly \$1.5 billion of loans from
8 third-party lenders?

9 A. I see it says "loans," and that is what I understood it to
10 mean.

11 Q. For example, the third-party lenders are actually broken
12 out and listed in column H, correct?

13 A. That's correct.

14 Q. And do you see beneath that row 17, where it says "FTX
15 borrows," 13.7 billion?

16 A. I do see that, yes.

17 Q. And under the assets column B, what is the total bank
18 balances listed on this October 2022 balance sheet?

19 A. Bank balances are around 449 million.

20 MS. SASSOON: If we could scroll down and look at row
21 32.

22 Q. What is the NAV for Alameda on this October balance sheet?

23 A. Around 7.8 billion.

24 Q. So not 10 billion.

25 A. On—

NAV1BAN1

Bankman-Fried - Cross

1 Q. On the balance sheet.

2 A. On that particular balance sheet, the number is not
3 10 billion. It is around 8 billion.

4 Q. And if we could look back up at the assets column, do you
5 see the section labeled "liquid assets"?

6 A. I do.

7 Q. Now the liquid assets here include Robinhood shares for
8 \$664 million, right?

9 A. I—

10 Q. I apologize. Robinhood and Twitter.

11 A. That's correct.

12 Q. And those shares that Alameda owned of Robinhood and
13 Twitter, those were not deposited on FTX, correct?

14 A. That's correct.

15 Q. And do you see where it says FTT, \$3.9 billion, under
16 "liquid assets"?

17 A. Yup.

18 Q. You understood, didn't you, that Alameda could not sell
19 \$3.9 billion of FTT all at once without affecting the market
20 price, correct?

21 A. That's correct.

22 Q. This shows Serum 317 million?

23 A. Yup.

24 Q. Didn't you testify yesterday that Alameda did not own any
25 Serum?

NAV1BAN1

Bankman-Fried - Cross

1 A. That's not quite what I said.

2 Q. I believe you testified Serum wasn't on the balance sheet?

3 A. That's not quite what I said.

4 Q. So—

5 A. I apologize. My memory is that most—that there was not a
6 extremely large quantity of it relative to the balance sheet
7 and that most of the Serum that could have been on the balance
8 sheet wasn't.

9 Q. Understood. And I want to direct your attention to assets
10 beginning on row 12 which are labeled "collateral." These are
11 tokens posted as collateral with third-party lenders, correct?

12 A. I'm not sure exactly how it's defined. That's a reasonable
13 interpretation. It might or might not be right.

14 Q. You see the area "long-term assets," row 17?

15 MS. SASSOON: If we could scroll down.

16 A. I do, yes.

17 Q. Let's take some examples from this section.

18 GDA, that's Genesis Digital Assets?

19 A. Yup.

20 Q. That was not an asset deposited on FTX, correct?

21 A. Correct.

22 Q. Anthropic, also not an asset deposited on FTX?

23 A. That's correct.

24 Q. K5, the same thing, right?

25 A. Correct.

NAV1BAN1

Bankman-Fried - Cross

1 Q. And do you see where it says "locked Solana," 936 million?

2 A. I do.

3 Q. Locked, that means it couldn't be sold on the market for a
4 restricted period of time, correct?

5 A. It means something to that effect. I don't know exactly
6 what it meant in the case of Solana.

7 Q. And you see where it says "locked Serum"?

8 A. Yup.

9 MS. SASSOON: Now let's take this down and look at
10 Government Exhibit 875.

11 Q. You were involved—

12 MS. SASSOON: And if we could publish this. Thank
13 you.

14 Q. You were involved in drafting this tweet, right?

15 A. Yup.

16 Q. And I just want to look at the last bullet where it says,
17 "Given the tightening in the crypto credit space this year
18 we've returned most of our loans by now." Do you see that?

19 A. I do see that, yes.

20 Q. And it does not say "most of our third-party loans," does
21 it?

22 A. No, it doesn't.

23 MS. SASSOON: We could take that down.

24 Q. You testified about clawbacks.

25 A. Yup.

NAV1BAN1

Bankman-Fried - Cross

1 Q. I want to clarify something. Is it your view that what
2 happened to customers in November 2022 was a liquidation
3 clawback covered by 16.4 of the terms of service?

4 A. It was my view that there was a risk as of November if
5 there were to be poor management of the process going forward,
6 that there could be a liquidation clawback.

7 Q. And with respect to what happened on November—in November
8 2022—

9 A. Yup.

10 Q. —would you characterize that as a liquidation clawback?

11 A. As to what happened prior to November 11, 2022, I would not
12 describe it that way.

13 Q. Now you never tweeted in November 2022 that FTX was
14 experiencing clawbacks, right?

15 A. That's correct.

16 Q. Let's pull up what you did tweet.

17 MS. SASSOON: Mr. Bianco, if you could publish
18 Government Exhibit 866.

19 And if we could zoom in.

20 Q. When you posted these tweets on November 7th, you wanted
21 FTX customers to feel reassured, correct?

22 A. I would have liked it were that to be the case. That
23 wasn't my only goal.

24 Q. That was one of your goals, wasn't it?

25 A. It was one factor.

NAV1BAN1

Bankman-Fried - Cross

1 Q. Was it one of your goals?

2 A. Sure.

3 Q. And you didn't want customers to withdraw their money from
4 FTX, right?

5 A. That depends on the context.

6 Q. Well—

7 A. All else equal, that is correct.

8 Q. And on November 7th, among other things, you tweeted, "FTX
9 has enough to cover all client holdings," right?

10 A. Yup.

11 Q. Your tweet doesn't say Alameda has enough to cover all
12 client holdings, does it?

13 A. No, it doesn't.

14 Q. And I believe you testified that in this tweet you were
15 referring to the fact that Alameda still had more assets than
16 liabilities, right?

17 A. That is only part of what I was referring to.

18 Q. Well, when you said, we have enough to cover all client
19 holdings, "FTX has enough to cover all client holdings," you
20 were factoring into that Alameda's balance sheet, right?

21 A. That's not quite how I would put it.

22 Q. Well, isn't it true, Mr. Bankman-Fried, that on
23 November 7th, FTX itself, if you disregarded Alameda's assets,
24 did not have enough to cover all client holdings?

25 A. That's—I don't believe that's correct, no.

NAV1BAN1

Bankman-Fried - Cross

1 Q. Mr. Bankman-Fried, didn't you testify that you considered
2 this true because at the time, in your view, Alameda still had
3 far more assets than it had liabilities?

4 A. That is part of the analysis. I can explain if you want.

5 Q. So without that part of the analysis, this would not be
6 true, correct?

7 A. It would be dubious. I would have considered it only
8 technically true—

9 Q. Well—

10 A. —were Alameda underwater.

11 Q. Well, when you considered Alameda's assets in your
12 analysis, you were including assets of Alameda's that were not
13 deposited with the FTX exchange, correct?

14 A. For the analysis of Alameda's solvency, that is correct.

15 Q. And you knew on November 6th, prior to this tweet, didn't
16 you, that the FTT on Alameda's balance sheet, for example, was
17 not liquid, right?

18 A. Liquid isn't a binary, just as a qualification.

19 Q. Yes or no: Would you say you did not consider the FTT on
20 Alameda's balance sheet particularly liquid?

21 A. I don't think I would have said that, no.

22 MS. SASSOON: Mr. Bianco, can you pull up what's
23 marked as Government Exhibit 2502.

24 Q. Mr. Bankman-Fried, is this a portion of a small group chat
25 that you were a participant on?

NAV1BAN1

Bankman-Fried - Cross

1 A. Yup.

2 MS. SASSOON: Government offers Government
3 Exhibit 2502.

4 THE COURT: Received.

5 (Government's Exhibit 2502 received in evidence)

6 MS. SASSOON: Mr. Bianco, can you publish this.

7 Q. Mr. Bankman-Fried, this is an excerpt from small group chat
8 on November 6, 2022, correct?

9 A. That's correct.

10 Q. And you were giving the other folks on this chat an update
11 about withdrawals and liquidity, correct?

12 A. Yup.

13 Q. And looking at your messages at the bottom, do you see
14 where you wrote, "so that would give us a buffer depending on
15 exactly what it turns out to be, marked to the end of tomorrow,
16 of roughly 2-3 billion beyond already pending withdrawals"?

17 A. Yup.

18 Q. And you see where you wrote, "that's without selling
19 FTT/SOL/etc. but I assume that right now there wouldn't be a
20 huge amount of liquidity for them so I don't know that that's a
21 huge factor"?

22 A. Yup.

23 Q. You wrote that, correct?

24 A. I did.

25 MS. SASSOON: Let's pull up Government Exhibit 406 in

NAV1BAN1

Bankman-Fried - Cross

1 evidence.

2 If we could zoom in at the top.

3 Q. This is a chat from November 7, 2022, correct?

4 A. Yup.

5 Q. And in this chat—if we could zoom out—you wrote that over
6 the course of a week, you thought FTX and Alameda could likely
7 liquidate about \$3.9 billion, right?

8 MS. SASSOON: Mr. Bianco, if you could zoom out.
9 Yeah, scroll down.

10 Go back up. Stop.

11 Q. And do you see here, Mr. Bankman-Fried, that you wrote that
12 over the course of a week, you thought, between FTX and
13 Alameda, you could likely liquidate about \$3.9 billion?

14 A. Yeah.

15 Q. And that included selling things like Robinhood shares and
16 Modulo investment, right?

17 A. Included—I don't think selling is necessarily the right
18 word for Modulo investment, but yes.

19 Q. Getting the money back from Modulo.

20 A. Yes, that's right.

21 Q. And again, Modulo, Robinhood, these are examples of assets
22 that were not deposited on the FTX exchange, correct?

23 A. I'm not sure it's—whether that statement is true.

24 Q. Didn't you testify a few minutes ago that Alameda's
25 Robinhood shares were not deposited on FTX?

NAV1BAN1

Bankman-Fried - Cross

1 A. That is correct.

2 MS. SASSOON: Now if we could scroll down.

3 Q. This is a message from you on November 7th at 3:08 a.m.
4 acknowledging that there was an \$8 billion hole even if you
5 were able to liquidate all these assets in a week, correct?

6 A. I don't know that "hole" is the word that I would use, but
7 liquidity gap, a potential liquidity gap, yes.

8 Q. The gap between customer assets, excluding Alameda, and the
9 amount of money you could come up with in a week was about
10 \$8 billion.

11 A. With a few more qualifiers and scoping on it, yes.

12 Q. The number you wrote here on the group chat is 8 billion,
13 right?

14 A. Yes, that's right.

15 Q. And Modulo, Robinhood, these items that you are including
16 in FTX assets, those are investments, right?

17 A. Yeah. Sorry. In—in assets, that is correct.

18 Q. You tweeted, didn't you, that "we don't invest client
19 assets"?

20 A. That is correct.

21 MS. SASSOON: We could take that down.

22 Q. Now on November 7th, some customers responded to your
23 tweet, correct?

24 A. I think so, yeah.

25 Q. And some said in substance that they would not withdraw

NAV1BAN1

Bankman-Fried - Cross

1 their funds, right?

2 A. I think so.

3 Q. And you liked those tweets, correct?

4 A. That may be.

5 Q. Yes or no: Did you like tweets posted by customers—

6 A. Yeah, I think I did.

7 Q. —that in substance said, *I'm not going to withdraw my*
8 *money?*

9 A. I don't remember whether or not they were specifically in
10 response to that tweet, but it may have been.

11 Q. Meaning you don't know if they were in response to your
12 tweet.

13 A. Yeah, but they very well may have been.

14 Q. But you did like customer tweets that said, *I'm not going*
15 *to withdraw my money?*

16 A. Yup.

17 Q. On November 7th.

18 A. I think that's right, yeah.

19 Q. Do you recall during the trial that clips were played from
20 the November 9th all hands meeting that Caroline Ellison had
21 with Alameda employees?

22 A. Yes, I do.

23 MS. SASSOON: Mr. Bianco, if you could play Government
24 Exhibit 433E.

25 (Audio played)

NAV1BAN1

Bankman-Fried - Cross

1 Q. Mr. Bankman-Fried, Ms. Ellison identified you, Gary, and
2 Nishad as her co-conspirators, correct?

3 MR. COHEN: Objection.

4 THE COURT: Sustained as to form.

5 Q. During her testimony in court, you recall that Ms. Ellison
6 identified you, Gary, and Nishad as her co-conspirators, right?

7 MR. COHEN: Objection.

8 THE COURT: Sustained.

9 Q. Mr. Bankman-Fried, you would agree that you, Caroline,
10 Gary, and Nishad were the ones involved in the decisions to
11 spend FTX customer money by Alameda, right?

12 A. No.

13 Q. Well, in December, you learned that Caroline had pleaded
14 guilty, right?

15 A. I think that's correct, yes.

16 Q. And you also learned in December that Gary had pleaded
17 guilty, right?

18 A. I think that's correct, yes.

19 Q. And you learned that both were cooperating with the
20 government, right?

21 A. I had guesses about that. I don't remember whether I
22 learned that with confidence. I may have.

23 Q. You learned that they pled guilty to cooperation
24 agreements, right?

25 A. I can't remember when I learned that there were cooperation

NAV1BAN1

Bankman-Fried - Cross

1 agreements. It may have been then. I just can't recall when I
2 learned that.

3 Q. It wasn't until January, though, January 2023, that you
4 learned that Nishad had also pleaded guilty, right?

5 A. January or February. I don't remember when exactly.

6 Q. And in December, when you learned that Caroline pled guilty
7 and Gary pled guilty, you were surprised to not learn anything
8 about Nishad, right?

9 A. I was surprised to have learned something about those two
10 and not about Nishad.

11 Q. Because Nishad was the fourth person involved in your
12 scheme to use FTX customer money, right?

13 A. Nope.

14 Q. Well, let's look at Government Exhibit 2556 in evidence.

15 And this is something you wrote on December 25, 2022,
16 right?

17 I believe you testified yesterday that you wrote this
18 document, right?

19 A. I—I have a vague memory of this.

20 MS. SASSOON: And if we could zoom in on item No. 5.

21 Q. Do you see it says "Nishad"?

22 A. I do.

23 Q. And (a) says "lots of the complaints/etc. filed at this
24 point make claims like the 3 co-conspirators in a way that
25 doesn't really seem to leave much room for them adding on a

NAV1BAN1

Bankman-Fried - Redirect

1 fourth--they don't seem to be keeping a seat warm for him as a
2 defendant." Do you see that?

3 A. I do see that.

4 Q. "(b) also there's no plea deal, no nothing, yet," do you
5 see that?

6 A. I do see that.

7 Q. And "(c) what does this mean? (i) He got immunity? (ii)
8 they aren't bothering with him? (iii) they'll just have a
9 separate, parallel set of complaints for him once they get past
10 whatever the blocker is? (iv) something else?"

11 You wrote that, Mr. Bankman-Fried, correct?

12 A. I think so.

13 MS. SASSOON: No further questions.

14 THE COURT: Thank you.

15 Mr. Cohen.

16 MR. COHEN: Thank you, your Honor.

17 REDIRECT EXAMINATION

18 BY MR. COHEN:

19 Q. Mr. Bankman-Fried, do you recall being asked a series of
20 questions yesterday about the discovery in this case?

21 A. I do.

22 Q. And you were asked about whether you had reviewed all the
23 documents received in this case?

24 A. I do.

25 Q. To your recollection, sir, how many documents were

NAV1BAN1

Bankman-Fried - Redirect

1 received?

2 A. My recollection is that it was around 10 million, not
3 including the database.

4 Q. Okay. So millions and millions?

5 A. Yeah.

6 Q. Did you review every single page?

7 A. Absolutely not.

8 Q. You were asked yesterday—transcript at 2670—"You ran
9 queries in the database?" Referring to the AWS database. And
10 you answered, "Yup." "You knew how to do that?" "A. I
11 learned how to do that, yes." Do you recall that testimony,
12 sir?

13 A. I do.

14 Q. What were you referring to?

15 A. As part of discovery in this case, so after the collapse of
16 FTX and before this trial, the defense was given access to at
17 least a snapshot of the AWS database that FTX had maintained,
18 and as part of my defense, I explored that database,
19 familiarized myself with its workings. Much of it was similar
20 in form to the Google database that I had spent a month or so
21 with last year and then ran queries to prepare for trial.

22 Q. And the Google database you're referring to, you got access
23 to that in October; is that correct?

24 A. That's right.

25 Q. Prior to getting access to the Google database, had you run

NAV1BAN1

Bankman-Fried - Redirect

1 queries in the AWS database?

2 A. No.

3 Q. You were asked a number of questions yesterday and today
4 about whether you had made disclosures to customers of FTX. Do
5 you recall that, sir?

6 A. Yup.

7 Q. Was FTX a public company?

8 A. No.

9 Q. It was a private company?

10 A. Yup.

11 Q. Did you believe you had a obligation to make daily
12 disclosures?

13 MS. SASSOON: Objection.

14 THE COURT: Sustained.

15 Q. What was your view of when you had to make disclosures to
16 customers?

17 MS. SASSOON: Objection.

18 THE COURT: Sustained.

19 Q. Mr. Bankman-Fried, in connection with your duties as CEO of
20 FTX, did you have occasion to review whether to make
21 disclosures to customers?

22 A. In some cases, yes.

23 Q. Okay. And what factors went into that consideration?

24 A. So specifically around customer positions on the exchange,
25 our general policy for disclosures was that if a customer

NAV1BAN1

Bankman-Fried - Redirect

1 account got to the point where we believed that that customer
2 may be insolvent or very close to it, that the NAV is falling
3 close to or to zero, and as for that, we began to liquidate
4 that—that customer. We would generally disclose those
5 liquidation fills to other customers of FTX. Beyond that, I
6 think we almost never disclosed information about a customer's
7 account to the public or to other customers.

8 Q. Okay. Moving on, Mr. Bankman-Fried.

9 Do you recall yesterday you were asked the following
10 question? This is at transcript 2727. "Is withdrawing money
11 from FTX to repay a lender within your definition of a margin
12 trade?" And you answered: "Potentially, yeah. I can explain
13 if you want." And you weren't asked to explain. Can you
14 explain, Mr. Bankman-Fried.

15 A. Yeah. So the way that—that margin worked on FTX was if a
16 customer was able to go below zero in a particular asset, for
17 instance, via enabling margin trading, then in most cases they
18 were allowed to do so via withdrawing. So you could withdraw
19 below zero. And if they were doing it via withdrawing, there
20 were no restrictions on what they could then do with their
21 assets, including assets or, you know, the fraction of the
22 value of their assets that was—that had, you know, originally
23 come from that borrow from FTX. So if that customer wanted to
24 return a loan it had taken from someone else, and if they were
25 permitted to borrow from FTX in the first place, there's

NAV1BAN1

Bankman-Fried - Redirect

1 nothing prohibiting them from margin trading in the first
2 place, nothing prohibiting them from withdrawing to the
3 negative in a particular asset from FTX and then repaying that
4 lender with those or other funds.

5 Q. Okay. Do you recall being asked yesterday about the risk
6 engine?

7 A. Yes.

8 Q. And you were asked—this is transcript at 2694—"A moment
9 ago didn't you say that a customer exploited loopholes in the
10 risk engine?" "Yes. I can explain if you want." Do you
11 recall being asked that question and giving that answer?

12 A. I do, yes.

13 Q. Can you explain what you meant by "loopholes in the risk
14 engine."

15 A. Yes. That was a messy situation. Roughly a day or two
16 prior to the time—it may have even been a few days prior to
17 when ultimately that position was passed off to Alameda, I had
18 personally intervened. Concerns had been raised to me about
19 that particular account by a few employees, by a combination of
20 Ryan Salame, Nishad, and Gary. They expressed—I—I had
21 understood them to be concerned that there might be something
22 that was happening with that account, that it might be
23 attempting to exploit FTX. I acknowledged that. I agreed that
24 there was a risk of that. I thought it probably wasn't but
25 might have been and so that I would personally manually monitor

NAV1BAN1

Bankman-Fried - Redirect

1 it and adjust some settings to attempt to protect against such
2 a risk without at that point liquidating the customer, because
3 they were otherwise a valuable customer. In doing so, I
4 overrode FTX's standard risk procedures there and personally
5 took responsible [sic] for that account. I was—they were
6 right. I was not nearly as correct. I was effectively wrong.
7 The customer did attempt ultimately to—to abuse the risk
8 procedures and found loopholes in, among other things, the
9 parameters I had manually set while attempting to monitor that
10 account. In keeping the account open, I had blocked
11 withdrawals on the account but had forgotten to block transfers
12 between other FTX accounts. To my memory is that they
13 transferred between another FTX account, which they then
14 withdrew. As such, I viewed that as much as anything else a
15 personal scruff on my part for a situation I had personally
16 taken responsibility for, and that made me feel like it was
17 further appropriate for Alameda to be the one to take on that
18 position.

19 Q. And which currency or token does this relate to?

20 A. This was MobileCoin and/or BTMX, and I think there may have
21 been a few more involved as well.

22 Q. Okay. So what did you do when you wanted—you decided you
23 needed to take a personal responsibility in connection with the
24 MobileCoin transaction?

25 A. Yeah. Effectively what that meant was the account, which

NAV1BAN1

Bankman-Fried - Redirect

1 was still a substantially positive NAV asset at that point,
2 also—I had strong suspicions about how it would fare over
3 time, passed it off to Alameda, both as a backstop liquidity
4 provider and also as a trading firm that I at the time owned
5 and ran, and that would then have to shoulder the risk
6 associated with that account.

7 (Continued on next page)

NAVMBAN2

Bankman-Fried - Redirect

1 Q. Ultimately was a loss suffered with respect to MobileCoin?

2 A. I think so. I actually don't remember exactly how the
3 market turned out, but I don't think it ended up being a winner
4 of a position.

5 Q. You transferred it from FTX to Alameda, correct?

6 A. Well, I transferred it from that user on FTX to Alameda on
7 FTX as a -- essentially as a backstop liquidity provider.

8 Q. And you owned 90 percent of Alameda?

9 A. That's correct.

10 Q. So if there was a loss you were going to bear most of it?

11 A. That's correct.

12 Q. Do you recall that yesterday you were asked questions about
13 your context with journalists between November 11 and running
14 into December.

15 Do you recall those questions?

16 A. Yeah, I do.

17 Q. About how many journalists did you speak with?

18 A. In that period in particular?

19 Q. Yes.

20 A. I mean, probably 50 or so. I don't remember the exact
21 number.

22 Q. What was your level of preparation for those calls or
23 meetings?

24 A. For the most prepared, I probably spent an hour; for the
25 least prepared, probably 30 seconds.

NAVMBAN2

Bankman-Fried - Redirect

1 Q. What materials did you have access to after November 11?

2 A. Just my memory. I was cut off from company systems. I
3 didn't have data access.

4 Q. Do you remember every single statement you made to a
5 journalist during that time period?

6 A. Definitely not.

7 Q. You recall you were shown excerpts from articles written
8 about FTX with you during that time period.

9 Do you recall that, sir?

10 A. Yes.

11 Q. Do you recall everything written in every article about you
12 during that time period?

13 A. Certainly not.

14 Q. Do you recall that yesterday you were shown part of a chain
15 between you and a journalist for an entity called Vox.

16 Do you recall that?

17 A. Yes.

18 Q. V-o-x. What was Vox?

19 A. Vox is an online news and opinion publication.

20 Q. Who was the reporter?

21 A. Kelsey. She had been a friend of mine for about a decade.

22 Q. And do you recall being shown a portion of the chain in
23 which you used the phrase fuck regulators? Do you recall that,
24 sir?

25 A. Yes, I do recall that.

NAVMBAN2

Bankman-Fried - Redirect

1 Q. Was that the full extent of the chain between you and
2 Kelsey?

3 A. No, it was not.

4 Q. What else did you discuss in that chain about regulators?

5 A. The primary discussion there --

6 Q. About regulators.

7 A. -- about regulators in particular was I had -- it was me
8 telling Kelsey, in response to a question from her, that I
9 essentially had grown to be frustrated by regulators that I had
10 become skeptical about whether I really had been able to
11 attempt to get good regulation and not bad regulation, and had
12 over time, and especially very recently, as of then, especially
13 at that moment, when I was somewhat frustrated, felt like all
14 the work that I had done to work with regulators might have
15 ended up encouraging bad regulation as much as good regulation
16 in retrospect, and I was not happy with that.

17 Q. That chat was on November 16?

18 A. Yeah, that's right.

19 Q. Five days after FTX had gone bankrupt?

20 A. Yeah, that's correct.

21 Q. Do you recall being asked questions yesterday about your
22 testimony in front of Congress?

23 A. Yes.

24 Q. Also the written testimony that you submitted to Congress.

25 A. In fact, I think only -- I don't recall the spoken

NAVMBAN2

Bankman-Fried - Redirect

1 testimony, but written testimony, yes.

2 Q. How many times, if you remember, did you appear before
3 Congress?

4 A. Three times.

5 Q. And each time did you also submit written testimony?

6 A. Yes.

7 Q. Were you the only one who worked on that testimony?

8 A. No.

9 Q. Who else did?

10 A. Our policy team, Mark Wetjen particularly, did. Zach
11 Dexter, the CEO of FTX US derivatives, did as well. Others may
12 have as well. I am not sure.

13 Q. Do you remember every paragraph from those written
14 submissions that were made to Congress?

15 A. No, I do not.

16 MR. COHEN: Let's call up GX-914A.

17 Q. This was portions of your testimony to Congress. Do you
18 recall being asked about that yesterday, Mr. Bankman-Fried?

19 A. Yes.

20 Q. And you were directed to the portion that stated that about
21 FTX's key principles.

22 Do you recall that?

23 A. Yes.

24 Q. And you read out a section that said one of its key
25 principles was to ensure customer and investor protection.

1 Do you recall that?

2 A. Yes.

3 Q. Was that a goal of FTX?

4 A. Yes.

5 Q. Did you try to achieve that goal?

6 A. Absolutely.

7 Q. How did you do that?

8 A. A number of ways. One of the ways was through thinking
9 about equity access for customers, thinking about, in
10 particular, as much as possible letting all users of FTX have
11 direct trading access rather than smaller customers having to
12 go through a number of intermediaries and encountering a number
13 of logistical hoops along the way. That's something we put in
14 a lot of work into. We put a lot of work into the risk engine
15 on FTX. Ultimately, we also had a very large oversight and
16 mistake related to risk management. But at the time I felt
17 like we had done a good job of that. And we put work into the
18 digital security of assets on FTX and, I mean, a number of
19 other smaller things as well.

20 Q. Do you recall being asked yesterday in connection with your
21 congressional testimony whether FTX had followed the key
22 principle of maintaining adequate liquid resources to ensure
23 the platform can return the customer's assets upon request? Do
24 you recall being asked about that?

25 A. I do.

1 Q. Did FTX do that?

2 A. It did do what my understanding of that was.

3 Q. Why don't you tell us.

4 A. So my understanding of that sentence was that in the case
5 of customer withdrawal requests, we wanted to be able to, as
6 quickly as possible, fill that request and that, as such, we
7 wanted to maintain enough assets in terms of liquidity and in
8 terms of the forum and place they were stored, that for
9 typical, or even substantially more than typical, activity, we
10 would be able to promptly and painlessly process customer
11 withdrawals. There is a separate -- I can't remember for that
12 sentence or the next as well about -- which is referring to
13 having an insurance fund of -- in the case of risk of clawbacks
14 as well.

15 Q. Just, finally, on this point you were asked questions about
16 your congressional testimony and you said that -- you said one
17 of the key principles was to avoid or manage conflicts of
18 interest.

19 Do you recall that testimony?

20 A. I do, yes.

21 Q. What did you mean by that?

22 A. I meant that in general -- as a general matter, managing
23 conflicts of interest is an important part of a business and
24 that at the time I felt like we had potential conflicts of
25 interest with Alameda and in a few cases potentially with

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1 others. I had felt like we were doing a relatively good job at
2 managing and mitigating the risks associated with those. I
3 don't know that I would say the same today.

4 Q. Do you recall being asked a number of questions about the
5 tweets you put out in order to try to get customers to use FTX?

6 A. Is there a question?

7 JUROR: Can we get a bathroom break?

8 THE COURT: We will take our morning break. 15
9 minutes, folks.

10 I should say, with respect to juror number 3, one way
11 or another, you are going to make your flight.

12 (Jury not present)

13 THE COURT: In no way am I rushing you, Mr. Cohen.
14 Give me the best idea you can, please.

15 MR. COHEN: I think, your Honor, about 40 minutes to
16 an hour.

17 THE COURT: Thank you.

18 (Recess)

19 THE COURT: Mr. Roos, your estimate on a rebuttal?

20 MR. ROOS: Yesterday we told the Court two witnesses.
21 We have cut one already.

22 THE COURT: Which one?

23 MS. SASSOON: Zachary Allen is out. So it's just the
24 FBI agent, and we produced those materials. We are still
25 seeing --

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1 THE COURT: Time is what I'm interested in.

2 MR. ROOS: Right.

3 MR. REHN: The direct would be 20 minutes. It may not
4 even happen. We are evaluating.

5 (Recess)

6 THE COURT: Bring in the jury.

7 (Jury present)

8 THE COURT: The jurors and the defendant all are
9 present, as they have been throughout.

10 Mr. Bankman-Fried, you are still under oath.

11 Mr. Cohen, you may continue.

12 MR. COHEN: Thank you, your Honor.

13 BY MR. COHEN:

14 Q. Mr. Bankman-Fried, do you recall being asked yesterday a
15 series of questions about the ways in which FTX got customers?

16 A. Yes, I do.

17 Q. And you recall being asked: And one way that it grew was
18 through your interactions with customers on social media, fair?
19 And you answered: Yeah.

20 A. Yup.

21 Q. Is that the only way FTX got customers?

22 A. No.

23 Q. How else did it get customers?

24 A. Initially, the primary way was word of mouth from existing
25 customers. It was just customers who tried the product, and

1 those who liked it often told their friends about it. And on
2 social media it was primarily customers talking with each
3 other. I did have some interactions as to FTX with them.
4 Ultimately, we began testing out more marketing strategies; in
5 particular, brand advertisements, brand partnerships, things
6 like FTX Arena.

7 Q. What effect, if any, did the quality of your products have
8 on getting customers?

9 A. My understanding at the time was that that was the primary
10 driver of the growth of the exchange, that we lived and died by
11 having a better product than competitors, and that at least
12 measured by volume or revenue that nearly all of our business
13 and all of our customers already used competitors before they
14 tried out FTX, so we generally, in my belief at the time, got
15 customers only if they liked our product better.

16 Q. You recall yesterday being asked a series of questions
17 about what happened after Ms. Ellison and Mr. Trabucco took
18 over as co-CEOs at Alameda?

19 A. Yup.

20 Q. And in particular what your role was with respect to
21 Alameda after you stepped down as CEO.

22 A. Yup.

23 Q. What was your role? What did you do and what did you not
24 do?

25 A. Yeah. I was chiefly the majority owner of Alameda. So as

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1 owner I got updates on financials and other high-level updates
2 periodically. I cared about the company a fair bit.

3 There were a few other specific ways that I was
4 involved. Venture investments was an area. Ultimately we
5 ended up deciding that many of the venture investments didn't
6 exactly fit under the Alameda brand in the first place,
7 although we didn't resolve where it should be. But I was
8 involved in many of the venture investments.

9 And then beginning, to a lighter extent, in the first
10 half of 2022 and a much heavier extent in the second half, I
11 was very involved in decisions around hedging because I viewed
12 it as existential risk for the company to get that right, and I
13 was concerned that the leadership wasn't, in my view, at the
14 time taking it seriously enough, although I understand the
15 complexity around that, and that I may not have been
16 communicating very clearly in the first place or as clearly as
17 I thought I was. And then there were random one-off occasions
18 on which I would have discussions about some particular topic
19 that would come up.

20 Those were the ways I chiefly was involved. Caroline
21 would also sometimes give me previews of things that she was
22 thinking of doing and asked for my impression of them; not
23 always, but now and then.

24 What I did not view myself as involved in was
25 day-to-day trading decisions, which was what I at least

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1 referred to as trading or trading decisions or day-to-day
2 trading. That's sort of how I described those things.
3 Although, obviously, you could use the word trading to use
4 venture investments sometimes, but other things or hedging.

5 Every day Alameda would do, I think, millions of
6 trades and billions of dollars, and I was essentially
7 uninvolved with those core operations, I think starting a bit
8 before I passed off the CEO role.

9 Q. You recall yesterday Ms. Sassoon asked you questions about
10 notes you had made after the bankruptcy filing on November 11.

11 A. Yeah.

12 Q. And she asked you, this is transcript 2678: Didn't you
13 write, Mr. Bankman-Fried, if Alameda had been a hundred percent
14 separate completely unrelated trading firm in every way, this
15 wouldn't have happened, at least it wouldn't have happened to
16 FTX. Alameda would have had the fiat@ -- wouldn't have had the
17 fiat@ relationship and wouldn't have had on nearly as large of
18 a position.

19 Do you recall being asked about that yesterday?

20 A. Yup.

21 Q. What did you mean by that, Mr. Bankman-Fried?

22 A. In my view, essentially the entirety of the ultimate
23 liability or at least net liability that Alameda had to FTX was
24 about the size of the fiat@ account. But that was what myself
25 and I think almost all of us had not been aware of, at least

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1 until sometime in the second half of 2022, about that roughly
2 \$8 billion liability. And that had it been -- had Alameda
3 never had any relationship with FTX of any form, I think we
4 would have had much better systems in place to monitor the
5 fiat@, what I came to learn was the fiat@ account, the payment
6 agent relationship in general, and I think, in retrospect, our
7 oversight of that was very poor.

8 Q. Let me move to another topic. Do you recall being asked a
9 number of questions yesterday and today about margin trading?

10 A. Yup.

11 Q. And you were asked, this is transcript 2726:

12 "Q. Just to be clear, Mr. Bankman-Fried, taking money from FTX
13 to pay back lenders, that's not margin trading, is it?

14 "A. I'm not -- I don't think that's what happened and I'm also
15 not saying that's not margin trading."

16 Do you recall being asked that question and giving
17 that answer?

18 A. Yes.

19 Q. What did you mean by that?

20 A. Two pieces to that. The first piece, which I won't belabor
21 too much again, but was essentially when customers did margin
22 trading on FTX, in general they could withdraw it down to a
23 negative number in a particular asset, and they could do
24 whatever they wanted with their funds. The moment they did
25 that withdrawal, those funds became their funds, not customer

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1 funds. They could spend it or invest it or repay it to someone
2 else or do what they liked with it. FTX just managed the risk
3 associated with them as a customer.

4 Q. How did FTX manage the risk associated with the customer?

5 A. The chief way was through monitoring the net-asset value
6 effectively. The assets at FTX could ultimately get claimed to
7 versus the liabilities to FTX, monitoring basically which of
8 those was higher or whether the liabilities were approaching
9 the assets in size and then beginning to margin-call the
10 customer and potentially liquidate them if that was the case.
11 So that was one of the two things that I was I think
12 referencing there.

13 The other was that I don't actually remember it being
14 the case that, at least on net, and I don't know about specific
15 movements, that it seemed like Alameda did increase its
16 borrowing on FTX to repay lenders.

17 Q. What did you mean by the phrase on net?

18 A. Yeah. Every day Alameda would do hundreds of millions of
19 dollars of deposits and withdrawals from FTX. There would be
20 assets of various forms coming in and out. This was standard
21 of big customers on FTX. Many of them had large deposits and
22 withdrawals per day. But generally the net was much smaller,
23 meaning the deposits minus the withdrawals, so whether the
24 account value was increasing or decreasing.

25 One thing I knew Alameda would do sometimes is use an

1 FTX wallet to collect assets, pool assets that it was going to
2 send somewhere. So if it had one Bitcoin each in five
3 different wallets, it might send all of those to some
4 subaccount on its FTX account for recordkeeping purposes and
5 then send those out to some other place. In that case there
6 would be a withdrawal from FTX. It would be sending those five
7 Bitcoins out from its FTX account, but only right after having
8 deposited a similar number of Bitcoins to that FTX account. It
9 was a weigh station, effectively, in some cases.

10 I don't know about the detailed flow of funds. But if
11 you looked at line of credit utilization, for instance, I don't
12 remember that increasing in June 2022.

13 Q. You were asked some questions earlier this morning about
14 the time period from September to October. Do you recall being
15 asked about that period when you were discussing the \$8 billion
16 liability?

17 Do you recall that?

18 A. Yes.

19 Q. And you were asked whether or not you had spent the \$8
20 billion, and you said no.

21 A. That's right.

22 Q. Why did you say that?

23 A. A few reasons.

24 One of them is, I don't even know how I would have
25 defined an answer to who spent that money, which is to say,

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1 Alameda had 20 employees. They were each collaborating on
2 hundreds of decisions every day. Funds were being deposited
3 and withdrawn all over the place constantly.

4 At least in my knowledge, I don't think it would be
5 the case that there was a clear simple pointer decision at
6 which a particular person or people, you know, decided to spend
7 particular dollars. Money is fungible anyway. There are a lot
8 of things that I don't think I would have been able to define
9 in trying to answer that question if I had investigated it.

10 The other part of it, I mean, I don't know if this is
11 right or wrong, but for better or for worse, it has been a part
12 of me that like I wasn't particularly interested in trying to
13 dole out blame for it. That wasn't my priority. It generally
14 wasn't my priority. It was generally something I deprioritized
15 as later, and I tried to focus as much as I could on what stuff
16 has happened, what's the best thing we can do going forward.

17 Q. And what was the issue, as you understood it, once you
18 understood the \$8 billion liability existed?

19 A. As I understood it, the issue was basically that the scale
20 of Alameda's total liabilities borrowing from FTX was -- there
21 are various numbers, depending on when and how you define it,
22 but in the \$10 billion range, and that was a significant scale
23 of borrowing even by the standards of FTX for Alameda. That
24 was a risk that had to be managed and meant that if Alameda
25 were to go under water, it would potentially have serious

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1 implications for FTX as well.

2 Q. Did you try to manage that risk?

3 A. I did.

4 Q. Moving on, you were asked a number of questions yesterday
5 about Alameda's line of credit.

6 Do you recall that, sir?

7 A. Yup.

8 Q. And you were asked, transcript at 2633: Sitting here
9 today, do you deny that Alameda's main trading account had a
10 \$65 billion line of credit that no other customer had? Your
11 answer: No. That was the maximum withdrawable size.

12 Do you recall this?

13 A. Yes.

14 Q. What do you mean by maximum withdrawable size?

15 A. I was just trying to clarify between two different things
16 you could talk about. One was the \$65 billion number, which I
17 understand to be a limit put in the database at some point that
18 meant, separate from anything else, in those circumstances
19 could Alameda use more than 65 billion of a line of credit.

20 I separately understood that Alameda never used
21 anything even close to that of its line of credit. The actual
22 line of credit used by Alameda was typically in the \$2 billion
23 range, at least during 2022, so I want to differentiate between
24 the theoretical maximum and the amount actually used of line of
25 credit.

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1 Q. And you asked yesterday and today a number of questions
2 about whether FTX could include customers' assets held off the
3 exchange as collateral for borrowing.

4 Do you recall those questions?

5 A. Yes.

6 Q. And specifically you were asked, transcript at 2622:

7 "Q. The general rules did not allow for pledging an outside
8 investment as collateral in the exchange, right?

9 "A. I'm not sure that's true."

10 Do you recall giving that testimony?

11 A. I do, yes.

12 Q. What did you mean by that, Mr. Bankman-Fried?

13 A. There was no automated process, no sort of mass-market
14 process for considering off-platform assets. Anything would
15 have to be sort of individualized because, by default, FTX can
16 only look at what it sees, at what it has. FTX doesn't
17 natively know about your house, but it could be taught about
18 that.

19 And so as I understood it, we were allowed to on a
20 discretionary basis if it felt appropriate from a risk
21 management perspective.

22 MS. SASSOON: Objection, your Honor, to allowed to.

23 THE COURT: You can cross on it.

24 A. Was that, you know, if it felt reasonable on various
25 metrics that we could consider other assets that we could give

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1 lines of credit or other accounting for other assets that were
2 not on the exchange and that we had investigated doing so in a
3 few cases and had done so in a few cases.

4 Q. Now, during 2022, you were the 90 percent owner of the
5 Alameda?

6 A. Yeah.

7 Q. Were you aware of the assets Alameda had on the FTX
8 exchange?

9 A. Yes, I was aware of the assets it had on the FTX exchange.

10 Q. Were you aware of the assets it had off the exchange?

11 A. Essentially.

12 Q. And during this same period you were the majority owner of
13 FTX?

14 A. I think that's right. I think it was a little over 50.

15 Q. Were you aware of the assets that FTX had?

16 A. I was aware of the approximate assets that FTX had.

17 Q. During this period you also owned certain assets in your
18 own name?

19 A. Yes.

20 Q. Were you aware of the size of those assets?

21 A. Approximately, yes.

22 Q. You were asked some questions earlier today, and I think
23 yesterday also, about June 2022, in particular about a
24 spreadsheet that was sent to you by Caroline Ellison.

25 Do you recall that, sir?

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1 A. There were a few spreadsheets. Is this the Alameda balance
2 sheet?

3 Q. Let me focus it for you.

4 Referring to GX-44, the spreadsheet with multiple
5 tabs, at transcript 2731 you were asked the following question
6 and gave the following answer: On or around late June 2022, do
7 you recall receiving a spreadsheet with eight tabs? I don't.
8 I don't. I don't specifically recall there being eightish tabs
9 on it. There may well have been.

10 What do you mean by that, sir?

11 A. I guess I can describe what I do remember. I remember I
12 was sent sometime around then a balance sheet by Caroline. It
13 was typical that when she sent me balance sheets they would be
14 in spreadsheets with multiple tabs on them. Often other times
15 it would be underlying calculations. And I remember at a high
16 level the conversation that we had about it. It was fairly
17 brief.

18 Q. What was that conversation?

19 A. She had sent it to me and said she was thinking of sending
20 this out and wanted to know if I had any thoughts, and I
21 remember saying something like, yeah, that sounds reasonable.

22 Q. Do you recall whether or not you went over each of the tab
23 entries on the spreadsheet?

24 A. I don't recall going over multiple tabs on the spreadsheet.
25 There may have been other tabs. I just don't have a memory one

1 way or another about how many tabs there were or what other
2 tabs would have shown, so it very well could have been that
3 spreadsheet.

4 Q. And you said earlier in your answer that this was typical
5 for your interactions with Ms. Ellison?

6 A. Yeah.

7 Q. Can you explain that.

8 A. Yeah. She would generally send me, when she sent me a
9 balance sheet, I would say about half the time that she sent
10 them, maybe more than that, it would be in a worksheet, an
11 Excel or Google Sheets worksheet, usually Excel, that had many
12 tabs on it, and she would often say, look at this particular
13 tab to see the updated balance sheet, or something like that,
14 so I would, by default, do that. Sometimes I would look
15 through the other tabs at a high level. Sometimes I wouldn't.

16 Q. Yesterday you were asked about a discussion you had with
17 Ms. Ellison about a venture investment in Genesis Digital
18 Assets.

19 Do you recall that, sir?

20 A. Yes.

21 Q. And that was a crypto mining company?

22 A. Yup.

23 Q. Do you recall a discussion with Ms. Ellison about whether
24 or not the investment should have been made?

25 A. Yes, I do.

1 Q. Why don't you tell us that.

2 A. Caroline expressed, I remember her saying that she didn't
3 think it should have been made, I think -- that's what I
4 remember her saying -- because of the capital usage, and I
5 inferred some skepticism about the investment itself.

6 Q. What did you say, if anything?

7 A. I had, in substance, that I thought it was good if hedged,
8 that in particular, given the calculations that had been done
9 by members of our team on GDA, it looked like we are going to
10 be buying it for -- buying into it at less than the amount of
11 money we thought that it would make as a company, but that that
12 amount would vary with Bitcoin's price. In other words, you
13 could think of it as buying a future stream of Bitcoins at less
14 than, as of then, the price of a Bitcoin, but that there was
15 risk associated with it unless it was paired with removing that
16 risk of Bitcoin price decrease by hedging.

17 Q. Were you talking about a hedge of the general market or a
18 hedge of something relating to GDA?

19 A. So in the GDA case in particular, there is actually
20 something much more specific, which was, I had understood that
21 there is going to be a roughly \$2 billion Bitcoin hedge put on
22 corresponding to the GDA investment, a hedge of roughly twice
23 the amount that we had invested in Bitcoin.

24 MR. COHEN: Can we call up Government Exhibit 14A,
25 please, and go to row 2 and highlight that, please.

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1 Q. Do you recall being shown this yesterday in relation to the
2 GDA investment?

3 A. Yup.

4 MS. SASSOON: Objection. I don't believe he was shown
5 this spreadsheet.

6 THE COURT: 14A? Is it 14A?

7 MR. COHEN: 14A, your Honor.

8 I'll rephrase, your Honor.

9 Can we go to the end of the column, please.

10 This is in evidence, your Honor.

11 You can highlight the entry under Y and Z. It says:
12 Hedged with 2X BTC.

13 Q. What does that refer to, Mr. Bankman-Fried?

14 A. That refers to the expectation or the understanding that,
15 in connection with the investment in Genesis Digital Assets,
16 Alameda had put on a hedge with Bitcoin as in sold Bitcoins
17 and, in particular, sold twice the value of Bitcoins as the
18 size of the investment. There are reasons why twice made sense
19 in that case, which I could go into if you're interested.

20 Q. No. I think that's fine.

21 MR. COHEN: We can take that down.

22 Q. Do you recall being asked several questions yesterday about
23 FTX providing for your use of a private jet?

24 A. I do, yes.

25 Q. And I believe we were shown a photograph of you on the jet

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1 or a jet.

2 A. Very flattering one.

3 Q. As CEO of FTX, did you believe that use of a private jet
4 was a valid business expense?

5 A. Yeah. Depending on the context.

6 Q. Can you tell us why.

7 A. Yeah. I didn't believe it would be a valid business
8 expense if used for recreational travel, you know, for a
9 vacation, and I did not use it for those purposes. But it was
10 a very logistically difficult to travel between the Bahamas and
11 a few places, chiefly including Washington, D.C. I had to go
12 to D.C. frequently in 2022. I think I spent more than a month
13 there in aggregate, and I had meetings with senators, with
14 regulators that I couldn't be late to.

15 There were not very many commercial flights between
16 the Bahamas and D.C. They were often delayed or cancelled.
17 And I had tight deadlines to make. And separately at that
18 point in time my understanding was that the amount -- that the
19 expense associated with it was, although large compared to the
20 scales I would have thought about a few years earlier for the
21 company or for myself, fairly small compared to the scale of
22 the business at that point in time.

23 Q. Let's move on, Mr. Bankman-Fried.

24 Do you recall yesterday being asked a series of
25 questions about shares in a company called Robinhood?

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1 A. Yes.

2 Q. The shares of Robinhood were shares that were acquired,
3 correct?

4 A. They were purchased, yes.

5 Q. Who purchased them?

6 A. Emergent Fidelity was the entity that purchased them.

7 Q. Who owned Emergent?

8 A. Myself and Gary.

9 Q. Do you recall being shown an affirmation that you had
10 signed in connection with some litigation over Robinhood
11 shares?

12 A. Yes.

13 Q. Where did that litigation take place?

14 A. Antigua.

15 Q. Why Antigua?

16 A. Robinhood was a U.S. company, but Emergent Fidelity, the
17 entity that owned the shares in Robinhood, was an Antigua-based
18 company. It was my understanding that it had been sued by some
19 individual, not by a bankruptcy estate, in Antigua court.

20 Q. Were you asked the following question and gave the
21 following answer? Transcript 2711: And the purpose of this
22 affirmation was to lay claim to the Robinhood shares, correct?

23 "A. That wasn't how I understood it at the time."

24 Do you recall giving that testimony?

25 A. I do.

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1 Q. What do you mean by that, sir?

2 A. So my understanding, and my understanding --

3 Q. At the time?

4 A. -- at the time was a little bit hazy. But what I
5 understood was that Emergent was being sued by a particular
6 individual in an Antiguan court case, that it would a
7 logistical headache for everyone if that lawsuit proceeded
8 without any statements from Emergent, and that this was not a
9 sort of proper -- this is not a process that, in my
10 understanding at the time, was designed to return the Robinhood
11 shares that were in Emergent to one of the various global
12 bankruptcy estates for the purposes of customers and in fact
13 might impede that process.

14 Q. And answer this question yes or no, please. Yes or no,
15 were you represented by an Antiguan attorney or an attorney in
16 connection with the Antigua litigation?

17 A. Yes.

18 Q. Let's move forward, Mr. Bankman-Fried.

19 MR. COHEN: Can we call up Government Exhibit 248,
20 please.

21 Can I ask the government to call this up. I think the
22 version you are using is redacted. I want to use that one.
23 Would that be possible?

24 MS. SASSOON: Sure.

25 MR. COHEN: Thank you.

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1 Q. Do you recall being shown this email exchange earlier this
2 morning?

3 A. Yup.

4 Q. To refresh everyone, this is an exchange on November 9
5 between you and someone named Ryan Pinder.

6 You see that, sir?

7 A. Yes.

8 Q. Do you recall being asked questions about that?

9 A. Yes.

10 Q. Who was Mr. Pinder?

11 A. He was the Attorney General of the Bahamas.

12 Q. Why were you in communication with him on November 9?

13 A. He and Christina Rolle, the head of the securities
14 commission, who is also cc'd on this, had reached out to ask
15 questions about FTX, given what I think -- what they described
16 as the rumors that they had heard about turmoil and the various
17 public statements we had made.

18 MR. COHEN: If we might call out number 6, the whole
19 section underneath the block, and pull it out.

20 Q. Do you recall being shown news this morning,
21 Mr. Bankman-Fried?

22 A. I do, yes.

23 Q. And counsel showed you the second paragraph. As part of
24 this we have segregated funds for all Bahamian customers on
25 FTX -- this is you speaking -- and we would be more than happy

1 to open up withdrawals for all Bahamian customers on FTX so
2 that they can, tomorrow, fully withdraw all of their assets,
3 making them fully whole.

4 MR. COHEN: If we could highlight in yellow the next
5 sentence, please.

6 Q. Is it fair to say you went on to say: It is your call
7 whether you want us to do this, but we are more than happy to
8 and would consider it the very least of our duty to the
9 country, and could open it up immediately if you reply saying
10 you want us to.

11 What did you mean by that?

12 A. At the time that I sent this email, I had interpreted a
13 prior email sent to me by Mr. Pinder as implying that they
14 wanted us to take this action or something similar. They
15 were -- the security commission in the Bahamas was the primary
16 regulator for FTX International, and we were headquartered in
17 the Bahamas, so I felt beholden to them.

18 MS. SASSOON: Objection. The question is, what did
19 you mean by that?

20 THE COURT: Yes. Strike that last part.

21 Q. Finish your answer.

22 A. So I was responding, trying to clarify if that was what
23 they had wanted us to do.

24 MR. COHEN: We can take this down.

25 Q. You mentioned two entities in the Bahamas yesterday, the

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1 SCB and the JPLs. Can you tell us again who those were.

2 A. The SCB is the Securities Commission of the Bahamas. It's
3 the chief financial regulator in the Bahamas and the head
4 regulator of FTX. The JPLs, joint provisional liquidators,
5 were a group of people appointed by the SCB to manage the
6 future direction of FTX and its liquidity insolvency
7 proceedings in the Bahamas.

8 Q. After you stepped down on November 11, through December,
9 did you continue to have communications with the SCB and the
10 JPLs?

11 A. Yup.

12 Q. What was your reason for doing so?

13 A. I wanted to help the company. I wanted to help the
14 customers. I wanted to help make the customers as whole as
15 possible. And they were -- at least had expressed to me that
16 it would be helpful for doing so for me to tell them what I
17 knew and give them my thoughts.

18 Q. Thank you, Mr. Bankman-Fried. I have nothing further.

19 THE COURT: Thank you.

20 Any recross, Ms. Sassoon?

21 MS. SASSOON: No, your Honor.

22 THE COURT: You are excused, Mr. Bankman-Fried. You
23 may step down.

24 (Witness excused)

25 THE COURT: Any additional evidence from the

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1 defendant?

2 MR. COHEN: No, your Honor. The defense rests.

3 THE COURT: Is there to be a rebuttal case? I am
4 reserving your motion for the time being.

5 MS. SASSOON: Your Honor, may we take an early lunch
6 break so we can confer -- even just a five-minute break or the
7 lunch break, whichever your Honor prefers.

8 THE COURT: It depends how fast you want to eat.

9 MS. SASSOON: Just a five-minute break.

10 THE COURT: No one needs to bolt their food.

11 Five minutes.

12 (Jury not present)

13 (Recess)

14 THE COURT: What's the story?

15 MR. ROOS: We are not planning on calling any
16 witnesses and there is one outstanding item, which is
17 Government Exhibit 2534, which there was a foundation objection
18 to yesterday because the witness did not recognize the
19 document. Your Honor admitted it subject to connection. We
20 have been chatting with defense counsel. It sounds like they
21 have some concerns. We can authenticate the document by
22 calling that fellow from Google back up from Texas, but I
23 prefer not to.

24 THE COURT: That really went over big.

25 MR. COHEN: Your Honor, if I might cut through this,

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1 we don't want the fellow from Texas to come. The issue we have
2 is that the document on its face is, to us, appears to be a
3 draft.

4 THE COURT: I, of course, don't have it in front of
5 me, so I don't know what we are talking about. I lost total
6 recall at about number 1800.

7 MR. COHEN: Sorry, your Honor.

8 If you look at the second to last page of the
9 document -- they are not numbered -- it says: FTX token raise,
10 note, 3/21/2019. This is still prospective and just a draft of
11 what we might do. That date is before FTX was even launched.

12 We don't have an issue with it being admitted if it is
13 not being presented as a final version and something that was
14 in effect after FTX was launched, but we don't think that the
15 document supports it and there was no testimony to that effect.
16 That's our concern, your Honor.

17 MR. ROOS: On this, Judge, the witness was crossed
18 about a different page relating to preventing clawbacks. If it
19 would solve the issue, we would just redact the page that says
20 draft on it.

21 MR. COHEN: With respect --

22 THE COURT: I don't think that solves Mr. Cohen's
23 problem.

24 The part of this that matters to the government.
25 Please educate me.

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1 MS. SASSOON: Doesn't have page numbers, your Honor --

2 THE COURT: I can count.

3 MS. SASSOON: -- several pages in there is a page that
4 has a heading: How is FTX solving these issues? And it says:
5 Preventing clawbacks.

6 The witness was questioned about that and questioned
7 about the three items beneath that describing how the
8 liquidation model works. We have not --

9 THE COURT: Don't you have this already?

10 MS. SASSOON: This was offered subject to connection.

11 THE COURT: Yes, I understand that.

12 MS. SASSOON: We don't think there is a basis to
13 strike the testimony about this document which was shown to the
14 jury, and we are not and have not made a representation that
15 this dec went to a particular person or was a final draft. He
16 was questioned about his understanding of those terms and
17 whether he disputed that FTX was marketed that way.

18 We think, given that this came off his Google Drive
19 and that a Google witness could authenticate it, and that
20 doesn't seem to be the defense's issue, there is no reason not
21 to admit it when the government is not misrepresenting how we
22 are using it, and where we don't redact that page they are free
23 to say this was a draft.

24 THE COURT: This was all about the distinction between
25 preventing clawbacks and significantly reducing the likelihood

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1 of clawbacks, yes?

2 MS. SASSOON: Also about the three tiers of the
3 liquidation system which the defendant on the stand said that,
4 in substance, he agreed with how it was described here, but
5 perhaps he would have described the insurance fund in slightly
6 different words.

7 THE COURT: So what.

8 MS. SASSOON: I see no basis to strike that testimony,
9 your Honor, which would be a consequence of not admitting this
10 document.

11 THE COURT: Except you have not authenticated it.

12 MS. SASSOON: The authenticity issue doesn't seem to
13 be the objection from the defense. They seem to be prepared to
14 stipulate that this came off his Google Drive. To the extent
15 that this is at all relevant to closings --

16 THE COURT: It came off his Google Drive and what?
17 And you have got metadata that would say that? Is that the
18 point?

19 MS. SASSOON: A Google witness could say, this is an
20 authentic document. It was taken off of the defendant's Google
21 Drive.

22 THE COURT: Mr. Cohen, presumably, rather than bring
23 the guy back from Texas --

24 MR. COHEN: No, we are not doing that.

25 THE COURT: You would be prepared to stipulate that,

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1 if called, the guy who came from Texas would have testified
2 that if this came off the metadata it indicates it came off his
3 Google Drive, no?

4 MR. COHEN: Yes.

5 THE COURT: Solves the problem.

6 MR. COHEN: It does, your Honor.

7 THE COURT: Problem solved?

8 MS. SASSOON: Yes. Logistically, the government plans
9 to offer this one document in its rebuttal case.

10 THE COURT: It's in, subject to connection. What we
11 are talking about is a hypothetical motion to strike it, which
12 is now moot because you have a stipulation.

13 MR. COHEN: As your Honor has laid out.

14 THE COURT: Yes.

15 MS. SASSOON: We are all set on this, it seems.

16 THE COURT: The stipulation solves the problem. It's
17 in evidence. It has been connected. So there is no rebuttal
18 case.

19 MR. ROOS: Correct.

20 THE COURT: Let's talk schedule for a minute since the
21 jury is out there enjoying their five minutes.

22 We will have the charge ready for you to look at
23 whenever John Hammel gets back with the copies.

24 The question is whether I send the jury home now or
25 whether I hold them here for several hours, or however long it

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1 takes, in the hope of starting somebody's closing toward the
2 end of the day. I'm disinclined to do that, but I'll be happy
3 to listen to counsel.

4 MR. ROOS: I think it's good news that we are done,
5 and we should do the charge conference and start tomorrow
6 morning.

7 THE COURT: Any different view, Mr. Cohen?

8 MR. COHEN: We defer to the Court.

9 THE COURT: Bring in the jury.

10 I'll deal with the motion once the jury is out of the
11 room, and then we will get the charge down.

12 (Jury present)

13 THE COURT: Defendant and the jurors all are present,
14 as they have been throughout.

15 Does the government have any rebuttal evidence to
16 present?

17 MR. ROOS: No, your Honor.

18 THE COURT: Ladies and gentlemen, that concludes the
19 presentation of evidence in this case.

20 Here is what happens now. I will be meeting this
21 afternoon with the lawyers concerning the legal instructions
22 that I am going to give you. I am going to send you home for
23 the rest of the day and see you back at 9:30.

24 But don't get up yet because I have to have one
25 further word with counsel at the sidebar about how we are going

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1 to proceed from here.

2 (Continued on next page)

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(At sidebar)

THE COURT: I'm disinclined, if I think about it, to bring all these alternates in tomorrow only to send them home at 9:30. I think what I will do, unless somebody has a better idea, is to bring in alternates 1 and 2 and not discharge 3, 5, and 6. They are going to be subject to call if need be.

Does that work for anybody?

MS. SASSOON: Don't they need to hear the summations, your Honor?

THE COURT: Of course they do. Thank you. That takes care of that.

(Continued on next page)

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(In open court)

THE COURT: Folks, we will see you all tomorrow morning at 9:30, and we will start right out with closing arguments.

Folks, you have all earned your buttons.

(Jury not present)

THE COURT: If there are any motions, I will hear them now.

MR. COHEN: Your Honor, we renew our motion for a judgment of acquittal.

THE COURT: Denied.

One of my law clerks -- you have the charge yet? No.

The copying machine is running furiously. As soon as the copies are ready, we will bring them down.

Charge conference, 1:45.

(Luncheon recess)

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AFTERNOON SESSION

2:00 p.m.

THE COURT: We will mark as Court Exhibit X for identification a copy of the circulation draft of the proposed charge. As soon as I get organized, we will get started.

Any objections or suggestions from the government from the beginning through page 5, line 12?

MR. ROOS: Yes, Judge.

On page 1, line 18 and 19 and page 2, lines 6 and 7, the crime is described as, by misappropriating those customers' deposits. We would ask for it to be, by making false statements or representations to obtain money or property and by misappropriating those customer deposits to reflect the fact that the government is going to argue both affirmative misrepresentations and misappropriation.

THE COURT: Who is going to speak from the other side?

MR. DICK: I will, your Honor, gale Dick.

We object to charges that omit the misappropriation theory all together.

THE COURT: You object to charges that omit the misappropriation --

MR. DICK: I beg your pardon. Omit the misappropriation theory all together.

THE COURT: I don't understand what you have just said.

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1 MR. DICK: I misspoke. Sorry.

2 The indictment charges the misappropriation theory.
3 It does not charge a misrepresentation theory. In our view,
4 instructions that omit discussion of the misappropriation
5 theory and focus on the misrepresentation theory are
6 constructive.

7 THE COURT: We are going to have to work out a way of
8 understanding each other. We are going to have you start by
9 you speaking more slowly.

10 MR. DICK: Sure.

11 THE COURT: Could we try that again.

12 MR. DICK: Yes, we certainly can.

13 It's our position, your Honor, that the indictment
14 charges solely a misappropriation theory. It does not charge a
15 misrepresentation theory of wire fraud on customers. So
16 instructions that reference a misrepresentation theory, in our
17 view, are improper and a constructive amendment of the
18 indictment.

19 THE COURT: Mr. Roos, what do you have to say?

20 MR. ROOS: It's definitely not a constructive
21 amendment because the speaking indictment outlines several
22 categories of false representations, statements, promises made
23 by the defendant, so there is certain no constructive
24 amendment.

25 If they are referring to the description in the to-wit

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1 clause, I think the law is clear that that does not bind the
2 Court in terms of considering how it can describe the
3 indictment or the theory, so I think it's appropriate to do
4 both.

5 THE COURT: Counsel, frankly, I didn't get your name.
6 Tell me again.

7 MR. DICK: It's Gale Dick.

8 THE COURT: Mr. Dick, to my recollection, and I've had
9 the issue recently, Mr. Roos is absolutely right with respect
10 to the to-wit clause. Is there any other basis on which you
11 are objecting to submission of false statements?

12 MR. DICK: Yes, your Honor.

13 In the speaking portions of the indictment, it does
14 make reference to misrepresentations to lenders and to
15 investors but not to consumers, customers.

16 THE COURT: You are going to address that?

17 MR. ROOS: I think, no. The answer is no. That's not
18 correct. Not that I'm not going to respond. The answer is,
19 that is not a fair characterization of the indictment. It
20 describes his lies to Congress, the lies to the public.

21 THE COURT: Overruled.

22 Your proposed language, Mr. Roos, is page 1, line 18
23 to start with.

24 MR. ROOS: Right.

25 Your Honor, we defer to the Court on the specific

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1 language you want to use, but the idea being, the thrust of the
2 wire fraud charge, which is by making material
3 misrepresentations, or you can describe it as a representation
4 or a statement or a promise to obtain money or property.

5 THE COURT: I am going to ask you to give me proposed
6 language later on, so you have time to work it out. We will
7 come back to that.

8 Anything else on the section I inquired about?

9 From the defense?

10 Mr. Roos, you are going to have to stand.

11 MR. ROOS: I was just going to say no, but I saw your
12 Honor moving on.

13 THE COURT: What about you, Mr. Dick?

14 MR. DICK: Yes, your Honor.

15 On page 4, line 13, it reads: Proof that the crime
16 charged actually was committed or attempted. We do not believe
17 attempted has been charged or proved. We would strike the
18 words, and attempted.

19 THE COURT: I thought it said, or attempted.

20 MR. DICK: Or attempted. I beg your pardon. We would
21 strike those.

22 THE COURT: Mr. Roos.

23 MR. ROOS: That's fine.

24 MR. DICK: Your Honor, at the bottom of that page,
25 lines 22 and line 23, it states in the indictment that the

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1 defendant aided and abetted the commission of the crime. The
2 proofs at trial have been about principal liability, not aiding
3 and abetting, and we would strike that.

4 THE COURT: Unfortunately, I believe that it cites 18
5 U.S. Code Section 2, which is, among other things, aiding and
6 abetting.

7 Overruled.

8 Anything else on that section?

9 MR. DICK: Nothing, your Honor.

10 THE COURT: Page 5, line 13 through page 6, line 19.
11 Government.

12 MR. REHN: We have nothing.

13 THE COURT: Defense.

14 MR. ROOS: We have nothing.

15 MR. DICK: I won't repeat this every time, your Honor,
16 but I objected previously to what we view as a constructive
17 amendment versus with respect to wire fraud on customers. As
18 to the misrepresentation theory, I won't repeat that objection
19 every time.

20 THE COURT: Overruled.

21 Page 6, line 20 through page 8, line 15.

22 Government.

23 MR. REHN: Yes, your Honor.

24 Related to the previous point, on the bottom of page
25 7, at line 23, this is after describing the misrepresentation

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1 theory. Rather than saying a scheme to defraud existed if the
2 government has proved, we would submit that the instruction
3 should say, a scheme to defraud also includes a scheme to
4 fraudulently embezzle or misappropriate, and then picking up
5 with property at the top of the next page.

6 THE COURT: Let me just see if it's charged in
7 substance.

8 Any response to that, Mr. Dick?

9 MR. DICK: None, your Honor. Thank you.

10 THE COURT: I will charge it in substance as the
11 government suggests. Again, I'd like to have specific language
12 submitted.

13 MR. REHN: Certainly, your Honor.

14 THE COURT: Anything else from the defense down to
15 line 15 on page 8?

16 MR. DICK: Yes, your Honor.

17 MR. REHN: We had one more, your Honor.

18 THE COURT: OK.

19 MR. REHN: Sorry about that.

20 In that same sentence, after it says, property
21 belonging to another, there is an or there and then it gets
22 into a definition of property entrusted to the defendant's
23 care, which we think that the or is incorrect because it --
24 really this is a definition of what it means to be property
25 entrusted to the defendant's care. So the government would

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1 suggest a period after another and then take the remainder of
2 that sentence and move it to the bottom of this paragraph and
3 have it just say, money or property is entrusted to the
4 defendant's care. And then it continues as it is.

5 THE COURT: Any comment on that, Mr. Dick?

6 MR. DICK: Not on that, although I do have a comment
7 on this section more generally.

8 THE COURT: I'll come back to you in a minute.

9 What the government is suggesting is that on line 8 we
10 start a new sentence.

11 MR. REHN: Money or property is entrusted, and then it
12 just continues with the rest of the sentence. That's on lines
13 2 through 5.

14 THE COURT: We are picking up there 2 through 5. I
15 follow. I will do that.

16 Anything else from the government on this section?

17 MR. REHN: Not through line 15, your Honor.

18 THE COURT: Mr. Dick, anything on your side?

19 MR. DICK: Yes, your Honor.

20 With respect to this definition, I will say loosely
21 related to fiduciary duty, there is a concept that we think is
22 important to include, and relying here on the Second Circuit's
23 decision in *Skelly*. This is the motion of reliance, dominance
24 or control. I have some proposed language that I can read to
25 you and then submit later.

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1 THE COURT: You can read it.

2 MR. DICK: It says: A fiduciary relationship involves
3 discretionary authority and dependency and at the heart of the
4 fiduciary relationship lies reliance and de facto control and
5 dominance.

6 THE COURT: Who is going to address that for the
7 government?

8 MR. ROOS: Judge, I think the language, you have great
9 confidence and trust, also comes from some of the Second
10 Circuit cases about fiduciary relationships or other
11 relationships of special trust. And I guess the question with
12 the defense citation is what exact language are they proposing
13 from it.

14 We are not opposed, I think, conceptually to defining
15 this in a way, if the Court wants to consider that, but we need
16 to know what the language is that they are actually proposing.
17 That doesn't sound like a jury instruction.

18 THE COURT: It doesn't.

19 MR. DICK: We would be happy to submit some language,
20 your Honor. The concepts are drawn from the same body of case
21 law, including *Chestman*.

22 THE COURT: That's all well and good. But if you are
23 requesting a charge, as you know, it has got to be specific,
24 and I have to conclude that the way in which you are requesting
25 it is exactly consistent with the law, and I don't know what

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1 the language is.

2 MR. DICK: I'm happy to submit the language in writing
3 slightly later today.

4 THE COURT: Anything else through line 15 on page 8
5 from either side?

6 MR. REHN: Your Honor, we just noticed, there is a
7 typo on line 14 at the end of the line, the word the before
8 whether should be stricken.

9 THE COURT: You are correct. I will make that change.

10 Page 8, line 15 through page 9, line 23.

11 Government.

12 MR. REHN: We did have some thoughts on this terms of
13 service language. I don't know if it makes sense to hear the
14 defense position because they have recently submitted briefing
15 on this. I don't know if our concerns may be mooted if they
16 have concerns.

17 THE COURT: Mr. Dick, how about you?

18 MR. DICK: Yes, your Honor.

19 I have something higher up on page 9, if you would
20 like to hear that now, and then we can turn back to terms of
21 service.

22 THE COURT: Higher up on page 9?

23 MR. DICK: Beginning on line 3, the clickwrap
24 instruction.

25 THE COURT: All right.

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1 MR. DICK: It's our view that this clickwrap
2 instruction is unnecessary. The conspicuousness of what is and
3 is not contained in the terms of service has not been subject
4 to proof at trial and it will confuse the jury and is
5 unnecessary.

6 THE COURT: Of course it has been subject to proof at
7 the trial. It's right there on an exhibit. I don't remember
8 the exhibit number, but it's right there.

9 Back to you, Mr. Rehn.

10 MR. REHN: If the defense is proposing to cut this
11 part -- are they just proposing to cut this paragraph?

12 MR. DICK: That's correct, the clickwrap paragraph.

13 MR. REHN: Just that paragraph, not the first
14 paragraph.

15 MR. DICK: No. I'm sorry if I wasn't clear. Page 9,
16 lines 3 to 11.

17 MR. REHN: I think if you are going to cut that, you
18 may need to cut the previous paragraph as well because that
19 refers to some of the concepts that seem --

20 THE COURT: Is the government objecting to those two
21 paragraphs or not?

22 MR. REHN: We would, I think, not object to cutting
23 both paragraphs.

24 THE COURT: That wasn't my question.

25 MR. REHN: If the defense doesn't want them, the

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1 government is not asking for them, if that's the question.

2 THE COURT: No, that's not the question. Please
3 listen to the question and answer it.

4 MR. REHN: We would say -- if the first paragraph is
5 included, the second paragraph provides necessary context to
6 the first paragraph. If both paragraphs are included, we would
7 also ask that the Court include the language about disclaimers
8 that the government has proposed in its letters, which I could
9 provide to the Court, that's taken from the *Weaver* case.

10 THE COURT: We will come back to that.

11 What's the defendant's position on this?

12 MR. DICK: The defendant's position is that the
13 introductory sentence to the last paragraph on page 8, first,
14 my recollection that there is only one version of the terms of
15 service, lines 18 and 19. We have no objection to keeping that
16 in. We view the remainder with respect to clickwrap and the
17 agreement as unnecessary, and we would ask that that be
18 removed. So that would be --

19 THE COURT: Is there an objection to that or not?

20 MR. DICK: The one I articulated, in our view, the
21 clickwrap and the conspicuousness, is not a subject of proof at
22 trial.

23 THE COURT: What exactly is the defendant's position?
24 If I take this out, what's the jury to be told about the
25 significance or the relevance, for that matter, of the terms of

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1 service?

2 MR. DICK: In our view, your Honor, that's taken up in
3 the paragraph on page 9, line 12, and we did submit last night,
4 your Honor --

5 THE COURT: Yes. I got the submission late last night
6 with 240 pages attached to it. I have not read all 240 pages
7 yet.

8 MR. DICK: Yes, your Honor.

9 In our view, the legal significance and the legal
10 meaning of the terms of service are a proper subject for the
11 jury to consider. Because it is a contract, its meaning is for
12 the Court to instruct the jury on.

13 THE COURT: Whether it is a contract depends, does it
14 not, on whether clicking on the box formed a contract and, if
15 so, what the terms of that contract were. Isn't that true?

16 MR. DICK: Point taken, your Honor.

17 In that event, I would be happy to submit this later
18 in writing.

19 On page 8, the sentence after the first -- this would
20 go from lines 19 through 22. There is evidence that a
21 prospective consumer had to click on a box that said I agree to
22 the FTX terms of service in order to open an account. We would
23 keep that in, which, in our view, establishes the formation of
24 a contract, and the meaning of the contract we would then turn
25 to the paragraph on page 9.

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1 THE COURT: Which paragraph on page 9?

2 MR. DICK: The one beginning the third point on line
3 12.

4 THE COURT: Which doesn't address the meaning of the
5 contract.

6 MR. DICK: It doesn't in fact. That's what --

7 THE COURT: That's what you want. You want to say
8 there was a contract and you don't want to address the meaning
9 of it.

10 MR. DICK: No.

11 THE COURT: You just want to wing it on closing.

12 MR. DICK: No, your Honor.

13 In fact, the meaning of the contract is the subject of
14 the submission we made last night.

15 THE COURT: Yes, I know. But I am not going to charge
16 that.

17 MR. DICK: OK.

18 Then the terms of the contract --

19 THE COURT: That submission was untimely, it's
20 incomplete, it does not state the relevant law, it may not
21 apply the right law. It has all kinds of problems that I've
22 only touched on.

23 MR. DICK: Understood, your Honor.

24 MR. REHN: Your Honor, it's the government's position
25 that the core important point for the jury to be instructed on

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1 is what the Court has on page 9, beginning on line 12, that
2 this is a criminal wire fraud case and not a civil
3 breach-of-contract case. We don't think that the jury needs
4 instruction on the terms of service as set forth in the
5 previous two paragraphs. We do believe that if the Court is to
6 provide that instruction, an instruction from *Weaver* regarding
7 disclaimers --

8 THE COURT: You said that already. I understand that.

9 There is no evidence whatsoever in the record, am I
10 right, as to what the terms of service actually were before May
11 22, 2022. Isn't that so?

12 MR. REHN: I believe that's correct, your Honor.
13 There is reference to existing prior drafts, but I do not
14 believe they are in evidence.

15 THE COURT: There is reference in the testimony but
16 certainly not a document and, to my recollection, certainly not
17 even testimony as to what those terms were. Yes?

18 MR. REHN: I think that's right. I'm reminded by my
19 colleague, there may have been some general description in Can
20 Sun's testimony.

21 THE COURT: Can Sun's testimony, I believe, was to the
22 effect that when he came aboard, there had been one or more
23 prior documents which are terms of service, that there was a
24 draft of a new one in progress, that the new one was finished
25 under his administration, and that it went live, so to speak,

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1 became operational in May of 2022, right?

2 MR. REHN: That's correct, your Honor.

3 THE COURT: And he said something to the effect that
4 there were some things in what went before that were in the May
5 draft, but other things that weren't, something to that effect.
6 Isn't that so?

7 MR. REHN: I think that's largely accurate.

8 THE COURT: So there is no evidence as to what the
9 terms of service substantively said before May of 2022. That
10 being the case, there is no evidence of a contract before May
11 of 2022 because, clickwrap validity or not, there is no
12 evidence as to whether the clickwrap approach was used before
13 May '22, although maybe someone could infer that, but certainly
14 no evidence as to what they were agreeing to then. Yes?

15 MR. REHN: Yes.

16 THE COURT: Now, then we come back to May of 2022. I
17 understand that the defense wants me in one way or another to
18 say that this was a contract when somebody clicked on the box
19 after May of 2022. Aren't there issues of fact in that regard
20 for this reason? If the clicking was not legally effective to
21 form a contract between the customer and FTX, then the
22 governing law clause in the terms of service has no bearing
23 whatsoever. There has been no proof in this case, apart from
24 that clause, as to whether there was ever a contract that
25 whatever this relationship was, it was governed by English law

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1 or anything else, right?

2 MR. REHN: There has really been no discussion of
3 that.

4 THE COURT: Nothing.

5 So what we have here is a situation in which the
6 existence of a contract in the May 2022 period, putting aside
7 for a minute the precise terms, depends on the circumstances in
8 which a so-called clickwrap agreement is effective to form a
9 contract, yes?

10 MR. REHN: That's correct, your Honor.

11 THE COURT: And in the absence of proof that foreign
12 law, whether that's New Jersey or Antigua or the United Kingdom
13 or Nauru, and that that foreign law is different than the law
14 of New York, the Court is bound to apply New York law. Yes?

15 MR. REHN: Well, your Honor, there is no need for the
16 Court or the jury to consider any substantive contract law
17 because, as articulated in cases like *Weaver*, in a criminal
18 federal wire fraud case the jury should consider all of the
19 evidence of the relationship between parties, not just whether
20 there was or was not compliance with the literal terms of the
21 contract.

22 THE COURT: But if there is no contract, they can't
23 consider an alleged contract, right?

24 MR. REHN: Your Honor, they can consider all of the
25 ways in which the parties made representations and

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1 communications to each other and the terms of service are a
2 form that was available to customers. For example, there was
3 evidence that Can Sun sent the terms of service to Sculpture,
4 which was a prospective customer at FTX, when they were asking
5 questions about how their assets would be treated at FTX. So
6 the question there is not whether Sculpture entered into a
7 contract when it became a customer, but what it understood its
8 assets would be treated as on the exchange.

9 THE COURT: Now I think I am beginning to understand
10 your point.

11 Mr. Dick, any response to that?

12 MR. DICK: Well, it's, at a minimum, conceded by the
13 government that the terms of service, whether considered as a
14 contract or as a series of representations, are relevant. So
15 those contents, I think, are properly before the jury. And as
16 your Honor is alluding to, whether or not it was in fact a
17 contract is certainly relevant to the nature of the
18 relationship between the customers and FTX. So our view is --

19 THE COURT: Whether or not it was a contract depends
20 on whether the clickwrap agreement is sufficient for contract
21 formation, isn't it?

22 MR. DICK: I take your Honor's point on that.

23 THE COURT: Given what I said about no proof of
24 foreign law and no ruling by the Court on any foreign law, I
25 apply the law of New York to whether there was a contract, as

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1 opposed to some idle communication that was headed terms of
2 service.

3 Do you agree with that too?

4 MR. DICK: I do.

5 THE COURT: So the government's point is, they would
6 like to drop essentially the last -- the carryover paragraph on
7 page 7.

8 Is that right, Mr. Rehn?

9 MR. REHN: What we said is that we would certainly be
10 fine with dropping both the paragraph beginning first that's on
11 page 8 at line 18 and then the next paragraph that begins on
12 page 9 at line 3, or include both with the government's
13 proposed disclaimer instruction. Either one, we think, is
14 acceptable.

15 THE COURT: I'm sorry. I think I said page 7, but I
16 didn't mean page 7. I meant page 8. But you picked that up.

17 MR. REHN: Yes, your Honor.

18 THE COURT: So you would drop the paragraph beginning
19 on 8, line 18 through 9, line 11.

20 MR. REHN: To be clear, we don't object to the Court's
21 views on this. If the Court thinks it's appropriate to include
22 these paragraphs, we don't object to that.

23 What we had a problem with was the defense suggestion
24 that just cut one of the two paragraphs. So we are happy with
25 cutting both or with keeping both with our proposed addition.

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1 THE COURT: Given that position now, Mr. Dick, where
2 are you?

3 MR. COHEN: I don't want to keep belaboring the point,
4 your Honor, but for record purposes it is our view that there
5 was a submission in English law --

6 THE COURT: It's your position that what?

7 MR. DICK: There was a submission with respect to the
8 meaning of English law.

9 THE COURT: Yes, I know there was.

10 MR. DICK: That being so, we reviewed the contract,
11 the terms of service, should the jury find there to have been a
12 contract, to be relevant, its terms, under English law, to be
13 relevant. And in that event we would actually keep the
14 language with respect to clickwrap because your Honor has
15 pointed out, as to contract formation, that language lays that
16 groundwork.

17 THE COURT: I am going to leave it with the change the
18 government suggested.

19 MR. DICK: Just for record purposes, your Honor, on
20 the *Weaver* instruction, the disclaimer instruction --

21 THE COURT: The *Weaver* instruction, where do I find
22 that language?

23 MR. REHN: Your Honor, a version of it is in the
24 letter that the government filed on October 19 at page 3, but I
25 could also provide it to the Court now.

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1 THE COURT: In your view, it would go where?

2 MR. REHN: It would go after line 11 on page 9. In
3 considering whether a statement or omission is material, let me
4 caution you that a clause in a contract or a disclaimer cannot
5 render any misrepresentations, including any oral
6 misrepresentations, immaterial as a matter of law.

7 THE COURT: Mr. Dick.

8 MR. DICK: Our views on this were set out in our
9 letter of October 24. We view that instruction as unnecessary.

10 THE COURT: I have had, I am going to guess now, 200
11 pages of submissions in letters and proposed jury instructions,
12 and if you're seriously advocating this position you are going
13 to have to tell me what it said.

14 MR. DICK: In brief, your Honor, an instruction with
15 respect to disclaimers we view as unnecessary and potentially
16 confusing. The terms of service, again, in our view, formed a
17 contract with substantive provisions. Rather than purely
18 disclaimers with respect to prior disclosures regarding risk
19 and those substantive procedures, we believe the jury would be
20 tempted to disregard by the government's proposed instruction.

21 THE COURT: I think your position on this is in some
22 respects inconsistent with what you said a minute ago about
23 contract formation and disclaimers are in fact substantive
24 provisions of contracts.

25 So I am not going to adopt your suggestion, and I am

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1 going to charge, in substance, what the government said about
2 disclaimers. There was something else after disclaimers.

3 MR. REHN: Yes, your Honor. Let me caution you that a
4 clause in a contract or a disclaimer cannot render any
5 misrepresentation.

6 THE COURT: When I go back upstairs and try to find
7 the specific language, it's in your October 19 letter, page
8 what?

9 MR. REHN: I have it here, page from our letter.

10 THE COURT: Oh, well, how wonderful.

11 MR. REHN: I believe that's more or less almost word
12 for word of what was approved in *Weaver*.

13 THE COURT: Now, I think we got through page 9, line
14 23. Did we get that far?

15 MR. REHN: We had one more on page 9, your Honor.

16 THE COURT: OK.

17 MR. REHN: Beginning on line 18, there is a sentence
18 that begins, and if the government has proved such a
19 relationship of trust and confidence, it says, you must
20 determine whether or not the government has proved that FTX
21 customers were materially deceived or misled.

22 The issue there is that that seems that the government
23 must prove misrepresentation and misappropriation, as opposed
24 to what the law is, which is that it's an alternative theory.
25 Because there is other places in the instructions where both

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1 alternatives are set forth, we think that sentence can just be
2 cut.

3 Separately, the instructions adequately define both
4 misappropriation and material misrepresentations.

5 THE COURT: Mr. Dick.

6 MR. DICK: We have no objection to that, your Honor.

7 THE COURT: That's out.

8 Anything else through page 9, line 23 from either
9 side?

10 Hearing none, we will move on. Line 9-24 through page
11 11, line 7.

12 Government.

13 MR. REHN: We are on page 10 now, your Honor.

14 THE COURT: We are on page 9, starting with line 24
15 through 11, line 7.

16 MR. REHN: Again, in keeping with the theme, on page
17 10, line 5, at the end of the line it says, that is sufficient
18 to establish. We would propose the word also there.

19 THE COURT: Any objection to that, Mr. Dick?

20 MR. DICK: No, your Honor.

21 THE COURT: I'll make that change.

22 Anything else from the government through page 11,
23 line 7?

24 MR. REHN: No, your Honor.

25 THE COURT: Defendant.

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1 MR. DICK: I beg your pardon. The end point of your
2 current request?

3 THE COURT: 11, line 7.

4 MR. DICK: None, your Honor. Thank you.

5 THE COURT: I think the hard part is over.

6 Page 11, line 8 through page 14, line 14.

7 Government.

8 MR. REHN: Your Honor, the government has previously
9 briefed the issue of the appropriate definition of willfully
10 with respect to each of these crimes. It's our view that in
11 the context of the wire fraud and securities fraud and
12 commodities fraud charges, all of which are going to use the
13 same definition of willfully, there is not a requirement that
14 the defendant act with knowledge that one's conduct is
15 unlawful. We think that's the heightened willfulness standard,
16 and the willfulness standard that applies to these crimes -- to
17 act willfully means to act voluntarily and with wrongful
18 purpose.

19 THE COURT: Mr. Dick.

20 MR. DICK: With respect to the wire fraud counts, your
21 Honor, we don't have any objection to that.

22 THE COURT: We will strike, with knowledge that one's
23 conduct, through the end of line 17 and -- I misspoke there.
24 We will strike, with knowledge that one's conduct is
25 unlawful -- I did not misspeak -- through the end of line 17

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1 and insert, voluntarily and with wrongful purpose.

2 That picks up your point, Mr. Rehn?

3 MR. ROOS: Yes. Thank you, your Honor.

4 THE COURT: Anything else through 14, line 14?

5 MR. REHN: Similarly, on page 12, at lines 23 and 24,
6 there is a sentence that says: Good faith is an honest belief
7 by the defendant that his conduct was not unlawful. I think
8 that's the inverse of what we just discussed and imports an
9 incorrect willfulness standard into the good-faith instruction.

10 THE COURT: And, therefore.

11 MR. REHN: Therefore, that sentence should be
12 stricken.

13 THE COURT: Mr. Dick.

14 MR. DICK: In our view, the sentence under discussion,
15 which goes from lines 23 to 24, on page 12 should read: Good
16 faith is an honest belief by the defendant that his conduct was
17 not unlawful or improper. The invert proposition Mr. Rehn was
18 referring to, we don't think is applicable, an honest belief
19 that one's conduct was not unlawful.

20 THE COURT: Picking up the language that we just
21 adopted on page 11, would it solve the concerns to say, good
22 faith is an honest belief by the defendant that his conduct was
23 not wrongfully intended?

24 MR. REHN: That would be fine with the government,
25 your Honor.

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1 THE COURT: Mr. Dick.

2 MR. DICK: Your Honor, we would ask for the original
3 charge, conduct was not unlawful. We think that's proper.

4 THE COURT: Overruled.

5 Anything else from either side to and including page
6 14, line 14?

7 MR. REHN: Nothing further from the government, your
8 Honor.

9 THE COURT: Mr. Dick.

10 MR. DICK: Your Honor, on the top of page 13, there is
11 what's been called the no-ultimate-harm instruction beginning
12 on line 3. It's the sentence, however. We made a submission
13 that we don't view that as necessary here. To the extent that
14 the evidence shows Mr. Bankman-Fried believed customers would
15 never be harmed, including in the short term, which is what we
16 submit the evidence shows, this instruction is not necessary,
17 and that's in our prior submission.

18 MR. REHN: Your Honor, there has been quite a bit of
19 evidence for them in the defense case about a belief that the
20 companies would be able to repay the customers, so there is a
21 factual predicate for this instruction in the record, and it's
22 an instruction that has been approved repeatedly in exactly
23 these terms by the Second Circuit when a factual predicate
24 exists in the trial record.

25 THE COURT: Overruled, Mr. Dick.

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1 Anything else from either side to 14, line 14?

2 Hearing none, 14, line 15 through 15, line 13.

3 Government.

4 MR. REHN: Nothing, your Honor.

5 THE COURT: Mr. Dick.

6 MR. DICK: Nothing, your Honor.

7 THE COURT: 15, line 15 to 16, line 16.

8 MR. REHN: Nothing, your Honor.

9 MR. DICK: Nothing from us either.

10 THE COURT: Thank you.

11 16, line 17 through 19, line 7.

12 Government.

13 MR. REHN: Your Honor, on page 19, at 4 and 5, this is
14 in respect to the aiding-and-abetting instruction. The prior
15 sentence explains what the jury must find in order to convict
16 the defendant on an aiding-and-abetting theory, but then the
17 next sentence suggests they may not find the defendant guilty
18 of the substantive crime if they don't find aiding and
19 abetting, which suggests --

20 THE COURT: You're right.

21 MR. REHN: It should read: If, however, you do not so
22 find, you may not find the defendant guilty of that substantive
23 crime on an aiding-and-abetting theory.

24 THE COURT: You're absolutely right.

25 And on page 3, the word must should be changed to

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1 should.

2 MR. REHN: That's fine with the government, your
3 Honor.

4 THE COURT: I assume it's fine with the defense.

5 MR. DICK: Yes, your Honor.

6 THE COURT: Page 19, line 8.

7 MR. DICK: I beg your pardon, your Honor.

8 THE COURT: I'm sorry?

9 MR. DICK: With respect to page 3 earlier on aiding
10 and abetting --

11 THE COURT: Page 3.

12 MR. DICK: -- it is our position that that is not in
13 the case that has been tried.

14 THE COURT: I'm sorry. Page 3.

15 MR. DICK: Just on the aiding-and-abetting charge,
16 your Honor. It's our position that the case that has been
17 tried is not an aiding-and-abetting case and this instruction
18 is unnecessary. Your Honor's earlier point about the statute
19 and the aiding-and-abetting charge is taken, so we could just,
20 for record purposes, record our view that the
21 aiding-and-abetting charge --

22 THE COURT: I take your point.

23 What about that, Mr. Rehn?

24 MR. REHN: Your Honor, there has been quite a bit of
25 evidence that other people committed substantive crimes and

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1 that the defendant took various acts in furtherance of that.
2 For instance, Ms. Ellison testified that she sent fraudulent
3 balance sheets to lenders after consulting with the defendant.
4 A jury could certainly conclude that even if they don't find
5 that the defendant caused her to do that, such that he's guilty
6 as a principal, he nonetheless aided and abetted her by
7 reviewing the balance sheets. That's just one of many examples
8 in which the defendant communicated with others in furtherance
9 of substantive crimes that they were committing.

10 THE COURT: Why isn't that right, Mr. Dick?

11 MR. DICK: Those are conspiracy charges, your Honor,
12 not aiding-and-abetting charges.

13 THE COURT: Well, I don't think that's right, is it?
14 Because I certainly take your point that it could be a
15 conspiracy charge. But if the crime was then actually
16 committed by someone else, the defendant's conduct, Mr. Rehn
17 argues, could be viewed as aiding and abetting that person in
18 committing the substantive mail fraud and wire fraud offense.

19 MR. DICK: I understand your Honor's point. In our
20 view, that has not been what the case has been about or what
21 the proof at trial has been about, but we can record our
22 position for the record.

23 THE COURT: Your position is recorded. Overruled.

24 Page 19, line 8 through page 21, line 24.

25 Government.

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1 MR. REHN: Nothing from the government, your Honor.

2 THE COURT: Defense.

3 MR. DICK: Nothing from us either, your Honor.

4 THE COURT: Thank you.

5 Page 21, line 25 through page 24, line 17.

6 Government.

7 MR. REHN: Nothing, your Honor.

8 THE COURT: Mr. Dick.

9 MR. DICK: Nothing, your Honor.

10 THE COURT: Page 24, line 18 through page 29, end of
11 the page.

12 Government.

13 MR. REHN: We had one issue that comes up on page 28
14 at lines 24 and 25.

15 THE COURT: Yes.

16 MR. REHN: The law does not require the government to
17 prove an overt act that is alleged in the indictment. It only
18 needs to prove an overt act. We would suggest striking the
19 words alleged in the indictment.

20 So that sentence should read: The government may
21 satisfy the overt-act element by proving an overt act, but it
22 is not required to prove the particular overt acts alleged in
23 the indictment.

24 THE COURT: I hate to tell you how many times the
25 charge has been given in these precise words. I understand

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1 that as a matter of drafting what you propose sounds harmless,
2 but what's here accurately states the law.

3 Your point is overruled.

4 (Continued on next page)

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1 MR. REHN: Your Honor, we think that the issue is the
2 law does not require the overt act that's set forth in the
3 indictment to have been proven.

4 THE COURT: Yeah, and how is that not covered in the
5 sentence that begins on line 24?

6 MR. REHN: Well, the sentence on line 24 says that we
7 may satisfy it by proving an overt act alleged in the
8 indictment.

9 THE COURT: Keep reading.

10 MR. REHN: But it is not required to prove any of
11 those particular overt acts.

12 THE COURT: Right.

13 MR. REHN: I take your point. I think that's fine.
14 Yes, that's fine, your Honor.

15 THE COURT: Okay. Anything from the defense on this
16 section?

17 MR. DICK: Yes, your Honor. On page 27, lines 6 and
18 seven, "wilfully," in the context of securities fraud, our
19 charge proposed and it's our position that "wilfully" in this
20 context requires a specific intent to violate the securities
21 law.

22 THE COURT: Mr. Rehn?

23 MR. REHN: That's not correct under the governing law.
24 I'm not sure what authority the defense is looking to.

25 THE COURT: Mr. Dick, maybe you'll enlighten us?

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1 MR. DICK: Certainly, your Honor. Two cases that I'm
2 thinking of: *United States v. Cassese*, 428 F.3d 92, 98 (2d Cir.
3 2005); and *United States v. Peltz*, 433 F.2d 48, 55 (2d Cir.
4 1970).

5 THE COURT: Give me the second one, please?

6 MR. DICK: Yes. *United States v. Peltz*, P-E-L-T-Z,
7 433 F.2d 48, 55 (2d Cir. 1970).

8 THE COURT: Let me take a look.

9 MR. REHN: Your Honor, with respect to the *Kaiser*
10 case, 609 F.3d 556, 569, specifically held that willfulness
11 does not require a showing that the defendant had awareness of
12 the general unlawfulness of his conduct.

13 THE COURT: Does not require?

14 MR. REHN: That's correct, your Honor.

15 THE COURT: An awareness of the general unlawful
16 nature of his conduct?

17 MR. REHN: That's right. But rather that he had an
18 awareness of the general wrongfulness of his conduct, which is
19 what we discussed earlier in the context of the wire fraud
20 charge.

21 One other authority for the Court, Judge Rakoff gave
22 an instruction along the lines of what we've suggested in
23 *United States v. Petit*, and the Second Circuit just recently
24 affirmed that. That's *United States v. Petit*. The citation
25 for the Second Circuit case is 2022 WL 3581648 at *4.

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1 THE COURT: All right. Now give me a couple of
2 seconds to look at these authorities.

3 Mr. Dick, *Peltz* and *Cassese*, if it adopted the
4 standard you said at all, did so for insider trading cases
5 alone; isn't that right?

6 MR. DICK: I think I disagree, your Honor, and if one
7 looks at the *Kaiser* decision, it seemed to say that for insider
8 trading cases only, the specific intent I mentioned—intent to
9 violate the securities law—was not required, but for a
10 misrepresentation on investors theory, it was required.

11 THE COURT: Mr. Rehn, what about it?

12 MR. ROOS: I believe he actually has that backwards.
13 I believe in the insider trading context—I don't have the case
14 in front of me, your Honor, but as I recall, the insider
15 trading cases sometimes do have a stronger willfulness
16 instruction than the more general misrepresentation on
17 investors cases, so on my recollection, that's what the *Kaiser*
18 case says. It certainly was the case in *Petit* that the Second
19 Circuit recently affirmed an instruction that the defendant
20 acted deliberately and with a bad purpose and said that there
21 was no further instruction required for willfulness.

22 *Petit*, I believe, was not an insider trading case; it
23 was just a general securities fraud case.

24 THE COURT: The government is right on this, so that
25 it will stand as written.

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1 Anything else on this section from either side?

2 Mr. Dick?

3 MR. DICK: No, your Honor.

4 THE COURT: Mr. Rehn?

5 MR. ROOS: No.

6 MR. REHN: No, your Honor.

7 THE COURT: Page 30, line 1, through 34, line 10.

8 MR. REHN: Very minor, your Honor. On page 30, at
9 lines 14 and 15, it says, "this Count Six." I think just the
10 word "this" should be stricken in both places.

11 THE COURT: It is very minor. I'm not going to change
12 it.

13 MR. DICK: Yes, your Honor. A couple of items.

14 THE COURT: Yes.

15 MR. DICK: On page 33, beginning on line 9, the
16 instruction with respect to in connection with commodities
17 fraud—fraud, that is, in connection with commodities trades,
18 the Court's instruction reads, "One way the government may
19 prove a sufficient connection to the United States—"I beg your
20 pardon. I'm on the wrong page. I'm on page 32. I apologize,
21 your Honor. This is in the middle of page 32, beginning on
22 line 11.

23 The charge proposes that the "in connection with"
24 requirement would be met as long as there was some nexus or
25 relation between the alleged fraud, fraudulent conduct, and the

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1 swap or contract of sale of a commodity, and in the next
2 sentence, on line 15, it suggests that that connection
3 requirement would be met if the fraudulent conduct touched upon
4 a swap or a contract of sale of commodity. In our view, under
5 the *Brady* standard, that's insufficient.

6 THE COURT: Mr. Rehn?

7 MR. REHN: Your Honor, again, I don't have the cases
8 in front of me, but I believe that this is consistent with the
9 government's proposed instruction, which drew from some of
10 these same authorities that the Court has drawn from, so unless
11 there's a specific authority the defense is citing, I think
12 these are correct.

13 THE COURT: What specifically do you rely on,
14 counselor?

15 MR. DICK: With respect to the requirement in general,
16 we're relying on—

17 THE COURT: With respect to this point.

18 MR. DICK: Yes, to this point. To the "in connection
19 with" requirement, we were relying on *Dabit v. Merrill Lynch*,
20 Second Circuit of 2005, which required an integral relationship
21 between the fraud and commodities trades.

22 THE COURT: Citation, please.

23 MR. DICK: 395 F.3d 25.

24 THE COURT: I'm sorry. 395?

25 MR. DICK: Yes, 395 F.3d 25, 37. I'll note that that

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1 case, *Dabit*, was overruled on other grounds—specifically, the
2 scope of preemption under SLUSA.

3 THE COURT: All right. I'll take a look.

4 What language are you asking for here, Mr. Dick?

5 MR. DICK: "The connection must be integral to and not
6 merely incidental to."

7 THE COURT: I'm not going to charge it in those terms.
8 I'm going to leave it as it is. While I understand that there
9 is identical language in *Dabit*, quoted from another case,
10 reading *Dabit* overall, I think the instruction I propose to
11 give is consistent with the case law. Certainly *Dabit* did not
12 purport to adopt the view that would be reflected if I charged
13 it in the precise terms the defense is requesting. It takes it
14 out of context.

15 Anything else?

16 MR. DICK: Yes, your Honor. On page 33—

17 THE COURT: Yes.

18 MR. DICK: —in the paragraph beginning on line 9,
19 with respect to extraterritorial conduct, with the territorial
20 application of the statute. As written, the charge would have
21 that element, the territoriality requirement, satisfied by a
22 showing that, "some conduct relevant to the offense charged in
23 Count Six occurred in the United States." In our view, there
24 should be additional language in that sentence, saying "and
25 that the fraudulent conduct was not predominantly foreign."

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1 THE COURT: Mr. Rehn?

2 MR. REHN: Your Honor, that would be inconsistent with
3 a number of recent cases that say that as long as there is
4 domestic conduct in the United States, that's sufficient for
5 facing jurisdiction on this particular provision of the
6 commodities law. For instance, *In re Platinum and Palladium*
7 *Antitrust Litigation*, 61 F.4th 242, 267 (2d Cir. 2023), it held
8 that it was proper to apply the Commodities and Exchange Act
9 domestically where the plaintiffs alleged domestic conduct by
10 the defendants that violated the CEA.

11 THE COURT: What are you relying on, Mr. Dick?

12 MR. DICK: I was relying on the "predominantly
13 foreign" phrase from *Prime International*, which the *Platinum*
14 *and Palladium* case and others have cited and relied upon.

15 THE COURT: What's the citation?

16 MR. DICK: I beg your pardon. Just give me one
17 moment. I'll find it for you.

18 THE COURT: And Mr. Rehn, the case you were citing was
19 62 or 67?

20 MR. REHN: It was 61 F.4th 242, 267.

21 THE COURT: Thank you.

22 MR. DICK: Your Honor, I apologize. I do not have
23 that citation. I'd be happy to provide it shortly after the
24 conference, but I simply don't have it right here.

25 THE COURT: Okay. Let me just read the government's

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1 case.

2 Just to digress for a moment, I note on page 31,
3 line 27, where it says "interstate commerce," I think it should
4 say "interstate or foreign commerce." Anybody disagree with
5 that?

6 MR. REHN: No, your Honor. That seems correct.

7 MR. DICK: No, your Honor. Thank you.

8 THE COURT: Okay. Getting back to where we were.
9 I'll ask the defendant to submit the authority to my chambers,
10 unless you have it now.

11 MR. DICK: I do have it now.

12 THE COURT: Good.

13 MR. DICK: The citation is 937 F.3d 94, 107.

14 THE COURT: Thank you.

15 Now, Mr. Dick, I hate to do this, but restate your
16 point on this, your language?

17 MR. DICK: Yes, your Honor. This would be beginning
18 on line 11 of page 33. The end of that sentence currently
19 reads, "some conduct relevant to the offense charged in Count
20 Six occurred in the United States," and I would propose adding
21 "and that the fraudulent conduct was not predominantly
22 foreign."

23 THE COURT: That sounds right to me, Mr. Rehn.

24 MR. REHN: Your Honor, I have that *Platinum and*
25 *Palladium* case, which seems to indicate that just an allegation

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1 of domestic conduct is sufficient.

2 THE COURT: Well, so you'd better point me to exactly
3 where, because—

4 MR. REHN: There's language there in which the court
5 upheld domestic application of the statute, and it says,
6 "because plaintiffs also allege domestic conduct by the
7 defendants," which I don't believe that case has further
8 language requiring "predominantly."

9 THE COURT: All they're saying is that the complaint
10 said there was domestic conduct. That can't be taken I think
11 in this context to mean that any claim of any domestic conduct
12 is enough, can it?

13 MR. REHN: Your Honor, the Commodities Exchange Act I
14 do believe does criminalize commodities fraud if conduct
15 committed in furtherance of the offense is committed within the
16 United States. There is very specific law about when it's
17 appropriate to have purely extraterritorial application of the
18 law.

19 THE COURT: Yes.

20 MR. REHN: But—

21 THE COURT: So what part of the CEA says that action
22 in furtherance in the United States is enough?

23 MR. REHN: So, your Honor, what we would point to is 7
24 U.S.C. Section 2, subsection (i), which defines the—or no. I
25 apologize, your Honor. That's incorrect. That's relating to

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1 swaps, which is the next paragraph. I'm actually looking at
2 CFTC's Rule 180.1, which is what defines sort of the scope of
3 commodities fraud that the CFTC—

4 THE COURT: What title of the C.F.R. is that?

5 MR. REHN: I believe that's 7 C.F.R. 180.1.

6 THE COURT: 180.1?

7 MR. REHN: I apologize, your Honor. I think it's 17
8 C.F.R.

9 THE COURT: 17.

10 I don't think that really supports you. So give me
11 your language, Mr. Dick. I'm going to adopt it.

12 MR. DICK: Yes, your Honor. This would be page 33,
13 line 11, beginning right after the word "states." That is at
14 the beginning of the sentence. And we would propose "and that
15 the fraudulent conduct was not predominantly foreign."

16 THE COURT: But this is a conspiracy count, yes?

17 MR. DICK: That's correct, your Honor.

18 THE COURT: Which changes it. I would adopt your
19 language if it were a substantive count. Doesn't it change it?

20 MR. DICK: I believe this is as to the object element
21 of the conspiracy, which does have to be specific. It doesn't
22 mean that Mr. Bankman-Fried's conduct has to have been here or
23 there. The fraudulent conduct as a whole—that is, the object
24 of the conspiracy—must be predominantly foreign.

25 THE COURT: Well, then shouldn't it read, "and that

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1 the fraudulent conduct that was the object of the conspiracy
2 would not have been predominantly foreign"?

3 MR. DICK: I would agree with that, your Honor, yes.

4 THE COURT: Mr. Rehn?

5 MR. REHN: No objection given that the Court has
6 overruled our earlier position.

7 THE COURT: Okay. We're done through page 34,
8 line 10, right?

9 MR. DICK: With apologies, on this very hard-fought
10 page, one last issue, your Honor? In the bottom paragraph on
11 page 33, beginning on line 15, actually the sentence that
12 begins on line 20, which says, "In assessing this issue, you
13 may also consider whether conduct in furtherance," etc. This
14 is essentially saying, if conduct had an effect on commerce in
15 the United States, it may satisfy the territoriality
16 requirement. In our view, this sentence from here to the
17 bottom of the paragraph actually belongs at the end of the
18 prior paragraph that begins, "One way the government." As to
19 swaps, which is the beginning of this paragraph. Swaps, "the
20 conduct may be foreign provided there is a direct and
21 significant effect on US commerce." With respect to
22 commodities other than swaps, the standard is the one that's
23 quoted at the bottom of this paragraph.

24 THE COURT: You've lost me.

25 MR. DICK: Yes, your Honor.

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1 So for swaps, there is a specific carveout or a
2 specific rule saying that extraterritorial conduct is covered
3 by the statute, provided there is a direct and significant
4 effect on United States commerce. That is the rule that's
5 quoted in the first lines of this paragraph, 15-20. For other
6 commodities, an effect on United States commerce may be a way
7 of proving a territorial application of the statute, but it is
8 not the direct and significant allegation, it is the language
9 that we believe is set forth beginning on lines 20-25.

10 THE COURT: Mr. Rehn?

11 MR. REHN: Your Honor, I think actually we agree with
12 the defense on this point. I think that lines 20-25 should be
13 moved up and come at the end of the previous paragraph.

14 THE COURT: Okay. I will move it into the prior
15 paragraph. That solves the problem all around?

16 MR. DICK: It does for us, your Honor.

17 THE COURT: Okay. Page 34, line 11.

18 MR. REHN: Just one note, your Honor? Sorry. Going
19 back to page 31, we noticed on line 5, it also needs to be
20 interstate or foreign commerce.

21 THE COURT: Thank you.

22 Page 34, line 11 through page 39, line 10.
23 Government?

24 MR. REHN: The one thing is on page 38 at lines 8 and
25 9.

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1 THE COURT: Yes.

2 MR. REHN: We found it a little confusing where it
3 says, "The government must prove that a person would have
4 agreed to conduct financial transactions with the knowledge
5 that." The "would have" I think was—it seems a little
6 confusing. We would just suggest specifically, "The government
7 must prove beyond a reasonable doubt an agreement to conduct
8 financial transactions with knowledge."

9 THE COURT: Sounds like an improvement. Mr. Dick?

10 MR. DICK: No objection, your Honor.

11 THE COURT: Okay. Anything else on that section, from
12 either side?

13 MR. DICK: Nothing from us.

14 THE COURT: Okay. Page 39, line 11 through page 42,
15 line 9.

16 MR. REHN: We had a similar issue at the top of
17 page 41, your Honor where there were just a number of sort of
18 subjunctive phrasings of "would."

19 THE COURT: So tell me how you would propose to fix
20 it.

21 MR. REHN: So starting at line 1, we would suggest, "I
22 instruct you that the government is not required" rather than
23 "would not be required."

24 THE COURT: Yes.

25 MR. REHN: In line 2, that the person in question

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1 "knew" rather than "would have known," on line 3, "the
2 government is required" rather than "would be obliged." On
3 line 4, that the person in question "knew," again, rather than
4 "would have known." And then on line 7, again, just strike
5 "would have known" and put "knew" and strike "would have"
6 before "involved."

7 THE COURT: Mr. Dick?

8 MR. DICK: We found your Honor's instruction as
9 written perfectly clear so we don't think this is necessary.

10 THE COURT: This is just parallel to the change we
11 just made, isn't it?

12 MR. DICK: Understood, your Honor. No objection.

13 THE COURT: Okay. I'll adopt those suggestions,
14 without objection.

15 Conscious avoidance. Is the government seeking that
16 or not?

17 MR. REHN: Yes, your Honor. We think that there is
18 clearly a basis for a conscious avoidance instruction.

19 THE COURT: And it is?

20 MR. REHN: Yes, your Honor. To take just one example,
21 earlier this morning, the defendant testified that he overheard
22 references to the fiat@ account and chose not to ask any
23 further questions, which in and of itself would be a basis for
24 deliberately avoiding knowing a truth that was apparent to him.
25 And there were a number of other instances in his testimony

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1 where he acknowledged being aware of facts that should have
2 given rise to knowledge but avoided learning more.

3 In addition to the defendant's own testimony, there
4 was testimony in the government's case in chief regarding this.
5 For example, Nishad Singh testified that the defendant made up
6 excuses to avoid meetings where the financial hole at FTX was
7 discussed, suggesting that the defendant was deliberately
8 avoiding that knowledge.

9 And so there's a basis for the instruction.

10 THE COURT: Mr. Dick?

11 MR. DICK: Judge, your Honor, in our view, the
12 evidence—the government has sought to prove direct or actual
13 knowledge, which is not the right factual predicate for a
14 conscious avoidance charge, and we would object.

15 THE COURT: Why not? Why isn't it? The government's
16 position is he knew or he blinded himself to it. That's true
17 in every case, or almost every case, where there's a conscious
18 avoidance charge.

19 MR. DICK: In our view, the government has tried to
20 prove that he knew that there was actual or direct knowledge.

21 THE COURT: So what?

22 MR. DICK: We don't think a conscious avoidance charge
23 is warranted.

24 THE COURT: Do you have any case law that supports
25 that?

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1 MR. DICK: I don't with me, no, your Honor.

2 THE COURT: Okay. Overruled.

3 I mean, you know, to take the textbook example of a
4 conscious avoidance charge, defendant is observed standing on
5 the corner of some busy intersection and somebody comes up to
6 him and says, *Do me a favor, would you take this suitcase*
7 *across the street to the barbershop, and if you make it across*
8 *the street with the suitcase, I'm going to give you \$2,000.*
9 *And here's the two thousand dollar bills torn in half. You get*
10 *the other half when you come back.* And the government seeks to
11 prove that the defendant knew the suitcase was full of crack
12 cocaine, and their alternative position is, if he didn't know
13 it was crack cocaine, well, then he certainly blinded himself
14 to the fact that there really were drugs in the suitcase.
15 Classic case. That's the definition, isn't it?

16 MR. DICK: That hypothetical does reflect the
17 definition, your Honor. We don't think this charge is
18 necessary here.

19 THE COURT: Okay. Overruled.

20 Venue. Are we really going to have a venue
21 instruction? Is that going to be necessary or not?

22 I understand the government's position.

23 Mr. Dick?

24 MR. DICK: We submitted it in our proposed charges,
25 your Honor, and we do think it's important.

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1 THE COURT: Okay. Any objection to the venue charge
2 as I've stated it here?

3 MR. REHN: We just had one minor thing on line 15. I
4 think it should be "this district" as opposed to "the
5 district."

6 THE COURT: I think we can make that change.

7 MR. REHN: Although this is the district, your Honor.

8 THE COURT: Of course it's the district. "The
9 Sovereign District," right? That's your office's position.

10 Any problems with the venue charge, Mr. Dick?

11 MR. DICK: None here, your Honor.

12 THE COURT: Or the variance in dates?

13 MR. DICK: No, your Honor.

14 THE COURT: Okay. Section III. Anything from the
15 government?

16 MR. REHN: No, your Honor.

17 THE COURT: Defense.

18 MR. DICK: No, your Honor.

19 THE COURT: Section IV, anything from the government?

20 MR. REHN: Your Honor, on the top of page 49, the
21 first three lines relate to stipulations of testimony, which I
22 don't believe there are any in the case. All the stipulations
23 are of fact. So we would strike those first three lines and
24 then get rid of "Moreover," beginning on line 4.

25 THE COURT: Well, you made a stipulation of testimony

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1 out of the presence of the jury this morning. Do you want that
2 presented to the jury or not?

3 MR. REHN: I don't think we intend to present that to
4 the jury, but if the defense intends to, we're open to keeping
5 this language.

6 MR. DICK: Just one moment, your Honor.

7 THE COURT: All right. Look, let's not take a lot of
8 time. The first paragraph on page 49 is stricken.

9 Anything else on the last section?

10 MS. SASSOON: Page 53, your Honor.

11 THE COURT: Another quarter is heard from.

12 MS. SASSOON: Just to keep it moving.

13 Sections J and K referred to "at least one witness"
14 and "at least one witness." I think it was just one witness
15 for each.

16 THE COURT: Fine.

17 Anything else in IV?

18 MR. DICK: Your Honor, on page 49, *falsus in unum*, we
19 view that as unnecessary here. The general credibility charge
20 covers the ground, we believe. We understand that charge is
21 disfavored, although it is in the Court's discretion, and it is
22 unnecessary here.

23 THE COURT: Overruled.

24 MR. REHN: Your Honor, on page 53, there is a
25 instruction regarding expert witnesses. Because the expert

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1 witnesses weren't qualified on the record, I don't know if they
2 should be identified or—

3 THE COURT: Do we need this charge at all?

4 MR. REHN: Your Honor, I think it is helpful because
5 the testimony given by the experts was so different from other
6 witnesses in the case and was based on, in part, their
7 qualifications and their methodologies, and so an instruction
8 explaining that as a basis for admitting that testimony we
9 think is typically given and is appropriate.

10 THE COURT: Look, I'm willing to give it. I'm just
11 trying to make this less than a three-hour read to the jury.

12 MR. REHN: I understand. They don't have to be named,
13 your Honor, if the Court prefers not to.

14 THE COURT: I do prefer not to, unless both sides
15 wants it. Identification.

16 MR. DICK: Your Honor, we don't believe it's
17 necessary, but we do want the instruction.

18 THE COURT: Okay. Fine.

19 Anything else?

20 MR. REHN: Your Honor—

21 THE COURT: Through 56? Let's go to that.

22 MR. REHN: Yes, on the bottom of page 54, with respect
23 to the relevance of the campaign finance violations, because
24 Mr. Salame is not charged as a co-conspirator in the crimes
25 charged in this case, we think that should only refer to his

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1 relationship of mutual trust with Mr. Singh and so should
2 strike Mr. Salame.

3 MR. DICK: No objection.

4 THE COURT: Okay. Done.

5 MR. DICK: However, your Honor, in that same section,
6 there are a couple of references to alleged violations of the
7 campaign laws, and that's on line 15—

8 THE COURT: That's correct. You want to take out the
9 word "alleged."

10 MR. DICK: Violations of the campaign laws, your
11 Honor. It's the campaign contributions that are in evidence
12 here. The government, prior to trial, said they would not seek
13 to prove that the violation—that the campaign contributions
14 were unlawful. They did not seek to prove that. It's not in
15 evidence, and we submit that language is improper.

16 THE COURT: Mr. Rehn?

17 MR. ROOS: So the complication here, of course, is
18 that Nishad Singh, who testified under a cooperation agreement
19 with a charge of conspiring to violate the campaign finance
20 laws, was crossed on that charge and then said on redirect that
21 he conspired with the defendant. Your Honor appropriately gave
22 a limiting instruction, and this is not a point we're going to
23 press at the close of the case, but I think it's not totally
24 accurate to say that we were limited just to a discussion of
25 donations, given what the cross did.

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1 THE COURT: Suppose I struck the word "alleged" and
2 after "violations" inserted "Mr. Singh." Does that solve
3 anybody's problems?

4 MR. DICK: We would not object to that, your Honor.

5 THE COURT: Does that solve your problem? I know you
6 don't want to commit to anything. I understand that. I'm
7 asking you a direct question. I'd like a direct answer.

8 MR. DICK: I beg your pardon. I didn't know you were
9 speaking to me. Yes, your Honor.

10 THE COURT: Yes.

11 Government okay with that?

12 (Continued on next page)

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1 MR. REHN: One moment, your Honor.

2 Your Honor, we have an alternative proposal.

3 THE COURT: What's your proposal?

4 MR. REHN: We think to avoid kind of characterizing it
5 one way or another, instead of alleged violations of campaign
6 finance laws, we could say, alleged political straw donations
7 on line 15 and also on line 23.

8 The problem with limiting it to Mr. Singh is that, as
9 the testimony came in, clearly it related to a coordinated
10 conspiracy between the defendant and Mr. Singh regarding those
11 campaign donations. I think limiting it to Mr. Singh might
12 leave a misimpression.

13 THE COURT: Why don't we deal with this by simply
14 adding at the end of the paragraph that, I remind you that the
15 defendant is not charged in this case with any violation of the
16 political -- of the campaign finance laws.

17 MR. REHN: The government wouldn't object to that,
18 your Honor.

19 THE COURT: Does that solve the problem?

20 MR. DICK: It does, your Honor. Thank you.

21 THE COURT: I'm assuming there is nothing else up to
22 and including page 57, line 22.

23 Do we need the charges in paragraphs T and U at all,
24 57 and 58?

25 MR. REHN: Your Honor, we certainly think that U

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1 should be included.

2 With respect to T, I guess we don't think it's needed,
3 unless the defense closes by reference to certain investigative
4 techniques which are not employed here, which obviously we
5 don't yet know if that's going to happen yet.

6 THE COURT: Mr. Dick, what about it?

7 MR. DICK: Paragraph T we do not view as necessary.

8 THE COURT: I'm sorry?

9 MR. DICK: Paragraph T we do not view as necessary.
10 We also don't think that U is necessary.

11 THE COURT: T is out, and you are not going to make
12 that argument.

13 What are the false exculpatories that you are relying
14 on?

15 MS. SASSOON: For example, your Honor, the Good
16 Morning America clip where he said this was permitted by the
17 borrow/lend program and other statements that were elicited
18 that he made after the collapse to justify the conduct.

19 THE COURT: The defendant's objection is overruled.
20 That's enough.

21 Anything else through the end of the draft charge?

22 MR. ROOS: Judge, in V, line 19 on page 58, it says:
23 Communications sent and received over the messaging
24 applications Signal and Slack.

25 I think the way the evidence came in is that the

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1 government just argued or you heard evidence about the
2 defendant deleting or causing to be deleted Signal, so we could
3 delete, and Slack.

4 THE COURT: I am sure Mr. Dick has no objection to
5 that.

6 MR. DICK: None, your Honor.

7 THE COURT: Anything else through the end of the draft
8 charge?

9 MR. DICK: Just one moment, your Honor.

10 Nothing further.

11 THE COURT: Thank you.

12 MR. ROOS: One thing that's not in here. Your Honor
13 gave an instruction on the limited purpose of prior consistent
14 statements about halfway through the trial. We thought it
15 might be appropriate to just repeat the same instruction or
16 something close in your Honor's final instructions.

17 THE COURT: Prior consistent statements?

18 MR. ROOS: Correct. It was in the context of those
19 all-hands meeting recordings. Right before they were played,
20 your Honor gave a legal instruction about how the jury should
21 consider those.

22 THE COURT: Well, I'm sure it was profound, but I
23 can't remember it.

24 Can you point me to where it is in the transcript.

25 MR. ROOS: Ms. Sassoon is pulling it right now. I

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1 believe your Honor used a modified version of the Third
2 Circuit's model instructions at the time.

3 THE COURT: I need more help than that.

4 MS. SASSOON: Transcript 1141.

5 THE COURT: Thank you.

6 Mr. Dick, what do you say to that?

7 MR. DICK: As long as it's consistent with the
8 instruction your Honor gave before, we don't object.

9 THE COURT: I'm sorry. I couldn't get the last --

10 MR. DICK: If it is consistent, if it's the
11 instruction your Honor gave during trial, we do not have an
12 objection.

13 THE COURT: I'll insert it in substance.

14 Now, let me get a yellow pad. I just want to make
15 sure that I know for certain what we have, for want of a better
16 term, left open.

17 On page 1, line 17, the government owes me language
18 about misrepresentation and false statement. That also applies
19 to page 2 around line 6, as I remember it.

20 Then at page 7, onto 8, we have the requests by the
21 government for something out of *Weaver*, right, or have we
22 adequately covered that?

23 MR. REHN: I think that was at the end of the
24 paragraph on page 9 where the *Weaver* instruction was. On page
25 7 and 8, we had proposed some instructions.

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1 THE COURT: Give me just one second.

2 On page 9, I had agreed to add the language, in
3 considering whether a statement or omission was material. Let
4 me caution you that a clause in an investment contract or
5 disclaimer cannot render any misrepresentation, including any
6 oral misrepresentation, immaterial as a matter of law. That's
7 the *Weaver* instruction.

8 MR. REHN: That's the *Weaver*.

9 THE COURT: Is there anything else on 7 and 8 that I'm
10 waiting on you on, or did the movement of the entrusted
11 language in paragraph 8 to the end of that paragraph take care
12 of whatever we had discussed?

13 MR. REHN: I think you had asked us to propose a
14 slight change to the sentence that runs from the bottom of page
15 7 to the top of page 8 to reflect that a scheme to defraud also
16 includes a scheme to fraudulently --

17 THE COURT: Yes, you are right. That's three things
18 that the government owes me.

19 I think that's it.

20 The defense, I don't think I'm waiting on for any
21 language or authority, right?

22 MR. DICK: I believe that's correct.

23 THE COURT: Can the government get this stuff to me by
24 4:30?

25 MR. REHN: Certainly, your Honor.

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1 THE COURT: Any comments by either side on the draft
2 verdict form?

3 My law clerk reminds me of his understanding that the
4 defense was going to submit proposed language based on *Skelly*
5 with respect to page 8, is that right?

6 MR. DICK: Yes, your Honor. I had forgotten that. We
7 will do that by 4:30 too.

8 THE COURT: Thanks, John Hammel.

9 The draft verdict form has been distributed, yes?

10 MR. REHN: I don't believe we have it, your Honor.

11 THE COURT: John Hammel has been very busy today.

12 MS. SASSOON: Sorry. That's my computer, not my
13 phone.

14 THE COURT: You're lucky, not having brought your
15 toothbrush.

16 We will mark a copy of the circulation draft Court
17 Exhibit Y for the record.

18 Does anybody have anything on the verdict form?

19 MR. REHN: Nothing from the government, your Honor.

20 THE COURT: I wouldn't have thought so.

21 MR. EVERDELL: No, your Honor.

22 THE COURT: Let's just take a minute to talk about
23 closing argument.

24 Where do we stand on how long you expect to be?

25 MR. ROOS: I think somewhere between two and three

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1 hours, probably closer to the two than the three range. That's
2 for the principal summation, not for the rebuttal.

3 THE COURT: Mr. Cohen.

4 MR. COHEN: Two to three hours, your Honor.

5 THE COURT: It would, of course, be highly desirable
6 to get both arguments in tomorrow, which I think may be hard,
7 but I think it's in everybody's interest. And we normally get
8 around five hours of testimony. We can shorten the lunch break
9 a little, which I will try to do, but I leave it in your hands.
10 Then we will hear on Thursday the rebuttal closing.

11 How long do you think, folks?

12 MS. SASSOON: Your Honor, that will depend in part on
13 the defense closing, but I would estimate 45 minutes.

14 THE COURT: OK.

15 MS. SASSOON: To make sure I understand, that will be
16 scheduled for Thursday?

17 THE COURT: I am told we have somewhere roughly five
18 or six hours of closing arguments tomorrow. If that's the
19 case, there is an outside chance, unless you want a commitment,
20 in which case I'll give it to you, we can start Thursday. But
21 bear in mind that if the closings, including the rebuttal, go
22 into Thursday, then we have the rebuttal argument and
23 delivering the charge. This charge, as you know, is about 60
24 some pages long. I am not going to be able to read that in a
25 half hour. It's going to take a long time.

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1 MS. SASSOON: Your Honor, what I would propose, if the
2 Court is amenable, is to begin the rebuttal, if defense closing
3 ends by 3:30, but otherwise plan for Thursday so that there
4 isn't a risk of keeping the jury past 4:30 and grumpy.

5 THE COURT: Sound fair, Mr. Cohen?

6 MR. COHEN: I'm sorry. I am not sure I follow your
7 Honor.

8 THE COURT: Ms. Sassoon proposed that she will give
9 the rebuttal closing tomorrow if you wind up by 3:30.
10 Otherwise, she will start first thing Thursday morning.

11 MR. COHEN: In other words, if I run later, I am not
12 going to get limited. She will just start --

13 THE COURT: You are not going to get limited. I am
14 not limiting anybody here. It's just a matter of how the day
15 goes and what each side does.

16 Then, of course, it seems to me that if we wind up
17 with the rebuttal going into Thursday, we probably finish the
18 closing just before or in the half hour or hour after lunch,
19 and the jury will get the case sometime in the afternoon. And
20 then in light of juror number 3's flight, we would break until
21 Monday, unless somebody has a better idea.

22 MS. SASSOON: If the jurors wanted to stay later on
23 Thursday to deliberate longer, we would have no objection to
24 that.

25 THE COURT: Yes. Thank you.

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1 I assume you don't either.

2 MR. COHEN: We don't object to that. It's also
3 possible to seat the alternate, your Honor. We would like to
4 have the jury come in on Friday.

5 THE COURT: Given where we are, I would be willing to
6 do that if both sides agree to do that. I am inclined to think
7 not otherwise.

8 MS. SASSOON: At this point we are not prepared to
9 seat the alternate.

10 MR. COHEN: We would be amenable to doing that.

11 THE COURT: Well, I am not foreclosing you from making
12 an application if you think you can justify it. I don't have a
13 view one way or another about whether you can justify it. If
14 it's done by consent, that's one thing. If it's not by
15 consent, that's another issue for me to decide. That's where
16 we are.

17 MS. SASSOON: One quick question, your Honor. If I
18 have no exhibits or need for a monitor during rebuttal, is it
19 possible to use the smaller podium in front of the jury?

20 THE COURT: What smaller podium are we talking about?

21 MS. SASSOON: I know some courtrooms have access to a
22 more easily moved podium that doesn't have a monitor affixed to
23 it. I would feel more comfortable there if the Court were
24 amenable to it.

25 THE COURT: I would feel more comfortable if you would

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1 use that one.

2 MS. SASSOON: Understood.

3 THE COURT: That may be why there isn't another one in
4 this room.

5 Yes, Mr. Rehn.

6 MR. REHN: One more thing, your Honor.

7 It is our understanding that the Court's practice is
8 to send the indictment back to the jury. We wanted to confirm
9 that.

10 THE COURT: It is.

11 Anything else?

12 It's also my practice to keep you in or in the
13 environs of the courtroom while the jury is deliberating,
14 except for a designated lunch period every day.

15 MR. EVERDELL: Your Honor, with your Honor's practice
16 of sending the indictment back to the jury, is it just the
17 charging language, or does it include the speaking portions of
18 the indictment as well?

19 THE COURT: The whole indictment.

20 MR. EVERDELL: The forfeiture allegations as well?

21 THE COURT: Good question. Normally, I do, but it's
22 never come up before, that I can remember.

23 MR. EVERDELL: Your Honor, if you would give us maybe
24 just the evening to think about whether we want to make any
25 application with respect to redacting the indictment, we would

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1 appreciate it.

2 THE COURT: Sure.

3 No more letters.

4 MR. EVERDELL: Of course, your Honor.

5 MS. SASSOON: Except by 4:30.

6 THE COURT: Except by 4:30.

7 That's it, folks. See you in the morning.

8 o0o

9 (Continued on next page)

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(In open court; jury not present)

THE COURT: Be seated, please.

Sorry to bring you all back, but when I went back to consider some of the points raised in respect of the charge, I was reminded that the government, in its letter of October 25th, docket item 334, seemed to me took the position that the government would be required to show a false statement in order to prevail on the misappropriation theory. Specifically, there was an objection by the defense to a sentence in a proposed charge by the government that the government was not required to show that the defendant made a misrepresentation or false statement in order to fraudulently embezzle or misappropriate, and the government agreed to remove the sentence requiring proof of a false statement. And then we constructed the charge that we were discussing earlier—Court Exhibit X—on the basis that the government would have to prove a false statement, but the government objected to all the statements in the charge that so indicated. And the defense said they were fine with removing the sentence the government objected to. And I just thought it was significant enough to bring you all together and find out whether I just am incapable of understanding the letter the government sent me or whether something else has gone awry in this process.

MR. REHN: Your Honor, it has been the government's position throughout that the misappropriation theory does not

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1 require proof of a false statement or misrepresentation. I
2 unfortunately actually don't have a copy of that particular
3 letter. I think that was in the context of a dispute over some
4 particular language in the defendant's proposed instruction
5 that I think became—ended up not being included in any event,
6 but like I said, I don't have the letter in front of me,
7 unfortunately.

8 THE COURT: Borrow my copy. Page 2, first full
9 paragraph.

10 MR. REHN: This was in relation to the special
11 verdict.

12 So, your Honor, as we say on the first page of the
13 letter, there is not a need for a special verdict form. I
14 think we were addressing the possibility that if the Court was
15 concerned about that, a sentence that previously appeared in
16 our proposed instruction could be removed. I don't believe
17 that sentence is actually in the current instruction.

18 THE COURT: No. But it isn't because in light of what
19 you said in the letter, the proposed instruction that we
20 discussed earlier—Court Exhibit X—takes the view that I took
21 the government to be expressing in its letter.

22 MR. REHN: So are you particularly highlighting the
23 sentence that we proposed to strike on page 9, I think, is
24 where that—

25 THE COURT: Page 9 of what?

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1 MR. REHN: Of the charge that the Court circulated
2 earlier.

3 THE COURT: Well, it occurs in relation to page 1,
4 lines 17 and 18, page 2, lines 5-7, and page 7, lines 22
5 through page 8, line 1. And also the sentence on page 9,
6 lines 18-21.

7 MR. REHN: So, I mean, in each case I think what we
8 had proposed is a correct statement of the applicable law. If
9 the issue is—

10 THE COURT: What you have proposed this afternoon—and
11 we'll mark it Court Exhibit X1 to indicate the proposed
12 language you sent me after the earlier charge conference—is,
13 to my way of thinking, inconsistent with your letter to me of
14 October 25th.

15 MR. REHN: So again, I think as we said earlier this
16 afternoon, what we're proposing is that the misappropriation
17 theory is an alternative way of the jury of convicting.

18 THE COURT: I know you're now saying that, and I know
19 that the suggestions you made during the charge conference
20 reflect that view, which I regard as a view you abandoned for
21 the purpose of eliminating a dispute or a disagreement about a
22 special verdict and about the problem—perhaps problem—of
23 there being two alternative theories on which you were
24 proposing to convict the defendant as a principal on the wire
25 fraud count.

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1 MR. REHN: I take your point as to this paragraph in
2 the letter, your Honor. I'm not sure—you know, I think our
3 view that we've expressed today is the view that we have
4 adopted previously in the case, and the view that—

5 THE COURT: You did. You adopted it earlier, and then
6 you bailed out of it.

7 MR. REHN: Your Honor, I guess the question that this
8 raises is, if the Court is proposing that to do the alternative
9 instruction requires a special verdict form, you know, in that
10 context, I think we would evaluate whether it makes sense to
11 have a special verdict form and whether, you know, we'd rather
12 have a single instruction without a special verdict form, you
13 know. I think that was the context in which this was drafted.

14 THE COURT: Believe me, I know what the context was.
15 I've heard enough about context in the last five weeks to last
16 me a very long time. But that's another matter.

17 MR. REHN: So I don't view us as having abandoned any
18 prior positions. And again, if we're put to the question of
19 whether the instruction as we proposed it today requires a
20 special verdict form, you know, we would ask that, you know,
21 the Court give us an opportunity to consider that issue. That
22 wasn't the context in which we discussed the instructions this
23 afternoon.

24 THE COURT: Let me hear from the defense.

25 MR. COHEN: Thank you, your Honor.

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1 Now that your Honor has pointed it out, we agree with
2 your Honor's analysis, and we think we should go back to the
3 language that your Honor originally drafted before the
4 modification to 17 and 18 because otherwise, as your Honor
5 points out, we'd be in a special verdict form situation where I
6 don't think either side wants to be.

7 MR. REHN: Your Honor, I think that we would have to
8 consider—I think we are, I think, open to going back to some
9 of the originally—the language in the original charge, if
10 that's the Court's—if the Court believes that that would
11 require a special verdict form, which as we said in our letter,
12 we don't think it would. But I think that at least with
13 respect to some of the language, rather than saying what the
14 government's burden is as to one of the theories, there was a
15 suggestion the government would have to prove both separate
16 theories, and I think that was our primary concern.

17 THE COURT: Well, look, I'm the one who introduced the
18 term "special verdict," and as I know I pointed out on the
19 record, that was a misnomer on my part. It's not a special
20 verdict that's in other kinds of cases. It would be special
21 interrogatories. And it would raise other issues. And I'm not
22 professing to know the answer to the question of whether it
23 would require special interrogatories or what the consequences
24 of posing special interrogatories would be. Where I am is that
25 we had a deadline for proposed charges, we had a second

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1 deadline for amended proposed charges, we have had a blizzard
2 of letters and so forth, and six days ago today, the government
3 took the position that it took in their letter, and after we
4 have gotten to the point of being about 15 hours from closing
5 argument and an hour or more after the conclusion of the charge
6 conference, subject only to you giving me some proposed
7 language on one or two points, all of which are implicated by
8 this, and a request to the defendant for something also, now
9 all of a sudden, to my perception, you're—whether you intended
10 it or not—backing off the position you took six days ago, and
11 I don't see why I should put up with it. I don't mean put up
12 with it in a sense that I'm carping or anything, I mean, but
13 the fact is, it just seems to me too late in the game to undo
14 what's been done.

15 MR. REHN: Your Honor, if that's the Court's position,
16 we understand it. It was certainly not our intention to change
17 positions. I think there was a context in which we were
18 suggesting a particular sentence in our proposed requests to
19 charge didn't need to be included, and then when we got the
20 Court's request to charge, we proposed certain language we
21 thought would clarify.

22 THE COURT: I'm not saying anybody acted in bad faith
23 with respect to this charge. Not a bit. But I think that's
24 where I am. I know it's where I am.

25 And so on those points, on pages 1, 2, and 7 and 8,

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1 I'm going to charge as I initially proposed, save with respect
2 to moving what is the second very large clause at page 8,
3 lines 2-5, into a separate sentence at the end of that
4 paragraph. That was not controversial. But the charge is I
5 think making clear that the government has to prove a false
6 statement in order to prove misappropriation. And that's how
7 it's going to go to the jury.

8 Now this ought not to be much of a problem for the
9 government because god knows there's more than sufficient
10 evidence of both, to get to the jury, obviously. And it's a
11 matter, in significant measure, of ordering the trial in a way
12 that is consistent with what everybody has said with good
13 intentions and avoiding other unintended consequences that
14 might follow from allowing the government to change its
15 position here, whether or not the position they took was
16 exactly what they thought they were taking. So that's the
17 answer.

18 Now should I have somewhere a letter from the defense
19 on the one point I was going to get a proposal for, as to
20 language?

21 MR. EVERDELL: We didn't file it on the docket, but we
22 can hand up a copy right now.

23 THE COURT: Okay. Hand it up and we'll get this all
24 put to bed.

25 And you've seen this, Mr. Rehn, right?

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1 MR. REHN: I just was handed it by the defense
2 counsel.

3 THE COURT: Well, why don't you take a minute, and
4 I'll get the case they cite up on my computer, assuming my
5 computer is going to work. And we'll mark the letter that
6 defense counsel handed up Court Exhibit X2 for identification.

7 Ready, Mr. Rehn?

8 MR. REHN: I don't actually have a copy of *Skelly*, but
9 I can address more generally the principles without seeing
10 whether *Skelly* requires this language. I'm doubtful it does in
11 light of the fact that the instruction that has been proposed
12 by the government and I think is broadly in line with the
13 Court's proposed instruction is modeled on this Court's
14 instructions in *Gatto* and *Blaszczak*, both of which were in
15 2018, postdating the *Skelly* case. And those instructions rely
16 primarily on the leading Second Circuit case, which is the
17 *Chestman* case, that requires just language regarding a
18 relationship of trust and confidence. I don't believe there's
19 any need to insert this additional language from *Skelly*. I
20 think requiring a relationship of trust and confidence to be
21 proven is sufficient to instruct the jury on the nature of the
22 relationship of trust that the government has to prove.

23 THE COURT: Defense want to be heard on this any
24 further?

25 MR. DICK: I don't think there's much to add, your

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1 Honor. As your Honor knows, having looked at *Skelly*, there was
2 reversal there for giving an instruction very much like what's
3 currently based on *Chestman* and in the Court's proposed charge,
4 but without this added language, which is with respect to
5 reliance, dominance, and de facto control.

6 THE COURT: Yes, I don't regard the adaptation of
7 language from *Skelly* as a fully accurate assessment of the
8 holding of *Skelly*, but even if I did, *Skelly* cites *Chestman*
9 approvingly. *Chestman* is an *en banc* decision. It deals not
10 only with the elements of fiduciary duty but also of its,
11 quote-unquote, functional equivalent. It is, in my view,
12 somewhat broader than *Skelly* and still controlling in the
13 circuit, and it goes beyond the proposed instruction by the
14 defense. So I'm not going to give that charge.

15 So I think we are now set. We all know where we are.
16 And I will see everybody in the morning. Have a good evening.

17 THE LAW CLERK: All rise.

18 (Adjourned to November 1, 2023, at 9:30 a.m.)
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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

7
8 New York, N.Y.
9 November 1, 2023
10 9:35 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
17 Southern District of New York

18 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (Trial resumed; jury not present)

2 THE COURT: I am going to have John Hammel give
3 counsel the final charge. This is redlined against the
4 circulation draft that was the subject of the charge
5 conference. There are knit-type changes in a bunch of places,
6 only two or three that are of any interest to anybody I think,
7 but you have a few minutes to flip through it, and before we
8 bring the jury, let me know if there is any further problem.

9 We have one juror stuck in traffic, hopefully will be
10 here in the next 15 minutes.

11 Pending arrival I don't think we really have anything
12 else to do, but let me know if you have a different view.

13 Any different view on what your time estimates are?

14 MR. ROOS: Same, I would say, as yesterday.

15 MR. COHEN: Yes, your Honor, the same.

16 MS. SASSOON: Same.

17 THE COURT: I'll just stay on this floor. As soon as
18 we have the full jury, we will proceed.

19 (Recess)

20 MR. ROOS: Judge, one thing I wanted to ask you was,
21 would you like me to suggest a time partway through my
22 summation for a break?

23 THE COURT: Yes.

24 MR. ROOS: OK.

25 (Jury present)

1 THE COURT: Good morning, everyone. Everyone can be
2 seated. The defendant and the jurors all are present.

3 A word to the jury about schedule. You are going to
4 hear closing argument today. We may finish them entirely today
5 or we may not. That depends on how the day goes. If we don't,
6 they will be finished tomorrow morning. In either case, you
7 will get the case tomorrow morning for decision.

8 If anyone would have a problem, should the need arise,
9 in staying beyond 4:30 tomorrow, please let me know in a note
10 this morning and what the nature of the problem is, because it
11 may become appropriate to ask you to stay late tomorrow if
12 there is no verdict. I am not suggesting there should or
13 shouldn't be. My operating assumption, which I will confirm
14 before I ask you to stay, if I ask you to stay, is that you
15 would get dinner on the government if you stayed. I don't
16 vouch for the quality, but you would be entitled to dinner.
17 And I think we might be able to provide car services if you
18 stay to a certain hour. But I'm holding myself available for
19 Thursday night if that would be helpful.

20 As for Friday, I'll keep you posted as the day goes
21 by, and indeed maybe even tomorrow.

22 We are now going to hear the closing argument on
23 behalf of the government.

24 Mr. Roos.

25 MR. ROOS: Thank you, your Honor.

1 Almost a year ago, thousands of from people from all
2 over the world who had deposited money with FTX started
3 withdrawing their funds. With each day the withdrawals grew.
4 Millions of dollars turned into hundreds of millions of
5 dollars, which turned into billions of dollars. Thousands of
6 people were trying to withdraw their investments, their
7 savings, their nest eggs for the future, but their withdrawals
8 weren't being processed. Money wasn't being returned. And as
9 those customer withdraw requests froze, they were overcome with
10 anxiety. With each additional click of the withdrawal button,
11 their dread turned to despair. Their money was gone. FTX was
12 bankrupt. Billions of dollars from thousands of people gone.

13 As the dust settled and bankruptcy proceedings began,
14 and FTX ceased to exist, a series of questions emerged. Where
15 did the money go? What happened? Who is responsible? Now
16 that you have seen all the evidence and heard all the
17 testimony, you know the answers to those questions.

18 Who was responsible? This man, Samuel Bankman-Fried.
19 What happened? He spent his customers' money and he lied to
20 them about it. Where did the money go? The money went to pay
21 for investments, to repay loans, to cover expenses, to purchase
22 property, and to make political donations. This was a pyramid
23 of deceit built by the defendant on a foundation of lies and
24 false promises, all to get money, and eventually it collapsed,
25 leaving countless victims in its wake. That's what happened.

1 That's where the money went. The defendant is responsible.

2 I am going to ask you to think about these questions
3 this morning and throughout the rest of your time, including
4 into your deliberations. Where did the money go? What
5 happened? Who is responsible? We have been at this together
6 for a little while now, for over a month, and you have heard
7 from a lot of witnesses, and you have seen a lot of documents
8 and spreadsheets on your screen, and you've been playing close
9 attention. We have seen that. This is our opportunity to walk
10 you through all the evidence. I am not going to go through
11 every document. You have seen a lot of it. But it's our
12 opportunity to talk with you about how it all fits together.

13 Let's start with a few straightforward facts that
14 aren't in serious dispute at this point. The first is that
15 there is no serious dispute that thousands of customers from
16 all over the world put billions of dollars on FTX and that the
17 exchange at least said it was holding billions of dollars of
18 customer deposits when it collapsed.

19 Second, there is no serious dispute that customers
20 believed that their deposits were theirs, for them alone to
21 use. And you remember five weeks ago now the first witness in
22 the case, Mark-Antoine Julliard, who flew here from London, he
23 told you that having his money used or borrowed by someone
24 else -- and these were his words -- was not something he signed
25 up for.

1 And it wasn't just customers. The defendant's public
2 statements, FTX's ads, FTX's policy documents and its terms of
3 service all said the same thing. And advertisements like the
4 ones we saw with Tom Brady or Larry David. FTX said it was the
5 safest and easiest way to buy cryptocurrency. And in its terms
6 of service FTX said that assets are the property of its
7 customers and do not belong to FTX. In its policies FTX said
8 that customer assets, both fiat and cryptocurrency, are
9 segregated, that customer funds do not represent the property
10 of FTX, and that customer assets are held in trust.

11 Employees and investors all testified that they
12 believed the customer deposits belonged to the customers, that
13 they could not be taken or used or borrowed, and you heard
14 about the reaction of employees when they learned that FTX
15 customer deposits were being used. Adam Yedidia quit within a
16 half hour. Can Sun resigned. So did Christian Drappi. The
17 defendant's partners in crime said the same thing. Caroline
18 Ellison, Nishad Singh, Gary Wang, their understanding was that
19 customer funds were not allowed to be used by FTX or Alameda or
20 anyone else. They believed it was wrong and illegal. It
21 didn't matter if it was a customer, an investor, a lender, an
22 employee, or a coconspirator. It was a universal view from the
23 witnesses you heard. Customer funds belong to customers and
24 could not be used.

25 Third, there is no serious dispute that around \$10

1 billion went missing. The evidence you saw, and we will talk
2 about it again, shows that there was a huge difference between
3 what FTX's system said they were supposed to have for customers
4 and what FTX actually had for customers. Billions of dollars
5 missing in cryptocurrency, billions of dollars missing from
6 bank accounts, and there is no serious dispute about that.

7 Fourth, there is no serious dispute about where the
8 missing money went. Professor Easton traced the money. The
9 missing billions went to pay for investments, stock-share
10 buybacks, real estate purchases, donations, trading expenses,
11 and loan repayments. The clear uncontradicted evidence shows
12 that the defendant was responsible for these giant investments,
13 for stock repurchases, for real estate purchases, for political
14 donations.

15 Over the last month you have heard evidence about
16 Bitcoins and Blockchains, antiliquidation and auto
17 deleveraging, computer code, and so-called Korean accounts,
18 about a lot of other concepts. Here is the thing. This is not
19 about complicated issues of cryptocurrency. It's not about
20 hedging. It's not about technical jargon. It's about
21 deception, it's about lies, it's about stealing, it's about
22 greed.

23 What is the dispute in this case? One of the disputes
24 is whether the defendant knew. That's what they have said.
25 The evidence that the defendant knew that he was spending FTX

1 customer money, though, I submit, is beyond dispute.

2 The core dispute in this case is whether the defendant
3 knew taking the money was wrong. That's the core question.
4 And the answer is clear. He took the money. He knew it was
5 wrong. He did it anyway. Because he thought he was smarter
6 and better and he that he could figure his way out of it, he
7 could walk his way out of it and talk his way out of it, and
8 today, with you, that ends. You have sat through this trial.
9 You have seen the evidence. And, very simply, when you apply
10 your common sense and look at the evidence, you see the
11 defendant schemed and lied to get money, which he spent, and
12 now it's gone.

13 You see over and over and over again he and his
14 company were telling customers their money would be protected,
15 and they were using it at the same time for whatever the
16 defendant wanted to use it for. And you see over and over
17 again from his own statements, from his own conduct that he
18 knew what he was doing was wrong. There is overwhelming guilt,
19 overwhelming evidence of the defendant's guilt.

20 Before we dive into the evidence, let me say something
21 about the fact that the defendant took the stand in this case.
22 He didn't have to testify in this trial. He has a right not to
23 do that, and he doesn't have a burden to put on any evidence.
24 The burden is on the government, and we embrace that burden.

25 But the defendant did take the stand, and he told a

1 story, and he lied to you. Did you notice how on Friday his
2 testimony was smooth, like it had been rehearsed a bunch of
3 times? He testified for hours about things that don't really
4 matter for the case, like what the Epsilon Beta House at MIT
5 was like, or background about Jane Street or the layout of
6 Alameda's first office in an Airbnb, or the reasons they moved
7 to Hong Kong and then left Hong Kong again, or why he picked
8 the Miami Arena as the one to brand. This was the CEO, who was
9 able to define on Friday 50 terms on direct examination and had
10 a perfect memory.

11 But let's talk about how the defendant's testimony
12 looked on cross-examination. He was a different person.
13 Suddenly on cross-examination he couldn't remember a single
14 detail about his company or what he said publicly. It was
15 uncomfortable to hear. He never said he couldn't recall during
16 his direct examination, but it happened over 140 times during
17 his cross-examination. He had to be asked and reasked. He
18 looked away. He lied about big things, and he lied about
19 little things. He asked for terms to be defined that he used
20 freely on direct examination a day earlier. He approached
21 every question like up was down and down was up, and you saw
22 how he listened to the testimony in this case. He came up with
23 a tale that was conveniently put together in a story that
24 excluded him from the fraud.

25 The story the defendant told you was that he didn't

1 know what was going on and didn't think what he was doing was
2 wrong, and that was a lie. Over three days he took the stand
3 and he lied. Because to believe the defendant's story, you
4 would have to ignore all the evidence you saw at this trial.
5 You would have to ignore the testimony of the defendant's
6 partners in crime, his deputies, Caroline Ellison, Nishad
7 Singh, Gary Wang. You would have to ignore the documents, the
8 secret spreadsheets, the flow of money. You would have to
9 ignore the financial records. You would have to ignore the
10 defendant's own statements. You'd have to ignore his lies,
11 lies that he told before FTX's bankruptcy and afterward. You
12 would have to believe that the defendant, who graduated from
13 MIT, who ran two billion-dollar companies and who was
14 testifying before Congress, was actually clueless, and he had
15 no idea what was happening at his own company, and he had no
16 idea what he was doing was wrong.

17 But you sat through this trial and you know none of
18 that is true. You don't have to wonder what the defendant
19 would say if he thought you weren't listening. You already
20 know. You know because you heard it from his coconspirators,
21 because you saw the secret documents, because you paid careful
22 attention to the evidence in this case, to the difference
23 between his public statements and his private ones, and all of
24 this shows that the defendant is guilty beyond a reasonable
25 doubt on each and every one of the charges.

1 Here is the plan for this morning. We are going to
2 talk about the evidence and focus on those questions, where did
3 the money go, what happened, who was responsible. Then I am
4 going to talk a bit about some of the defense arguments you
5 heard in this case. And, finally, I am going to talk briefly
6 about the charges.

7 Let's start with what happened. I am going to talk to
8 you about what the evidence shows happened. What does the
9 evidence show? The defendant took money, and he took
10 cryptocurrency, and he took it from FTX customers who were told
11 that their assets would be kept safe and segregated. That's
12 fraud. It's stealing, plain and simple.

13 Before there was FTX, there was Alameda. That was the
14 defendant's trading firm. You see it on the screen. He was
15 the 90 percent owner.

16 JURORS: It's not working.

17 THE COURT: Is it not on the screen?

18 MR. ROOS: How about now?

19 THE COURT: Has it come up yet.

20 JUROR: No.

21 MR. ROOS: It's here and it's in the front row they
22 have got it, just not the middle row.

23 JUROR: It just went on and went off again.

24 THE COURT: Obviously, there is a loose wire down
25 there.

1 We are going to have to take a short recess because we
2 understand there is a panel underneath the jury box, and we
3 need to get you out of the jury box to get to the panel. I
4 usually just unplug things and plug things back in.

5 (Jury not present)

6 (Recess)

7 THE COURT: Let's get the jury back.

8 (Jury present)

9 THE COURT: The record will reflect that the jurors
10 and the defendant are present.

11 Please be seated, folks.

12 Now, we have had a malfunction --

13 JUROR: They are on.

14 THE COURT: I still have a couple of things to say
15 about it, though.

16 The panel that may be the cause of the problem is in
17 the back corner of the jury box closer to the bench, we think,
18 so nobody go near that corner. We have moved alternate number
19 1 into the seat for alternate number 4, which was vacant.

20 Secondly, when it was out, was it only the second row
21 monitors that were out?

22 Folks in the second row, please look down to the first
23 row if the second row goes out again. Can we continue and have
24 you look over into the first row? Will you able to see that?

25 I am getting affirmative nods.

1 That's backup plan 1.

2 Backup plan 2 is, we are going to see whether we can
3 get a very large screen that can be hooked up later on just to
4 have a second backup if the need arises.

5 Matt, you can convey my sincere thanks for the
6 contractor responsible for whatever just went wrong.

7 I very much regret that there was that interruption,
8 but there we are. We are all tough. We are going to roll with
9 it.

10 MR. ROOS: Thank you, your Honor.

11 The defendant is Alameda. He was Alameda. He was the
12 90 percent owner. He was publicly its CEO until 2021. He was
13 the chairman and sole member of Alameda's board. And when
14 Alameda made a profit, it was the defendant who profited.

15 Now, Alameda didn't have investors. Instead, it
16 borrowed money in order to make its investments. And the way
17 Alameda had money to do cryptocurrency trading was by taking
18 out loans. Alameda was always looking for more sources of
19 capital, meaning more money.

20 Then the defendant founded FTX, a cryptocurrency
21 exchange you have heard a lot about, where customers can buy
22 and sell cryptocurrency, and FTX would earn money by just
23 taking a fee on those customers' trades.

24 Once the defendant founded FTX and started getting
25 customer money, he thought he had a new source of money to take

1 for Alameda.

2 Here is the testimony of Caroline Ellison. The
3 defendant, quote: Said that FTX would be a good source of
4 capital, and he set up the system that allowed Alameda to
5 borrow from FTX. That's from the transcript at page 654.

6 I am going to be quoting from some of the witnesses'
7 testimony this morning. So if you want to see it, write down
8 the transcript cite. It's in the bottom right corner by their
9 testimony and it's also something I'll say out loud. The same
10 goes for some of the government exhibit numbers. I am going to
11 say some of them out loud, particularly some of the most
12 important evidence, and if you want to see it, just make a
13 note.

14 The defendant tells Ellison that FTX would be a good
15 source of capital, and then he sets up a system that would
16 allow Alameda to borrow from FTX. When Ellison said, borrow
17 from FTX, what she was referring to was borrowing from FTX
18 customers using their deposits.

19 Now, the defendant set up two secret ways through
20 which Alameda could take or borrow customer money. You heard
21 about that from Caroline Ellison. You heard about it from Gary
22 Wang. You heard about it from Nishad Singh. They were each
23 the defendant's friends and his coconspirators, his partners in
24 crime. Each of these witnesses testified that they stole
25 customer money at the defendant's direction, and they described

1 the ways he told them to do it.

2 Let me just take a step back for a second. That means
3 that if you believe even one of those witnesses is telling the
4 truth about this, the defendant is guilty. I'll say that
5 again. If you believe even one of these witness' testimony,
6 Ellison, Wang, Singh, about the way customer funds were stolen
7 by the defendant, that is fraud, and you should find the
8 defendant guilty.

9 Let's talk about what each of the witnesses said about
10 the secret ways set up at the defendant's direction for taking
11 customer money.

12 Here is how Ellison described the secret ways they
13 were able to take FTX customer money: Quote, we had access to
14 an essentially unlimited line of credit on FTX, and we received
15 FTX customer funds directly into our bank accounts as part of
16 FTX's fiat deposit system.

17 This is from her testimony at page 644 of the
18 transcript.

19 By the way, an unlimited line of credit is just a way
20 of saying unlimited borrowing of customer funds. It's
21 unlimited stealing.

22 Now, there were two ways that they were able to take
23 customer money, by withdrawing it from FTX from its
24 cryptocurrency wallets in unlimited amounts, and by taking it
25 out of the bank accounts that received those customer deposits.

1 Ellison also told you who was responsible for the
2 setup, the defendant. Quote: He was the one who set up the
3 systems that allowed Alameda to take the money, and he was the
4 one who directed us to take customer money to repay our loans.
5 That's at page 645 of the transcript. And Gary Wang said the
6 same thing when he testified, that the defendant directed that
7 Alameda be given these secret special ways of taking customer
8 money.

9 Let's talk about in more detail those two secret
10 systems the defendant set up to give Alameda the ability to
11 take customer money. First, Ellison told you that one of those
12 secret ways was what we just read as an essentially unlimited
13 line of credit on FTX. What was she referring to? She was
14 referring to the way Alameda had an ability to borrow unlimited
15 amounts of money on FTX, withdraw unlimited amounts of money
16 from FTX, and run up a giant negative balance. Each of the
17 defendant's deputies described this secret system.

18 Let's talk about how unusual, how different, how risky
19 the defendant's secret setup was. Before we talk about how the
20 secret system for taking customer money worked, let's talk
21 about what borrowing was like for a typical customer, a
22 customer without those special secret privileges, like the ones
23 you heard about during this trial.

24 You heard that a major selling point of FTX was the
25 way it managed risk. It was a safe exchange. And the key to

1 that is what they called the automatic liquidation engine. The
2 defendant marketed this to his customers and to his investors
3 as a way that customers could trade safely on FTX and trust FTX
4 instead of like another cryptocurrency exchange. And customers
5 had to maintain an overall positive balance on the exchange.
6 They had to post what has been called in this case collateral
7 or security or assets to the exchange. They had to put it on
8 the exchange before they could borrow money for trading.
9 That's how it normally worked. If the customer's collateral
10 held by FTX went down in value, and the customer's overall
11 account value went down, either to zero or close to zero, then
12 under the normal system, FTX's risk system, its automatic
13 liquidation engine would kick in and it would close the
14 account. And you heard from a bunch of the witnesses about
15 this. This was the standard system. This was the way they
16 contained risk.

17 When the defendant was on the stand, he tried to make
18 this whole thing sound a lot more complicated and full of
19 exceptions and weird procedural rules. But as the CEO of FTX,
20 it was a lot simpler, and this is exactly what he told the
21 public and his customers.

22 This is his statement before Congress: FTX's
23 risk-management program requires that digital-asset collateral
24 be placed on the platform itself, rather than pledged, but not
25 delivered to the platform. So it has got to be placed, not

1 just pledged. And the reason is to ensure that the platform
2 has immediate access to the collateral for purposes of managing
3 market risks.

4 And to borrow money from the exchange, well, a
5 customer had to opt into that spot-margin system which, as I
6 mentioned, requires that they put their collateral up before
7 they borrowed. And the defendant said this was necessary for
8 customers to have prefunded collateral deposits, not simply
9 credit extensions. That was how typical customers were allowed
10 to borrow money through FTX.

11 So to take a step back, there is a system in place, a
12 standardized advertised system, a system that the defendant
13 testified about before Congress. It's straightforward. You
14 got to put your money up before you want to borrow money. The
15 reason is, so that if the value of what you are doing on the
16 exchange goes down, there is security for them to take to make
17 sure you don't create a massive hole. It was a system that was
18 subject to rules, with limits on borrowing, with requirements
19 where the collateral be kept.

20 This wasn't a secret. This was in the defendant's
21 public testimony and public statements; secretly, though.
22 Secretly the defendant gave Alameda a different way of
23 borrowing customer money, a system that only existed for
24 Alameda, that wasn't subject to the same rules as other
25 customers, that wasn't subject to the same limitations,

1 designed to keep customers' money safe and reduce risk.

2 These secret rules, as you know, as you learned,
3 allowed Alameda to borrow billions of dollars without
4 collateral on the exchange, to rack up multimillion dollar,
5 billion dollar negative account balances without any risk of
6 being shut down, to being liquidated through FTX's risk system,
7 the very same system that the defendant was publicly saying
8 would keep customer money safe.

9 Let me pause here for a minute again. The company
10 that the defendant had publicly said was completely separate
11 and free from conflicts of interest was secretly able to take
12 billions out the back door of FTX, and the defendant knew it.
13 And the way you know he knew it is because he set up a system,
14 a public system for everyone and a secret system just for
15 Alameda. We are going to talk more about that. And he
16 directed others to make it work that way.

17 The defendant directed Gary Wang and Nishad Singh to
18 program the secret way of taking customer money right into
19 FTX's computer code. Starting with the computer code, you
20 heard from Wang that at the defendant's direction a feature was
21 added to the code that permitted accounts to go negative, and
22 the naming was not very creative. It was called allow
23 negative. And the defendant had it turned on for just one
24 customer's account, Alameda.

25 Here is the code history that shows the code -- the

1 allow-negative code was added for just one customer's accounts,
2 Alameda. Here is Alameda's account on FTX. This is the
3 database information. And you can see this allow-negative
4 feature far in the right side, in the red box, was turned on.

5 Now, Wang testified that this feature was added to
6 Alameda's account at the defendant's direction. While there
7 were originally some potentially sensible reasons for some of
8 the code editions, Wang saw that very quickly the defendant
9 started using this feature right here. This is, by the way,
10 Government Exhibit 644. He started using it to allow Alameda
11 to borrow more money than it had.

12 And to ensure that Alameda was able to withdraw
13 essentially limitless amounts of money, the defendant also had
14 Wang give Alameda a gigantic line of credit. This is that same
15 exhibit again, Government Exhibit 644. This is the screenshot
16 of the code and it's just in black and white right there, a \$65
17 billion line of credit right on Alameda's account. Wang told
18 you the defendant directed him to set up Alameda's line of
19 credit this high so they can make unlimited withdrawals.

20 Here is that testimony. Quote: Sam asked us to take
21 it to -- Sam asked us to take it to a large number. I took it
22 up to a billion dollars and then the issue happened again. The
23 issue he's talking about is where Alameda exhausted its line of
24 credit. And then he asked me to take it up even farther, and I
25 told him I'm taking it up to 65 billion. He said he is fine

1 with that, and I did that.

2 As a result of Alameda's ability to go negative and
3 its \$65 billion line of credit, it was able to run up this
4 massive negative balance, billions of dollars. When I'm
5 talking about a negative balance, I'm talking about an account
6 that's in the red. It has got a negative sign in front of it,
7 which means it's in a deficit, it's in a hole, and Alameda was
8 in a multibillion dollar hole.

9 This presented really a massive, totally undisclosed
10 risk to FTX's customers. They were told that their assets
11 would be safe. They were told that if a customer's account
12 would go negative, the way they would be kept safe is by having
13 that customer's account liquidated or shut down.

14 And what they didn't know, what you all know but they
15 didn't know and what the defendant hid from them, is that
16 Alameda had this multibillion dollar negative balance in its
17 account. And Wang testified that that -- it was these special
18 features that allowed and caused Alameda to have such a large
19 hole at FTX, and Singh said the same thing.

20 Now what the defendant does -- actually, let me put it
21 this way. What the testimony from these witnesses tells you
22 about the defendant, about the core issue in dispute, is, it
23 tells you the defendant gave special secret privileges to
24 Alameda, knowing it would be allowed to take, to steal customer
25 money. It shows that he knew it was wrong to take money and

1 the way -- and this is critical -- the way you know that it
2 shows he knew it was wrong to take customer money is, if he
3 thought this was legit to just have a giant line of credit and
4 this allow negative feature and borrow from other customers,
5 why was it so secret? Why not just say, hey, Alameda, by the
6 way, has a \$65 billion line of credit? The reason it is secret
7 is because he knows it's wrong. Now because of these secret
8 features Alameda was not subject to the same rules as other
9 customers. And while there were limits on how other customers
10 could borrow, there were no limits on Alameda's borrowing. Let
11 me talk about one of those limits on other customers.

12 Other customers were not allowed to withdraw funds
13 advanced from a line of credit. Here is a customer contract
14 prohibiting it. That restriction, though, as you heard, did
15 not apply to Alameda's borrowing. So while other customers had
16 to have collateral on the exchange, while other customers could
17 not withdraw their lines of credit, it says it right in this
18 contract, Government Exhibit 69, that rule did not apply to
19 Alameda.

20 As a result of these special features, Alameda ran up
21 a huge negative balance on FTX. This is Government Exhibit
22 1002. This is Alameda's borrowing through its accounts that
23 were allowed to go negative. So this exhibit shows what
24 happened in the major cryptocurrencies in those accounts that
25 had that special allow-negative box checked. The box that we

1 saw in Government Exhibit 644, it's these accounts, and that's
2 what happened. They went as low as negative \$12 billion.

3 By the way, here is another reason why Government
4 Exhibit 644 is critical. This wasn't typical borrowing, right.
5 We have talked about the spot-margin program. And notice
6 Alameda's main account. It didn't even have spot margin
7 enabled. Why that's important is, it was not participating in
8 the program where typical customers had to opt in and post
9 collateral. It was borrowing the defendant's way, through the
10 special advantages. It was borrowing through the \$65 billion
11 line of credit, not through the spot-margin program.

12 As I said, when we are talking about borrowing here, I
13 just want to be clear, Alameda is taking money off the
14 exchange. Unlike a typical customer, who was doing borrowing
15 to trade on FTX, Alameda was just taking the borrowed customer
16 money off of FTX for its own purposes, to cover expenses or to
17 pay for investments.

18 And Professor Easton gave you some examples. Here is
19 one. This is Government Exhibit 1017A and 1017B. And we saw
20 some of these exhibits for each of the lenders. It goes 1017A
21 through -- I think it's H. There is one for each lender. And
22 what each of them shows is that Alameda's special secret
23 borrowing was used to take customer money to repay Alameda's
24 third-party lenders. This is Government Exhibit 1024.
25 Alameda's special secret borrowing was used to take customer

1 money to buy back FTX's stock.

2 This is something -- I am not going to go into the
3 details now, because we are going to talk about this further in
4 a bit, but this is another example of using -- again, you can
5 see it at the bottom -- that allow-negative account to borrow a
6 billion dollars to buy back stock.

7 Alameda had one more secret exception that made
8 everything even riskier. It was exempt from the liquidation
9 system. A liquidation system in some ways is like the giant
10 parachute. It's what -- if an account is getting to a risky
11 position and is about to go bankrupt, liquidation is what stops
12 that process and what stops that risk from turning into some
13 big hole. It closes out the account. But Alameda was exempt.
14 It was not part of that liquidation system. And what that
15 meant is, it would not be shut down. Its account would never
16 be closed, no matter how negative it got, no matter how risky
17 it became.

18 Here is the proof. This is, again, another piece of
19 the computer code that exempted Alameda from being liquidated.
20 It was added by Gary Wang in 2020, and he testified that
21 defendant directed him to do it.

22 Keep in mind this date that's on this exhibit. This
23 is important. 611 is the number. Because on cross-examination
24 the defendant admitted to this. This was a stunning moment, I
25 thought, of cross-examination because here is what he admitted.

1 The question was: In 2020, isn't it true that you
2 directed Gary and Nishad to change the rules in the code so
3 that the auto liquidation rules that applied to other customers
4 on the exchange would not apply the same way to Alameda? That
5 was the question that was asked of him on page 2659 of the
6 transcript. Here is his answer: I suggested that they make
7 some alteration to it. And he was asked a follow-up. For that
8 purpose, correct? And he said yup.

9 So by 2020, here is the question. So by 2020, you
10 knew that Alameda had distinct rules for liquidation. That was
11 the final question here. And what was his answer? Yeah. 2659
12 of the transcript. On cross-examination he admitted to knowing
13 about that code change. He admitted to knowing that Alameda
14 had distinct rules for liquidation. That's a concession that
15 he knows that Alameda was exempt from the rules that applied to
16 all the other customers.

17 What was the result of Alameda's secret exemption and
18 privileges on FTX? You know. The defendant took billions of
19 dollars in customer funds, leaving an enormous gap between what
20 FTX said it had in customer money and what it actually had in
21 cryptocurrency wallets.

22 (Continued on next page)

23
24
25

1 MR. ROOS: And this is important. This is covered in
2 Government Exhibit 1051, which we'll see in a bit, but it
3 proves that FTX didn't have anywhere close to the amount of
4 money to cover customer deposits, because of these secret
5 privileges.

6 Now the defendant took the stand and denied that he
7 knew everything about these special features, like that the
8 total size of the line of credit was 65 billion, and he denied
9 that he was told about some of the code features, but he
10 admitted to you that he was the one who directed Gary and
11 Nishad to change the code to prevent Alameda from being
12 liquidated if its overall account was negative; and he admitted
13 to you that he was the one who told Gary and Nishad to increase
14 Alameda's line of credit. He even admitted that he knew
15 Alameda was using a line of credit to borrow billions of
16 dollars.

17 Let's talk about what that means. Knowing that
18 Alameda was using its unusually large line of credit to take
19 money from FTX, that means that the defendant knows, he knew
20 that Alameda was taking money from FTX customers. He was
21 taking money from FTX customers when he was saying something
22 totally different publicly, when he was lying publicly, and
23 that makes him guilty of fraud.

24 Now he told you he never queried the FTX or AWS
25 database, or looked at the code. Not only is that farfetched

1 and completely not believable that as the CEO, he was
2 unfamiliar with the computer code that ran the website and the
3 database that had all the transactions for the website, it's
4 also irrelevant. He told his deputies to exempt Alameda from
5 the rules that applied to other customers, to increase
6 borrowing limits, and that's fraud. It's stealing.

7 You also know that the defendant was deeply familiar
8 with these special features and how they were used to take
9 customer funds because of the documents in this case.

10 This is Government Exhibit 5. It's an excerpt. This
11 is a spreadsheet created by the defendant. It's important. He
12 admitted during his cross-examination—and he had to, because
13 of this. Google metadata. You remember the brief witness from
14 Google who introduced metadata evidence for certain documents.
15 Metadata evidence is like the data information about when
16 documents were created or saved or viewed. And the Google
17 metadata shows that the defendant was the sole creator of this
18 spreadsheet, Government Exhibit 5, and that he made it in early
19 September 2022. And in this spreadsheet it lists out all of
20 the lines of credit. You can see them.

21 Now that's important, because look at these numbers
22 that are on here, and the email addresses. This is not the
23 type of thing you can memorize, right? It's not the type of
24 thing where you're like, I'm going to—I'm going to commit to
25 memory, 65,365,999,994. And then do that for a thousand

1 different lines of credit. The way he has this is because it's
2 coming from the database. And right there is Alameda's line of
3 credit. And that also shows you that he wasn't telling the
4 truth when he said he couldn't see any of these things.

5 By the way, did you notice how the exact same number
6 that's on the defendant's spreadsheet, Government Exhibit 5,
7 also is the exact same number in the screenshot that we've
8 looked at, Government Exhibit 644? But again, it shows you,
9 he's able to view these things.

10 What the defendant's spreadsheet also shows—again,
11 this is Government Exhibit 5—is that he knew Alameda's balance
12 sheet was in terrible shape without the money he had stolen,
13 without the secret \$65 billion line of credit from FTX. The
14 number here that's key is the net. That shows how much money
15 Alameda had without its line of credit. And negative 5 billion
16 right here, that number at the bottom, is actually sugarcoating
17 the situation, because without the FTT—which are those coins
18 that the defendant created for his company, which couldn't
19 actually be turned into cash—the balance of Alameda's main
20 account, he knew, was negative 10 billion. So the defendant
21 plainly knew that because of Alameda's giant line of credit, it
22 was able to and did borrow billions. Those billions came from
23 FTX customers.

24 The defendant mentioned a few times when he testified
25 that FTX made a billion dollars in revenue, before expenses.

1 When Alameda was borrowing billions, it was right off the FTX
2 platform, and it was borrowing 10 billion or so, 5 billion,
3 10 billion. Simple math tells you it's coming from customers.
4 1 billion revenue, 5 billion borrowing. Like whose money do
5 you think you're taking? Right? It's—if you are—if there's
6 only 1, at most, 1 billion to take and you're borrowing 10,
7 that means it's coming from the other people who have put the
8 money on the platform. That's not your money; that's customer
9 money. This alone makes the defendant guilty of fraud.

10 Now compare what the defendant told FTX customers to
11 what was actually happening. The defendant told customers that
12 his exchange operated one way that was trustworthy, that it had
13 the liquidation engine, that it kept customer money safe, that
14 it kept—and then simultaneously, he had this hidden, massive
15 exception to that rule that put everyone's money at risk, and
16 allowed him to steal customer money.

17 You heard a lot about the fiat liability and the use
18 of customer fiat deposits. We're going to talk about that.
19 But keep this in mind. If you conclude that the defendant
20 stole customer money using these code features that I've just
21 described, you can and you should find him guilty on that basis
22 alone. It doesn't matter what happens with those fiat deposits
23 because he's just ripping money right off the FTX exchange.

24 But that wasn't all. You did hear the evidence about
25 the fiat deposits, and this is a reason also, all by itself, to

1 find the defendant guilty of fraud. He had customers send
2 their bank deposits, their money, fiat deposits, directly into
3 Alameda's bank accounts, and then he spent it. Here's how
4 Ellison described it.

5 "We received FTX customer funds directly into our bank
6 accounts as part of the FTX fiat deposit system."

7 Ellison explained to you that long before she was
8 Alameda's CEO, the defendant set up a system to receive FTX
9 customer deposits into bank accounts that belonged to Alameda,
10 and a lot of those deposits came through this entity that we've
11 heard some about called North Dimension. The defendant was
12 involved in opening that account. He signed the application.
13 That is his name right there, as the principal officer. This
14 is Government Exhibit 1348. So he knew.

15 Once FTX customers' deposits landed in Alameda's bank
16 accounts, they were used as a source of free cash. This is
17 Government Exhibit 1050. In some ways, the picture here just
18 tells you everything, right? Professor Easton traced the
19 money. Rather than holding the customers' money in custody, it
20 was moved all around, commingled, mixed, spent, transferred
21 from one account that received customer money for customers to
22 operating accounts, to FTX accounts, to out the door to all
23 sorts of expenditures, to the defendant's own company called
24 Paper Bird. And that's because, as Ellison told you, the
25 defendant said they could use the money to fund Alameda.

1 There was a sort of—there was this funny part of the
2 cross-examination yesterday that stuck with me, which was a
3 point when my colleague was asking the defendant: So who moved
4 the money if it wasn't you? Like, who thought they could do
5 this? And we went through this list of names, and it was these
6 low-level people. And so the theory here is that somehow the
7 lowest levels of people, I guess, just moved and took
8 \$8 billion. That's not credible, right? That doesn't make
9 sense. That doesn't line up with the evidence. The evidence
10 shows—that we're about to go through—it was the defendant,
11 right? And that makes sense. He owned it, he was the boss, he
12 set up the system, he was FTX's CEO, he was Alameda's CEO when
13 this got started, he was the sole chairman of the board. He's
14 the reason why the money is moving in crazy directions like
15 this.

16 And how did they use those fiat deposits that came
17 into Alameda's bank accounts? Here's an example. They used it
18 on—a hundred million dollars in real estate in the Bahamas,
19 they used it on investments like buying Robinhood shares. And
20 what was the result? The result was billions of dollars that
21 Alameda spent and owed back to FTX customers.

22 This chart, Government Exhibit 1004, tells the story.
23 The black line, FTX's systems said there were over 10 billion
24 in fiat deposits with Alameda. But in reality, it was the
25 green line, and that's because the defendant and his

1 co-conspirators spent the money, and that's why there's this
2 giant gap in the middle, hole.

3 I want to be clear about something. Nothing about how
4 FTX customer fiat deposits were taken or borrowed resembled
5 anything close to the system that the defendant had put in
6 place that permitted typical customers to borrow money from
7 FTX. This was not margined borrowing, right? It wasn't even
8 through the system. The defendant admitted that yesterday. He
9 was asked questions: Was this margin trading? Was this margin
10 trading? There was no collateral posted here. This wasn't
11 even Alameda's special secret line of credit. This was all off
12 the exchange, off the books. And during cross-examination,
13 when the defendant was asked whether he could name any other
14 customer that accepted FTX customer deposits besides Alameda,
15 he couldn't name a single one. Alameda was exceptional in that
16 regard, and the way it was exceptional is that it was allowed
17 to take these deposits and use them, because, as Ellison said,
18 there was an additional source of capital for the defendant's
19 agenda. Common sense tells you it was the defendant who set up
20 these systems.

21 Let's think about the other options. It couldn't have
22 been Ellison alone. She never worked at FTX. She didn't have
23 any way to give Alameda the special ability to withdraw money
24 from FTX, right? She didn't have the access to go into the
25 computer code. And because she didn't work at FTX, she also

1 didn't have the ability to set the wiring instructions to send
2 the customer deposits to Alameda. And of course when this
3 whole system was set up, the defendant is the one who was both
4 the CEO of FTX and of Alameda. Caroline was just a trader. So
5 it can't be her alone.

6 And then on the other hand, you've got Gary Wang and
7 Nishad Singh, and they could not have acted alone without the
8 defendant. They worked at FTX, but they didn't have any role
9 at Alameda. Wang was a minor owner but had no real role in the
10 business. He had no involvement in the spending. He was
11 sometimes given documents to sign, but as he testified on
12 direct examination, cross-examination, and redirect, he didn't
13 even know what the documents were for. And Singh didn't even
14 ever work at Alameda. He had no role with the company. So it
15 couldn't have been them alone. They didn't have access to the
16 money to spend it.

17 Now the defendant, he lied to you when he pretended he
18 didn't know Alameda was spending the customer fiat deposits.
19 He told you that he was the CEO of Alameda when this started
20 and never gave a single employee any guidance on safeguarding
21 or segregating FTX customer fiat deposits. And four
22 witnesses—Adam Yedidia, Caroline Ellison, Gary Wang, and
23 Nishad Singh—all told you that in June of 2022, they discussed
24 with the defendant that Alameda's liability to FTX for spending
25 FTX customer fiat deposits was 8 billion. But the defendant,

1 he claims that he just had no idea about this fiat deposit,
2 just had no idea about the liability, no idea about the
3 accounting structure that was then in place, until September,
4 or was it October, or was it the end of October? That's just
5 simply not remotely credible.

6 The truth is that there was just one person who had a
7 motive to set up the system to give Alameda the secret special
8 ability to borrow money from FTX customers. Who had control?
9 These are the questions. Who had control of FTX in order to
10 give Alameda secret access to customer money? And who had
11 control at Alameda to spend that money? There's one
12 person—the defendant. He set up a system; he directed a
13 system where Alameda could borrow unlimited amounts of money,
14 without any limits, without a requirement that the collateral
15 be on the platform, without any restrictions on withdrawing the
16 money, and without any chance of liquidation; and he set up
17 another system where Alameda would receive customer fiat
18 deposits directly and it could use that money without any
19 restrictions.

20 And just to take a step back about thinking about what
21 the alternative explanation is, so somehow, two different sets
22 of people—because there's no other overlap—two different sets
23 of people come up with two different systems that both happen
24 to give the defendant's company secret access to money. That's
25 got to be the alternative explanation. And you know that's not

1 credible. The defendant knew what he was doing was wrong. He
2 tried to tell you he thought this was actually permissible to
3 use the fiat deposits, but his testimony flew in the face of
4 what every customer who testified says they thought how their
5 money was treated. And you know that because of the things he
6 said publicly that were totally inconsistent with what he was
7 doing in secret.

8 So one of the ways you know he was lying, one of the
9 ways you know he knew what he was doing was wrong, was while
10 the defendant was secretly giving access to FTX customers and
11 spending it, he was saying something totally different to the
12 customers, to the investors, to the public, and to the United
13 States Congress. He was lying to the public, and he told those
14 same lies on the witness stand.

15 Let's start with the advertisements. He ran ads
16 saying FTX was safe. "The safest and easiest way to buy and
17 sell cryptocurrency." He told Congress and the public that by
18 "logging in to the customer's account at FTX, the customer can
19 immediately view the types of assets they own, held in custody
20 by FTX." And that last part is critical. He said, they can
21 view the "assets they own, held in custody by FTX." And that
22 wasn't true. When customers logged in to their accounts, they
23 saw a balance. Behind the scenes, the money wasn't there.
24 That in and of itself is a lie. A customer logs in—the first
25 customer witness we saw in this case logged in and saw a number

1 that represented his balance, and that wasn't real. That was
2 false. And that was a lie. It had been taken off the
3 exchange.

4 And here's the proof of that. This is the chart I was
5 talking about earlier. There was a huge deficit, a huge hole
6 on the exchange. This is Government Exhibit 1051. And it
7 shows you what customers thought they had. That's the black
8 line, right? This is what customer balances were on the
9 exchange. But what they actually had was the yellow line.
10 What was actually there was something totally different.
11 Billions of dollars different. And the difference between the
12 black line and the yellow line is the hole. And this proves
13 that the defendant was lying publicly because he was saying one
14 thing—that we held the assets that you own in custody—when in
15 fact something totally different was going on.

16 Now the defendant had said he wasn't aware of some of
17 the stuff that was going on, and he lied when he said that. He
18 said something like, *it was messy accounting and that was on my*
19 *list of priorities*. So, I mean, give me a break. That's a
20 lie. If that was true, that they had messy accounting, like he
21 claimed, then why did he tell Congress that "FTX regularly
22 reconciles customer trading balances against cash and digital
23 assets held by FTX"? Regularly reconciling means comparing.
24 Regularly reconciling trading balances against cash and assets
25 held would have told the defendant, did tell the defendant,

1 that there was a huge, significant hole, right?

2 Go back an exhibit.

3 If the defendant is regularly reconciling
4 balances—that's the black line—against, as he said, what
5 money they had—the yellow line—he knows that there was a huge
6 gap. He knows that. And when he's saying everything is fine,
7 after saying, *we regularly reconcile*, he's lying. And that
8 tells you that he knows what he's doing is wrong.

9 Now yesterday morning on redirect, the defendant came
10 out and he said that he thought it was okay for Alameda to use
11 customer fiat deposits, and that's a claim that not a single
12 witness besides the defendant has made in this case, right?
13 Universally, they've said this was a bright red line. You
14 cannot touch that money. No one thought it was okay. And the
15 truth was that the defendant, he knew that Alameda was not
16 allowed to use that money, and again, the way you know it is
17 because he said something totally different to Congress.
18 Twice, the defendant told Congress that when an intermediary
19 like Alameda receives customer assets, they must ensure there
20 was "no delay in returning customer funds upon request, and no
21 shortfall where an amount lesser than the value of that
22 customer's assets can be returned." And he told Congress that
23 to ensure that happens, it's important that there be "a
24 restriction on the custodian"—so that's Alameda—"a
25 restriction on the custodian, including, for example, a

1 restriction on the use of customer assets to finance other
2 business expenses and initiatives." Think about that last part
3 of his testimony here. He's saying the third party, the
4 intermediary that receives the money, there must be a
5 restriction on it on using customer assets to finance other
6 business expenses and initiatives. And if you're thinking,
7 well, that sounds familiar, that's because the defendant did
8 exactly the opposite. He used customer assets to finance other
9 business expenses and initiatives. But privately, in secret,
10 you know he knew exactly what was going on and he knew it was
11 wrong.

12 We've talked a lot about all the special advantages
13 and secret privileges that Alameda had. The defendant knew how
14 wrong and unfair these privileges were to every other customer
15 on the exchange, how these privileges flew in the face of
16 everything he said about trust and safety on the exchange. So
17 he lied about it, to cover it up.

18 And what was the defendant saying about the
19 relationship between FTX and Alameda? Throughout his time at
20 FTX, the defendant was saying things publicly like, Alameda is
21 treated just like everyone else. He tweeted that. "Alameda is
22 a liquidity provider on FTX but their account is just like
23 everyone else's." He was quoted in articles as saying that
24 Alameda is a wholly separate entity. And he told CNBC that he
25 "worked to eliminate conflicts of interest," and that he

1 doesn't run Alameda anymore, and that Alameda is a "neutral
2 piece of market infrastructure." Those were lies. Privately,
3 the defendant knew that Alameda had all sorts of special
4 privileges and features on FTX. It wasn't wholly separate, it
5 wasn't just a piece of neutral market infrastructure, its
6 account was not like everyone else's. Unlike any other
7 customer, Alameda had the \$65 billion line of credit. It was
8 able to do unlimited amounts of withdrawals, make unlimited
9 amounts of borrowing, have its account go negative, not post
10 any collateral, not be liquidated, not be shut down. Its
11 borrowing wasn't just through the spot margin program. Much of
12 it wasn't even on FTX. If customers knew that the defendant
13 had directed these special privileges for its own affiliated
14 company, they would have run for the exits. It would have been
15 clear as day that their money wasn't safe, that the defendant
16 was treating their deposits as his personal piggy bank by
17 funneling that money to Alameda. And so the reason he made
18 these public statements is to conceal what he was doing,
19 because he knew what he was doing was wrong.

20 You know these were deliberate lies. He told
21 customers that backstopping customer assets was primary within
22 weeks of using customer money to repay his debts. He told
23 reporters that Alameda was totally separate in September, when
24 he was internally freaking out about the close relationship
25 between FTX and Alameda. And at the same time, in September

1 2022, when he wrote this spreadsheet, Government
2 Exhibit 5—this is the spreadsheet we were looking at a little
3 bit ago, where the defendant listed out all of the lines of
4 credit and listed out Alameda's line of credit as 65 billion,
5 and the next closest as 150 million—this is the same time he
6 made those statements to Bloomberg and to CNBC; the same time
7 he said, they're totally separate, treated like everyone else,
8 neutral market infrastructure.

9 And you saw an example of a line of credit agreement
10 that VIP other customers used. And those customers had to sign
11 these documents, and there was of course a limit on how much
12 they could borrow. And it was only as much as their line of
13 credit. And they were prohibited from withdrawing it. So no
14 other customer had a setup like Alameda. And as Alameda was
15 using this line of credit to spend billions on loan repayments,
16 on investments, and on expenses, it had nothing to do with
17 their trading at FTX.

18 So from this, here are the key points: (1) Alameda
19 had a special feature, a secret advantage over other customers,
20 and it certainly was not treated like other customers; and (2)
21 the defendant knew about it at the same time he was making
22 public statements.

23 So you sat through this trial, obviously, and you've
24 seen a lot of examples of the defendant saying something
25 publicly different than what he was doing in secret. And what

1 does this say about his intent? Right? Because that's one of
2 the key questions. To view FTX as safe, secure, custodian of
3 their money, that's what he was projecting publicly. He wanted
4 it to be viewed as a trustee. These public lies also, though,
5 show his criminal intent. The fact that he was saying things
6 publicly that were different than what he was doing privately
7 shows he knew what was going on behind the scenes wasn't okay.

8 So next I want to talk about some of the details of
9 where the money went and who was responsible. But before I do
10 that, let me ask your Honor if you want to take a break right
11 now or later.

12 THE COURT: Sure. Fifteen minutes.

13 (Recess)

14 (In open court; jury not present)

15 THE COURT: I take it there were no issues with the
16 changes in the charge overnight, correct? Mr. Cohen?

17 MR. COHEN: No, your Honor.

18 THE COURT: Mr. Rehn.

19 MR. REHN: That's correct, your Honor.

20 THE COURT: Okay. Let's get the jury.

21 Mr. Roos, time estimate?

22 MR. ROOS: I think I'm about a third of the way
23 through, but in terms of time, I've now lost track of time with
24 our various—

25 THE COURT: I suspect you have company. Okay.

1 (Jury present)

2 THE COURT: Okay. The defendant and the jurors all
3 are present.

4 You may continue, Mr. Roos.

5 MR. ROOS: Thank you, your Honor.

6 So the defendant directed that these systems be put in
7 place that allowed him to take FTX customer money, and then
8 once the systems were in place, there were points in time,
9 points along the road, where the defendant was presented with a
10 choice—come clean or double down. And every time he chose to
11 double down, to take more criminal steps to dig the hole in
12 customer deposits deeper.

13 And so what we're going to do now is I'm going to talk
14 about six moments in time. And here are the first three. But
15 six moments in time in 2021 and 2022 where the defendant was
16 presented with a choice about coming clean or doubling down and
17 digging the hole deeper. And each time, he indisputably knew
18 the financial situation at FTX and Alameda, and he knew that he
19 would be spending customer money, and each of these times, he
20 took the path of doing the wrong thing, he took the criminal
21 path, and so that's what we're going to talk about.

22 And No. 1, the first reason is the defendant's
23 purchase, his buying back of stock from Binance using customer
24 money in 2021.

25 So starting in the middle of 2021, back when FTX was

1 started, the defendant sold some of FTX's stock to a company
2 called Binance, which was run by this guy on the left. And
3 fast forward two years later, FTX and Binance, according to the
4 defendant, are rivals, and the defendant hated the fact that
5 his rival owned part of FTX, so in 2021, the defendant wanted
6 to buy out Binance. And buying out Binance or buying back
7 Binance's ownership of FTX stock was expensive. Binance had
8 about \$2 billion worth of FTX's stock. And so remember what
9 the defendant said about how much money in revenue they were
10 making at this point—about a billion dollars. That's only
11 half of the \$2 billion that he needs to buy back FTX's stock
12 from Binance. They didn't have enough money to do it. But the
13 defendant kept telling Caroline Ellison it was really important
14 to him to buy back Binance's stock.

15 He said—and this is testimony. He said to her, and
16 this is what she said to him: "We don't really have the money
17 for this, we'll have to borrow from FTX to do it." And he said
18 this in response: "That's okay, I think this is really
19 important, we have to get it done."

20 Let me say it again. This is from page—by the way,
21 this is from page 668 of the transcript. She says, "we don't
22 have the money, we have to borrow it." And what she's talking
23 about is taking it from FTX customers. And he says, "that's
24 okay, we have to get it done." It doesn't matter how much he
25 wants to do it; if they're talking about money from customers,

1 it's clear as day the defendant knows that they're stealing and
2 committing fraud. And that's exactly what they do.

3 This is Government Exhibit 1024. To pay the
4 \$2 billion to buy back the stock shares, they used the billion
5 dollars they had and then a billion dollars of customer money
6 from FTX. And this came out of that main Alameda account with
7 the "Allow Negative" turned on and the \$65 billion line of
8 credit. This has nothing to do with the members of the
9 settlement team that he was saying were in charge of spending
10 fiat deposits. This wasn't margin trading. This was just
11 taking money straight out of an account with a negative balance
12 that had a special privilege so that he could pay the nearly
13 \$2 billion he needed.

14 And notice what the defendant said and what he didn't
15 say when he testified about this. He admitted that there was a
16 stock buyback, and he admitted the amount of money he used, but
17 he was totally silent about the specifics. He didn't say
18 anything about the conversation with Caroline Ellison, and
19 that's because it was bad for him. Bad for him because they
20 were using FTX customer money. Way back in 2021—and this is
21 important. The timing here is important. Way back in 2021,
22 well before there was market turmoil that caused problems, way
23 before all the events the defendant testified in 2022, when he
24 bought back these shares, they didn't have those issues. So
25 when he was asked about the buying back of the shares, the

1 defendant gave a vague answer. And remember what his answer
2 was? It was, he didn't know exactly which entity bought back
3 the shares. And he didn't want to say who bought back the
4 shares, and the reason he was vague and didn't give a straight
5 answer when he testified is because the truth on this one is
6 particularly inconvenient for the defendant.

7 And this is the critical document. This is Government
8 Exhibit 317. It's an email, and it's from the defendant, okay?
9 And it's him saying transfer the money to buy back these
10 Binance shares. And let me just point out something about
11 who's on this email. No one from Alameda, right? They're not
12 even copied. It's the defendant who's leading this effort.
13 And that tells you everything you need to know about this.
14 He's the one, and he knew exactly where the money was coming
15 from. It wasn't like there were settlement people who were
16 doing this process. It was him. He took about a billion
17 dollars of customer money, without his customers knowing, and
18 when FTX did not have all the money it needed to do this
19 buyout. This wasn't something that he needed to do to make the
20 exchange run, this wasn't the result of bad luck, this wasn't
21 the result of, you know, some hedging gone wrong. This was a
22 deliberate decision. This was him spending money that he
23 wanted to spend. And remember why he did it. He said this was
24 "really important to me." He was confronted with the question
25 by Ellison, we have to spend customer money, and he said,

1 "that's okay, this is really important to me." So that's how
2 you know the defendant knowingly took FTX customer money and
3 intentionally committed fraud. He knew this wasn't permitted
4 borrowing, because it was not a way that was allowed on FTX.
5 He did it because it was really important to him, because he
6 really cared about this rivalry. And when he was given the
7 choice of not buying the stock back that they couldn't afford
8 or digging a deeper hole by taking more customer money, what
9 did he do? He decided to double down, to take more customer
10 money, to make that Alameda account more negative, and when the
11 question about this was put to him on the witness stand, he had
12 no answer for it. That's the first moment to think about.
13 When you deliberate, that's a moment in time to think about,
14 when the defendant was presented with a choice and he chose to
15 double down, he took a criminal act, and that tells you
16 everything you need to know about his knowledge and his intent.

17 Here's the second moment in time, the second instance
18 when the defendant was given a choice and yet again he decided
19 to double down. And what I'm talking about now is a period in
20 the fall of 2021 when Alameda was already borrowing customer
21 money and was financially not in good shape. But the defendant
22 was greedy. And when he was presented with a choice again of
23 coming clean or doubling down and digging the hole deeper, you
24 know what he did. He kept digging. And this is the second
25 point in time that you can see where the defendant indisputably

1 knew about the financial situation, indisputably knew that they
2 were taking customer money, and then did it anyways. And that
3 shows you that he knew what he was doing was wrong.

4 So here's some background. In the fall of 2021, the
5 defendant sends Caroline Ellison what he calls the 10th
6 Percentile Scenario, which Ellison told you is something like a
7 scenario that could plausibly happen, isn't so likely to
8 happen, but you have to take seriously because it might happen.
9 And here's the question the defendant puts to her: What
10 happens in a scenario where cryptocurrency prices drop and a
11 bunch of our investments lose money, and what would happen if
12 in the meantime, we spend \$3 billion more on investments? So
13 it's like this scenario he's mapped out. And in everyday
14 terms, this is like: What would happen if I brought a brand
15 new sports car that's really expensive and then at the same
16 time the economy got really bad and at the same time I also
17 lost my job? This is like his version of: What is this thing?

18 And she, because everyone loves spreadsheets, does a
19 spreadsheet, and she makes a spreadsheet for the defendant that
20 addresses this question: What are Alameda's assets and
21 liabilities? And this is another critical document in the
22 case. This is one to think about. Government Exhibit 36. And
23 the name of this is NAV Minus Sam Coins. A funny name. It's
24 net asset value, or NAV, minus the Sam coins, which are the
25 coins, like FTT, that he created. So what's our financial

1 picture without the Sam coins? And this is something that she
2 shows the defendant, and he admitted during his testimony that
3 he saw it. That's at page 2458 of the transcript.

4 So let's look at what the defendant saw when he looked
5 at this spreadsheet back in 2021. So right off the bat,
6 Ellison has a calculation for the defendant of what Alameda's
7 value is without the Sam coins, NAV Minus Sam Coins. And the
8 Sam coins, by the way, are FTT, Solana, Serum. And the reason
9 they're doing the NAV minus the Sam coins is because those
10 coins are not so easy to sell. We heard like tons about this
11 in this case. They're not very liquid. There's not a market
12 for them. If you try to sell them, they're not easily—there's
13 not like a buyer out there who wants to buy \$3 billion of the
14 Sam coins. And so they've got a value, but that's just on
15 paper. In real life, you can't actually sell these things for
16 that much. So her estimate for what their finances are without
17 those Sam coins is what looks like, you know, as written, as
18 \$2700, negative 27, but we know these are all in millions, so
19 what that is is negative 2.7 billion. They are negative
20 2.7 billion at this point in late 2021. And then Ellison adds
21 up the assets and liabilities at the time, and here's what the
22 defendant saw. They've got 8 billion in assets, and 9 billion
23 in loans. So math, 8 minus 9 is negative 1, and so they're in
24 the negative. At this point he's already able to see in late
25 2021 that Alameda has more loans than it has assets.

1 And let me just pause here for a second and mention
2 that throughout his testimony, the defendant was saying these
3 things like, ah, at the time we had tens of billions, we had a
4 NAV of 40 billion, and that was funny number accounting and
5 just plain bald-faced lies. And when you think about it, think
6 about where is the evidence that those were actually real
7 numbers, where is the balance sheet that says those numbers,
8 where is the balance sheet that says those numbers with assets
9 that they could actually use or sell or spend, there isn't any.
10 And there are still—by the way, these are still billions, very
11 large numbers, but the point is, they're in the red.

12 And then there are these two lines on here that say
13 "FTX borrows," and Ellison told you, "that referred to the
14 amount of FTX customer deposits that were currently on the
15 exchange and that were available for Alameda to borrow." Let
16 me translate that. By "available. . . to borrow," what she's
17 talking about is FTX customer funds that are available to
18 steal, right, and spend however the defendant wanted.

19 So the defendant is looking at the situation with
20 Caroline, he sees that they've got more loans than assets, he
21 sees they're in the red. And I don't want to pass over this
22 like it's just some random number. When they're talking about
23 borrowing from FTX, they're talking about borrowing customer
24 money, and this number here, 3 plus 4, is how much customer
25 money exists there. It's like how much money is in the bank

1 that you could potentially rob. This is like the target right
2 here. 3 plus 4 is 7. This is how much money we can take. And
3 so this is the conversation: Here's how much money we could
4 take to potentially spend. And then the next question the
5 defendant asks Caroline, which is right in the spreadsheet, is:
6 What happens if the economy gets worse and how does this change
7 with another 3 billion of venture investments? Right? 'Cause
8 this was his question. This was: What happens if the economy
9 gets bad and then I want to buy that new sports car? And there
10 isn't a dispute over this. During his testimony, the defendant
11 admitted that the point of this spreadsheet was to consider
12 more investments for Alameda, coming out of customer money.

13 So, look, you don't have to go to MIT to know that if
14 you have more debts than you have money and you want to spend
15 more money, you're going to be in more debt. So when the
16 defendant had more debts than assets and the only available
17 money was this FTX customer money, where is the \$3 billion for
18 investments coming from in this scenario? And the answer is:
19 Customers.

20 So Caroline does the math, where she takes this
21 current financial picture and she assumes the economy gets bad
22 and crypto prices drop and then assumes \$3 billion more in
23 investments, and she told you her math told her spending
24 3 billion on investments was a really bad idea because they
25 could already not afford 3 billion without spending customer

1 money. How did the defendant respond? He said he wanted to go
2 ahead with billions of dollars of venture investments anyways.
3 So when you're thinking about the defendant's mind-set, think
4 about that. Think about how he's—how she's like, so financial
5 picture is not so good, also, we're going to spend \$3 billion
6 more and I think that's a really bad idea, and he says, I hear
7 what you're saying and I want to go ahead with it and do it
8 anyways. And this is easy math for him. He knows where the
9 money is coming from. It's coming from customers. And he
10 knows it could be a really bad situation where they don't have
11 the money for the customers, but he spends it anyways.

12 Now when the defendant was questioned about this
13 document, did you notice how he evaded talking about what the
14 document was actually about? He commented on some notes about
15 FTT and the note about hedging, and he just totally glossed
16 over what the spreadsheet was about, which was about how they
17 were in a poor financial position and did not have the money to
18 pay for new investments. And that was a deliberate decision by
19 him when he testified. It was deliberately evasive and it was
20 a misdirection. And that tells you how—why this spreadsheet
21 is important. It shows that he knew they were using customer
22 funds, and the way he reacted to this piece of evidence shows
23 you that he knew what he was doing was wrong.

24 Okay. So they have this moment in time. They talk
25 about this spreadsheet. They see the potential financial

1 picture. The defendant says, let's spend the money. And he
2 goes on this spending spree that would rival someone that had
3 just won the lottery, except he had not, obviously, won the
4 lottery, he had stolen billions of dollars. And so what does
5 he spend the money on? Professor Easton told you he spent the
6 money on this \$30-plus million penthouse apartment for him and
7 his friends and his co-conspirators to live in. And he spent
8 the money on a \$16 million house for his parents. And it
9 totaled 100 million on real estate. And all that came from
10 customer money. There's no real dispute that the money that
11 was used to pay for this real estate was coming from customers.

12 And by the way, when the defendant was asked about
13 these property purchases, when he testified on direct, he told
14 you another half-truth. As you can see, what he told you was,
15 it was that FTX paid for these, and that was only half the
16 truth. When you look at it, the money came directly from FTX,
17 but where did the money originally come from? It was passed
18 through a bunch of accounts, and it originally came from
19 Alameda. And where did the money originally come from to
20 Alameda? From customers. Why would he tell you it came from
21 FTX without acknowledging the true source if he thought it was
22 okay?

23 So the defendant also spends billions during this
24 period on investments. Right? And this was the plan. He
25 bought hundreds of millions of dollars of stock in Robinhood,

1 and here's the analysis by Professor Easton. Almost all of it
2 was customer money. He transferred that stock from Alameda to
3 a company he controlled called Emergent Fidelity Technologies.
4 And this is Government Exhibit 200. This is another important
5 document. And look who does this sale of all of Robinhood
6 shares held by Alameda to Emergent Fidelity Technologies. The
7 defendant, as the chairman and sole member of the board of
8 Alameda. This is all the defendant. He spent that money.

9 And did you notice how he responded when he was asked
10 about this particular document on cross-examination? He was,
11 again, evasive. First, he wasn't sure which board of directors
12 this was referring to, then he couldn't recall what Alameda
13 entity this was about, then he didn't want to admit that he was
14 the sole member of the board of directors of Alameda, then it
15 wasn't until he was asked whether he became a director by
16 mistake or accident that he acknowledged that he was the sole
17 member of the board. The reason he didn't want to talk about
18 this document is because this was a handshake with himself,
19 right? It's incriminating. Because it shows a transfer of
20 hundreds of millions in stock bought by Alameda using customer
21 money directly to the defendant. Just him, no one else, right?
22 It's a handshake deal with himself. And that tells you
23 everything you need to know about the defendant's intent.

24 He also spends 300 million on investing in K5, and
25 almost all that is customer money. And this is Government

1 Exhibit 56. It's the payment confirmation for that K5
2 investment, and it's signed by the defendant. It proves he's
3 responsible for this spending. Remember it was the defendant
4 who really wanted to invest in K5. Nishad Singh told you about
5 how he told the defendant it was an awful idea, but the
6 defendant wanted to invest with these guys because—the guy who
7 ran K5 because he hung out with celebrities, took the defendant
8 to dinner with famous people and made connections. Now the
9 defendant claimed, looking at this picture, that he just
10 happened to bump into these people at the Super Bowl, but right
11 after the defendant got back from the Super Bowl, he wrote to
12 Nishad and others that the guy who ran K5 was "probably the
13 most connected person I've ever met and we can get from them
14 essentially infinite connections." So he was celebrity
15 chasing. And he liked it. He liked the vibe of all this, he
16 liked the connections, and for him, it cost about \$300 million.
17 And he didn't have that \$300 million, so he took that money.

18 And there was other spending we saw evidence of too.
19 Genesis Digital, the crypto mining company; Anthropic, the
20 artificial intelligence company; Dave Inc., that online bank.
21 I'm not going to go through all of these. But during Professor
22 Easton's testimony and during the defendant's
23 cross-examination, he admitted that he was involved in all
24 these transactions.

25 Let me just pause here and note that the defendant

1 made a big point of saying that yes, he made these investments,
2 but he really only wanted to do some of them if Alameda also
3 hedged. Right? And let's just be clear about this. Wanting
4 to hedge these investments, that is not a defense. The
5 defendant was gambling with customer money. And whether he
6 thought these were sure bets or safe bets or risky bets or
7 almost sure bets, or that he was going to win more money back
8 in the long run, it doesn't matter. When he took the money and
9 he played roulette with it, he was stealing.

10 I expect Judge Kaplan is going to tell you just that.
11 He's going to instruct you on the law, and what he says
12 controls. I'm not going to read you the detailed legal
13 instructions that Judge Kaplan does, so you should defer to
14 everything he says. What he says trumps what I say about the
15 law. So I expect you're going to hear that if you wrongfully
16 take someone else's money, even if you think you might later be
17 able to put it back, that's still fraud. The defendant here
18 was greedy. He wanted to spend money. He wasn't satisfied
19 with what he had. This was like a person who just doesn't like
20 the financial situation but other—but rather than living with
21 what he has, he went out and took more money. And all the
22 dollars he spent on real estate and on investments and other
23 things are reasons you know the defendant is guilty.

24 The third point in time that I want to talk to you
25 about, where the defendant had a choice and doubled down and

1 dug the hole even deeper, is the discussion the defendant had
2 with his co-conspirators—his friends, the people who were his
3 roommates in June 2022—about Alameda having a \$10 billion
4 negative balance and then how he told Ellison to repay
5 Alameda's lenders, spending billions of dollars more in the
6 process. And this was another critical moment in the
7 defendant's scheme. He knows the financial situation. He
8 knows they're deeply in the red. And he decides to use more
9 customer money, knowing what he's doing. So let's walk through
10 that.

11 To set the scene at this point in time, it's May or
12 June and cryptocurrency prices have dropped, and Caroline
13 Ellison is looking at Alameda's balances and she sees they may
14 be insolvent, out of money, and the defendant is looking at
15 Alameda's balances at this time too. And you heard from
16 several witnesses that the defendant would sit at his computer
17 and would constantly have it open on six monitors, a page
18 showing Alameda's balances. And even when the defendant was
19 questioned about this, he ultimately admitted that, yeah, he
20 had a balances page on his computer, but it was just an auto
21 open. But he also told you that Ellison would routinely send
22 him Alameda's balance sheets and that he was reviewing them.
23 So he knew the financial situation at the time. He sees
24 Alameda's balances are not good. And he gets more bad news.
25 Alameda's lenders now want their money back, because the market

1 is going down.

2 Here's an example. This is Matt Ballensweig from the
3 crypto lender Genesis. He's messaging the defendant and
4 Caroline on June 13th, and he says, basically, we need our
5 loans back. Here's one of those messages. He writes, "We're
6 going to increase the OT loan pull back—"which is open term
7 loan pull-back—and he's looking for \$400 million back. And he
8 wants to know the ETA on 250 million.

9 So they're under the gun. They've got their lenders
10 asking for money.

11 And you heard a similar thing from Zac Prince, who was
12 the CEO of BlockFi, who testified on one of the Fridays that we
13 sat. And he made similar demands for the loan paybacks.
14 Ellison told you they were getting loan demands back from all
15 the lenders. And so the defendant knows that: (1) Alameda's
16 balances are not in a good place; and (2) they're about to get
17 even worse because all the lenders want those loans repaid.

18 By the way, this is literally the scenario that the
19 defendant and Ellison had talked about a few months prior,
20 right? A scenario which was like, our balances are not so
21 good, we've got more loans than assets, and what happens if the
22 market gets worse, and we've spent \$3 billion, and now here
23 they are. So he knew something like this could happen, and
24 then it happens. And then he's presented with another point in
25 time where he has to make a choice, and again, he's got two

1 options. Option one is what you heard some other
2 cryptocurrency companies did. Zac Prince told you about it.
3 The market got bad and they closed up shop; they couldn't repay
4 their loans.

5 (Continued on next page)

1 MR. ROOS: One option for the defendant was come
2 clean, face the consequences, and he didn't pick that option.
3 The other option was double down, more lies, dig the hole
4 deeper, spend more customer money when it came to repay.

5 And he doesn't stumble into this. He gets his
6 coconspirators together. He says: Let's figure out Alameda's
7 balances. Let dig in, figure how much debt it has, how much
8 money it can pull together. And you heard from each of the
9 witnesses about this, right. All three of them testified about
10 this moment in time. So this is a very important moment in
11 which the defendant has a criminal conspiracy where they know
12 what the financial situation is, and then he makes another
13 choice to do something wrongful.

14 Here is Caroline Ellison's testimony. The defendant
15 asked Caroline, Gary, and Nishad to put together a spreadsheet
16 showing Alameda's balances on FTX. She makes an initial
17 version and then Gary and Nishad revise it. Here is what that
18 looks like. This is Government Exhibit 50. This is a very
19 important document. It's one you have heard a bunch about.
20 And this is the balances sheet calculation for Alameda in June
21 of 2022. Taking a look at this exhibit, you immediately can
22 see that Alameda has a lot of negative balances, including
23 almost 3 billion negative in its main account. It's right
24 there.

25 Right there on the spreadsheet it has that fiat@FTX

1 account. You can see, even after that bug correction we heard
2 about, it has an \$11 billion negative balance, in addition to
3 the fact that the spreadsheet showed the defendant that Alameda
4 had a gigantic negative balance on FTX and it showed the
5 defendant that it had a -- that it had a fiat liability that
6 was very large and it showed the defendant had an overall
7 negative balance that was very large. Gary tallies up that
8 balance. That's the number right there. They are over
9 negative 11 billion. This is all in Government Exhibit 50.

10 So Gary told you that without Alameda's FTT that
11 Alameda's balance gets even higher as negative -- by higher, I
12 mean more negative, even more negative, to 16 billion. So
13 Ellison also makes an additional analysis. This is the same
14 exhibit. And it's a tab in the spreadsheet where she
15 calculates how much customer money they have taken to this
16 point, and here is that calculation. The tab is called balance
17 sheet by liquidity.

18 And one of the numbers on here which the defendant
19 sees is how much they are borrowing in customer money from FTX.
20 The number is 13.25 billion. Here is what Ellison said about
21 it. That represents 13.25 billion. That represents money that
22 Alameda was borrowing from FTX customers. So it's right there
23 in the spreadsheet. The defendant sees it.

24 And there is another key piece of information on the
25 spreadsheet. It's this. USD 13,000, 3,000 minus 10,000. What

1 does that number mean? Ellison told you. Those are the total
2 assets that were held by FTX at the time. So they, customers,
3 had deposited 13 billion and only 3 billion was available at
4 FTX. The other 10 billion, that minus 10, that's what they
5 borrowed on FTX.

6 So this spreadsheet, Government Exhibit 50, is very
7 important and from it the defendant knows the following: 1.
8 Alameda has a total negative balance of \$11 billion; 2. It has
9 borrowed over \$13 billion in customer money; 3. Around 3
10 billion of that is by going negative on FTX in its main
11 account. And there is another 10 or 11 by taking fiat
12 deposits. Finally, 4, as little as a quarter of the customer
13 money is actually on FTX. This shows there was a gigantic
14 hole.

15 This spreadsheet is a key piece of evidence because it
16 basically shows you everything you need to know about the
17 defendant's conspiracy, and what's so important about it is
18 that he and his coconspirators all work on it together. It's
19 absolute proof that he knew in June 2022.

20 Now, you have at this point heard about the
21 defendant -- you have heard the defendant testifying about this
22 meeting and this balance sheet. He told a very different
23 story. He acknowledged there was an issue with Alameda, and he
24 even acknowledged that Gary and Nishad and Caroline did a
25 spreadsheet, but then he just skipped the discussion of the

1 spreadsheet. He didn't talk about Government Exhibit 50 in his
2 direct testimony at all. And the reason he didn't want to talk
3 about it is because looking at the exhibit would tell you he
4 was lying during his testimony, that he knew clearly from the
5 exhibit exactly what was going on with customer money, he knew
6 where Alameda's balances were, he knew how much had been
7 borrowed, he knew what was left on the exchange.

8 You know that the defendant was lying about this
9 meeting because you heard from the three other people who were
10 not just in the meeting but were his friends, his closest
11 confidants. I think the defendant described him as the numbers
12 2, 3, and 4 people. And they all have testified about this
13 meeting. But there is another reason you know he's lying about
14 seeing this or knowing what's going on, and that's because we
15 were able to go back and get the metadata for this document.
16 You heard something about the metadata in this case, but I
17 don't think you folks actually saw the metadata. We are about
18 to look at it now.

19 Metadata, like I said, is just the information from
20 Google that tells you information about who viewed the
21 document, and we can use that metadata to determine whether the
22 defendant's version of what happened is right or whether all
23 three of the cooperating witnesses gave the right testimony --
24 sorry -- testified about what happened.

25 Here is that metadata, and it shows you the truth is

1 exactly what Nishad, Caroline, and Gary testified to. The
2 defendant viewed this spreadsheet on June 14. That means he
3 saw that fiat@ account. He saw Alameda's huge negative
4 balance, he saw Caroline's calculations, and he saw how much
5 money he was missing. The metadata fully corroborates what the
6 witness has told you, and it completely undermines everything
7 the defendant said about this.

8 By the way, this is Government Exhibit 50. The
9 metadata is called 50M.

10 There is more. The witnesses also told you about a
11 Google meeting they had over their computers to discuss the
12 spreadsheet. Here is Nishad Singh's testimony. He said during
13 cross-examination, actually, that I know that she, Caroline,
14 sent it, meaning the spreadsheet, to me, Sam, and Gary. I'm
15 sure that the four of us got on Google Meet and worked on it,
16 like investigating it. One Google Meet, one long discussion
17 over Google Meet.

18 Here is the evidence that happened. This is a Google
19 Meet record for June 14, 2022. And you can see the people who
20 joined the meeting, the Google Meet are the defendant,
21 Caroline, Nishad, and Gary. Here is the really important part
22 about this. Who started this Google Meet? The defendant. How
23 long was he logged into this meeting? 17,000 seconds, which is
24 a little under 30 minutes.

25 So when the defendant was on the stand and was

1 testifying that he didn't look at this and didn't know what was
2 going on, that was a total lie. He was studying it with his
3 coconspirators. He viewed the document. That's what the
4 metadata shows, that's what the witnesses said, and he had a
5 30-minute-long meeting to discuss it.

6 How did everyone react to Alameda's negative balances?
7 You heard that they were pleased to learn that there was no bug
8 and that the negative balance was 11 billion and not negative
9 20 billion. It was negative 11 billion and not negative 20
10 billion. But they still knew this was a big problem. Here is
11 an example.

12 Ellison testified in June 2022, we were in a bad
13 situation, and she was mostly concerned that if anyone would
14 find out, everything would come crashing down. The defendant
15 was thinking the same thing. He had seen Alameda's balances.
16 He knew its financial position was getting worse. He knew that
17 Alameda's lenders wanted their money back. So he knew that
18 everything could come crashing down if the truth came out.

19 Let me pause here for a second and just note something
20 about the relationship between these four people: The
21 defendant, Ellison, Wang, and Singh. By June 2022, you heard
22 the evidence in this case. By June 2022, they are sitting in a
23 room and on a Google Meet and looking at the negative balances,
24 and they have a long history together at this point. I am not
25 just talking about friends or as roommates or as people who

1 were dating. I'm talking about a long criminal history
2 together.

3 Remember, the defendant had directed Nishad to
4 backdate documents to inflate revenue a whole year earlier.
5 The defendant and Ellison have already stolen money to pay
6 Binance to get those shares back, and they had paid a bribe.
7 That all happened a year prior.

8 They had all lied to auditors by this point. The
9 defendant had told all three of his deputies, transfer a giant
10 negative MobileCoin loss to Alameda to hide it. He had Nishad
11 and Gary maintaining that fake insurance fund number. So they
12 have got a history together, right. They are used to at this
13 point doing crime together.

14 And so the reason that's important is, Government
15 Exhibit 50 is actually shockingly explicit in how it lays out
16 what they are doing, what they owe. But there is also and I
17 expect you are going to hear this from Judge Kaplan, a level of
18 history and comfort level, and that's why these folks can speak
19 in innuendo, in code, they can avoid labeling things explicitly
20 because they have a long criminal history together at this
21 point.

22 I told you that the defendant had a choice to make in
23 June 2022, and at this moment he decides what to do. He
24 doesn't decide to give up. Instead, he knows they are in a bad
25 place and he decides to double down, when Alameda is already in

1 significant debt, and repay lenders. And Gary Wang was asked
2 this directly: Where was the money coming from to repay those
3 lenders? And his answer was: Either from Alameda's FTX
4 account or from Alameda's accounts elsewhere, but, either way,
5 the money -- all the money came from FTX customers.

6 Caroline Ellison said the same thing. They knew where
7 the money was coming from. So did the defendant. He obviously
8 knew because this was his company. He was checking the balance
9 sheets, he was having his people work on the spreadsheet
10 project, so he knows where the money is coming from. Then it
11 is him, the defendant, who makes the call to repay those
12 lenders. Here is Ellison's testimony. It was Sam's decision.
13 So Ellison testified that the defendant continued to direct her
14 to repay loans. He was telling her to use customer funds to
15 repay our loans.

16 Wang said the same thing. He turned to Caroline,
17 meaning he, the defendant, turned to Caroline and said that
18 Alameda can go ahead and return the borrows to lenders who loan
19 Alameda's money. We are asking for it back. That's what they
20 did. Here is two documents, two exhibits we have looked at
21 already. They pay back the lenders using customer money. It's
22 in black and white. And it comes out of Alameda's account with
23 that big negative balance. It's customer money.

24 Overall, of the \$6.5 billion they used to repay
25 customer money, 4.5 -- of the 6.5 they used to repay lenders,

1 4.5 was coming from customer money. This is Government Exhibit
2 1018.

3 Let me just put this in context. We heard multiple
4 times over the course of this trial that there was somewhere
5 between 9 and 12 billion in cryptocurrency on FTX in the summer
6 of 2022. So when Alameda takes 4.5 billion off of FTX to repay
7 lenders, they are taking between half and a third of all of the
8 cryptocurrency on FTX, right. Let me say that again. They are
9 taking as much as half of the cryptocurrency that is supposed
10 to be sitting in the wallets to repay their lenders.

11 As the owner of Alameda and the CEO of FTX, that's
12 something the defendant clearly knew about. But according to
13 him, half the money from his exchange is gone, and he doesn't
14 know. According to him, Alameda has to pay back almost all of
15 its loans, has to pay out \$6 billion, and he doesn't know where
16 it's coming from. And, according to him, he is not checking
17 Alameda's bank accounts, he is not checking their balances,
18 he's not checking the fiat@ account. He can't see any of this.
19 None of it adds up.

20 If you were to believe the defendant's testimony, it
21 would have to be that somehow each of these people who reported
22 directly, his 2, 3, and 4 people, knew about Alameda's
23 balances, knew where the money was coming from. That just
24 doesn't add up that he doesn't.

25 Do you remember what he said when my colleague asked

1 him? He claimed that the people he supervised told him to stop
2 asking questions. He claimed that even though he had been
3 concerned, he was worried that Alameda was insolvent. He was
4 asking them to check the balances. There is this bug in the
5 system. He claimed that the people who reported to him were
6 like, stop asking questions.

7 And then, even though he had cancelled his trip to
8 D.C. and he was worried that maybe Alameda was insolvent, he
9 just didn't follow up, and he doesn't now remember what ended
10 up happening. I think his answer was, I can't recall.

11 There were four witnesses in this trial that said they
12 talked to the defendant about Alameda's massive negative fiat@
13 balance in June 2022: Yedidia, Wang, Ellison, and Singh. When
14 the defendant testified that he didn't learn and couldn't
15 remember, that was a lie. And the reason he's lying about that
16 is because this is a moment in time where he clearly knows that
17 Alameda is using FTX customer money, and he lied on the stand
18 because he knows it's wrongful and totally inconsistent with
19 everything he said publicly.

20 Let me make one last point about what happened in June
21 and why it proves the defendant knew what he was doing was
22 wrong.

23 Here is what the defendant does in May and June of
24 2022:

25 May 13. FTX publishes terms of service that say:

1 None of the digital assets in your account are the property of
2 or shall or may be loaned to FTX Trading. Promise to FTX
3 customers.

4 June 13. Genesis and other lenders asked the
5 defendant for loan repayments.

6 June 14. The defendant has the spreadsheet project,
7 and they look at all of it, and they see the negative balances.
8 He sees they are in the hole. He makes the decision to repay
9 the money anyways.

10 June 16. Repayment happens to places like BlockFi and
11 Genesis using customer money.

12 Then here is the revealing part. June 23. The
13 defendant's congressional testimony that we have already looked
14 at where he says: Whoever is in control of customer assets
15 cannot be misallocating or misusing those assets.

16 Then June 27 he tweets: Backstopping customer assets
17 should always be primary.

18 What this sequence tells you is that the defendant
19 went out in public, promised them, we are not using your money,
20 it's safe. Then in June he needs money, so he's taking his
21 customers' assets. And then if that wasn't enough, he has the
22 audacity within a week to go before Congress under oath and go
23 on Twitter and tell his customers, his victims, that he's not
24 using their money, that money, protecting their money is his
25 top priority, and when the defendant is doing that, when he is

1 taking their money secretly and then within a week is out there
2 publicly lying about it, that tells you he knows what he's
3 doing is wrong.

4 The next moment in time is June 2022, when the
5 defendant works with Caroline Ellison to send a fake balance
6 sheet to Alameda's lenders. This is another moment where the
7 defendant made a deliberate decision to double down on this
8 fraud. So what happened? We have been talking about June.

9 And after Alameda repays its lenders and spends
10 billions more in customer money, the defendant wants to take
11 out new loans, because he hasn't had enough of spending money
12 already, so he goes to Genesis and BlockFi and others, but
13 there has been changes in the cryptocurrency market and prices
14 have fallen and some of these companies have gone out of
15 business, so as third-party lenders they asked for new balance
16 sheets, and now he is presented with a situation that he has to
17 make a decision in.

18 No lender who actually knew the state of Alameda's
19 balances were ever going to lend them money, right. It was 10
20 billion plus in the hole, and that was before they repaid their
21 loans, and then he spent a few billion dollars more repaying
22 the loans, so they are deeply in the red, totally under water.
23 This was very clear to the defendant.

24 Caroline comes to him and says: I think it looks bad.
25 I don't think we can send this to Genesis, talking about their

1 balance sheet. Do you agree? And he says: Yeah, that sounds
2 right.

3 Here is Alameda's real balance sheet in June 2022,
4 Government Exhibit 44, the main tab. What's the reason they
5 can't send this to Genesis and other lenders? Ellison told you
6 it showed that Alameda was in a very risky position, borrowing
7 around 10 billion from FTX and with about 5 billion of its
8 loans to FTX's executives. Where does it show that? Here.
9 Exchange borrows: 9,900. That means, according to Ellison,
10 Alameda had borrowed 9.9 billion from FTX customers.

11 Here, related-party loans. That was 4.5 billion in
12 loans to the defendant, Wang, and Singh. According to Ellison,
13 it might make it look like Alameda was effectively giving or
14 funneling money to FTX executives.

15 So at this point the defendant knows Alameda is deeply
16 in debt. He knows they borrowed customer money, he knows that
17 it's in the billions, and he knows they have made billions in
18 loans to FTX executives.

19 So the defendant had to make a choice, and this is
20 another critical point, and he decides to lie yet again. He
21 told Ellison that she should prepare some alternative ways of
22 presenting this information and setting this thing up, ways to
23 conceal things in their balance sheet.

24 So Ellison creates seven alternative balance sheets,
25 and here is that. This is Government Exhibit 44. It's another

1 critical document to think about. The main tab here is the
2 real balance sheet, and then there are seven alternative
3 options. The alternative options hide Alameda's borrowing of
4 FTX customer funds and the big loans to the executives.

5 By the way, this spreadsheet is so obviously for the
6 defendant, because why would Ellison just be doing this solo?
7 In what world is a person making eight alternative balance
8 sheets for themselves and not be shared? She makes seven
9 alternatives because she knows someone else is picking an
10 alternative and that person is the defendant. So she testifies
11 then that Sam said we should use alternative 7. He said
12 alternative 7 looked like and that she, Ellison, should send
13 that one to Genesis.

14 The difference between the real balance sheet and the
15 fake alternative 7 balance sheet is obvious. Here they are
16 side by side. And what's missing from alternative 7? Exchange
17 borrows, meaning borrowed or stolen customer money. 10 billion
18 is missing. What else is missing? Related party loans for 4.5
19 billion. Remove from the spreadsheet. The defendant picked
20 alternative 7 because it concealed the evidence of his fraud.

21 And in case there was any doubt about the defendant's
22 involvement in this, here is the metadata on this document.
23 Government Exhibit 44M. It shows it was shared with the
24 defendant and he viewed it on June 19, 2022. He took a look at
25 it just hours before it went out the door to lenders.

1 If you have a balance sheet for your own private
2 viewing and then you make it an external balance sheet to send
3 to your lenders, that's fraud. And if you have two balance
4 sheets and they are totally different, then you -- clearly you
5 have one too many balance sheets. And if you prepare seven
6 alternative balance sheets and you are like, hey, let's go with
7 alternative 7, that's definitely the best one of how we stole
8 \$10 billion, that is definitely fraud, and you know that from
9 your own common sense and life experience.

10 The CEO of one of the lenders who testified in this
11 case, he said lending crypto isn't that different from other
12 types of lending, so imagine you knew someone who wanted to get
13 a mortgage or a small business loan, but before they walked out
14 the door to go to the bank, they said, you know what, let's
15 come up with an alternative statement of my financial position,
16 one that doesn't make my debts look so bad, makes them look
17 smaller. Let's actually come up with seven alternatives, and
18 then let's pick the version that makes my debt seems the
19 smallest, and let's give that to the bank. You would obviously
20 say to them, using your own common sense and life experience,
21 no, you cannot come up with alternative versions of your
22 finances and give them out to go get a loan.

23 Well, the defendant, he did just that. He picked the
24 alternative 7. He told Ellison to send it to their lenders to
25 get new loans. She sent it out. It went to Genesis. It went

1 to BlockFi. It went to other lenders. We looked at examples,
2 their balance sheet. Here is Government Exhibit 17. It's the
3 false balance sheet that went to Genesis. Here is Government
4 Exhibit 419. It's the false balance sheet that went to
5 BlockFi. Ellison told you all these were false because they
6 all omitted those key parts that the defendant wanted to hide.

7 As a result of sending out those fake balance sheets,
8 they got new loans. This shows it. Over a billion dollars in
9 new money came in. That's new money that the CEO of BlockFi
10 testified they never would have loaned had they been -- had the
11 truth been revealed.

12 So this is another important moment because it tells
13 you everything about the defendant's knowledge and his intent.
14 From just looking at the balance sheet, the defendant has to
15 know that they have been using customer money, both FTX
16 customer crypto and fiat deposits, because it says it. He sees
17 Alameda doesn't have much money in its bank account. It says
18 500 million in the bank, just a fraction of what it owes, and
19 he sees without its -- without those long-term investments,
20 which he can't sell and can't get out of, they actually have
21 fewer assets than liabilities, so he knows they are borrowing
22 customer funds.

23 The spreadsheet also tells you that taking and
24 spending billions of dollars of customer funds is wrong. Why
25 else would the defendant want to remove from Alameda's balance

1 sheets these figures, right? It's not like he is removing even
2 every liability.

3 Like if it was just about minimizing liabilities,
4 which by the way would still be a crime, but if it was just
5 about that, he would remove all of them, but he removes a
6 specific one, and the one he removes is the one that says, I'm
7 stealing money from FTX customers. So there is no confusion or
8 uncertainty about what his mental state is. He is picking the
9 one that is revealing that they have a fraud, and that's why he
10 is sending out a doctored balance sheet.

11 Now, we heard the defendant's story about this. This
12 time at least he admitted to seeing the spreadsheet. But his
13 testimony was extremely vague and evasive. Remember he said he
14 got the spreadsheet with the main tab and seven alternatives,
15 and he had to admit that because he has seen the metadata
16 proving it. But what did he tell you? He said that he doesn't
17 remember any of the details. He can't remember for sure which
18 tab he looked at. He can't remember if it had seven
19 alternatives. And he just went with one that seemed
20 reasonable.

21 Think about this explanation for a moment. Remember,
22 the defendant admitted that he was just warned this month that
23 his company might be on the verge of bankruptcy, and then he
24 gets his balance sheet for it and it has all these
25 alternatives, but he wants you to believe that he only just

1 looked at one of them and it just happened to be alternative 7,
2 and that he didn't ask Caroline any questions, and then they
3 just sent it out. It's not plausible. He has got no
4 explanation for the spreadsheet because it's really
5 incriminating evidence and because the metadata shows that he
6 viewed it. There is no innocent explanation for having eight
7 alternatives to a balance sheet and then picking one of the
8 alternative ones that omits the key crimey fraudy parts of the
9 balance sheet.

10 The next moment in time where the defendant presses
11 forward with his fraudulent scheme that we are going to talk
12 about is September. He has a conversation with the same
13 people. They have discussed Alameda's negative balances and
14 then he, again, made a choice to spend more customer money. So
15 it's another reason you know the defendant knew what he was
16 doing, knew that it was wrong, and then proceeded forward.

17 So in September 2022, the defendant knew that Alameda
18 was borrowing billions of dollars from FTX customers. In June,
19 the period that we just looked at, he saw these numbers on
20 spreadsheets. He knew they had just borrowed more from
21 lenders. They had just repaid money to lenders also. And by
22 September 1, he knows the number is \$13.7 billion.

23 How do we know that? Government Exhibit 90. This is
24 another important document. This is an internal balance sheet
25 from September 1, 2022. It shows that the defendant -- right

1 there it shows that Alameda is borrowing 13.7 billion from FTX.
2 There is no dispute the defendant saw this. Not only did
3 Ellison tell you he saw it, but, again, there is metadata that
4 shows it. By the first day of September he knows that Alameda
5 is negative. 13 or 14 billion, right. Keep this date in mind.
6 This is September 1. We are going to talk about what happens
7 next in September.

8 Notably, this is an exhibit that the defendant just
9 skipped over. He didn't even have an explanation for it. By
10 the way, remember, when the defendant claimed Caroline's
11 spreadsheet usually had multiple tabs, well, there is no
12 additional tabs on this one. It's just one tab and it says it
13 right there, right on its face, FTX borrows 13.7 negative, so
14 he knows in September.

15 A few days later, on September 7, the defendant sends
16 Wang and Singh a Google Doc about the pros and cons of shutting
17 down Alameda, and it's Government Exhibit 18. Here is the key
18 line in this document. Really hard to unwind Alameda. What's
19 that a reference to? When the defendant is writing, it's
20 really hard to unwind Alameda, what he's talking about is the
21 fact that Alameda has almost \$14 billion in debt of money it
22 took from FTX's customers. And that's not reading between the
23 lines. That's literally what they discussed when the defendant
24 raised this question of shutting down Alameda.

25 Here is Gary Wang's testimony. He says at pages 449

1 to 450 of the transcript: So I asked Caroline how much Alameda
2 was currently borrowing from FTX, and she said 14 billion. And
3 he was asked whether there was any way that wouldn't involve
4 the use of customer money, and Wang said no. Because FTX did
5 not have that much money itself.

6 Here is what Caroline said about this when she was
7 asked about Alameda's ability to repay that 13.7. She said:
8 We had no way to repay it. That's page 823 of the transcript.

9 Here is what Nishad Singh said at page 1403 of the
10 transcript. He learns that Alameda is borrowing 13 billion
11 from FTX. And Caroline Ellison tells him, Gary, and the
12 defendant over a Signal chat that it is impossible to close out
13 Alameda's borrowing because of the size of the hole.

14 How did the defendant respond to all this? Here it
15 is. Gary was asked just that question. Ellison says Alameda
16 was borrowing 14 billion. Do you recall the defendant
17 responding with any message of surprise? And Gary's answer was
18 no. No. He was not surprised when Ellison said they were
19 nearly 14 in the red because he already knew it. He was the
20 one who designed the systems. He was the one who had directed
21 the spending. He knew it from over the summer. He knew it
22 from the prior year. He knew it from the internal balance
23 sheets he was getting in September. He knew it from the
24 balance sheet he got six days before.

25 So Wang told the defendant the hole was too big to

1 shut down Alameda. And what did the defendant say? He said:
2 Acknowledged, acknowledged. No pushback, no request for
3 clarification, no like, well, what hole are you talking about
4 or what do you mean? No confusion. He just acknowledged it.

5 Here we have another conversation where you have three
6 witnesses who all said the same thing. They all said -- they
7 talked about a giant hole, between 13 and 14 billion, and
8 that's why they couldn't shut down Alameda. And the defendant
9 sat through this trial and he knows that's the witness'
10 testimony, and he knows they are saying he is part of that
11 conversation, and there is too much evidence for him to say, I
12 didn't know what was going on. I wasn't involved.

13 What does he say about it? Well, keep in mind at this
14 point we know that the defendant -- he admitted this, that
15 Alameda is only doing like 3 percent of the market making on
16 FTX, so he knows he can't say at this point the reason we
17 didn't shut down Alameda was because Alameda -- the reason we
18 didn't shut down Alameda is because Alameda was too important
19 to FTX. That's not a realistic or credible argument at this
20 point. He knows that. So he didn't say that.

21 What he said was, quote: He did not feel confident he
22 had gotten a clear reason why. So he was asked, what's the
23 reason? He says, I'm not confident I got a clear reason why.

24 Just think about this explanation. The defendant
25 wrote a five-page memo that includes six numbered points for

1 why to shut down Alameda. The metadata shows he worked on this
2 for hours, and it has got several subpoints and it has got a
3 list of alternatives and it has got the pros and cons and it
4 has got a two-page-long tweet string of what he would tweet out
5 if he announced Alameda being shut down. But his testimony is
6 that Gary and Caroline and Nishad came to him and said, we
7 can't do this, and then without any reason he just dropped it.
8 That's not a credible story.

9 That night the defendant and Nishad speak on the
10 balcony and Singh asked the defendant -- this is at page 1407
11 of the transcript -- what about what Caroline said today? And
12 Gary said today that there is a 13 billion borrowed and we
13 can't pay it all. He put the question to him directly. And
14 the defendant says: Right, that. We are a little short on
15 deliverables.

16 Again, there is no confusion, no question by the
17 defendant. He knows exactly what Nishad is talking about. He
18 says right, that. He is not surprised. He is not confused.
19 He has known for months. And he says: We are a little short
20 on deliverables. And this, by the way, is quite an
21 understatement for a \$13 billion hole, but it's still a damning
22 concession. He knows there is a hole. He knows they can't
23 fill it if the customers want their money back. We are a
24 little short on deliverables.

25 And then the next thing he says is critical. He says:

1 This has been taxing me for some 5 to 10 percent of my
2 productivity for this year. What is he saying? He is saying
3 that this has been weighing on him because he knows that
4 Alameda cannot repay this debt and that FTX is at risk, which
5 means he is at risk of having his fraud be exposed. That's
6 what is weighing on him. And Nishad says: This is going to be
7 doing a lot more damage to me hitting me a lot harder. And the
8 defendant says: Yeah. I was worried about that. It might
9 have been a mistake for me to circulate that document this
10 morning. People are going to freak out. They have stolen the
11 money.

12 Nishad sees the giant hole, and he is freaking out,
13 and the defendant knew they were stealing the money too, but he
14 wasn't freaking out as much as Nishad. You know the reason why
15 is because he was already comfortable with the situation. He
16 had already known about it for a long time and it was his
17 decision to take that money, so he has come to terms with it.
18 He wanted to use the money. He did use the money.

19 He had the arrogance to think he could get away with
20 it and just raise more money from other investors or come up
21 with somehow. When people like Nishad started freaking out
22 about it, he said the mistake here wasn't, we by accident took
23 the customer money. The mistake here wasn't, I thought we
24 could use the customer money. The mistake was telling Nishad
25 about it. That tells you everything you need to know about

1 what the defendant was doing, why this was deliberate, and why
2 what he was doing was wrong.

3 This is another place where we heard a different story
4 from the defendant. He admitted that he talked about Alameda's
5 liabilities, but he was very vague about what actually was
6 discussed in the conversation.

7 But you know that Nishad's explanation, his testimony
8 is corroborated by another witness, because you heard from Can
9 Sun. He was the last witness before our break. And what he
10 told you is, he told you about a conversation that he had with
11 Nishad before FTX went bankrupt, as it was collapsing.

12 Here is what Can Sun said that Nishad said to him
13 right before the collapse. He said that he had found out about
14 the hole, basically that Alameda was taking FTX customer assets
15 in September 2022. He said that he confronted Sam directly
16 about it, and Sam told him back then that it is what it is and
17 there is nothing we can do about it. That's page 1954 of the
18 transcript. That's very important. It's how you know that
19 Nishad is telling the truth about the conversation with the
20 defendant.

21 And defense counsel may get up and say that Nishad has
22 a poor memory, but remember this testimony from Can Sun. Can
23 Sun told you that he had a conversation with Nishad, right.
24 And Nishad told him, recounted what happened, and this happened
25 long before Nishad ever met with the government, long before he

1 ever testified here. It's a prior statement by him, a
2 statement before, according to the defendants, he didn't have
3 any reason to change his story, and that tells you, that's
4 evidence for you to consider when you are evaluating his
5 testimony.

6 Now, what happened next is predictable. Caroline told
7 you that throughout 2022, she was in a constant state of dread,
8 and she was worried imagining every day what might happen.

9 Nishad told you that he was blindsided and horrified
10 that FTX had turned out to be so evil, that spending anything
11 after September was necessarily digging the customer deficit
12 hole deeper continuing the crime.

13 But what did the defendant do? Again, he doubled
14 down. Here is the proof. This is a spreadsheet of all sorts
15 of investments the defendant was doing, and look at these two:
16 250 million to Modulo Capital on September 26, 45 million to
17 Skybridge on September 7. Those are hundreds of millions of
18 dollars after Nishad confronts him, after he tells him to stop
19 spending customer money, and the defendant keeps doing it.

20 And notice the names on the spreadsheet. The names on
21 the spreadsheet are the defendant and people who he said
22 reported to him. They are not Caroline, they are not Nishad,
23 they are not Gary. It's the defendant who is doing the
24 spending.

25 Here is the proof it was the customer money. This is

1 Government Exhibit 1033. Professor Easton testified that, on
2 September 26, a payment to Modulo Capital came exclusively from
3 customer money. Here is Exhibit 314. It's a Slack message in
4 which the defendant says he wants to make that payment to
5 Modulo. Here is Government Exhibit 350. This is the contract
6 signed by the defendant committing 250 more to Modulo. This is
7 all the defendant is doing.

8 The same is true for that payment to Skybridge. This
9 is Government Exhibit 1028. It proves the Skybridge investment
10 was paid for with customer money. Here is the proof it was the
11 defendant's doing: Government Exhibit 201. It's the
12 investment credit contract signed by the defendant as founder
13 of Alameda Research ventures.

14 One more. This is part of Alameda's ledger. And in
15 September and October 2022, there are millions of dollars going
16 out to Sam Bankman-Fried. That's Government Exhibit 141A.
17 Below that shows that at least some of that money went to
18 political donations. That's Government Exhibit 1089.

19 Here is why that's so important. This is a really
20 important point, and think about the timing.

21 September 1, the defendant sees a balance sheet
22 listing Alameda's borrowing of customer money at 13.7 billion.

23 September 7, he proposes shutting down Alameda, talks
24 to his coconspirators. They all talk about how there is a
25 giant hole. Nishad confronts him on the balcony. He's

1 freaking out. He tries to get the defendant to stop spending
2 money. He tells the defendant: Every dollar you spend is
3 customer money.

4 The same day he spends \$45 million on Skybridge. Ten
5 days later he transfers \$10 million out to himself. September
6 26 -- September 22, transfers \$4 million to himself.

7 On September 26, transfers \$250 to Modulo for his
8 investment.

9 Finally, October 3, he transfers 6 million more for a
10 political donation.

11 In the month of September he knows Alameda is
12 massively in debt, he knows it doesn't have the money, he knows
13 they are taking from customers, and he knows what he's doing is
14 wrong. That's all that you need to know to find him guilty.

15 The last moment in time I want to talk about is
16 November. In November, the defendant tells more lies,
17 including false tweets to try to keep customer money.

18 Now, you remember in November customers started
19 withdrawing their money from FTX as a pace faster than the
20 defendant had seen before. Everyone was nervous, and the
21 defendant and his coconspirators were nervous, not just about
22 the pace of the withdrawals, but what could happen as a result
23 of all the withdrawals. Their fraud might be exposed.

24 Here is what Ellison said. She was terrified. This
25 is what she had been worried about for months. When she was

1 asked if they could repay she said: We could not.

2 Now, the defendant knew he had a problem. He was
3 doing the math and watching the withdrawal numbers and wrote a
4 Google Doc on November 6 with notes about the current status.
5 And this is a very important document, Government Exhibit 21.
6 Here is what he wrote. They had, quote, enough to process
7 about one-third of remaining client assets. Let me repeat
8 that. He writes, the defendant writes: We have enough to
9 process one-third of remaining client assets. In other words,
10 they are missing two thirds of the money. But the defendant
11 had a plan, a criminal plan, fraudulent, and this alone is a
12 basis to convict him. Here is his plan. Send a confident
13 tweet thread. That's what he calls them. What does that mean?
14 Nishad told us, quote: A very confident and therefore
15 misleading statement or false statement about FTX's financial
16 condition. The point here, folks, was to stop getting people
17 to stop withdrawing their money.

18 Now, Nishad told the defendant he was, quote, not
19 comfortable with this. He said: No, no way. Recusing myself.
20 He didn't want a part of it. And the defendant acknowledged in
21 a kind of annoyed way, and then he proceeded to tweet. Here is
22 what he has tweeted, and you have now seen this tweet a bunch
23 of times. You know it well. Government Exhibit 866.

24 The first tweet on November 7 says: FTX is fine.
25 Assets are fine. Every witness said this tweet was false or

1 misleading.

2 Here is Gary Wang. Was the tweet accurate? No. Why
3 not? FTX was not fine. Assets were not fine because FTX did
4 not have enough assets for customer withdrawals.

5 Here is Nishad. Was that accurate as of November 7,
6 2022? No. We had determined definitively that FTX had a hole.
7 So this first tweet was plainly a lie. It was a confident
8 tweet to fool customers into not withdrawing their money.

9 Look. It wasn't just the defendant's coconspirators
10 who knew this was false. The defendant knew this was false,
11 and we know that from the time. Notice when he sends this
12 tweet that assets are fine. It's on November 7 at 7:38 a.m.
13 That's after he has written internally that they only have
14 one-third of the assets they need. So compare those, 866,
15 Government Exhibit 866, to Government Exhibit 21.

16 Here is another example. At 3:08 a.m. on November 7,
17 the defendant sends a list of possible assets that they have in
18 the small group Signal chat. And here is his math. He
19 estimates there are 12 billion in customer assets they need to
20 meet, but he is only able to come up with that number at the
21 bottom, 3.9 billion. So he has got a difference, and there it
22 is, a deficit, a hole of 8.1 billion. Remember the time. This
23 is at 3:08 a.m. on November 7.

24 What does he do four hours later? Tweets. He's
25 missing 8.1 billion, according to his own chat, and he says,

1 assets are fine. FTX has enough to cover all client holdings.

2 This is yet another case where the defendant took the
3 stand and said something totally that was contradicted by the
4 evidence. He sat there and he said he only realized there was
5 a hole on November 8. But you have seen his own Signal
6 messages now. You have seen his own Google documents. You
7 know that was not the case.

8 Defendant didn't stop there. This is his second
9 tweet: FTX has enough to cover all client holdings. We don't
10 invest client assets, even in treasuries. That was false.
11 Gary Wang testified this was not true because FTX did not in
12 fact have enough assets to cover all client holdings and
13 because FTX was lending client assets to Alameda.

14 Caroline testified that the tweet was not true because
15 FTX only had 4 billion to cover 12 billion of client holdings.
16 Nishad testified that the tweet was even more false than the
17 last one, that FTX did not have enough to cover client
18 holdings.

19 What was the result of the defendant's lies? FTX
20 customers didn't withdraw their money. Here is what one
21 customer said. He was relieved after seeing the defendant's
22 tweets. He found it reassuring. Another customer told you
23 that after seeing the defendant's tweets he felt comfortable to
24 just sit and wait.

25 That's what the defendant had intended. He sent a

1 confident tweet thread, a series of false tweets to lull his
2 victims into leaving their money, to convince them that
3 everything was fine, assets were fine, while the wall was
4 coming crashing down.

5 The fact that the defendant lied on Twitter to
6 convince people to not withdraw their money is really important
7 for two reasons.

8 The first reason is, it shows he had criminal intent.
9 He knew the situation and he lied. He knew he had only a third
10 of the money, four out of 12, \$8 billion hole. He knew that
11 before he tweeted, and then he tweeted anyway. It wasn't an
12 accident. It wasn't a misunderstanding. He had intended it.

13 The second reason, these are important, is I expect
14 Judge Kaplan will tell you that if after obtaining money, like
15 customer deposits, the defendant participated in a scheme to
16 keep the victim's money by making false or fraud
17 representations, that is, to retain it, that can be a scheme to
18 defraud. So when you find the defendant made these false
19 tweets, that alone is a reason to find him guilty of fraud.

20 There is one more thing I want to talk about briefly
21 for November, and that is a conversation that happens the next
22 day with Nishad Singh as he's leaving the Bahamas. So he has a
23 conversation over Signal with the defendant. And in that
24 Signal chat the defendant makes an admission.

25 Let's look on November 8, shortly before Nishad

1 leaves. He was in a dark place. He was suicidal, as he told
2 you, and he sends a Signal message to the defendant. This is
3 Government Exhibit 480C. So he sends the message and he says:
4 This is Nishad. He says: Wildly selfish of me. But they, the
5 FTX employees, may need to know that there wasn't a ton of
6 people orchestrating it. I think it makes them more likely to
7 want to be here to help save the situation. What's the it?
8 The it is the fraud. Nishad is saying to the defendant: FTX
9 employees need to know there wasn't a ton of people
10 orchestrating this fraud. And Nishad explained this. He
11 said -- he testified about it. He said he wanted the defendant
12 to clarify what everyone's role in this fraud was. He said it
13 was selfish of him because he wanted the defendant to clarify,
14 that he, Nishad, wasn't orchestrating it. Nishad was saying to
15 the defendant that he should clarify, that is, the defendant
16 should clarify he was orchestrating it.

17 How does the defendant respond? Yup. For what it's
18 worth, I don't think that's super selfish. I think that's
19 probably correct. There it is. Nishad asked the defendant to
20 clarify that he was orchestrating the fraud, and the defendant
21 says, I think that's probably correct. This is an admission to
22 his coconspirator at the end of the conspiracy that the
23 defendant was orchestrating. That is a reason right there to
24 convict him.

25 Notice what he doesn't say. He doesn't say:

1 Orchestrating what? He doesn't say: That's not right. He
2 doesn't say: Anyone else is to blame. He says: I think
3 that's probably correct.

4 Keep in kind this context. The context is, this is a
5 Signal message, one of the messages that they have been sending
6 all along to auto delete, and this is one of his closest
7 confidants. It is not a public tweet. It is not an interview.
8 This is a private space between him and his coconspirator over
9 an encrypted messaging platform with auto delete set so he can
10 tell, Nishad, I think that's probably correct.

11 I told you the questions we were going to answer.
12 They were: What happened? Where did the money go? Who was
13 responsible? We have now answered those questions together,
14 what happened. The defendant was motivated by greed and
15 ambition, and he wanted more money for Alameda, so he set up
16 systems to take the money. We have talked about what he did.
17 We talked about where the money went. It went to investments,
18 to purchases, to expenses, to donations. It was siphoned off.
19 And the defendant is responsible.

20 Your Honor, do you want me to keep going? I'm about
21 to switch sections.

22 THE COURT: I thought you were. I think we will break
23 for lunch. Ten minutes past 2 we will resume.

24 (Jury not present)

25 THE COURT: Time.

1 MR. ROOS: I think I'm over three-quarters of the way
2 done. I think I gave the jury a roadmap, and I said the last
3 two parts were a few defenses and the elements. That's what I
4 have left.

5 THE COURT: Time.

6 MR. ROOS: I am going to estimate 30 minutes. Could
7 be a little longer.

8 THE COURT: OK. Thank you.

9 (Luncheon recess)

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1 AFTERNOON SESSION

2 2:14 p.m.

3 (In open court; jury present)

4 THE COURT: Defendant and the jurors all are present,
5 as they have been throughout. You may be seated, folks.

6 You may continue, Mr. Roos.

7 MR. ROOS: Thank you.

8 When we left off, we had talked about what happened,
9 where did the money go, and who was responsible, and you now
10 know the answer to all those three questions.11 Now at the beginning, this morning, I told you there
12 were a few things we were going to do, and the last two were
13 talk about the crimes and talk about some of the defense
14 arguments you've heard, and these parts will be a lot shorter.
15 We've already covered the meat of it. So let's get into it.16 The defendant is charged with seven crimes, and
17 they're up there on the screen. You can read them. And
18 basically they fall into four categories—fraud on FTX's
19 customers; fraud on FTX's investors; fraud on Alameda's
20 lenders; and conspiracy to commit money laundering. And Judge
21 Kaplan is going to give you detailed instructions on these
22 crimes tomorrow, and you should listen to them closely. I'm
23 just going to talk to you about how some of the evidence you've
24 heard fits within these crimes.

25 So let's turn to the fraud crimes. There are three

1 counts relating to the fraud on FTX's customers—wire fraud on
2 customers, conspiracy to commit wire fraud on customers, and
3 the essence of Counts One and Two is that there was a scheme to
4 defraud FTX's customers by making false statements to get them
5 to deposit their money, and then by misappropriating or
6 embezzling or stealing that money that had been entrusted to
7 the defendant and his company, the defendant knowingly and
8 wilfully participated in that fraud, and that there were
9 interstate wires that were used as part of it. And that last
10 part just means wires are things like emails, financial
11 transactions that go across states, phone calls.

12 Count Two relates to the same types of conduct but
13 it's a conspiracy charge, and the essence is that the defendant
14 had agreed with at least one other person to commit the wire
15 fraud, okay?

16 So let's talk also about Count Six. Count Six is the
17 conspiracy to commit commodities fraud charge. And this is
18 another conspiracy charge, and there are three elements. And
19 they're up here on the screen. And they're very similar to the
20 wire fraud elements except for a few distinctions that I'm
21 going to talk about in a few minutes.

22 Here's the objective of the commodities fraud
23 conspiracy, and you'll see there are elements that resemble
24 parts of the wire fraud charge. Again, Judge Kaplan's going to
25 give detailed instructions on all of this. You don't need to

1 learn or memorize this now. But the key is that there was—in
2 connection with the sale of commodities or swaps, the defendant
3 knowingly and wilfully participated in a scheme that involved
4 an artifice of fraud or manipulative device.

5 Now these fraud crimes are what we spent most of the
6 morning talking about, right? We spent the entire morning
7 talking about the false statements the defendant made. We
8 talked about the false pretenses he set up by displaying
9 customer balances while simultaneously not actually having that
10 money behind the scenes. We talked about the relationship of
11 trust he established, how his policy documents indicated he and
12 his company were a trustee of his customers, how they were in a
13 custodial relationship, and how, simultaneously, he was lying
14 about that, how he embezzled and stole that money.

15 And we've talked about how the defendant orchestrated
16 the scheme by convincing customers that they could trust him,
17 about how he made lies, about how he directed people, how he
18 made statements and representations, how he moved the money,
19 how he stole and how he misappropriated. And we've also talked
20 at length about the overwhelming proof that he knew what he was
21 doing was wrong, that he knew what was happening with customer
22 money, that he had a fraudulent intent, and that he agreed with
23 his co-conspirators. So we've already gone through all the
24 evidence that establishes that he's guilty of these frauds on
25 customers.

1 And on this last element that we talked about, about
2 the wires, you saw the tweets, you saw the financial
3 transactions, so that's met too.

4 Now on the conspiracy charge, conspiracy to commit
5 commodities fraud, for that charge only, there is an additional
6 element, which is that the crypto involved fit the definition
7 of a commodity. And the defendant even admitted that before
8 Congress in 2021.

9 There it is right there. He's admitting that Bitcoin
10 and Ethereum are two tokens covered as commodities under the
11 CFTC definition. You also heard evidence from Adam Yedidia
12 where he explained that the futures that were sold on FTX were
13 the exchange of risk which resembled what Judge Kaplan will
14 describe to you as a swap.

15 And the other requirement is that some of the
16 conduct—and this is, again, just for the commodities
17 conspiracy—either occurred in or affected the United States.
18 And Judge Kaplan will give detailed instructions on that, and
19 follow his instructions. And what I'll tell you now is that
20 there's plenty of evidence that in connection with the
21 commodities fraud charge, Alameda was in the United States.
22 That's where its bank accounts were; it itself was incorporated
23 there; North Dimension, through which the defendant sold
24 customer fiat deposits, that was set up in the United States
25 and had a bank account in California; the defendant made false

1 statements in the United States when he was physically located
2 in Washington, DC; there were customers like BlockFi and
3 Sculptor of the United States. So this requirement is easily
4 met.

5 Counts Three and Four charge the defendant with wire
6 fraud on lenders and conspiracy to commit wire fraud on
7 lenders. And the essence of Counts Three and Four is that the
8 defendant schemed and conspired to make material false
9 representations to Alameda's lenders, and that he knowingly and
10 wilfully participated in that. And again, they used the wires.
11 And on these counts, the evidence is straightforward, and it's
12 overwhelming. I'm not going to spend much time on it because
13 the key document here is that alternative spreadsheet,
14 Government Exhibit 44. That's the spreadsheet that laid out
15 the real balance sheet and the alternative balance sheets. And
16 you've heard and you've seen all the evidence that that fake
17 balance sheet was sent to BlockFi and to Genesis and then
18 afterwards they loaned new money. And you heard testimony from
19 the CEO of BlockFi, who told you that those types of
20 representations mattered to them, that they would have not made
21 the same lending decisions had they known the truth, had they
22 known there was a massive borrow from FTX customers, or had
23 they known that the balance of assets and liabilities were
24 different, or had they known that there were these undisclosed
25 loans to executives. So that's all evidence of why the

1 defendant participated in and conspired to participate in a
2 scheme to defraud Alameda's lenders. And the evidence on that
3 is overwhelming.

4 Let's talk about Count Five. This is the securities
5 fraud on FTX's investors. And this is another conspiracy
6 charge. And there are three elements—that there existed a
7 conspiracy to commit securities fraud; that the defendant
8 joined the conspiracy; and that one member of the conspiracy
9 committed an overt act.

10 And I expect Judge Kaplan is going to tell you that
11 the crime of securities fraud, which now there's a summary on
12 the screen, the essence of it is that there's a scheme to
13 defraud or make false statements in connection with the selling
14 of a security—so here, FTX's stock—and that the defendant
15 knowingly and wilfully engaged in that scheme or conspired to
16 engage in that scheme. And again, this involved the interstate
17 or foreign commerce.

18 So what are we talking about here for Count Five?
19 Again, the evidence is overwhelming. And the primary evidence
20 here is very similar to the other counts. We heard from
21 investors like Matt Huang, who was the first week of the trial,
22 one of the first witnesses; and Robert Boroujerdi, who was one
23 of the later witnesses, I think the last witness in the
24 government's case—second to last witness. The last witness
25 before the break. They testified about how the representations

1 about—and the statements they received about how customer
2 funds were treated, how they were used, were all important to
3 them, and if they had known the truth, they never would have
4 invested.

5 But the fraud on FTX's investors is not just limited
6 to those types of false statements. There's also other frauds
7 that were made on FTX's investors, and so I just want to
8 highlight those for you. And you've heard evidence about this.

9 And one is, for both those investors, you heard that
10 they were very interested in the relationship with Alameda,
11 right? And this is separate and apart from how the customer
12 funds were used. They were interested in whether there was a
13 conflict of interest between Alameda and FTX or the defendant
14 in being involved with both those companies. And the defendant
15 told those investors time and time again that there was no
16 conflict of interest, that Alameda was treated just like
17 everyone else, that they were separate, and those are lies that
18 mattered to those investors. And that alone is enough to
19 convict the defendant of securities fraud, or conspiracy to
20 commit securities fraud. You could even convict him of
21 conspiracy to commit securities fraud without deciding the
22 question of whether he knowingly used the customer money. And
23 of course that evidence is overwhelming, but I make this point
24 because there were so many lies to those investors.

25 Here's another one. He lied about the revenue

1 information. Do you remember this document? And it came up on
2 cross-examination. There was a point in time in 2021 where the
3 defendant wanted the revenues to be over a billion dollars for
4 FTX. And so he had a conversation with Nishad Singh, and they
5 agreed on putting in some revenue, some money, some income, for
6 something called Serum staking, right? And this was of course
7 at the end of 2021, so it's kind of—it's like the last day of
8 the year. It's too late to earn a bunch of money. And so they
9 just add these numbers to their balance sheets, to the FTX stat
10 sheets, and we've got—we saw that. That was Government
11 Exhibit 51. So they add this fake revenue, and it's backdated.
12 And Nishad Singh admitted to that. But the defendant
13 initially, when he testified, he said, oh, I wasn't involved in
14 that, I didn't know about that, but then on cross-examination,
15 he was confronted with the exhibit you're looking at right
16 here, Government Exhibit 323. And this is the key. This is
17 signed by the defendant, right? And it's dated in January of
18 2021. So the deal goes down, the backdated transaction, at the
19 end of 2021, but he signs this document dated January 2021, and
20 he admitted that on the stand. And what that tells you is he
21 agreed to this backdating, he agreed to trick his investors,
22 and those investors testified that if they knew the revenue
23 numbers or the expenses numbers were different, they wouldn't
24 have invested. That would have mattered for their
25 decision-making. They of course would not have invested if

1 they had known that the defendant was lying to them, that he
2 was backdating transactions, that he was coming up with phony
3 documents.

4 There were some other points you heard about the
5 investors. The defendant fraudulently concealed the fact that
6 they were shifting some of the losses to Alameda. He concealed
7 the fact that the FTX insurance fund wasn't so big. You heard
8 testimony early in the case from Gary Wang about how in fact
9 that FTX insurance fund number was a made-up number. They
10 literally just had this random number generator that they used
11 to come up with a fake number for the insurance fund so they
12 could project that out. And that was the same information they
13 were giving to their investors, when they're saying this is a
14 safe system. So the lies to the investors are pervasive, they
15 mattered to them, they invested, and they lost all their money,
16 and it's very straightforward, and the evidence is
17 overwhelming.

18 One last point on this. You remember he moved FTX
19 investor money from FTX to Alameda. And we saw one of the
20 things they spent that money on; that was on real estate. And
21 so this is Government Exhibit 1023, and it shows you all the
22 investors who had their money moved over from FTX, which they
23 thought they were investing in, to the Alameda slush fund. And
24 so he duped investors by lying about this too. And that's
25 another reason to find him guilty of investor fraud.

1 Let's talk about the last count, Count Seven,
2 conspiracy to commit money laundering. As I expect you'll hear
3 from Judge Kaplan, there are two ways to commit money
4 laundering. The first way is in essence to engage in a
5 financial transaction that is designed to conceal a source or
6 the nature or the ownership of the money that came from that
7 wire fraud the defendant engaged in. And the other way is by
8 doing a financial transaction over \$10,000 that involves the
9 money from the wire fraud. And you've got both of those here.
10 And you're going to have to be unanimous on at least one of
11 them, but he can be found guilty if you find unanimously that
12 he is guilty of either of them. And he certainly did that
13 here. And I'm not going to spend a lot of time on that because
14 we've already this morning walked through dozens of
15 transactions in which the defendant moved money from Alameda's
16 bank accounts that had customer money to another bank account
17 and to another bank account, and to another bank account, and
18 to another bank account, and they did it for those donations
19 that they were running through Nishad Singh and Ryan Salame,
20 they did it for the investor—for the investments, where they
21 ran it through a bunch of bank accounts, and so the evidence on
22 this is very straightforward.

23 And keep in mind, I'm not going to go through all
24 Professor Easton's charts, but they're numbered Government
25 Exhibits 1001-1051. That's the full range. And so if you want

1 to look at all his tracing, his analysis of the balances,
2 that's the range to ask for, 1001-1051. They all show that the
3 defendant stole money and moved money, and engaged in money
4 laundering to conceal the source of the funds.

5 There's one last requirement which here is called
6 venue. And that just means that acts in furtherance of the
7 crimes need to have taken place in the Southern District of New
8 York, which includes Manhattan. And there was plenty of that
9 in this case. FTX processed wires through Signature Bank,
10 which was located in Manhattan. So is ED&F Man, where those
11 Robinhood shares were purchased. Tareq Morad, who was one of
12 the customers who testified in this case, he told you that the
13 wire to fund the accounts was processed through a Wells Fargo
14 bank in New York. BlockFi and Genesis, which are both lenders
15 in the case of BlockFi, which is also a customer, are in New
16 York. Zac Prince, the CEO of BlockFi, said he got those
17 balance sheets while he was in Manhattan. And customers and
18 investors like Third Point and Sculptor are based in Manhattan.
19 And finally, you know from Richard Busick, who was the FBI
20 Agent who did the cellular tower analysis, he told you that the
21 defendant was all over Manhattan doing meetings with investors,
22 acts in furtherance of his crimes. And that analysis is
23 Government Exhibit 1080. So venue has been met.

24 Those are the crimes the defendant is charged with,
25 and the evidence is overwhelming.

1 And so in our final minutes together, what I want to
2 talk about are some of the defenses you've heard in this case.
3 And like I said, the defense didn't need to make any arguments.
4 We have the burden, and we embrace that. But when they do make
5 arguments, you should scrutinize them. And I want to focus on
6 just three arguments that have come up in this case.

7 Here they are: the argument that the defendant acted
8 in good faith; the argument that he thought it would all work
9 out in the end; and lastly, this argument that this was somehow
10 margin lending.

11 And so starting with the first argument, I expect
12 Judge Kaplan will tell you that good faith is when someone
13 honestly believes in the truth of what they're saying or
14 honestly believes the victims were not being deprived of
15 property. And that's not what happened here. We spent this
16 morning talking about all the reasons you know the defendant
17 knew what he was doing was wrong, and those are all reasons why
18 the defendant wasn't acting in good faith.

19 Here's another reason. We've seen this chart before.
20 This is Government Exhibit 1083. The defendant used Signal.
21 Now of course there's nothing wrong with texting and nothing
22 wrong with encrypted apps. But what the defendant insisted on
23 was auto-delete. He insisted that their Signal chats be
24 deleted. And I expect Judge Kaplan will tell you that if you
25 find that the defendant deleted communications, you can infer

1 that he believed he was guilty, that he didn't have good faith.
2 And so how do you know that was his purpose here? Well, Adam
3 Yedidia testified that when the defendant began insisting that
4 people use Signal and delete messages, he said it was "all
5 downside for the messages to be kept around. And if regulators
6 somehow found out, found something they didn't like in those
7 messages, that could be bad for the company." And the result
8 was that when FTX collapsed and people were asking questions,
9 there were no Signal messages before November, and that made it
10 a lot easier for the defendant to claim that he had no idea
11 what happened. And so this is important. It's in some ways a
12 small point, but in other ways it's very significant. He knew
13 what he was doing was wrong. He envisioned a day like today.
14 He knew that some day the regulators would see something they
15 didn't like. What he means is they would see something that
16 was incriminating. And so he had in mind a courthouse, a
17 courtroom like today, and he didn't want it to be like that so
18 he demanded that the messages be set to auto-delete. And of
19 course he couldn't delete everything, but that was the aim
20 here, and that tells you about his intent and that it wasn't
21 good faith.

22 And you also heard about coded language he used.
23 Ellison told you the defendant would get upset when they used
24 explicit words, so she said things like "FTX borrows" or "the
25 thing," instead of saying things like FTX customer funds.

1 And finally, on this topic of good faith, I want to
2 talk about one conversation the defendant had with Can Sun, who
3 was one of FTX's lawyers, as FTX was collapsing.

4 In FTX's final days, after one potential investor
5 asked the defendant for "a legal justification as to why the
6 funds were missing, and were at Alameda," the defendant asked
7 Can Sun to come up with legal justifications. And this
8 testimony by Can Sun all begins around page 1959 of the
9 transcript. Now importantly, at this point the defendant
10 didn't point to any legal justifications for taking the money.
11 He had none. When Sun asked whether the defendant
12 identified—when Sun was asked whether the defendant had
13 identified any justifications that he was aware of, the answer
14 was no. And that shows you—this is an important point. The
15 answer "No" is important because it shows you the defendant was
16 not acting in good faith. He didn't have a justification at
17 the time for why he honestly thought this was okay. He posed
18 the question to Sun. He didn't say, I think I'm allowed to use
19 this customer money, can you please confirm this for me; he
20 said quite the opposite. He didn't provide any justification.
21 And so then what happens next?

22 Can Sun takes a look at the terms of service and does
23 some other research around the company, and then goes on a walk
24 with the defendant, and during that walk, here's what Can Sun
25 tells the defendant. He says there was no justification for

1 the funds being missing and taken by Alameda. He says there
2 were theoretical arguments, but none of them were supported by
3 the facts. And what's important about this conversation is
4 what happened next. It's the defendant's reaction is what
5 particularly matters here. And so he tells—Sun tells the
6 defendant that while there are some other crypto exchanges that
7 do not make it clear what is the relationship between a user
8 when they deposit funds on the exchange and the exchange,
9 that's not feasible for us because of our terms of service.
10 They make it very clear that when a user deposits assets onto
11 the exchange, those assets continue to belong to the user. So
12 in other words, Sun is telling him Alameda cannot use customer
13 money. And then, like I said, what's important is how the
14 defendant responds, because it tells you everything about his
15 good faith or lack of good faith here today. The defendant
16 doesn't fight him. He agrees with Can Sun. He says—and
17 here's the testimony—"he acknowledged." He "basically said
18 something like, got it." He "wasn't surprised at all." If the
19 defendant actually believed that he was allowed to use customer
20 money, as he claimed when he took the witness stand, why didn't
21 he say that back in 2022? In this private conversation back in
22 2022, why didn't he say what he said up on that witness stand?
23 He didn't direct Can Sun to some part of the terms of service.
24 He just acknowledged Sun's conclusion and didn't seem
25 surprised. And that tells you he wasn't acting in an honest

1 belief or in a good faith.

2 There's another part of this conversation that matters
3 and tells you something about the defendant not acting in good
4 faith. And that's that Can Sun told the defendant that he
5 considered, as one of the theoretical justifications, whether,
6 under Section 16 of the terms of service, which concerned
7 margin trading, whether FTX could have theoretically argued
8 that it could take the customer funds. So that was another
9 theoretical justification that Can Sun raised with the
10 defendant. And Sun told the defendant that he asked Nishad and
11 Ramnik Arora, another employee, to pull some numbers, and those
12 showed that this theoretical justification was not supported by
13 the facts. And how did the defendant respond? Again, this is
14 the key part for knowing about his intent. He acknowledged.
15 "He said, yup, yup. No pushback." By the way, do you notice
16 how Can Sun's answer resembled exactly the way the defendant
17 answered? "He said, yup, yup. No pushback." This tells you
18 that the same time the defendant didn't think this was part of
19 the terms, at this time the defendant did not think this part
20 of the terms of service allowed him to use customer money. And
21 that's important, not just for his good faith or lack thereof,
22 but it's important because of what happens next.

23 After FTX declared bankruptcy, the defendant did
24 interviews. You heard about that during his testimony. And
25 one of them was on *Good Morning America* with George

1 Stephanopoulos. And during the interview the defendant is
2 confronted with the exact same terms of service that he spoke
3 to Can Sun about in that private meeting. And Stephanopoulos
4 presses him. He says, "If Alameda is borrowing the money that
5 belongs to FTX depositors, that's a bright red line, isn't it?"
6 And Stephanopoulos is gesturing to the terms of service. It
7 says that "digital assets may not be loaned out to FTX. They
8 can't be loaned out." So Stephanopoulos confronts him with
9 this.

10 And the defendant takes a long pause. And then he
11 gives a false excuse. He says, "There existed a borrow lending
12 facility on FTX, and I think that's probably covered in the
13 terms of service." So the defendant gives Stephanopoulos, on
14 television, the very justification he had discussed with Sun as
15 not being a theoretical justification that worked. And this is
16 a false excuse. And I expect Judge Kaplan will tell you
17 tomorrow that if a defendant gives a false excuse or a false
18 exculpatory in order to divert—in order to divert suspicion
19 from himself, you may consider that as evidence that he
20 believed he was guilty. So this is another reason you know
21 that the defendant was not acting in good faith, because he
22 thought he was guilty, and that's why he lied and gave a
23 justification he knew wasn't true on television before he was
24 charged with a crime.

25 There's another defense I want to touch on just very

1 briefly, and this is the defense that the defendant has brought
2 up again and again, that he just got unlucky. When he took the
3 witness stand, he blamed everyone and everything. He claimed
4 the problem wasn't from—that they didn't hedge right, that
5 they had bad luck, that FTT prices dropped, that the
6 investments happened to be illiquid, and the defendant claimed
7 that with just a little more time, everything could have worked
8 out, and they could have processed some more withdrawals. And
9 I expect Judge Kaplan is going to tell you that a belief by a
10 defendant, even an honest belief, that ultimately everything
11 would work out fine or that victims wouldn't ultimately lose
12 money, does not mean the defendant acted in good faith. The
13 crime here was when the defendant took the money, when he made
14 false statements to get that money. What ended up happening
15 later on doesn't make him not guilty of the crime.

16 The last argument I want to talk about today is this
17 idea that it was all margin lending. And with every hour the
18 defendant spent on the witness stand, we saw this argument get
19 more and more absurd. Suddenly, any withdrawal off the
20 exchange, to repay any sort of third-party debt or expense, or
21 to buy muffins, this was a margin trade, according to the
22 defendant. And according to the defense opening, the theory, I
23 guess, is that Alameda was also doing these margin loans and
24 that somehow, under the terms of service, they could just rip
25 all the customers' money because everyone was doing margin

1 trading. And this was an argument that was put out by the
2 defendant after he committed his crimes, after he was arrested.
3 It isn't supported by any facts. You should reject it.

4 Here's what really happened. First things first. FTX
5 customers did not automatically have their money in the spot
6 margin loan program. It wasn't free money for the defendant to
7 take or borrow. Customers had to opt in. They had to agree.
8 They had to enable margin trading. That's what we're looking
9 at on the screen. So if a customer didn't enable spot margin
10 trading, their money couldn't be borrowed. One example is the
11 very first witness you heard in the case. He testified that he
12 never enabled spot margin trading. His money wasn't in the
13 program. It shouldn't have been taken.

14 And even after a customer opted into the spot margin
15 trading, their money still isn't in the program. It's not just
16 there just because you turned on the opt-in. You have to then
17 take another step and lend it out. And that's what this shows.
18 Customers had to actually click the lend.

19 Now the defendant called this witness Mr. Pimbley, and
20 he showed some charts of the balances of people who had just
21 opted in. But that didn't represent what was actually going
22 on. As he conceded during cross-examination, his charts don't
23 show how much money customers actually agreed to lend out. It
24 just shows the balances of the customers who had opted in, not
25 what they actually lent. The amount that was actually

1 available to be borrowed, the amount that actually had been
2 lent, was a lot smaller. And we can see that from one of
3 Professor Easton's charts.

4 Here's a third problem with the defendant. The main
5 account that Alameda was borrowing through did not even have
6 spot margin enabled. So this whole idea that, oh, they're just
7 borrowing through the spot margin program, in fact, notice how
8 all of Alameda's accounts with the "Allow Negative" set were
9 not enabled for the spot margin borrowing. That means none of
10 the accounts that match up to the withdrawals were ones that
11 had spot margin trading. Maybe Alameda had other accounts that
12 had spot margin trading, but the key is these accounts they
13 used to make those gigantic withdrawals of customer money,
14 those were not part of the spot margin system.

15 And here's some proof of that. Government
16 Exhibit 1002. It tells you that the giant negative balance is
17 the one that's coming out of these "Allow Negative" accounts,
18 from 2 to 12 billion negative. And that's not any borrowing in
19 the spot margin program.

20 And by the way, we're just talking about stealing
21 money off the exchange right now. Of course we talked this
22 morning about stealing customer money through fiat deposits.
23 And there was tons of spending of customer money on
24 investments—K5, the crypto mining company, the AI company, the
25 donations, the real estate, that all was just coming out of

1 bank accounts. And that is just straight embezzlement. That
2 is theft. That is not borrowing on the spot margin program.
3 That was off-the-exchange borrowing.

4 Here's the fourth problem I want to highlight with
5 this defense. Professor Easton told you there was not enough
6 money in the spot margin program to explain all Alameda's
7 borrowing. What this shows is that from June to November 2022,
8 Alameda had taken between 8 and 12 billion, when there was at
9 most 4 billion in the margin lending program. This is
10 critical. It is literally, mathematically impossible that they
11 could have taken the money from the borrow/lend or the spot
12 margin program. It's impossible, mathematically, that this
13 could have been a loan, right? And this is the key distinction
14 I was talking about. You have to look at what customers were
15 actually lending out, what was actually available to be
16 borrowed. That's the key. It's not—the number is not the
17 balances. It's what was actually being lent out, what was
18 available to be borrowed. And these are in Government
19 Exhibits 1010 and 1011.

20 Finally, there's a real problem with the claim that
21 defense counsel made in his opening that FTX could somehow claw
22 back money from unwitting customers who were doing margin
23 loans. Here's the piece of the terms of service they put up in
24 their opening statement.

25 Nishad Singh testified, after this argument emerged,

1 he testified that clawbacks weren't even implemented. The code
2 could never cause a clawback. So how about this. This whole
3 argument of, oh, well, there's a scenario where you can claw
4 back money because, you know, we socialized the losses,
5 fiction. They actually hadn't even built the system. It was
6 not in the code. This was not a real capability. This was
7 just, well, we'll get to it, we'll tell you what this is.

8 What Can Sun said, who was one of the authors of the
9 terms of service, he was asked about this, and what I want to
10 highlight is what he said about it. He said he talked about
11 this—he had not discussed the specific provision with Sam,
12 right, but when he talked with Sam about clawbacks, the
13 defendant always made it clear that FTX does not claw back
14 money from users, right? So we have this argument now that's
15 totally contrary to the defendant's prior statements. And
16 here's the important point. At the end, "I just asked you,
17 what's the reason this is in there? If it's not—if they
18 couldn't even do it, what's the reason it's in there?" Can Sun
19 said, "Well, in fact, this provision was drafted mostly for
20 disclaimer purposes, nothing more."

21 I expect Judge Kaplan will tell you tomorrow that a
22 defendant cannot disclaim away his false statements and lies by
23 putting a provision in a terms of service. And keep in mind
24 these terms of service, they weren't even adopted until May of
25 2022, which means there were thousands of customers who never

1 even agreed to this when they joined FTX.

2 Here's my last thought on this margin defense.

3 When the defendant was asked directly yesterday under
4 cross-examination whether he was saying the big hole in
5 customer funds in November was the result of a clawback, he
6 sort of fumbled for a second. And then he said he wouldn't
7 describe it that way. He conceded that's not actually what
8 happened. This is a distraction. It's something manufactured
9 after the fact. It's something that he came up with after
10 everything came crashing down. He came up with it for a day
11 like today, in a courthouse, and you should reject it.

12 You've all paid close, careful attention. Let me
13 leave you with this thought. This was a fraud that occurred on
14 a massive scale. Thousands of people lost billions of dollars.
15 Everyday people lost savings, companies went bankrupt, all
16 because of this defendant's fraud, because he wanted more money
17 to do whatever he wanted with. So when you go back to the jury
18 room, follow the truth. Let the evidence prevail over his
19 storytelling. The defendant, he lied and he stole from his
20 customers; he lied and he stole from his lenders; he lied and
21 he stole from his investors. He's guilty of wire fraud; he's
22 guilty of securities fraud; he's guilty of commodities fraud;
23 and he's guilty of money laundering. Do justice. Reach the
24 only verdict consistent with the evidence, with the law, and
25 with the truth, that the defendant is overwhelmingly, beyond

1 any reasonable doubt, guilty.

2 THE COURT: Thank you.

3 Mr. Cohen.

4 MR. COHEN: Thank you, your Honor.

5 THE COURT: And somewhere in the next 45 minutes, if
6 you can reach a point that's convenient to you to stop for the
7 afternoon break. And I'll also say to the jury, depending on
8 how things are going, I may ask you to stay a little late this
9 evening just to allow Mr. Cohen to finish.

10 MR. COHEN: Ladies and gentlemen, I want to start by
11 thanking you again for your service in this case. We saw that
12 you took your duties as jurors seriously, and you listened very
13 hard to the evidence as it came in. You've all done an
14 excellent job listening to a case about many foreign terms,
15 about crypto and jargon like margin and cross-margining and
16 Bitcoin and so on, in what may have been an entirely new
17 industry for you. And we're very grateful for you for giving
18 us the time from your lives and your service on this jury and
19 for keeping an open mind.

20 You know, there have been times during this past four
21 weeks when I have wondered what case it is we're actually
22 trying here. What do I mean by that? Time and again—and we
23 just heard it this morning—the government has sought to turn
24 Sam into some sort of villain, some sort of monster. They
25 spent an extraordinary amount of time on this. It's both wrong

1 and unfair, and I hope and believe that you have seen that it's
2 simply not true, and, more importantly, it's not a basis on
3 which to decide this case, which is about specific charges in
4 an indictment and specific counts. The government's core case
5 is premised on—it's based on a false premise, which their own
6 witnesses have rejected, that from the very beginning, from
7 jump, FTX was a fraudulent enterprise established by Sam and
8 Gary, Caroline and Nishad, to intentionally steal customer
9 funds from the very earliest days, and that the events of June
10 through November of 2022 were simply a continuation of that
11 fraud. And as we'll get into, that's not what the evidence
12 showed here.

13 And that's why we submit that the government keeps
14 portraying Sam as this villain. According to the government,
15 everything Sam ever touched and said was fraudulent.

16 Can we pull up the slide.

17 So here we got evidence about Sam's hair, his clothes,
18 testimony about his sex life, photos of him looking awkward
19 next to celebrities, photos of him sleeping on a private jet;
20 photos of him with big hair, photos of him with messy hair;
21 photos of him holding a deck of playing cards. They started
22 off, first sentence, second sentence of the opening statement,
23 what were we talking about, charges in the indictment? No, we
24 were talking about how he lived in a \$30 million apartment and
25 flew on private planes and met with Tom Brady and Bill Clinton.

1 And the list goes on. In opening, Mr. Rehn gave us a
2 movie opening, where he pointed at Sam, "that man, that man."
3 We just saw that again in summation, like you'd see in a movie.
4 Every witness who had been his friend pointed to him from the
5 stand, even though we stood up and stipulated, of course it's
6 Sam. He's here. Why? Why? For the effect. Why does the
7 government keep doing this? Is it because they want to make
8 him into someone you'll dislike, someone you won't approve of
9 and therefore you'll vote to convict him, rather than making
10 the case about whether the facts do or do not satisfy their
11 burden of proof? You know, Sam's appearance has nothing to do
12 with how the FTX exchange worked or with Alameda's trading or
13 asset values, and his appearance and his romantic relationships
14 have nothing to do with whether he's guilty of the specific
15 counts charged in the indictment.

16 And let us say this, just to get it out of the way.
17 We'll agree that there was a time when Sam was probably the
18 worst-dressed CEO in the world, and had the worst haircut. And
19 we'll agree that the evidence in this case showed that Sam
20 would talk to just about anyone—any TV reporter, any
21 journalist, any blogger, you name it. And that made his life
22 messy and made things messy as well, but that's not a crime.
23 The reason we focused—the reason the government focused much
24 of its case on Sam's appearance is that every movie needs a
25 villain. And let's face it, an awkward high school math nerd

1 doesn't look particularly villainous, so what did they do?
2 They wrote him into this movie as a villain, a bad guy,
3 directing others, who apparently had no free will of their own,
4 to steal billions of dollars. They invited you to overlook the
5 absence of proof that Sam actually committed any of the crimes
6 charged in the indictment, and they relied on that evidence.
7 Just as in a movie, the cooperating witnesses—and there were
8 five of them, five cooperating witnesses, Gary, Caroline,
9 Nishad, Can Sun, who had a non-prosecution agreement, and Adam
10 Yedidia, who had immunity, in short, the only five people who
11 had direct contact with Sam on the key facts alleged in the
12 case—they went up to the stand and, on cue, over and over and
13 over again, they said, "Sam told me to do it." Even as to
14 simple things which we would normally think they would admit as
15 of their own free will.

16 And that depiction of him made no sense in the real
17 world, especially coming from these witnesses who were his
18 closest friends, who knew him for years, who had gone to camp
19 with him, to college, who had lived together with him, who'd
20 worked with him for years, starting two businesses, who
21 traveled with him and moved all over the world with him.
22 That's a lot to do with someone you're now coming forward and
23 saying is so terrible.

24 And what the government kept leaving out of its movie
25 is the "why." Why did FTX develop the way it did? Why did Sam

1 make the decisions he did? And what was he thinking at the
2 time when he was CEO? And in doing so, in not focusing on the
3 "why," they didn't fully address whether they carried their
4 burden of showing that Sam acted with criminal intent.

5 And I'm going to go through the evidence that was
6 presented at the trial, but before I do that, let me just give
7 you a couple of quick examples on this point.

8 If you can put up the last slide.

9 The first slide. The first slide.

10 Okay. Look at the photo on the left. And the
11 government exhibits, numbers are on the slide. This is the one
12 they put up of him shuffling the deck of cards. Of course they
13 never asked any of their witnesses what the significance of it
14 was. They were just trying to imply that he's a gambler. One
15 of the themes of the case is Sam takes too many risks. He
16 takes more risks than the other witnesses. Well, we asked the
17 "why" question, and it turns out that he'd been shuffling cards
18 to control his natural fidgeting, and he was doing this for
19 years. He didn't even play poker. And then today we heard on
20 the government's summation, oh, and during his testimony he
21 looked away. Really? What does that show?

22 The government asked its witnesses about the change to
23 the code base. We'll talk about that in some detail in a
24 moment. But they never ask why the changes were made at the
25 time. But why? We did. And what you heard not just from Sam

1 but from the government's witnesses, that the code changes were
2 put in place as responses to specific events. And they were
3 put in for valid business reasons, not to carry out some grand
4 fraudulent scheme.

5 Another quick example. The government raised the fact
6 with you that because FTX at first did not have its own bank
7 accounts that Alameda received deposits. Alameda did and then
8 this other account in North Dimension. And in its opening
9 statement, the government told you that in and of itself was a
10 crime, part of the crime. But then what did their witness say?
11 It wasn't a crime. We understood why they had to do it. We
12 didn't have bank accounts for FTX so it was fine to receive the
13 funds in the account.

14 And because they don't focus on the "why," the
15 government failed to mention in its summation that none of the
16 witnesses at this trial testified that Sam told them or
17 directed them to violate the law or said or did anything that
18 showed he thought he was violating the law. Back in 2019, Sam
19 didn't say to Gary, hey, we just created this successful
20 company Alameda, I've got a great idea, let's set up FTX so we
21 can use our secret company Alameda—wasn't secret—to steal
22 customer money. No witness came forward and said that Sam told
23 them to steal customer money or commit crimes.

24 Now in contrast, what we've been trying to present to
25 you, and I'll discuss today, is more of a real-world

1 perspective. And in the real world, unlike the movie world,
2 things can get messy. We know that real life doesn't unfold
3 like it does in the movies. In the real world, people misjudge
4 things. They make mistakes. They hesitate. They don't plan
5 for the unexpected. They make good and bad business decisions,
6 and they make mistakes that later on they wish they could have
7 fixed. And Sam explained what really happened and why things
8 unfolded the way they did on his watch. They may not fit the
9 government's movie of making Sam into a villain, but that's
10 what this case comes down to—what was his intent at the time
11 of the events in this case.

12 And this case breaks down roughly into two periods,
13 two time periods. From 2019 to 2021, the events in this case,
14 the evidence in this case don't show Sam acting with criminal
15 intent. The evidence doesn't support that. In fact, none of
16 the cooperating witnesses—not Gary, not Caroline, not Nishad,
17 not the others—acted during this period like they thought they
18 were doing anything wrong, like there was any business problem
19 at all, let alone wrongdoing. They all were making millions of
20 dollars. None of them left. None of them resigned. None of
21 them notified the authorities or called attorneys, or
22 confronted Sam about what they're now saying were improper
23 practices. None of that. Because they didn't think they were
24 doing anything wrong. Instead, up until June 2022, everyone
25 thought they were operating one of the most successful crypto

1 exchanges in the world, which they had built together over the
2 past few years. They thought they'd come up with a better
3 mousetrap for a crypto exchange and customers would be joining
4 in the millions.

5 Now the government suggested during the evidence that
6 all this growth into a company of this size and complexity was
7 because Sam sent out a few fraudulent tweets and got customers
8 to put their funds on the exchange.

9 Is that really what the evidence showed? Rather, the
10 business grew because they all worked very hard together. The
11 business grew because they had excellent products. And it was
12 an excellent business that ultimately grew and had had hundreds
13 of employees, licenses in many countries throughout the world,
14 and had millions in daily revenue. We asked why these things
15 happened the way they did during this period, and the
16 government doesn't want to focus on that.

17 As for the next period, second period of the case,
18 that's the period we all spent a lot of time on in this trial,
19 from June to November of 2022. And here we would submit to you
20 that what we have with the government is really a tale of two
21 different cases. We all know by now that May and June of that
22 year is when what's been called the "crypto winter" began.
23 Very simply, if you were in crypto at that point in time, all
24 you had to do was look out your window and you were going to
25 see stress and crisis. Businesses failing, businesses going

1 under.

2 And this was the same time that the fiat@ coding bug
3 was discovered and became understood by FTX and Alameda's
4 leadership, and we'll cover that in a bit. And it was also the
5 first time that it started to become clear that Alameda might
6 have been borrowing not only from the info@ account, the main
7 account, the one that Sam observed and checked, but also from
8 customer deposits via the fiat@ account. The government did
9 not establish that Sam knew about these issues until the fall
10 of 2022, because he didn't. In the period from June to
11 November 2022 is when the government—when the government's
12 witnesses we heard from had a different take on what was
13 happening than Sam. In fact, they had a different take on what
14 was happening from each other. Between Gary, Caroline, Nishad,
15 and Sam, everyone had a different view of when they first
16 understood the meaning, the impact of this fiat liability, and
17 what their view was and whether Alameda could have the
18 liabilities as they came due. Sam for his part looked at the
19 situation in the fall of 2022 as a liquidity problem, not a
20 solvency problem.

21 And just to take up quickly something Mr. Roos said at
22 the end of his summation, this wasn't Sam saying, oh, don't
23 worry, I just thought everything would work out okay. No. At
24 the time, as events unfolded, Sam perceived this as a liquidity
25 problem, whether Alameda could pay its liabilities as they came

1 due, and as they were due, and as the period unfolded, in
2 hindsight, he may not have been perfect. I don't think any of
3 them were. He may have hesitated. He may have moved too
4 slowly. But he always thought that Alameda had sufficient
5 assets on the exchange and off the exchange to cover all of its
6 liabilities.

7 Now the government made a big deal about that. Well,
8 you're not supposed to consider assets off the exchange.
9 You're only supposed to consider Alameda's assets on the
10 exchange in thinking about whether it could meet its
11 obligations. But then in the same way they also say Sam owned
12 Alameda, Sam controlled Alameda, Sam knew what Alameda had.
13 Well, if he owned Alameda, he knew what its assets were, both
14 on and off the exchange, and he knew what could be brought to
15 bear if necessary to pay liabilities. And he also knew that he
16 owned FTX, or was the majority owner of FTX, and it had its own
17 value and its own equity, its own worth that could be used, if
18 necessary, if it came to it, as well as his own personal
19 assets. And these were differences in opinion, differences in
20 business judgment between Sam and the others about how to value
21 Alameda's assets, what you could consider, what you couldn't
22 consider, and how to act, how to act during the period, which
23 now in this case—and that's why I opened with the comment I
24 made—the government has tried to spin into a crime. But the
25 question of whether Sam's business judgment was reasonable,

1 even if it later turned out to be mistaken, is not a criminal
2 one.

3 And there's something hanging over everything, ladies
4 and gentlemen, something that Sam mentioned and some of the
5 other witnesses weren't mentioned at all. FTX did not have a
6 sufficiently built out risk management system, nor did it have
7 a chief risk officer, someone to head up the risk management
8 function. If it had a chief risk officer, wouldn't she have
9 insisted on fixing the bug when Gary first spotted it, not in
10 2022 but at the end of 2021? If they'd had a chief risk
11 officer, would it really have taken six more months for
12 Caroline to notice that the bug had grown so large that it was
13 having an \$8 billion effect? If they'd had a chief risk
14 officer, wouldn't she have insisted that the fiat liability
15 issue be handled the minute FTX got its own bank accounts, so
16 the funds didn't sit there and build up in value?

17 And Sam told you during his testimony that FTX sure
18 should have had a better built out risk management department,
19 and he's absolutely right. But again, systems of poor risk
20 management is not a crime. Again, bad business judgments are
21 not a crime.

22 We'll walk through the November sequence for you in
23 detail later on. And let me just—before I turn to the next
24 part of what I have to say, let me just ask, why are we
25 covering this? We don't have a burden. We don't have a burden

1 to offer any proof. We could simply just try to respond to the
2 government's case. The reason we're doing this, the reason
3 we're showing you what we believe really happened, is to show
4 you there's an alternative way to think about it, fully
5 supported by the proof, and that negates the government's
6 burden. It means the government has not carried its burden of
7 proof.

8 Now for the next parts of my summation, I'm going to
9 talk about a few things just to orient you. First, I'm going
10 to talk a little bit about the legal standards you are to
11 consider; then I'm going to go through for you our view of the
12 chronology of what really happened during these key periods;
13 then I'll make some points about the government's case; and
14 finally, I'll have some concluding remarks.

15 Now let me start with the legal standard. Now I
16 should say—and I agree with Mr. Roos on this—the only person
17 whose word controls on the legal standards is Judge Kaplan. He
18 will give you the legal instructions. And you, of course, are
19 bound to do what he says in applying the law. But we
20 anticipate that he will give you some of the following
21 instructions, and I want to go through them for you.

22 If we could bring up slide 3, please.

23 You've heard about good faith a lot in this case. At
24 the top you can see good faith is a complete defense to all the
25 charges in the case. The government bears the burden of

1 establishing a lack of good faith. And we expect you will hear
2 that because an essential element of the crime charged is
3 intent to defraud, it follows that good faith on the part of a
4 defendant is a complete defense to the charge of wire fraud.
5 Good faith is an honest belief by the defendant that his
6 conduct was not wrongfully intended. Moreover, a defendant has
7 no burden to establish a defense of good faith; it remains the
8 government's burden to prove fraudulent intent and the
9 consequent lack of good faith beyond a reasonable doubt.

10 Good faith, as I mentioned, is a complete defense to
11 all the charges in this case. Now what does that mean?

12 If we could go to the next slide.

13 Here are some things that we submit do not establish,
14 do not establish a lack of good faith. If the defendant made
15 mistakes; if he made bad business decisions; didn't have a risk
16 management department or a fully built out one; if he delayed
17 or hesitated; if there were coding and accounting errors; if he
18 had an honest belief that statements were truthful; or if he
19 didn't know what fellow executives didn't share with him or
20 other witnesses were inconsistent. None of those establish a
21 lack of good faith, we submit.

22 If we could move to the next slide.

23 And all this discussion of good faith is of a piece
24 with the following: In a criminal case, the government bears a
25 heavy burden, which never shifts to the defense. To convict

1 Sam of any count, the government, you must find beyond a
2 reasonable doubt, including that Sam did not act in good faith
3 and he acted knowingly and wilfully, and your verdict must be
4 unanimous.

5 And the Court will instruct you on what it means to
6 act knowingly and wilfully, and you should follow the Court's
7 instruction.

8 So this burden of proof is very heavy, and is very
9 high. And that's why the government gets to speak twice.
10 Mr. Roos spoke this morning, I'm going to speak, and then the
11 government gets to speak again. And your first reaction might
12 have been, why do they get to speak twice? Well, that's why,
13 because they have the burden of proof. It never shifts to the
14 defense. We were not required to do anything. We didn't have
15 to question a single witness or offer any evidence. And again,
16 as part of the government's burden, you must be unanimous in
17 order to find Sam guilty of any count.

18 (Continued on next page)
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1 MR. COHEN: As you consider the evidence in your
2 deliberations, we ask you to think very carefully about the
3 burden of proof and good faith, and I'll come back to these in
4 the summation.

5 Another point I want to cover with you which I
6 mentioned in opening four weeks ago is that the government
7 can't present its case by arguing about facts in hindsight.
8 The focus must always be on what Sam's intent was at the time,
9 as events are unfolding.

10 That's particularly relevant here, where we all now
11 know there has been a bankruptcy. We all know what happened on
12 November 11. There is a famous quote from a book which two
13 characters are discussing bankruptcy. One had gone into
14 bankruptcy. One asked the other: How did you go bankrupt?
15 And he responds: Gradually. Then suddenly.

16 That's what happened here. Remember that, in the
17 summer of 2022, Sam didn't know that November 11 would be their
18 last day, that both companies would file for bankruptcy then.
19 Rather, during this period he believed in good faith he was
20 dealing with a liquidity issue at Alameda, and that if he could
21 convert assets to cash and pay back its obligations to FTX and
22 its customers, he could address it. In good faith he didn't
23 believe the issue was one of insolvency but of liquidity.

24 And what he didn't know, had no reason to know, was
25 that there wasn't going to be a near future, that with the

1 continuing market crash and other events going on outside the
2 window, by earlier November there would be a run on the
3 exchange and a crash that ended in bankruptcy. So please keep
4 this in mind when you consider what Sam did in the summer of
5 2022, when you consider what his intent was.

6 And also the test of whether Sam acted in good faith
7 is not whether people suffered losses and looking back wished
8 they never got involved with FTX or Alameda. For sure, today
9 any customer, any investor, any lender would say that, and we
10 understand that. We understand why they would be upset they
11 suffered losses. Sam acknowledged that, and he acknowledged a
12 lot of people suffered losses and got hurt, and he felt
13 terrible about it.

14 But that's not the test. The test of intention is not
15 whether, looking back, Sam was a good manager, whether FTX took
16 too much risk, whether it did or didn't hedge enough, whether
17 they didn't have a fully built-out risk management function, or
18 whether he didn't act quickly enough. That's not for a
19 criminal case. The test is whether the government has carried
20 its heavy burden of proving beyond a reasonable doubt that Sam
21 acted with criminal intent and not in good faith, and it has
22 not.

23 Another thing I want to cover before we turn to the
24 chronology is Sam's own testimony. Very important. Now, Sam
25 testified before you in this case. And as a defendant in a

1 criminal case he had the right not to testify under our
2 Constitution, but he came forward to testify because he wanted
3 to tell you what happened. And I submit, it's hard to think of
4 a more stressful situation for a person than that.

5 And the government, we submit, was unfair today in how
6 they described it when they described his testimony. If Sam
7 gave a long answer to a question, they said it was too long.
8 Therefore, you shouldn't rely on it. If he gave a short answer
9 to a question, they said it was too short and you shouldn't
10 rely on it. If he gave an answer and he tried to explain it,
11 they said he's being evasive. Under that standard there was
12 apparently nothing he could say that would satisfy the
13 government's view of him and would make them not regard it as
14 proper.

15 It was a dynamic -- and I am going to talk about that
16 in a moment -- that was set up by the government, and you heard
17 it again today in summation. It's sort of a heads, I win;
18 tails, I lose dynamic in. No matter how Sam answered these
19 questions, we are now being told it was not credible.

20 What really happened? Sam testified, he did his best
21 to tell you what had happened and what he remembered. And
22 unlikely some of the government's witnesses, he was far from
23 polished. Remember, all the yups and the yeahs he gave in
24 response to questions. Remember the times when he had to stop
25 and close his eyes to think about the questions before he

1 answered. But he was himself. He was Sam. He told you when
2 he didn't remember things, when he didn't remember saying
3 things or doing things, even though he had sat here during the
4 trial, and he knew that other witnesses had claimed he did
5 them. If he was just trying to spin a new -- a lie, as the
6 government said, why would he do that? He didn't. If he
7 remembered something, he told you. If he didn't remember, he
8 told you as well.

9 And he also told you, by the way, that he couldn't
10 remember every single word he had said to every journalist or
11 reporter he had spoken to or everything in any written
12 submission to Congress, and we would submit it would be unfair
13 to require anyone to know that.

14 So when you consider his testimony, as part of your
15 deliberations, we ask that you consider it overall, as a whole,
16 and we submit that he did his best to remember and speak to
17 you, he set out his memory as accurately as he could, and he
18 told you what happened and, critically, what he believed in
19 good faith at the time.

20 Now, let me talk a little bit more about this dynamic
21 we have heard from the government, this sort of heads, I win;
22 tails, you lose dynamic. They spent a lot of time during the
23 case and today portraying Sam as a villain, as a criminal
24 mastermind. We heard today that, in addition to all the other
25 adjectives, he was apparently evil, arrogant, so forth. But

1 then when he did something that perhaps a criminal mastermind
2 wouldn't do, we heard, well, that doesn't matter, it's still
3 wrongful. It's a different kind of lie, different kind of
4 fraud.

5 An example. Sam testified before Congress three times
6 and submitted written testimony. Well, if he is the criminal
7 mastermind the government says he is, why in the world would he
8 go before Congress and subject himself to public questioning
9 when he doesn't have to, when he could be asked just about
10 anything by members of Congress, if the whole idea was that he
11 was running a secret scheme using Alameda to defraud customers.
12 The answer, he wouldn't.

13 Yet the government goes on about this and says, well,
14 no, no. On this one that's not what we mean. We mean he is
15 going before Congress because -- not because he is trying to
16 hide things from them, because he's so clever, he is spinning a
17 tale where he is going to go an all of congress and tell a
18 series of lies to Congress that will match what he is saying
19 internally. Does that make any sense?

20 We heard a similar refrain from the government about
21 journalists. If the idea here was that Alameda -- FTX Alameda
22 were part of a secret scheme, why in the world would you go out
23 and speak on Good Morning America, in front of millions of
24 people, when you have one of the toughest questioners in the
25 country questioning you and you are there without an attorney,

1 without an entourage, and you don't even know the questions
2 beforehand. You wouldn't.

3 Another example of this heads, I win; tails, you lose
4 approach to the evidence. We heard a lot in this case from the
5 government about what I would call risk analysis, and the basic
6 theme was Sam took too much risk. And I guess that by itself
7 is a crime. So whenever Sam was contrasted with Gary or Nishad
8 or Caroline or someone else, we were told, look at the risks,
9 look at the risks the other witnesses pointed out, and Sam
10 didn't agree with them. Sam decided to do something or not to
11 do something. He took too much risk. Therefore, he committed
12 a crime. And we saw that just in today's summation, when
13 Mr. Roos talked about an event at the end of 2021, when Sam was
14 considering whether to make a venture investment, an additional
15 venture investment, and he asked Caroline to do an analysis of
16 this, and he asked her to make certain assumptions. That's
17 called the 10 percent percentile document we looked at.

18 Now, given how the government has approached this
19 case, we can be sure if Sam hadn't asked Caroline to do that,
20 we would be hearing today, look how reckless he is. He
21 considers a new investment of \$3 billion and doesn't do any
22 analysis, doesn't ask anyone to do any analysis.

23 Now he asks her to do an analysis, and he also asks
24 her to make very specific assumptions, pretty close to a
25 doomsday scenario, and on those assumptions she recommends

1 don't do it. He considers it, decides that we are not in
2 doomsday and decides to do it. Who is right? Who is wrong?
3 It doesn't matter. They each had business judgments of whether
4 to take that risk at the time, but Sam is not agreeing with
5 Caroline, happened to be Caroline in that case, but it doesn't
6 mean he was acting with criminal intent. It meant they had a
7 difference in business judgment.

8 One last example of this heads, I win; tails, you lose
9 formulation. We heard about September 2022, and I'll get to
10 that in the chronology. And you will recall one of the events
11 in September 2022 is that Sam sent a message to Gary and Nishad
12 about whether to continue with Alameda in business, and it's
13 the memo that's entitled, we came, we saw, we researched. And
14 you heard Sam testify that he was putting it out there to start
15 a conversation about whether they should close Alameda. And
16 there is a lot of back and forth between Gary, Nishad, and Sam,
17 and later Caroline is added to the conversation, where there is
18 a different channel with her on it, and they ultimately decide
19 not to close Alameda. If Sam is a criminal mastermind and
20 Alameda is the key to the fraud to stealing customer money, why
21 would he be the one proposing to close it in the first place?
22 Why would he be the one starting this conversation? Answer:
23 He wouldn't. Because that's not what he was doing.

24 So with some of those thoughts in mind about how to
25 think about the evidence and how to think about what happened,

1 let me now turn to the first period we have identified, the
2 period from 2019 to 2021.

3 One thing I thought was just absolutely striking in
4 the government's summation today is not one word was mentioned
5 about the business that was built here, the business of
6 Alameda, the business of FTX. To hear the government tell it,
7 four people got together, decided to steal money using Alameda
8 as a vehicle, and went on and created these businesses, but
9 that's not what the evidence showed here. The evidence showed
10 that they were legitimate, valid, innovative businesses, and
11 they were legitimate, valid, innovative businesses in a new and
12 changing world, the crypto world.

13 You heard from Sam that he joined the crypto world
14 because it was new and growing rapidly and it offered an
15 opportunity for a math nerd like him. And you heard from him
16 that because it was new, it was a place where someone who
17 didn't have extensive business experience could start, and you
18 heard how Alameda started.

19 Maybe we could put up the next slide.

20 There is a whole story here of the building of a
21 legitimate business that the government never touched on, and
22 it's relevant because it goes to what Sam's intent was at the
23 time, and it's relevant because it shows how he thought later
24 about things like the code base, which we will talk about.

25 You heard from Sam that he worked at a company called

1 Jane Street, which I think is undisputed in this case was a
2 highly regarded trading firm. He left Jane Street and he
3 basically wanted to create in Alameda a Jane Street for crypto,
4 a crypto trading company, and he set out to do that.

5 And, by the way, one of the ideas he got from working
6 at Jane Street was that you could fund this company by taking
7 third-party loans because that's what he had seen at Jane
8 Street.

9 So throughout most of the period in question, this
10 period and later period, Alameda at any given time had 8, 9,
11 10, \$12 billion of third-party loans from companies like
12 Genesis and BlockFi. It had capital that it could use later on
13 to make expenditures.

14 And then you heard how, in 2018, Sam and Gary started
15 to build what would become FTX. The focus was to build a
16 futures exchange. That's why they named it FTX, which,
17 unsurprisingly, was short for futures exchange.

18 And Sam and Gary saw that the crypto industry didn't
19 have any sufficiently good exchanges for trading futures on
20 margin. Here is Sam's testimony of why he started the
21 business. This is not someone setting out to create a fraud.
22 This is Sam. We thought we might be able to build the best
23 product on the market in exchange that would combine the
24 elements that we thought were best for traditional financial
25 products with the elements we thought were best for the crypto

1 ecosystem, that it could move the ecosystem forward.

2 So this was not two guys, Sam and Gary, setting out to
3 commit a fraud. They saw a legitimate, important financial
4 opportunity, and they went for it.

5 Building FTX was an enormous undertaking. They worked
6 all the time, and they had to build the exchange from scratch.
7 They had no off-the-shelf solution to use, and they were
8 productive and they were innovative.

9 Other exchanges required customers to have separate
10 accounts for each of their cryptocurrencies. FTX came up with
11 a way to allow customers to hold all their digital assets in
12 one account and buy and sell them seamlessly.

13 FTX introduced cross margining, which we heard a lot
14 about, which essentially meant that customers could trade at
15 the same time across different currencies. If you owned
16 Bitcoin and you owned Ethereum, you could trade at the same
17 time. This was another major innovation.

18 Let's focus now on margin, margin trading.
19 Understanding how margin trading worked on FTX is a key, we
20 submit, to understanding what Sam did and, critically, what he
21 thought at the time. FTX permitted customers to trade futures,
22 it is called a futures exchange, and buy and borrow crypto on
23 margin.

24 What did this mean? This meant that the way margin
25 trading worked at FTX, customers would borrow other assets

1 posted to the exchange. These were on the exchange -- these
2 were assets on the exchange posted by other customers. There
3 was no other place for them to come from. That means that
4 every customer trading on margin is using and relying on assets
5 posted to the exchange by other customers. It wasn't that
6 there was just one limited pool that FTX had and that would
7 limit margin trading. Customers were always borrowing
8 essentially from each other.

9 And at FTX, the way it was set up, margin customers
10 could use the funds they borrowed from the exchange for any
11 purpose. At the time no one thought this was a problem because
12 the customers who borrowed funds on margin had to post
13 collateral to support their borrowing. And if a customer's
14 position lost money, which means risk of going down, the
15 collateral could be used to liquidate their position before it
16 went under water.

17 There is nothing wrongful about margin trading. There
18 is nothing wrongful about saying that in margin trading at
19 times one customer is borrowing from another customer. That's
20 how it works.

21 And you recall we had testimony from Dr. Pimbley, who
22 did an analysis of the data, and he concluded that 80 percent
23 of the assets on FTX were margined assets used in futures
24 trading. 80 percent are in this margin trading where customers
25 are always borrowing other customers' assets.

1 We can take that down.

2 Now, as FTX developed, Alameda did play some
3 legitimate business roles. Nothing wrong with that. I
4 mentioned that in our opening statement and the evidence
5 supported that.

6 To bring it full circle, if we can have the next
7 slide, Alameda had three legitimate business relationships with
8 FTX. It was a customer on the exchange, which it was permitted
9 to be. It was a market maker, and that was critical because
10 when FTX began, it was a new exchange. It didn't have any
11 other market makers. If it couldn't provide liquidity to its
12 customers, it wouldn't have grown at all. So Alameda stepped
13 in and performed that role. As well, Alameda served as a
14 payment agent. We have heard this in the evidence many times
15 already, that at the beginning FTX couldn't open its open bank
16 accounts and that funds were received in the Alameda account
17 and the North Dimension account or the North Dimension account,
18 and the government's own witnesses told you there was nothing
19 wrong with setting that up.

20 If we could look at the next slide.

21 Here is what a customer saw. If you want to open an
22 account with FTX, you are going to have to wire funds to
23 Silvergate Bank, to an account for the benefit of North
24 Dimension. There is nothing secret here. Customers were told
25 what was going on.

1 These roles that Alameda played in the early days, in
2 particular, were very important for FTX to get started and
3 launched as a business. Over time, as FTX became more
4 successful, other market makers came in. So by the end, by
5 2022, it was handling less than 5 percent of the market maker
6 volume. But in the beginning, when you needed liquidity and
7 when you needed customers, because without customers you
8 wouldn't have a business, this was an important role that
9 Alameda played, and there was nothing wrong with that.

10 Putting this all together, Sam and Gary and the others
11 created in just a few years a very successful crypto exchange.
12 Remember that Sam told you that he thought, when he started
13 FTX, his chance of succeeding was no better than 20 percent.
14 Yet, against all these odds, in just a few years they built two
15 highly successful innovative companies worth billions.

16 Let's go back to the slide about the time period.
17 Let's talk about FTX's growth and Alameda's growth because what
18 happened in this first period, particularly towards the end of
19 2021, is critical to understanding what was in Sam's mind as he
20 went into 2022, and in particular as we went into the crypto
21 winter in May and June of 2022.

22 Gary Wang testified that FTX in this period handled
23 \$15 billion in trades and 3 million in revenue per day and that
24 the exchange had 6 million accounts. That's Mr. Wang's
25 testimony at transcript 553.

1 And you learned that from the attorney, Can Sun, that
2 FTX was licensed in jurisdictions all over the world. That's
3 transcript at 1974.

4 And Zac Prince, the CEO of BlockFi, the lender BlockFi
5 who we will get to in a moment, he told you that of all the
6 exchanges that have been founded in this period, FTX, among the
7 hundreds, was one of the few that mattered.

8 Along the way FTX created and launched its own
9 exchange token called FTT. We heard a lot about FTT in this
10 case. And the government has suggested and argued that FTT was
11 somehow a fake token, not a real asset, not real collateral.

12 That's not what the evidence showed. The evidence
13 showed that, by the end of 2021, FTT had grown in value. It
14 was worth 30, 40, \$50 per token and it had its own market cap
15 of about \$10 billion. That's at transcript 2372.

16 The government wants to portray FTT as fraudulent, but
17 that's not what happened. It was traded on multiple exchanges,
18 not just on FTX. Other exchanges having nothing to do with FTX
19 traded it. It was accepted as collateral by sophisticated
20 third-party lenders, just like BlockFi. And Mr. Prince told
21 you in his testimony that FTT was one of the top
22 cryptocurrencies that he would accept as collateral for loans.

23 All this happened quickly, and FTX grew enormously.
24 You learned that, in the last investment round in 2021, and
25 early 2022, FTX International was valued at \$32 billion and FTX

1 US was valued at \$8 billion. And if you look -- bring the
2 timeline back up -- go back, again.

3 If you look at, starting in the middle of the page, on
4 July 2021, there is a series of fundraising rounds. There is a
5 series B round in July, then the B1 round, and then the C
6 round. What is that? That's outside investors investing in
7 FTX because they believed in the business, investing billions
8 of dollars as a valuation of 32 billion for FTX International.

9 Just to complete that, you heard from Ms. Ellison in
10 her testimony that even though she has certainly many negative
11 things to say about Sam, and we will get to that, and many
12 negative things to say about what happened, particularly in the
13 June to November time period, she told you that as of July --
14 year end July 2021, Alameda financials were not misleading. So
15 based on building the business, nonmisleading financials, it
16 did these three fund raisings at this high valuation.

17 You also learned toward the end of this period that
18 Alameda was also -- had also grown and was successful and it
19 was worth tens of billions of dollars in net-asset value.

20 And this means that as we came to the end of 2021, it
21 was Sam's view that, given this high valuation of both
22 companies, that Alameda could easily cover any of the expenses
23 or liabilities that it was reasonably likely to incur, either
24 through its own value, its own revenue and profits, or its
25 third-party loans.

1 And he also came into the year with the view that FTX
2 was highly valuable, and he could sell its equity, if he needed
3 to, to generate liquidity, and he personally also had a high
4 value, was by that point a millionaire, billionaire, and he
5 could put his personal wealth to use to resolve any issues on
6 the exchange if necessary. That's what he believed as we came
7 into the year.

8 Your Honor, I'm at the 45-minute mark.

9 THE COURT: OK. Is this a convenient spot?

10 MR. COHEN: Yes.

11 THE COURT: We will take 15 minutes.

12 (Recess)

13 THE COURT: Let's get the jury.

14 (Jury present)

15 THE COURT: The defendant and the jurors all are
16 present, as they have been throughout.

17 You may be seated, folks.

18 Mr. Cohen, you can proceed as soon as the jury is all
19 seated.

20 MR. COHEN: Thank you, your Honor.

21 Ladies and gentlemen, when we broke I was just about
22 to talk about the spending, some of the spending that was done
23 by FTX and Alameda. And, again, this is another example, we
24 submit, of the government trying to show you the movie of Sam
25 the villain. But the business expenses that were incurred and

1 paid for were entirely normal for a company of FTX's size and
2 complexity and its business model, as well as Alameda, and this
3 is perhaps best encapsulated by the evidence we all reviewed
4 together about sponsorships.

5 This is a really good example of the government trying
6 to prove its case by hindsight. You recall Sam told you about
7 a sponsorship that FTX did of the arena in Miami, the FTX
8 Arena. The government in its presentation said, aha, this is a
9 perfect example of what we are seeing, ladies and gentlemen.
10 FTX bought that with customer funds.

11 But, in fact, Sam testified, and the evidence about
12 the world going into 2021 was that FTX had a multibillion
13 dollar valuation, it had a billion dollars a year in revenue,
14 and certainly had more than enough assets and revenues and
15 profits to pay for such expenses.

16 So the government said, aha, this is a great example
17 of using the fiat@ funds improperly. Of course the evidence in
18 the case was clear that not Sam, not any of the others knew
19 about the fiat@ issues until mid 2022. Then the government
20 says, well, it doesn't matter. This is yet another example of
21 Sam being reckless in his spending or spending too much, and
22 that's what Mr. Nishad testified to when the government went
23 through this with him.

24 You saw that when they went through the actually facts
25 and the evidence of what went on, the government had Nishad

1 tell you that the total deal for all sponsorships was 1.13
2 billion for one year. That's transcript at 1334, on Government
3 Exhibit 343 at row 72.

4 But it turns out that wasn't true. FTX never paid
5 that amount. The sponsorship wasn't for one year. It was for
6 19 years, as shown on the chart. The government -- and FTX was
7 going to pay Miami, the arena, over a period of 19 years, and
8 in the first year for the naming rights it was going to pay
9 about 19 million or 14 million. Now, certainly that's a lot of
10 money. We are not saying it's not. But relative to the size
11 of FTX and relative to the size of its marketing expense, it
12 was a reasonable investment, and Sam told you that FTX spent
13 about 10 to 20 percent of its revenue on marketing, which is
14 less than he believed their competitors spent. This was no
15 different than having a field in New York being called Citi
16 Field or suites at Yankee Stadium called Delta Suites. There
17 was no evidence of a crime.

18 We also heard a lot about the properties in the
19 Bahamas that were purchased. But the real issue is, again, the
20 why. Why did Sam purchase these properties? Why did FTX
21 purchase them? Sam was clear on this in his testimony. The
22 Bahamas real estate was corporate housing for FTX employees.
23 It had to convince skilled professionals to uproot their lives
24 and move their family and friends to the Bahamas to work for
25 FTX.

1 He saw these properties as a valid business expense
2 for FTX. It's one thing to look for a resort in the Bahamas
3 for a week or weekend, finding long-term housing that appeals
4 to workers who could otherwise be at Google or Facebook is
5 quite another, and no one in FTX thought the company's
6 investment in the real estate was a problem at the time. No
7 one refused to live in the company-owned housing despite their
8 protests after the fact.

9 In fact, you heard from Can Sun about this. We will
10 talk about him later as well. Remember, the government
11 referred to him. He came on to be the general counsel of FTX.
12 Now, we will talk about it later. His testimony was, shall we
13 say, sculpted. Very careful. This was someone who had a
14 Ph.D. from Princeton, law degree from Yale, who had worked for
15 one of the leading law firms in the world, was admitted in New
16 York, was the general counsel of the FTX but told you he wasn't
17 even sure if that was the senior legal position there.

18 And later we will see he was very, very careful in
19 what he told us about what he thought happened with Sam in
20 later events. He even said he was coming just to tell us what
21 happened and didn't bother to mention that he had received a
22 nonprosecution agreement which he had signed two days before he
23 testified.

24 Even someone who was as careful as Can Sun admitted
25 that he received a \$2.3 million loan. What was the purpose?

1 It was part of a management incentive program to incentivize
2 employees to move to the Bahamas. Did he take the loan? Sure,
3 he did. He didn't think there was anything wrong with it. It
4 was a valid corporate expense.

5 And you heard a lot about the penthouse apartment that
6 Sam lived in with nine other people, including Gary and Nishad
7 and for a time Caroline. You will recall during the
8 questioning when a witness would refer to the apartment, the
9 government would interrupt them and say: You mean the \$30
10 million apartment. The apartment. You mean the \$30 million
11 apartment. Until the witness would get it and say, as I meant,
12 the \$30 million apartment. What was that all about? To make
13 you think, who is this guy, living in a \$30 million apartment.
14 What kind of nerve does he have. Make you dislike him more.
15 But, again, given that FTX at the time was a multibillion
16 dollar company and that Sam and the others wanted to live
17 together and work together, and they were the senior leadership
18 of the company, it was a valid business expense.

19 And you heard I asked Nishad about it, and I pointed
20 out that the ten people living in the apartment at the time
21 were either millionaires or billionaires and asked him if he
22 thought that was an acceptable expenditure a relative basis.
23 He told you, well, I can't say how a billionaire is supposed to
24 live, which is frankly not an answer.

25 You heard today about the private plane. Same idea.

1 Sam flew in private planes. Sam told you why he did that. He
2 thought it was a valid business expense, given the size of the
3 company and his need to get to places like Washington, D.C.,
4 where there weren't that many flights available on a given day;
5 again, a valid business expense for a company of the size and
6 complexity of FTX.

7 You heard a lot about venture investments and loans
8 that were made by Alameda to Sam or Gary and Nishad to fund the
9 venture investments. But, again, Sam told you he believed that
10 Alameda, based upon its capital base, its third-party loans,
11 its profits and so on, had the basis to make those loans and in
12 fact they were -- if we go to the next slide -- they were
13 documented by promissory notes.

14 Let's talk about another thing that counsel mentioned
15 this morning that sort of sets the backdrop as we come into the
16 period in May of 2022, the terms of service. You saw -- if we
17 could pull it up -- a terms of service that was dated May 13,
18 2022 and issued by FTX.

19 Now, the government's case, when it comes to the fiat@
20 account, depends on FTX not being allowed to borrow assets from
21 FTX customer fiat deposits. That's what it depends on.
22 Because if they could do that, that part of their case falls
23 away.

24 So what did we get here over four weeks? Witness
25 after witness comes before you, and conveniently none of them

1 happen to read the terms of service. The government didn't
2 want to focus you on that. Why? Again, the only witness who
3 said he had read the terms of service was Can Sun, the general
4 counsel who had helped to draft it. Even though he was very
5 careful in what he told you, he admitted that nowhere do the
6 terms of service contain language that prevents FTX from
7 loaning customer fiat deposits to Alameda or anyone else.

8 Just a quick point on the venture capital investments.
9 Not only could Alameda have funded those from the capital base
10 it had from third-party loans, you heard the government's own
11 witness, Professor Easton, testify that, in 2021, Alameda had
12 borrowed \$15 billion from third-party lenders, again confirming
13 this point that there were more than ample funds to make the
14 venture investments.

15 Given what the world looked like to Sam and the
16 others, as they moved from 2021 into 2022, why would he think
17 that money owed to customers was ever at significant risk when
18 the assets he had access to were so much greater than the debts
19 that needed to be paid out? He didn't, and he wouldn't.

20 A few more key points for this period before we move
21 on. We have heard a lot of testimony about the difference
22 between the info@ account on FTX and the fiat@ account.

23 We could pull up that slide.

24 I just want to briefly spend some time on this, ladies
25 and gentlemen, because it affects how we think about what

1 happened later on. Two different accounts, often in the
2 government's presentation they get mushed together, but they
3 are actually distinct and the distinction is important. If you
4 look to the right-hand side, info@ Alameda was the trading
5 account that Alameda had on the FTX exchange where it was
6 trading for its own account. If you look at the visibility on
7 the admin user dashboard at the bottom, when Sam was the CEO of
8 FTX, no longer running Alameda, he would use that admin
9 dashboard, as others would, to check accounts of all customers,
10 including Alameda, and what he could see was what was in the
11 info@ Alameda account, the trading account. On the left-hand
12 side is the FTX -- fiat@FTX.com account. That was very
13 different. It was a tracking account. It was supposed to
14 track FTX customer deposits and withdrawals of fiat or dollar,
15 currency, so forth, via Alameda bank accounts, and it wasn't
16 visible from the admin user dashboard.

17 When Sam would check, and he told you this, the info@
18 account at the end of 2021 going into 2022, what did he see?
19 He saw that Alameda had borrows, loans, of 2 billion because
20 Alameda did trade on futures, which allows for margin, and some
21 of the subaccounts were margin accounts. But that those
22 borrows were covered by many more assets than \$2 billion. No
23 reason for him to think there was a problem.

24 And, in addition, toward the end of 2021 and frankly
25 going into 2022, all the way to November, at no point was there

1 a time when a customer wanted to withdraw funds from the
2 exchange where he or she could not. Gary told you that no
3 customer waited longer than a day for a withdrawal prior to
4 November 2022, that all withdrawal requests were honored.
5 That's Gary's testimony at page 504. Again, this gave Sam no
6 reason to think anything wrong was happening in Alameda's
7 accounts or how they were being tracked in FTX's systems or
8 that customers were not being able to receive withdrawals if
9 they wanted to.

10 Now let's turn to a topic that counsel spent a lot of
11 time on today, a lot of time, and during this trial. That's
12 the codes and the code base. The government's theory is, these
13 codes were secret and that Sam, in perhaps one of his most
14 villainous acts, secretly directed Gary and Nishad to put these
15 codes in place. I think the government's word was so that he
16 could create a back door to steal customer money. That's what
17 we were told over and over and over again.

18 But the evidence was different. The evidence was the
19 opposite. We found out that the codes were not secret, that in
20 fact anyone who had access to the FTX code base could see them.

21 So if you look at this slide, this we went over with
22 Nishad, and it says: Coding features were visible to anyone
23 with access to the code base.

24 If you look at the bottom, here is what's called a
25 code commit that Nishad wrote that says to other developers who

1 looked at this: Be careful not to liquidate PMM, which we
2 learned was primary market maker, which at the time was
3 Alameda, clean up messages.

4 We asked Nishad about this. We asked about visibility
5 in the first place. And here was the exchange. Based on your
6 experience as head of engineering at FTX, did you have an
7 understanding of who might access the code commits we were just
8 looking at? They were available to the whole company in Slack,
9 if nothing else. There were Slack logs of all the messages.

10 We submit this is the opposite of secret. If these
11 coding rights were actually intended to serve as tools to
12 steal, it makes no sense that the group of people in a company
13 with hundreds of employees would have access to them. It makes
14 no sense. The whole idea of a conspiracy is that you are
15 trying to keep things secret so you won't be detected. There
16 was nothing about this code base and the commits that were kept
17 secret.

18 Let's talk for a moment about the allow-negative
19 function that counsel spent a lot of time on. The government
20 claims that it was set up as another way to siphon funds, but,
21 again, that is not the evidence in the case. You heard from
22 both Gary and Nishad, and the quotes are up here, that they
23 were set up originally, allow negative, for a few other
24 bookkeeping accounts on FTX, said Gary, and for accounting
25 oriented accounts to go negative, said Nishad. Again, this

1 wasn't set up to be some back door to abuse anything.

2 We can take that down.

3 You heard a lot today and during the trial about the
4 line of credit. What you heard was that the government kept
5 saying one of the reasons we know Sam was a fraudster is, he
6 directed Gary and Nishad to put up the line of credit to 65
7 billion. Look at that. That's bigger than anyone else in the
8 company. That's way bigger than anyone else. But they never
9 asked the why question. They never went into the fact that in
10 fact, in practice, only about 3 billion of the line of credit
11 was used, not 65 billion, and that it had been raised because
12 of the fact that when Alameda was the main market maker, it had
13 to put out many, many open orders during the day, and in order
14 to be able to put those orders out, it needed more collateral.

15 So the letter of credit was used to take its place,
16 and, in response to that, Gary raised the limit several times
17 until, finally, he decided to raise it to a level where it
18 wouldn't be hit again, just move the parameters out. That's
19 his testimony at 397 and Nishad's testimony at 1554. This was
20 all done in response to specific issues, to business issues,
21 and done to help customers, not to hurt them.

22 In a related vein, let's talk about this complicated
23 word, auto deleveraging event. You heard both Sam and Nishad
24 testify about this. What was it all about?

25 When liquidations were happening on FTX, Alameda and

1 other large traders would step in as backstop liquidity
2 providers to close out the insolvent accounts and prevent
3 further harm to the exchange or customers. An auto
4 deleveraging event happened when FTX ran out of backstop
5 liquidity capacity. In other words, first, they went to the
6 collateral in the customer account. If that didn't work, the
7 risk engine went to the backstop liquidity provider. And if
8 that didn't work, we had an auto deleveraging event where the
9 engine would start to pull in collateral from any customer's
10 account who had authorized margin trading. And FTX wanted to
11 avoid that because customer A didn't want to have his or her
12 funds used to cover losses from customer B if it could be
13 avoided.

14 Sam told you about an event that happened in 2020
15 where due to the servers being overworked, it ran -- it was
16 running behind, and there was a threat not just of the backstop
17 liquidity providers being liquidated but Alameda itself being
18 liquidated, and they concluded this would be really bad for its
19 role as a market maker. It would hurt customers, so they put
20 in a provision to delay that liquidation.

21 (Continued on next page)
22
23
24
25

1 MR. COHEN: Again, not out of some intent to steal,
2 not out of some nefarious intent.

3 And before we take that down, I just put up Government
4 Exhibit 1617, which is before you, just to show the letter of
5 credit actual usage in the pre-October 2022 period.

6 So that takes us to the end of this first period of
7 2019 to 2021.

8 And I also want to point out something else as we came
9 to the end of this period.

10 Sam's good faith, as I mentioned, is a defense to all
11 the charges against him. And no witness who testified about
12 this period has testified that Sam ever told them that he'd set
13 up FTX to steal funds or allowed anyone to install secret
14 code-based features to steal funds, or told them that he was
15 using this as a way to steal funds from the exchange. The
16 testimony counsel pointed to earlier today from Caroline was
17 simply about the ability to borrow on the exchange; it wasn't
18 some secret code base to steal from customers.

19 So now let's move to the second period.

20 Put up the next slide, please.

21 Okay. I'm going to talk about the fiat bug, which we
22 all spent a lot of time on this case, but again, first let me
23 set the stage. In May and June of 2022, if you look outside
24 your window, if you're in the crypto world, you see a storm.
25 Companies are going out of business. There's stress

1 everywhere. Bitcoin, the leading indicator and the hallmark,
2 it has dropped by 70 percent. And it's against this backdrop
3 that the sequence around the bug plays out. And what happened
4 as a result of this is that a group of people began to realize
5 that there was a fiat@ bug and there was a fiat@ liability,
6 which I'll talk about in a moment.

7 So again, what happens? Well, we learned from the
8 evidence that in July, the year before, a bug had been
9 introduced inadvertently into the system. And the effect of
10 the bug was it caused an error that caused the fiat@ accounting
11 entry to appear as if it was 8 billion larger than it was. The
12 upshot of this was it looked like Alameda owed FTX \$8 billion
13 more than it really did. So that's right here, what was going
14 on.

15 And in fact, later in 2021, Gary, Nishad, and Adam
16 Yedidia complained about the bug, and at the time, it was only
17 causing a \$500 million impact. Now to most of us that's a lot
18 of money, but at the time, you heard the testimony from Nishad
19 that Gary was relaxed, not stressed about this. This was
20 apparently on everyone's list of something that needed to be
21 attended to and hadn't yet been attended to. And so it doesn't
22 go—it doesn't get corrected or fixed.

23 Six months go forward and now in June 2022, the stage
24 is set when Caroline comes to the FTX office where Sam, Gary,
25 and Nishad are working, and she tells Sam she thinks Alameda

1 might be insolvent, and that it also will need to repay its
2 lenders. And I want you to stop and really think about this,
3 because it's a very important moment for an issue we submit
4 hangs over the whole case. And think about what it means for
5 not having a fully built out risk management system. The CEO
6 of Alameda wasn't aware that there was a bug in the system for
7 six months after it had already been discovered, and she woke
8 up one day and believed that her company, which previously had
9 a NAV of 8 to 10 billion, was now bankrupt, overnight. How
10 could that happen? Not through Caroline's fault, not through
11 Sam's fault, not through anyone's fault. It resulted from FTX
12 lacking a fully built out accounting risk management system.
13 Ask yourself, if they had had a full-time chief risk officer,
14 would that person have let it happen? And what's even more
15 remarkable about this is but for the seemingly accidental
16 discovery of the bug in June, we don't know when Alameda or Sam
17 or the others would eventually have appreciated the scope of
18 the fiat@ liability, or taken steps to address the underlying
19 causes.

20 So coming back to this, to the time line, when Sam
21 heard that Alameda might be bankrupt and needed to repay
22 lenders, he said—and he testified to this to you—that didn't
23 sound right to him. And he asked Caroline, *How confident are*
24 *you in this, that Alameda is insolvent?* And she responded, up
25 front, *Not very confident.*

1 So what did they do next? They bring in Gary, who's
2 the chief technology officer at FTX, Nishad, who's the number
3 two technology person, and then other developers, Adam Yedidia,
4 Andrea Lincoln, and other developers, to get into the issue and
5 figure out what happened. And again, if what's really going on
6 here is that this "inner circle" is running a conspiracy, the
7 last thing they would do when this bug came to the fore is
8 bring in all these other developers to look at it.

9 After about an hour, or after about two or three hours
10 of work, the team led by Gary determines that the \$8 billion
11 liability isn't real and there was a bug in the system. And
12 everyone's relieved. You thought that Alameda was insolvent
13 and now you find out it's back to being worth 8 to 10 billion
14 in NAV.

15 And this led to the other issue we talked about,
16 repayment of the loans. Now when Caroline first—Sam told you
17 that when Caroline first came to him about concern about
18 insolvency, she raised another valid concern, can we repay our
19 lenders, should we repay our lenders? And Sam told you that
20 once he understood that the bug was fixed and believed that the
21 NAV was back to 8 to 10 billion, which, again, was consistent
22 with what he saw on the info@ account, that it was—he was fine
23 with repaying the lenders. And that payment was made.

24 Now there is a problem with some of the testimony
25 about that payment, and it has to do with how it was done and

1 the scale. And you should consider that when you evaluate the
2 whole sequence. Caroline testified to you that what happened
3 was, Alameda "would have to take the money from our line of
4 credit to pay the lenders." And that's at transcript page 763.
5 And I asked her, *Well, if that's true, if the lenders were*
6 *being repaid off the line of credit, wouldn't the amount of the*
7 *line of credit go up?* She said, *Yes, it would.* And I said,
8 *How much did it go up by? Oh, 5 to 10 billion.*

9 But when you look at the actual data that was pulled
10 by Dr. Pimbley—and that's Defendant's Exhibit 617—you see
11 that in fact the line of credit did not go up during the period
12 when the loans were being repaid. In fact, it went down for
13 much of the period. It repaid some of its line of credit,
14 Alameda repaid some of its line of credit usage but not on the
15 order of the 5 to 10 billion that Caroline claims. She was
16 just mistaken in that.

17 And during that same sequence, we heard a lot from the
18 government—we heard about it today—about a spreadsheet of
19 seven alternative balance sheets that Caroline prepared. And
20 we heard, this is one of the most nefarious things Sam did. He
21 directed Caroline to prepare multiple spreadsheets to send to
22 the lenders, and the idea was, let's pick the one that's going
23 to be the most misleading and send it to the lenders. But
24 again, we submit that the evidence didn't support this
25 interpretation. Sam told you he reviewed the spreadsheet. The

1 government made a big deal today about, oh, the metadata showed
2 that he didn't. He said he did, but he only remembered
3 reviewing one of the—one of the balance sheets. And that's
4 actually consistent with Caroline's testimony, where she said
5 at page 1070 of the transcript that she only discussed some of
6 them with him. And if you think about it, Sam believed—we had
7 gone from thinking Alameda was oh, my god insolvent to being
8 worth 8 to 10 billion. He certainly was now okay repaying the
9 lenders. He received the balance sheet that he looked at,
10 which looked like the ones he had seen many times before from
11 Caroline, and given all the other things he was doing, working
12 12 to 22 hours a day, dealing with 60,000 emails in his inbox,
13 being a member of hundreds of Signal groups, it seemed
14 reasonable to rely on the spreadsheet he had been given by
15 Caroline.

16 And two other things about this. Ask yourself, if
17 you're a fraudster, why would you repay the lenders? Why don't
18 you just keep the money and run? That's a billion dollars,
19 even on the reduced scale. You wouldn't. If you were a
20 fraudster, why would you repay the lenders and give them a
21 false balance sheet? It doesn't make any sense.

22 And there's a third layer that's really important,
23 perhaps the most important layer for this sequence, that, in
24 fairness to Caroline, she couldn't know about. Sam was having
25 separate discussions with the leadership of all the lenders,

1 BlockFi, Zac Prince, Genesis, Voyager. At the same time as
2 these loans were being repaid, they were reaching out to Sam in
3 a separate discussion. Their other employees were talking to
4 Caroline about the loans at issue, but these CEOs were reaching
5 out to Sam about the following: Hey, we're in the crypto
6 winter too, hey, we're having problems, you think FTX could
7 loan us some money? You think FTX could invest some money in
8 us to help us get through? And in fact, you heard that FTX
9 wound up making a loan, and with the possibility of an
10 investment, to BlockFi. You heard that both from Sam and from
11 Zac Prince, the CEO. And ask yourself, if you were making a
12 loan to a company that you're going to maybe buy eventually,
13 why in the world would you spend time sending it a false
14 balance sheet? You wouldn't.

15 So coming back to the aftermath of the bug, once the
16 bug is discovered, what do Sam and the others do? Well, we
17 submit they sort of act sensibly, and Sam does as well. First
18 thing he says is, you know, we got to fix this. We got to make
19 sure we don't have another situation where we're off by
20 \$8 billion in our account. So he asked the team that ends up
21 being led by Nishad and Adam Yedidia to fix the bug. And they
22 do. It takes a few weeks.

23 What's the other thing he does? Well, if you'd call
24 up slide 26.

25 He says, it's not just the bug, we really need to fix

1 our accounting, because we can't have this where we're off by
2 so much, and whether you—this is now looking at it from FTX's
3 point of view. We can't have a customer like Alameda, large
4 customer, where the accounting is so far off. And he went over
5 with you his live issues for September 27, and his list of
6 priorities, which we looked at earlier this week. Each of
7 these priorities—there's this list of 16. Each of them
8 involves or collectively they involve billions of dollars. And
9 what does he call out as something that's really important?
10 Let's get the accounting right on FTX. And he had asked Andrea
11 Lincoln, one of the developers, to work on that, with an ETA of
12 October 15th. So that's something else that you would expect a
13 CEO to do, to want to do. Let's get the accounting in shape.

14 And coming out of that sequence, Sam told you that for
15 the first time he learns that separate and apart from the bug,
16 okay—take that 8 billion, get it off the table, separate and
17 apart from that—he learns through this sequence, through
18 discussions, that there's another liability that Alameda owes,
19 that's in the neighborhood of 8 to 10 billion.

20 And again, not just system, but no one testified that
21 they knew about this liability, which we've come to learn was
22 related to the fiat@ account, before June 2022. In fact,
23 Caroline told you that during her time as CEO of Alameda,
24 before that, she had been seeing what she called otherwise
25 confusing decreases in Alameda's assets from the bug. She

1 didn't quite know what was going on with this liability. And
2 Sam told you he certainly knew in around this time in June that
3 there was this big liability, 8 to 10 billion. The government
4 makes it sound like he's fighting with the others about knowing
5 this. He wasn't. But what he didn't put together until
6 September or October, which is, by the way, when Nishad put it
7 together, that Alameda had this additional 8 billion,
8 \$10 billion liability and it was associated with the fiat@
9 account.

10 And as Sam is piecing things together and thinking
11 about it, what does he think? He thinks—and the government
12 was critical of this, but frankly, we think this is how many
13 CEOs would think—he thinks, well, it is what it is. We don't
14 have the situation. We had a messed up accounting system. We
15 had a messed up risk management system. And now we have a very
16 big liability that we didn't know about that we have to
17 address. And he spends—and he thinks about it as a liquidity
18 issue. Does Alameda have assets on the exchange or off the
19 exchange to take care of it over time? Are there assets at
20 FTX, can he use his equity, can he use other assets. And we
21 would expect that's a reasonable way for him to look at it as
22 the CEO at the time. And this isn't what Mr. Roos said. This
23 isn't saying, oh, things will work out all right at the end.
24 This is how he's thinking about it at the time, and it's a
25 reasonable way.

1 And let's turn now to September. This is another
2 point where the government says, oh, there's this "aha" moment
3 about Sam proposing shutting down Alameda, and I talked about
4 that earlier in my summation, where Sam sends the memo "we
5 came, we saw, we researched," where he proposes shutting it
6 down. And as I mentioned before—I won't belabor it here—if
7 he really thought Alameda was the key to his fraud, if this was
8 the engine to keep stealing money from customers, the last
9 thing he would do would be to propose shutting it down. And
10 there's a discussion between Caroline, Gary, Nishad, and Sam
11 where they decide not to shut it down and they move forward.
12 And we think, and we submit, that what the evidence showed is
13 that each of them came to different realizations at different
14 points in time. Caroline told you she came to her realizations
15 about the impact of the fiat liability in June and July.
16 Nishad told you he came to that realization in September. Gary
17 was somewhere in between. Sam told you around September and
18 October. Does that make any of them right or wrong, for not
19 being consistent with each other? No. That's how they looked
20 at it from a business point of view, from a business judgment
21 point of view, of people trying to figure out what had
22 happened, what this liability was, how do we deal with it, how
23 do we get our arms around it.

24 Which brings us now to November 2022. And when we
25 talk about November 2022—and there's been a lot of testimony

1 and evidence about this in this case—I want to break it into
2 two categories: what happened; and what were Sam's statements
3 during November? And we're talking about those 11 days,
4 November 1 to November 11. And I told you in opening—and I
5 think I was borne out by this—that a lot happened in those 11
6 days. Things were literally changing moment by moment. And
7 that affects what Sam thinks moment to moment, that affects how
8 he reacts moment to moment, and we submit as he reacts moment
9 to moment, his state of mind is somebody who's acting in good
10 faith and doing the best he can under what are very, very
11 difficult circumstances.

12 So the sequence begins on November 2nd, when an
13 article is leaked by CoinDesk, which is a leading crypto
14 publication, that leaks—an article appears that leaks
15 Alameda's balance sheet. Now the article has the effect of
16 causing some of FTX customers to start withdrawing assets from
17 the exchange, which ultimately, toward the end of the week,
18 sets off what Sam called a run on the exchange. In his view,
19 the run was all the customers on the exchange or almost all of
20 them suddenly want to be taken off the exchange. And what's
21 his reaction when it comes out, when the article comes out?
22 Well, they talk about how to address it. A tweet is put up to
23 address it, and things move forward.

24 What happens then? On November 6th, there's a tweet
25 from CZ, the CEO of Binance we all heard so much about. And he

1 tweets that he planned to sell his substantial FTT holdings
2 because the balance sheet that had been leaked had showed that
3 Alameda owned a lot of FTT. And this has a more dramatic
4 effect. Because now this is a disclosure not about how the
5 market is going in general, how the crypto market is declining
6 in general; this is a disclosure that affects FTT specifically
7 and therefore affects Alameda, which owns a lot of FTT. And
8 now you heard right after that tweet on November 6th, Gary
9 testified that withdrawals skyrocketed. That's at page 568 of
10 Gary's testimony and 567. He told you that prior to
11 November 6th, a typical withdrawal volume for FTX was 5 to
12 10 million an hour, but on November 6, FTX starts getting
13 withdrawal requests of over a hundred million dollars an hour,
14 which amounts to over a billion dollars in the first day, which
15 is—I think Sam also told you.

16 Now this is becoming an unprecedented situation. So
17 in this crazy situation, with the storm going on outside in the
18 general market but now a specific storm about FTT and about
19 Alameda and the value going down, we submit Sam acts
20 appropriately, as best he can. What did Caroline say about
21 what Sam did? She said that Sam "said to liquidate Alameda's
22 positions and send the money to FTX." That's at page 893. And
23 that is a sensible thing for a CEO to do during that period.
24 Sam also continues with efforts to raise capital because he's
25 thinking, I still have this liquidity issue, Alameda's NAV is

1 positive but things are getting tight, and I'm going to need to
2 raise capital. And in the course of raising, seeking to raise
3 capital, Sam reached out to a number of lenders—excuse
4 me—investors, and he asked others on the team to reach out to
5 a number of investors. And one of those lenders—excuse
6 me—investors that they reached out to was a company called
7 Apollo, which is a leading investment firm in New York, and you
8 heard a lot about that.

9 Now this is where we bring Can Sun back into the
10 picture. Sam had reached out to Apollo, investments were
11 handled by—investor relations, you heard, were handled by Sam
12 and a fellow named Ramnik Arora, who is there in the Bahamas
13 also working on this, and Can told you that he learned that Sam
14 had sent a balance sheet to Alameda—to Apollo, and the balance
15 sheet he sent reflected the fiat@ liability. It's the opposite
16 of seeking to deceive Apollo. He sent them the balance sheet
17 that was now updated to show the effect of the fiat@ liability.
18 Even Can admitted that. And then there was a conversation that
19 Sam was going to have with Apollo where they'd asked questions
20 about how could things have happened from a legal and
21 compliance perception, and Can does research and he goes over
22 it with Sam, and the net of it is, based on what we found so
23 far as regards the fiat@ liability, we don't have an
24 explanation from a legal or compliance point of view. And Sam,
25 in his style, says, *Yup, okay, that means I can't tell that to*

1 Apollo. And he doesn't. And he's on the call with Apollo
2 right after speaking with Can, and Can is not on the call.

3 What else happens during that week? Well, on
4 November 9th, there's an all hands meeting that we heard so
5 much about that Caroline has for Alameda.

6 And if we could call up slide 29.

7 And let me set the stage for this, ladies and
8 gentlemen. This was a regularly scheduled meeting. Sam is not
9 going to attend. It's for Alameda people only. And you saw
10 this exhibit in evidence that Caroline reaches out to Sam and
11 others about how to approach the meeting. And she says:

12 "Thinking about what to tell people at Alameda all
13 hands."

14 "Right now I'm thinking a vibe of 'Alameda is probably
15 going to wind down, if you don't want to stay or want to take
16 some time off no pressure, if you do want to help with stuff
17 like making sure our lenders get repaid it's super
18 appreciated'"

19 "Does that seem right?"

20 And Sam says, over here, "and maybe something about
21 there being a future of some sort for those who are excited but
22 that you can't know for sure what it is."

23 Well, how did the government present this to you?
24 They presented it in two ways. Sort of, again, the "heads I
25 win, tails you lose" way. First they said, Aha, you see, this

1 meeting was really Caroline confessing that they'd all been
2 committing crimes for the last few years, three, four years.
3 But if you read the setup to this meeting that Sam's involved
4 in, he's not at the meeting, this is not written by someone
5 who's planning to confess.

6 The second alternative, government says, well, if you
7 don't like that one, here's another one. This is part of a
8 coverup. It's a way to get people to keep working without
9 telling them anything about what's happening. It's about a
10 vibe. We submit this doesn't support that interpretation
11 either. And in fact, after the meeting, Caroline reaches back
12 out to the same group and she said she "thought it had gone
13 well." And that's the tape you listened to. Neither excerpt
14 is consistent with someone who is covering anything up, who's
15 doing anything at the direction of Sam.

16 Just to complete that week, Sam is reaching out
17 wherever he can to raise capital. No question they need
18 capital. Alameda is very tight. Sam still believes until the
19 very end of the week that it has a liquidity issue, not a
20 solvency issue, although by the end of the week that comes.

21 So he even reaches back out to Binance, FTX's
22 bitterest rival, his own personal rival, and he says, hey, you
23 have capital, will you do a deal with us, and Binance signs a
24 letter of intent with them. And there's negotiations over a
25 frenetic day about, hey, maybe we can sell FTX to Binance. And

1 just to drill down on what that would mean, that would mean
2 selling the equity that Sam owned in FTX to Binance so that
3 funds could come in to pay expenses, to pay lenders, investors,
4 and customers. So Sam is, as he always was, willing to give up
5 everything he had in order to take in the capital if he could
6 and save the situation. So that's what happens during that
7 week.

8 Now let me come to the second part I want to talk to
9 you about the week, which is, what did Sam say during the
10 November crisis? Now the government, again, because in their
11 movie Sam's a villain, or mega villain, says that all week he's
12 just sort of wheeling and dealing, he's lying to his employees,
13 he's lying to the outside world, he's doing anything he can to
14 hold on to the company and keep people from making withdrawals,
15 even though they've had billions of dollars of withdrawals, all
16 of which had been paid. And then when we look at the actual
17 evidence from that period, we submit it doesn't support what
18 the government says.

19 If we could pull up slide 30.

20 This was the November 6th tweet regarding the leaked
21 balance sheet. And there was testimony—and you saw an earlier
22 draft of it. This was something that Caroline worked on with
23 Sam and others. We ought to put out a tweet to respond to the
24 CoinDesk story. We ought to tell the market what we think
25 happened.

1 And the tweet makes three points. First, at the top,
2 Caroline says—and certainly Sam is on board with this—"A few
3 notes on the balance sheet info that has been circulating
4 recently," meaning the leaked balance sheet. "That specific
5 balance sheet is for a subset of our corporate entities, we
6 have greater than 10 billion of assets that aren't reflected
7 there." And is that accurate? It certainly is. If you look
8 at the corporate entities, which include Alameda's assets on
9 and off the exchange, FTX's equity and other assets, it's an
10 accurate statement.

11 What does Caroline next say? "The balance sheet
12 breaks out a few of our biggest long positions." Long is where
13 you've bought something. "We obviously have hedges that aren't
14 listed." Is that accurate? It certainly is. You heard a lot
15 of testimony, not just from Sam but from Caroline and others,
16 about there was a sequence going through the year of putting on
17 hedges, talking about putting them on, and for the first part
18 of the year no hedges were put on, but finally, by this period,
19 at the end of November—in the middle of November, hedges had
20 been put on. Now they don't work as well as they should have.
21 By the way, that's not anyone's fault. We're not faulting
22 Caroline, we're not faulting Sam. The hedges they finally put
23 on were to the general market, if the general market was down.
24 The problem they had was the move was about FTT and Alameda's
25 specific assets so the hedges don't really work as well as they

1 could. But that statement is accurate.

2 "Given the tightening in the crypto credit space this
3 year we've returned most of our loans by now." And they had.
4 They had paid back the lenders. So that statement on
5 November 6th by Caroline, or Caroline working with Sam, doesn't
6 advance the government's case. It doesn't move the needle at
7 all.

8 And let's look at the next slide, 32.

9 This is right after CZ makes—go back. Go back to the
10 other one. This is right after CZ makes the offer to buy—sell
11 his FTT at \$22. Caroline writes—and she said she consulted
12 with Sam and others in that, and that's right—"CZ, if you're
13 looking to minimize the market impact on your FTT sales,
14 Alameda will happily buy it all from you today at \$22" per
15 token. That's an accurate statement. \$22 was a fair market
16 price. It was the six-month low. You heard that that from
17 Sam. Sam believed that they had the wherewithal to buy the
18 tokens if they needed to.

19 Now I think there was some concern by Sam and Caroline
20 that maybe CZ wasn't really selling, he was just doing this to
21 hurt FTT—FTX. Maybe he was, maybe he wasn't, but this
22 statement in response was accurate.

23 If we could go to the next one.

24 And I'm going to go out on a limb here. I think this
25 is the government's favorite piece of evidence. I don't think

1 there's a witness they haven't showed this to more than one
2 time. And they used it again and again in their
3 opening—excuse me—in their summation. But let's talk about
4 what really happens here. This is November 7th in the morning.
5 Sam tweets, "A competitor is trying to go after us with false
6 rumors." He believes that. That's CZ, Binance. Sam believes
7 they are going after us with false rumors. And then he says,
8 "FTX is fine. Assets are fine." And he told you why he felt
9 he could write that. And it's the same thing we've been
10 discussing. As of the morning of November 7th, from a
11 liquidity point of view, Sam believed that Alameda had assets
12 on and off the exchange that could address the liquidity issue
13 and that FTX also had assets that could address the issue.

14 And here's the critical companion to this, the part
15 that the government didn't ask any of its witnesses, even
16 though they showed this slide to all of them. By the next day,
17 by November 8th, the price of FTT—remember, that's what's
18 causing the specific run, FTT is plummeting. Because of all
19 the things that are happening, the price of FTT has dropped,
20 Sam told you, to all the way down to close to zero, \$5 a token.
21 What does that mean? It means assets are not fine. So what
22 does he do? He takes the tweet down. And this was
23 corroborated by the stipulation we read to you showing that in
24 fact on November 8th, this tweet was taken down. So again, if
25 all he's doing this week is wheeling and dealing like a

1 fraudster, why would he do that? Why wouldn't he put up an
2 even more outrageous tweet? He wouldn't, because he's reacting
3 in realtime as events are unfolding, and once he sees that
4 because of what's happened to FTT, I can't say this anymore, he
5 takes it down.

6 The other thing that happens during that week is—if
7 we can call up the next slide.

8 —is the following: And let me just set the stage for
9 this. We've had a lot of testimony from all the witnesses.
10 Maybe this is the second favorite topic, after the last slide,
11 about deletion, and auto-deletion, and the government said,
12 Aha, you know how we know Sam's a fraudster? You know how we
13 know he's nefarious? Is because on a few occasions, he deleted
14 Signal messages 'cause he was trying to hide evidence. And
15 what Sam told you was in fact, FTX, like a lot of companies,
16 had a data retention policy, or data protection policy, and his
17 understanding of it was it created three categories. One were
18 messages you had to preserve, things that you might show to
19 regulators, for example; the second category is things you had
20 to destroy, things like people's Social Security information,
21 personal data; and the third category was sort of everything
22 else, which, as Sam understood it, allowed the person who was
23 dealing with the chat to set the delete or not as they saw fit.
24 And even with all that—and so over time, Sam and others would
25 delete certain messages.

1 And even with all that, here we are in November, the
2 week of November 11th, the worst week in the history of the
3 company, and what does Sam do in the three chats called out?
4 The first one is Hashtag Organization. Its participants are
5 him, Nishad, Gary, and Caroline. He turns off auto-deletion,
6 on November 9th. The next one are messages just between him
7 and Caroline. On November 10th, he turns it off. And again,
8 him and Gary, he turns it off. We submit this is the opposite
9 of someone who was running a fraudulent scheme would do.

10 Your Honor, we may have hit a natural breaking point.

11 THE COURT: You mean for the day?

12 MR. COHEN: Well, I have a lot more to do, so—

13 THE COURT: Sidebar, please.

14 MR. COHEN: Sure.

15 (At the sidebar)

16 THE COURT: If you want to break, we'll take a break.

17 MR. COHEN: I'm just concerned, your Honor, it's been
18 a very long day, and I'm concerned that the jury is not going
19 to be paying attention as we get to 5:30, 6:30.

20 THE COURT: Do you have a view?

21 MS. SASSOON: No objection.

22 THE COURT: We'll go on.

23 MR. COHEN: Can we take a break, your Honor?

24 THE COURT: Yes, sure.

25 (In open court)

1 THE COURT: We'll take a break, but I'm told we should
2 finish by 6 or 6:30, and unless somebody has a serious problem
3 with that, which you'll let me know by a note when you come
4 back from the break, I'd like to go on, but if there's a
5 serious problem, I won't. So we'll take a 15-minute break.

6 (Recess)

7 (Continued on next page)

1 THE COURT: The jury was given an opportunity to make
2 calls to enable them to stay, and we are going to continue; not
3 indefinitely, but continue.

4 Let's bring them in.

5 MR. COHEN: Thank you, your Honor.

6 THE COURT: I think it is in everyone's interest to
7 get the case to the jury.

8 MR. COHEN: I understand, your Honor.

9 (Jury present)

10 THE COURT: Defendant and the jurors all are present.

11 Ladies and gentlemen, thank you so much for
12 accommodating this later-than-usual sitting this evening. We
13 are simply trying to complete the matter in an appropriate way.

14 You may continue.

15 MR. COHEN: Thank you, your Honor.

16 Again, thank you, everybody, for staying. We really
17 appreciate it. This obviously could not be more important to
18 me and my client. Thank you.

19 When we broke, I was just finishing talking about the
20 period that ended in November 2022. There is one last piece I
21 wanted to cover quickly that goes into December.

22 The government, in its summation, talked about Sam's
23 talking to journalists in November and December, and the
24 government's theory apparently was this is yet another example
25 of Sam the criminal mastermind.

1 And we submit that when you think of it with your
2 real-world experience, their theory makes no sense. He decided
3 to speak with something like 50 journalists in November and
4 December. He did that even though he had no access to his
5 records, not even to his email, and even though, as with Good
6 Morning America, he didn't know what he would be asked. And
7 the notion that he was somehow going to navigate 50 interviews
8 as part of an elaborate coverup just doesn't make any sense,
9 and we submit you shouldn't put any weight on it.

10 The last piece from this period is the testimony you
11 heard that the government elicited from Gary Wang about the
12 Bahamas in the period right after November 11. And the
13 testimony and certainly the implication from the government is
14 that not only was Sam running this criminal enterprise for
15 three years, not only was he along the way lying to Congress,
16 not only was he, I guess, lying to the media to create a
17 coverup, in his last vengeful act he was also trying to curry
18 favor with the government of the Bahamas so that he could keep
19 control of FTX, even after the bankruptcy. That's the theory.

20 The evidence, of course, came nowhere close to showing
21 that. In fact, it showed quite the opposite.

22 I just want to focus on two pieces for you, ladies and
23 gentlemen, quickly. First was GX-248, which we looked at
24 yesterday, both -- two days ago, both on Sam's direct and --
25 his cross-examination and his redirect, and that document is a

1 series of emails between Ryan Pinder, who was the Attorney
2 General of the Bahamas, and Sam and others getting into what
3 had happened with FTX, what was going to happen going forward.

4 And the government, in its examination of Sam, read
5 only one part of the same paragraph, and they suggested that in
6 that paragraph what Sam was doing was opening up withdrawals
7 from FTX only for customers who were based in the Bahamas as a
8 way to get favor with the Bahamian government. They left out
9 the very next sentence. You can see it here, the bottom
10 paragraph, in which we brought up with Sam in which he goes on
11 to say: It is your call whether you want us to do this, but we
12 are more than happy to and would consider it, at the very
13 least, of our duty to the country, and we could open it up
14 immediately if you reply saying you want us to.

15 What's happening there? When you live in a country
16 and the Attorney General reaches out to you, you better return
17 the call. You better respond to the email. And Sam believed,
18 and he shows he is unclear, that, in part, this might be what
19 the government of the Bahamas wanted him to do. If they wanted
20 him to do it, he was going to do it.

21 We can take that down.

22 The second piece that they elicited from Gary, and the
23 government claimed this again showed nefarious conduct,
24 involved Sam's interview with the SCB, which was the securities
25 commission of the Bahamas, and the decision after that to

1 transfer certain assets to the SCB. Again, that was portrayed
2 to us as, you know, yet again Sam currying favor with the
3 Bahamas or somehow trying to control the process. But, again,
4 that's not what the record showed.

5 Remember our first witness on defense was Ms. Krystal
6 Rolle, the very distinguished Bahamas attorney who flew all the
7 way here to testify for you. She told you she is now a King's
8 Counsel. She used to be a Queen's Counsel. There is 40 of
9 them in the Bahamas. She is one of the most distinguished
10 attorneys in the Bahamas, and she told you, there was no
11 fooling around. Sam was ordered to go to this meeting at the
12 SCB. He went there with her. They met with the SCB and its
13 leadership. They also met with something called the joint
14 provisional liquidators. And then they went from that meeting
15 to FTX offices and, under an order, transferred the funds.
16 Nothing nefarious about that.

17 Let me turn to the next part of my presentation. And
18 just to orient you, I am now going to make -- talk a bit about
19 the government's case and then just make some concluding
20 remarks. Again, thank you for bearing with me.

21 Let me talk about the government's case. I want to
22 talk about three things: Their cooperating witnesses, the
23 specific counts relating to customers, lenders, and investors,
24 and how to think about the testimony of Professor Easton and
25 Agent Owens who you heard from.

1 Let me talk about their cooperating witnesses. It's
2 really, really interesting because in a three-and-a-half-hour
3 summation the government didn't mention their cooperation
4 agreements at all. They didn't mention at all that they might
5 have some incentive to testify in a certain way or not.

6 Let me talk about how to think about them. Now, we
7 expect the Court will give you an instruction on how to weigh
8 evidence and, as always, it's Judge Kaplan's word that
9 controls. But we ask that as you deliberate you keep in mind a
10 few things when you think of what the cooperating witnesses
11 said, and here I'm talking about Gary, Nishad, and Caroline,
12 who had cooperation agreements, and I'm also talking about Adam
13 Yedidia, who had an immunity agreement, and Can Sun, the
14 attorney who had a nonprosecution agreement. Let me suggest a
15 way to think about those witnesses and their testimony as you
16 deliberate.

17 First, of course, is what matters is Sam's state of
18 mind. Counting up the number of people who did or didn't
19 testify against him doesn't matter. What matters is what Sam
20 believed in good faith at the time. As we mentioned when we
21 started in an opening, we didn't have to present any evidence
22 at all, so the number of witnesses presented by each side
23 doesn't matter.

24 Second, if you examine their testimony carefully, as
25 we know you will, you will see that when you view it against

1 your real-world experience, you cannot rely on it to carry the
2 government's burden of proof as to Sam. Think about the three
3 main cooperating witnesses, what they said about when they
4 realized there was a problem with Alameda borrowing FTX's
5 assets. You heard different answers from them. They were even
6 inconsistent among themselves. Gary claimed he became aware of
7 the issue as far as back as 2019 or 2020, when he happened to
8 be sitting next to Sam at Alameda, and overheard an Alameda
9 trader mentioning Alameda having a negative account balance at
10 FTX. By the way, what did he do about it at the time?

11 Nothing.

12 Nishad, on the other hand, claimed he never knew about
13 the size of Alameda's borrows and the possible impact of the
14 fiat@ liability until June of 2022, and he didn't think there
15 was a problem with what was happening until September. Now,
16 Nishad worked right alongside Gary for years, and you heard the
17 government tell you how Nishad and Gary were the engines behind
18 setting up the secret codes and the code base, yet they gave
19 you conflicting accounts of what happened there.

20 Then there was Caroline, who fell somewhere in
21 between. She testified she was aware of Alameda borrowing its
22 funds using its line of credit sometime in 2020, but, again,
23 didn't do anything about it, but she didn't consider there to
24 be a problem until June 2022, when we had the bug sequence that
25 we talked to you about.

1 The three of them are working side by side with each
2 other and with Sam, their friend, for the entire time, but they
3 claim they learned this information at different times and in
4 different ways and that they did essentially nothing about it
5 until November 2022. It doesn't make sense if you thought at
6 the time -- if you thought for years you were doing something
7 wrong that you wouldn't take action.

8 Another thing to consider when you think about the
9 number of witnesses, and if we can put up the next slide.

10 A lot of the witnesses weren't actually additive
11 witnesses. They were just repeating things they had heard from
12 some other witness. You will recall you heard testimony from
13 Caroline about the all-hands meeting in which she said there
14 was the fiat liability and that was causing the problem. You
15 then heard from Adam Yedidia that he resigned when he heard
16 about what happened at the all-hands meeting, not that he was
17 there, not that he even spoke to someone that was there, but he
18 spoke to Lelia Clark, who spoke to someone who was there and,
19 based on that, he resigned. Think about that for a moment.
20 Adam was a developer. Adam could access the code. Adam could
21 work on the bug fix. And he tells you that he based everything
22 he was doing, he based his conclusion that Sam had done wrong
23 on something he heard from someone who heard from someone who
24 had been at the meeting. That doesn't make sense.

25 Same thing with Christian Drappi, the individual with

1 whom the recording was played with. He was also a developer
2 like Adam. He could have verified or not verified what he was
3 being told, but he just acted on it.

4 Nishad told you, at the bottom of the chart, that he
5 based his conclusion on what was happening with the liability
6 on a conversation with Caroline in September and then Can told
7 you he based it on Nishad.

8 There is a lot of telephone going on here and the
9 point is it's not four, five, six witnesses giving you
10 firsthand knowledge. It's four or five witnesses just
11 repeating what they have heard down the chain.

12 You can take that down.

13 Turning back to the three cooperating witnesses, Gary,
14 Caroline, and Nishad, a few things you should consider when you
15 evaluate their testimony, which you should do very carefully.

16 Let's put up the next slide.

17 You will recall there was testimony about their
18 compensation. Going into November 2022, these were extremely
19 wealthy people who had made significant salary, significant
20 cash bonuses, and certainly, based on the equity value, were
21 each billionaires. You should keep that in mind as you
22 consider their testimony.

23 Let's go through now what each of them did.

24 If you can pull up the next slide. Actually, take
25 that down for a moment.

1 Again, Gary tells you that he first heard of a problem
2 in 2019 in the trader conversation, but he didn't do anything
3 about it, that between 2019 and 2022, he becomes a billionaire.
4 And certainly had he thought there was anything wrong going on,
5 he could have cashed out, he could have resigned, he could have
6 left, he could have contacted an attorney and notified the
7 authorities. He doesn't do any of that.

8 Same thing with Caroline. She goes through the same
9 sequence. She tells you she first learns of the problem in
10 June 2022, but even before that she doesn't resign, she doesn't
11 leave the company, she doesn't hire any advisers. Why?
12 Because they don't think they are doing anything wrong.

13 Then there is Nishad. He testified that they were
14 doing wrong in September, and he had, shall we say, an
15 interesting view about what was right and wrong at that time.
16 He said what was wrong in September was, quote, spending
17 dollars. Spending anything after September was necessarily
18 digging the customer deficit hole deeper. That's Mr. Nishad at
19 page 416. But did he really believe that? Just like the
20 others, he didn't resign, he didn't leave, he didn't seek an
21 attorney.

22 And, more than that, remember Nishad admitted on
23 cross-examination that, in October, he borrowed \$3.7 million
24 off the FTX exchange to buy a house for himself and his
25 friends. If he actually thought what they were doing was

1 wrong, would he have bought a house with funds borrowed from
2 the exchange?

3 Now, if you can put up the next slide.

4 This just returns to a theme we talked about in
5 opening, the cooperating witnesses then and now. Again, it
6 just summarizes the points that I have just made.

7 Think about it. Five of the seven counts that Sam is
8 charged with are from being part of a conspiracy, presumably
9 with one or more of these people. In light of what we have
10 just discussed, how could he have been in a conspiracy with any
11 of them?

12 We can take that down.

13 Now let's talk about what happens with the three of
14 them during that very, very fateful week of November or ten
15 days or 11 days, November 11, 1 to 11. No question, we can all
16 agree, this is a very chaotic time. This is a very stressful
17 time. The companies are on the verge, by the end, of going
18 bankrupt, and they do go bankrupt.

19 And what happens? As that week unfolds, what the
20 cooperating witnesses do, as FTX's situation become more and
21 more desperate, as regulators pop up in the Bahamas and
22 elsewhere, as there is chaos at the door, something subtle
23 happens. Blame is shifted to Sam. They are doing what they
24 need to do to get out from under.

25 How do we know that? We know that from their own

1 testimony, both on direct and cross-examination. Remember the
2 all-hands call we just talked about. At a certain point in the
3 call, and this is the part the government played for you,
4 Caroline is asked what happened and who made the decisions.
5 Now, to hear the government tell it in summation, certainly
6 Caroline made the decisions. She was part of it. But how does
7 she respond to this group of people who, by definition, are not
8 in the conspiracy? Quote: Sam, I guess.

9 And you recall we saw a Signal conversation with
10 Nishad and Sam on November 6 which the government played for
11 you today where Nishad told Sam, one thing that would seriously
12 help me is if I didn't have any debts. And to erase his debts,
13 on November 6, Nishad proposes a fake transaction that's going
14 to be backdated that would net out his loans.

15 And a fair reading of this tweet -- and the testimony
16 is at 1459 through 1461 -- fair reading of this tweet is as
17 things are unfolding and things are getting tighter and tighter
18 and tighter, Nishad to starting to something focus on himself,
19 how to get out from under. Sam told you -- and it was not just
20 Sam; others testified to this -- he regarded Nishad as suicidal
21 during this period.

22 So he responds, sure, we can probably do that, but he
23 told you on his testimony, he's not planning to do a backdated
24 transaction with Nishad. He is just agreeing because he
25 doesn't want his friend to do anything drastic. What his

1 friend is doing is focusing on himself.

2 Two days later, on November 8, Sam -- Nishad sends a
3 chat to Sam which the government actually showed you today, I
4 was surprised, that says, quote, this is wildly selfish of me,
5 but they may need to know that it wasn't a ton of people
6 orchestrating it. The government suggests that the it is the
7 crime here, but a fair reading is the it is problem, the mess,
8 the disaster going on.

9 To put this in context, Nishad sends this same chat,
10 and within a few days he goes from buying a \$3.7 million home
11 for himself with funds off of the FTX exchange to sending this
12 kind of chat.

13 What about Gary? Gary goes from the meeting with the
14 regulators at the SCB in the Bahamas, where he certainly knows
15 things are up, the wind is up to his lawyers from the U.S.
16 coming to get him in the Bahamas and going back to the U.S.

17 The point here is not that Gary, Nishad, and Caroline
18 are bad people. We haven't said that at all during this case.
19 We actually have empathy for the situation they found
20 themselves in and what they felt they needed to do. But they
21 were under pressure to get out from under, and that meant
22 pointing at Sam.

23 Sam, of course, never tried to do those things.
24 Remember that these witnesses ultimately entered into
25 cooperation agreements with the government.

1 We can pull up the next slide.

2 They entered into a cooperation agreement, and they
3 agreed to plead guilty to the various charges that expose them
4 to serious, serious jail time. And they were asked about that
5 both on direct and on cross-examination. And at first we got
6 sort of a boilerplate answer, I'm just here to testify. I am
7 just here to tell the truth. I have no expectation about the
8 sentence I might get. I am just here to tell what happened.

9 But then Gary slipped, and that's at page 477, and he
10 said: You know, ideally, I don't want any jail time. That's
11 what this was about. And they are not going to get it. They
12 are not going to get the kind of cooperation agreement they
13 want, the kind of sentence reduction motion by saying, you
14 know, at the time we really didn't think anything was wrong.
15 They are not going to get it by saying, you know, we all made
16 business decisions, we made mistakes, we did some dumb things,
17 and they turned out wrong. They are not going to get it that
18 way. And they are not going to get it by saying, you know, Sam
19 was our friend. He was a good guy. We built businesses
20 together. He worked really hard, and at the end he was trying
21 to save FTX and customers. So they did what they had to do.

22 And in that regard think about this. Caroline was up
23 front with you in her direct and cross that she had really
24 nothing to do with investors. Her business as CEO of Alameda
25 was to work with outside lenders and to run the company and,

1 yet, she pleaded guilty to one of the counts was committing
2 fraud with respect to investors.

3 Nishad told you in his direct and cross that he didn't
4 feel he had done anything wrong with respect to making
5 political donations, and he originally thought that the
6 donations were properly characterized. But he pleaded guilty
7 to a campaign finance charge among the counts he pleaded to.

8 Again, we don't fault them. They did what they had to
9 do under the circumstances, but it means you should consider
10 their testimony overall very carefully. Someone who will plead
11 guilty to something they are unsure of or didn't even think
12 they did is someone whose testimony you should think about very
13 carefully.

14 As for Adam Yedidia, he received an immunity
15 agreement, even though he told you he didn't think he did
16 anything wrong. It seems inconsistent.

17 And Can Sun, the attorney, told you he received a
18 nonprosecution agreement two days before he testified.

19 Now, let me move on and talk about some of the
20 specific counts in the indictment and customers, lenders, and
21 investors.

22 Just to go back to where I started, Sam's good faith
23 is a defense to all the counts in the indictment. If you find
24 he acted in good faith, you must find him not guilty on all
25 seven counts. But there are also specific defenses and

1 specific problems with some of the individual charges in the
2 indictment as well, and I want to point them out to you now.

3 If we could call up the next slide.

4 This is Count One, wire fraud on customers. Again,
5 these are not controlling. What controls as to the elements is
6 what Judge Kaplan will tell you. But as to the customer
7 counts, we ask that you consider the evidence on that. And
8 when you do, we ask that you think about the fact that the
9 government called two customers, and we submit that their
10 testimony did not carry the day.

11 First, you heard from Mr. Julliard, the French person
12 who lives in London who was the very first witness called in
13 the case. Now, he told you he was a commodities trader,
14 sophisticated commodities trader who traded in cocoa. And he
15 admitted on the stand that he agreed to but never reviewed
16 FTX's terms of service, and instead he initially claimed that
17 the reason he put assets on FTX was because of the
18 advertisements FTX had put up. He remembered the one involving
19 Gisele. He didn't remember her last name. And he thought
20 based on these ads there must be good financials behind the
21 company.

22 Does that testimony make sense to you, is that someone
23 who is a cocoa commodities trader would actually act in the
24 real world? It isn't. And I don't think you can give his
25 testimony any weight in considering the counts against

1 customers.

2 The other customer we heard from was Mr. Morad. He
3 testified that he was very familiar with crypto, that he had
4 accounts on many, many exchanges, and he had traded on many of
5 them. Of course, like all the witnesses, except Can Sun, he
6 never read the terms of service, and he claimed to make his
7 investment decisions based on Sam's tweets. Does that make
8 sense to you? Again, we don't think that moves the needle at
9 all, so we suggest that that lack of evidence means that there
10 is an additional problem with respect to Count One and Count
11 Two. Count One is wire fraud on customers and Count Two is
12 conspiracy to commit wire fraud on customers.

13 Now let's turn to Count Three and Four, which are the
14 conspiracy to commit wire fraud claims against lenders, if we
15 can go to the next slide.

16 Now, you heard testimony from Caroline about
17 interaction with lenders, and I am not going to redo that. You
18 heard our view on why that doesn't carry the day as to proving
19 Sam acted with criminal intent.

20 And the only lender the government called was Zac
21 Prince, the CEO of BlockFi, and we submit that his testimony
22 also doesn't move the needle on the lender counts. He told
23 you, I went over with him that BlockFi had done a credit memo
24 on whether to make a loan to Alameda. And in that credit memo
25 his credit team had received everything they asked for, and

1 they were fully aware of all the factors they thought were
2 material or important to them.

3 For example, one issue we have talked about in this
4 case a lot was that one of Alameda's main sources of collateral
5 was FTT, the token that FTX had backed. And sure enough
6 Mr. Prince told you, yeah, his team knew that. We analyzed the
7 FTT. We insisted that because FTT was illiquid, we would be
8 overcollateralized in FTT. There was nothing misleading to him
9 when they made the loans, loans that were then paid back in
10 full. As I mentioned before, Mr. Prince also then had --
11 during the crisis he had conversations directly with Sam in
12 which he was asking Sam if FTX would invest or loan money to
13 BlockFi, which did happen.

14 One last piece on the lenders, and this actually
15 applies to the investors and the customers. Because the
16 directive doesn't the really move the needle, the government
17 does the following. They ask the investors and lenders some
18 variant of the following question. If I told you that Sam had
19 stolen customer assets, would that have been important for you
20 to know? Who is going to say no to that? But that's what was
21 happening in real time. That is the conclusion the government
22 has reached after bringing its case. That's not a fair
23 analysis of materiality.

24 Speaking of the investors, the government called two
25 investors: Matt Huang, who was from a company called Paradigm;

1 and I am going to mispronounce this, but Mr. Robert Boroujerdi,
2 who was from Third Point.

3 And here are some important points about the investor
4 count, which is Count Five related to securities fraud. They
5 each made their investments by January of 2022. Remember the
6 chart we showed you about all the different offerings. So they
7 made their investments before the events of May -- June through
8 November 2022, before Sam did all the horrible things that the
9 government says he did. If they made their investments before
10 that, how could his later conduct have been material to them?
11 It couldn't have been. Again, they ask the default question.
12 If I told you that to prove my case, would that be important to
13 you? OK. That's not proof.

14 On the investors as well, we had the piece where we
15 talked about the call with Apollo at the end of November or the
16 first week of November. A few facts there to emphasize. They
17 don't show support for the investor count. This we received
18 from Can Sun.

19 First of all, Can admitted that in reaching out to
20 Apollo, Sam sent them the balance sheet that contained the
21 fiat@ liability, so nothing was kept from them. And then Sam
22 spoke with Can. Can went over the discussion with you in which
23 he said you can't use the borrow lending order book as a way of
24 explaining what had happened. Sam said yup. And Can said they
25 refused looking into what margin assets in general might have

1 covered that. They never got to it. But, more importantly,
2 Sam didn't have the call with Apollo and didn't say any of
3 those things.

4 And when you think about that sequence, think about
5 this. Apollo ended up not investing and, more to the point,
6 the government didn't bring Apollo before you to testify that
7 Sam had said anything different.

8 They also didn't bring before you Ramnik Arora, who
9 was deeply involved in all the investment decisions. The
10 government may say, well, the defense could have brought them
11 in too if they wanted you to hear from them, but, you know, we
12 don't have a burden. We don't have to call any witnesses. So
13 consider that.

14 Because their proof doesn't get them there on the
15 investor counts, remember none of the cooperating witnesses,
16 Gary, Nishad, or Caroline, had anything to do with investors,
17 because they didn't call Ramnik or anyone else because the two
18 individual investors I mentioned don't get them there.

19 We had these elaborate convoluted stories about the
20 ECO Serum sequence and the MobileCoin sequence. What is that
21 all about? It trying to back into some convoluted way to say
22 that Sam somehow did something with Nishad that would have
23 misled investors.

24 And we submit the story on ECO Serum is convoluted and
25 inconsistent, and Sam told you, look, I didn't tell Nishad to

1 backdate anything with regard to ECO Serum. The fact that he
2 signed an agreement that others prepared for him doesn't move
3 the needle.

4 And on MobileCoin, which is, again, another effort to
5 backdoor into some sort of proof of the investor count, Sam
6 told you, yeah, there was a loss on FTX and I felt, I Sam, felt
7 I had mishandled it. So I moved it to Alameda where I would
8 personally take most of the loss. That seems like trying to
9 help investors, not hurt them.

10 Let me briefly talk about the money laundering count.
11 Quickly, let me go to Count Six. Excuse me.

12 Count Six. Count Six is the conspiracy to commit
13 commodities fraud count and that's basically the Count Five
14 securities fraud count repackaged as a commodities fraud count.
15 To the extent, for the reasons I have just said, the securities
16 fraud count fails, this one must fail as well.

17 Let me turn finally, to the money laundering count,
18 which is the last count. I want to talk about the two types of
19 money laundering that the government has alleged here and how
20 the proof that you actually receive doesn't support it. The
21 first one is called concealment money laundering. That's where
22 someone is making -- has illicit sources of funds and seeks to
23 conceal them.

24 When you think about the government's theory here, it
25 makes no sense. They say that the way Sam and others were

1 seeking to conceal assets they have taken from Alameda was by
2 making political donations with them. Think about that. Why
3 would someone conspire to steal funds and then try to conceal
4 them by making political donations, which are some of the most
5 regulated publicized and scrutinized forms of spending there
6 is. Why would they go through the further trouble of hiring
7 political consultants and give them access to the internal
8 workings of FTX in a chat called donation processing, which is
9 what happened here, if the entire purpose was to secretly
10 launder money? The government's theory doesn't make any sense.

11 The same goes for its second theory, money laundering
12 above a monetary threshold. The theory essentially is, the way
13 the government has presented it, that basically any transaction
14 involving Alameda funds that may have been connected to FTX
15 customer funds, however they come up with the connection, is
16 per se money laundering, and you will hear the instruction, but
17 we submit that that theory goes too far and should be rejected.

18 Last in this section let me talk briefly about
19 Professor Easton and Agent Owens, who the government presented.

20 Now, the government spent a lot of time with Professor
21 Easton, and we saw chart after chart after chart after chart,
22 and you are invited at the end of the government's summation to
23 look at those charts again. They really give you a suggested
24 way to think of Professor Easton's testimony.

25 At a very high level, if you find that Sam acted in

1 good faith and in good faith believed that he could spend or
2 FTX or Alameda could spend the funds it did when it did, then
3 really Professor Easton is beside the point. All he did was
4 trace outflow of funds.

5 The question is not what the flows were: Did it go to
6 account 1, account 2, account 3, or ABC? The question is why?
7 Why was Sam doing it and what did he believe he was doing? On
8 that basis alone, you need not -- you're welcome to, but you
9 need not go through all of these charts. Because if you find,
10 as we submit you should, that Sam acted in good faith,
11 Professor Easton is besides the point. He is just simply
12 taking the government's theory, assuming it's true, which, of
13 course, is what is up to you to determine, and then tracing out
14 those funds.

15 We also think, and again you may not need to get to it
16 at this level, that there were some things in his testimony
17 that were not reliable. He said he knew the importance of
18 net-asset valuation, but yet when he did his analysis, his flow
19 of funds, he didn't look at that when it came to Alameda. He
20 didn't look at Alameda's assets that were held off the exchange
21 or FTX or other assets.

22 He also told you in some of his analysis -- by the
23 way, that's at transcript 1802 and 1804. He also told you in
24 some parts of his analysis that he concluded transfers must
25 have come from customer funds because they were, quote, in the

1 immediate vicinity of customer funds. That's at 1750. That
2 doesn't sound very scientific to me and not something to rely
3 on.

4 Finally, you heard from Agent Owens of the FBI, who
5 did a flow-of-funds analysis relating to political donations.
6 Again, the easiest way to think about her is from a high-level
7 point of view.

8 If you conclude, as we submit you should, that Sam
9 acted in good faith, including in making political donations,
10 then she traced out the funds, whether they went to account A
11 or B or C, is beside the point.

12 Like Professor Easton, if you want to get into the
13 specifics, some of her analysis was not reliable. She told you
14 she used the last in, first out LIFO method, but then we showed
15 her a major expenditure that she had to admit on the stand
16 actually didn't follow that method, so a reason to be skeptical
17 there.

18 That brings me to my concluding remarks finally. We
19 want to thank you again for sitting with us through this trial.
20 You have done a great job keeping an open mind and listening
21 carefully and intently, and we thank you for giving up the time
22 in your personal lives to hear this case. It is important to
23 us.

24 Now, after I speak, tomorrow the government gets to
25 speak again. It's called a rebuttal summation. As I

1 mentioned, they get to do that because they get two because
2 they have the burden of proof and it never shifts.

3 But, even so, the defense can still be heard. What do
4 I mean by that? You can speak for us. When you hear something
5 in the government's rebuttal, and as you evaluate it later in
6 the jury room, please consider they are making points that we
7 might make, asking questions we would ask.

8 For example, if the government says, well, once the
9 fiat liability was discovered, Sam should not have come to a
10 different view about Alameda's liquidity and Gary, Caroline
11 and, Nishad. Please ask, why not? Wasn't this in the end a
12 difference in business judgment? If the government says in
13 rebuttal, well, please disregard what the defense told you
14 about how to think about the cooperating witnesses and their
15 agreements, about all the real-world pressures on them, about
16 the shift in what they said between then and now, please ask,
17 why should we do that? Shouldn't we be very skeptical of their
18 testimony and not accept it due to those concerns and so on?

19 As you listen to the rebuttal summation and as you go
20 into the jury room we ask you, please, to think about the
21 questions we would ask and consider them as you go through the
22 evidence.

23 Because in the end we submit that Sam did his best to
24 start and operate two companies that became multibillion dollar
25 businesses in a new industry. Some decisions and judgments

1 turned out very well. FTX wound up with 6 million users,
2 managed billions and billions of dollars of trade. Some
3 decisions turned out poorly, especially without hedges.
4 Holding long-term assets against short-term liabilities was a
5 decision that turned out poorly. It led to FTX and Alameda's
6 liquidity gap and ultimately to the bankruptcy filings. As I
7 have said many times now, business decisions made in good faith
8 are not grounds to convict.

9 We submit that when Sam testified before you, he told
10 you the truth, the messy truth, that in the real world
11 miscommunications happen, mistakes happen, delays happen. And
12 the borrowing happening in the case of Alameda here, in the
13 case of Alameda depositing or withdrawing hundreds of millions
14 of dollars a day, in a process that swept in customer fiat
15 assets, there were mistakes, there were failures of corporate
16 controls in risk management, and there was bad judgment. That
17 does not constitute a crime.

18 This has been an extraordinary journey. In Sam's life
19 he has gone through more than most do in a lifetime. One day
20 he's a college student. Then he's in an apartment with his
21 close friends starting a crypto company. They are working
22 around the clock, moving all over the world. The company is
23 becoming amazingly innovative and successful, worth billions.
24 Then there is a market crash and then this.

25 And here we are, finally before you, in your hands,

1 the jury, so I'll speak last for Sam, for my client. Consider
2 the evidence in light of your real-world experience. We submit
3 you will find that Sam acted in good faith throughout, that he
4 made the best business decisions he could at every stage. He
5 didn't want to hurt anyone, far from it. He didn't want to
6 defraud anyone and he didn't. He didn't intend to defraud
7 anyone.

8 So, with respect, the greatest of respect, we ask that
9 when you deliberate, you find him not guilty on all counts.

10 Thank you.

11 THE COURT: Thank you.

12 Ladies and gentlemen, thank you for staying. We will
13 tomorrow morning hear any rebuttal argument by the government,
14 and I will charge you and you will get the case.

15 I should add, in full disclosure, I am informed during
16 the day -- and, again, I'm not commenting on how long this
17 should take or how quickly you should be done one way or the
18 other -- if we do stay late enough to get something to eat,
19 it's pizza. It didn't used to be that way. I'm sorry, but
20 that's what it is.

21 (Adjourned to November 2, 2023, at 9:30 a.m.)
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23
24
25

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 v.

22 CR 673 (LAK)

5 SAMUEL BANKMAN-FRIED,

6 Defendant.

Trial

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7
8 New York, N.Y.
9 November 2, 2023
10 9:52 a.m.

11 Before:

12 HON. LEWIS A. KAPLAN,

13 District Judge

14 APPEARANCES

15 DAMIAN WILLIAMS

16 United States Attorney for the
17 Southern District of New York

18 BY: DANIELLE R. SASSOON

NICOLAS ROOS

DANIELLE KUDLA

SAMUEL RAYMOND

THANE REHN

Assistant United States Attorneys

19 COHEN & GRESSER, LLP

20 Attorneys for Defendant

21 BY: MARK S. COHEN

CHRISTIAN R. EVERDELL

SRI K. KUEHNLENZ

22 DAVID F. LISNER

23 Also Present:

Luke Booth, FBI

24 Kristin Allain, FBI

Arjun Ahuja, USAO Paralegal Specialist

25 Grant Bianco, USAO Paralegal Specialist

1 (In open court; jury not present)

2 THE COURT: Good morning, everyone.

3 First of all, before we bring in the jury, if anyone
4 wants to be heard one way or the other on the issue of sitting
5 tomorrow which wouldn't necessitate excusing one juror and
6 substituting an alternate, I'll hear you briefly now.

7 MR. COHEN: Your Honor, we would be in favor of having
8 the jury deliberate tomorrow.

9 THE COURT: So to get to the bottom line, you're
10 asking me to excuse the juror who has plane tickets tomorrow
11 morning and substitute an alternate.

12 MR. COHEN: Yes, your Honor.

13 THE COURT: And on what ground and what's the showing?

14 MR. COHEN: Your Honor, we think that given the way
15 the schedule has gone—and it's certainly no one's fault—that
16 we're going to have more summation today and then of course
17 your Honor has to take the time for the charge, and that will
18 leave the jury with, you know, some limited time tonight, and
19 then we think a delay of an extra day could impact their
20 ability to deliberate about the evidence, and we would ask that
21 we continue the process by seating one of the alternates.

22 THE COURT: Government's position?

23 MR. ROOS: Your Honor, I think the jury will have a
24 good amount of time today and so first of all, we still think
25 it's premature, as Ms. Sassoon said yesterday and the day

1 before, and so at this time we would oppose replacing Juror
2 No. 3.

3 THE COURT: The application is denied. The likelihood
4 is there is going to be a weekend break in any event, and the
5 difference of a two-day weekend or a three-day weekend, in my
6 view, is immaterial. And it's just not sufficient to warrant
7 replacing the juror in question.

8 That said, let me tell you the schedule I have in mind
9 here, and then we'll go get the jury. I understand from what's
10 been said previously and publicly, the government expects to be
11 about three quarters of an hour. Is that still true?

12 MS. SASSOON: Yes, your Honor.

13 THE COURT: Okay. So that suggests that we'll be done
14 with that around 10:45. We'll take a break. We'll come back
15 and I'll start the charge. I will go for what I'm
16 guesstimating will probably be two hours or less. We'll then
17 take a 30-minute lunch break. The jury has lunch ordered.
18 Everyone else can happily consume cafeteria food. I'll
19 complete the charge after lunch, and I expect the jury will
20 have the case by somewhere between 2 and 2:30. That's, of
21 course, a rough estimate. I have no idea how long the jury is
22 going to take or whether they're going to finish today. I will
23 not keep them longer than 8:15. And transportation
24 arrangements will be ordered against the possibility they stay
25 that late, and nobody knows whether they will.

1 Okay. Let's get the jury.

2 MR. EVERDELL: Your Honor, sorry. We don't have to
3 address this now, we could do it at the break, but the defense
4 has an application with respect to the indictment that is going
5 to be provided to the jury for their deliberations. We had
6 mentioned to the Court, I think it was the day before
7 yesterday, about redactions to the indictment that we would
8 propose. We can take this up at the break. I don't think it
9 will be a long—

10 THE COURT: We'll take it up at the break, but there's
11 nothing like waiting till the last second, is there.

12 Okay. Let's get the jury.

13 MR. ROOS: Your Honor, for what it's worth, we won't
14 oppose the application, and we can prepare a redacted or
15 cleaned-up indictment.

16 THE COURT: Okay. Then it's not going to be a matter
17 of controversy.

18 (Jury present)

19 THE COURT: Good morning, everyone.

20 THE JURORS: Good morning.

21 THE COURT: The defendant and the jurors all are
22 present.

23 Let me just say a word to the jury about the schedule.
24 We're going to hear in a moment from the government on the
25 rebuttal summation. We will then have a 15-minute break. I'll

1 begin charging you on the law when that break is over. I won't
2 do it all in one fell swoop. Sadly to say, it's going to take
3 some time. So we will break for lunch at some convenient point
4 in the course of my reading the charge. You know that your
5 lunches have been ordered, and it will be a 30-minute lunch
6 break in order to finish up and get the case to you. After
7 lunch, I'll finish charging you. And I will not keep you later
8 than 8:15, if you get that far. I'm not suggesting anything,
9 of course, about whether you should or shouldn't or will need
10 that much time or more or less. If you stay as late as 8:15,
11 there will be transportation for those who need it, and we will
12 order that up somewhere along the line. And as you may have
13 learned from Andy already, Andy, who is a magician around here,
14 has managed to accomplish the feat that if you do wind up
15 having supper here, you have a choice of more than pizza. And
16 you can thank Andy for that.

17 Okay. With that, Ms. Sassoon, we'll hear your
18 rebuttal argument.

19 MS. SASSOON: Thank you, your Honor.

20 Telling your customers to trust you with their money,
21 telling your customers that their assets are safe, segregated,
22 safeguarded, held in custody, and then taking that money and
23 spending it on yourself, on your business, on the same business
24 that you've told your customers is separate, walled off,
25 treated no differently from any other account, that is not a

1 reasonable business decision. That is fraud.

2 You've heard time and again—and it's true—that the
3 government is the only party with a burden in this case. We
4 have to prove the charges beyond a reasonable doubt. We've
5 embraced that burden, and we've met that burden.

6 But when the defense comes up and makes arguments,
7 it's your duty to scrutinize them, to examine whether they
8 match up to the evidence, to the testimony that you've learned
9 in this trial. They don't. The defendant has no obligation to
10 testify. He has a constitutional right not to. But if he
11 takes that stand, it's your duty to scrutinize what he said, to
12 consider whether it matched up with the evidence and the
13 testimony. It didn't.

14 Now I'm not going to address everything that Mr. Cohen
15 said. You've spent a long time listening to closing arguments,
16 and I know you've paid close attention to the evidence, and I
17 know that when you go to deliberate, you have the tools to
18 consider these arguments and to reject them. And so there are
19 some that I won't spend a lot of time on, like this argument
20 that there was no customer fraud because there were only two
21 customer victim witnesses. I expect Judge Kaplan will instruct
22 you that it's for you to consider what a reasonable customer, a
23 reasonable investor, would have believed based on the false
24 representations by the defendant.

25 Now Tareq Morad got up there and he told you that when

1 he looked at his account balance, he thought that meant the
2 money was there, that it was being held for him, that it was
3 custodied for him, and of course that was reasonable. You know
4 that from the terms of service, which told customers that their
5 assets belonged to them, but this case doesn't rise and fall on
6 the terms of service. Judge Kaplan is going to instruct you to
7 consider the full slate of representations made to customers.
8 And you've seen them. I'm not going to pull them back up—the
9 tweets, the policy documents, the congressional testimony that
10 was publicized. The defendant himself told you that he knew
11 his customers were reading his tweets, reading the news
12 articles, he was publicizing his testimony on Twitter. And so
13 take a look at the terms of service, but look at exhibits like
14 Government Exhibit 340. This was the asset management policy
15 of the business that applied to fiat and crypto. And it said:
16 We're holding your assets, they're ring-fenced, they don't
17 belong to FTX. And witness after witness got on that stand and
18 told you, this was a sacred, unbreakable rule. Your money is
19 your own. It's not for FTX to use. And that's what the
20 defendant himself said time and again to his customers.

21 And so you know, without hearing from Tareq Morad or
22 Marc-Antoine Julliard, that a reasonable customer would see and
23 hear those statements and be given the false impression that
24 their money was safe with FTX and that Alameda did not have
25 unlimited access to customer funds without playing by the rules

1 of the exchange.

2 Another argument that you can reject quickly:

3 Mr. Cohen said, well, if the defendant were a fraudster, why
4 would he repay the lenders instead of taking the money and
5 running? This isn't a crime like robbing a bank in broad
6 daylight, where the defendant committed the crime in broad
7 daylight and then went on the run. He didn't want to be a
8 criminal on the run. You heard about his ambitions. This is
9 somebody who wanted to be president of the United States, who
10 thought he could and should be president of the United States.
11 This is someone who wasn't satisfied starting a crypto trading
12 forum; he wanted to start a crypto exchange. And when he
13 started that exchange, that wasn't enough; he wanted to be the
14 biggest exchange in the world. He wanted to crush his rival
15 Binance. And when his exchange was making a billion dollars in
16 revenue, that wasn't enough to satisfy his spending; he wanted
17 billions and billions of dollars more from his customers, to
18 spend on gaining influence and power.

19 He wasn't going to take the money and run. It's the
20 same reason that he testified before Congress and spoke to the
21 media. It was part of an effort to present himself as
22 legitimate, as trustworthy, as running an exchange that was
23 reliable and safe, where customers should deposit their money.
24 And when it came to lenders, he had the arrogance that he could
25 get away with the fraud, that if he sent lenders a false

1 balance sheet, that he wouldn't be exposed, and not only would
2 he not be exposed, he would get more money. And that's exactly
3 what happened. You heard that after he sent the false balance
4 sheets, he received more than a billion dollars more in loans
5 to continue his scheme.

6 Investor fraud. Mr. Cohen said that the timing
7 doesn't match up, that the episodes in 2022 took place after
8 the defendant raised money. That's just wrong. First of all,
9 you heard about how the defendant and Ms. Ellison took FTX
10 customer money to buy out Binance. That was before the
11 fundraising. And you also heard about the countless
12 misrepresentations to FTX investors—the inflating of revenue;
13 the secret transferring of investor funds over to Alameda; the
14 deceptions on the balance sheet by moving the MobileCoin loss
15 over to Alameda so the investors wouldn't know about it; the
16 lies to auditors that kept investors from learning about
17 problems at FTX; and the lack of separation between Alameda and
18 FTX. And you heard from the two investor witnesses that that
19 type of information would have been important to them and would
20 have affected their investment decision.

21 I'm going to spend a little more time talking about
22 some of the arguments you heard, but when you go and
23 deliberate, I want you to also think about what you didn't
24 hear, what Mr. Cohen didn't say, the evidence to which he had
25 no answer. For example, Government Exhibit 5. This is a

1 spreadsheet created by the defendant where he listed the lines
2 of credit on the exchange starting with Alameda's \$65 billion
3 line of credit. Now if the defendant didn't know about
4 Alameda's \$10 billion liability to FTX until October and didn't
5 know about its giant line of credit, or how to use the
6 database, how do you explain Government Exhibit 5, a
7 spreadsheet he made that lists dozens of lines of credit coming
8 out of the database and that have the defendant's own
9 calculations showing that Alameda owed \$10 billion to the
10 exchange. The defendant has no answer, and so they said
11 nothing about it.

12 Government Exhibit 36. If the defendant didn't know
13 that Alameda was repaying its lenders with customer money, how
14 do you explain Government Exhibit 36? NAV Minus Sam Coins.
15 This is a spreadsheet from 2021 that shows that Caroline and
16 the defendant agreed in late 2021 that in the event of a market
17 crash, the only way to repay lenders would be to treat FTX
18 customer funds as their personal piggy bank. The defense has
19 no answer to Government Exhibit 36.

20 And I'll mention one more, but there are many others.

21 Government Exhibit 50. This is the spreadsheet from
22 mid-June 2022, and if the defendant didn't know about the fiat
23 liability until later and Alameda's \$10 billion negative
24 balance, how do you explain Government Exhibit 50? This is the
25 spreadsheet that Gary, Caroline, and Nishad all testified they

1 prepared at the defendant's direction and that they discussed
2 with him, and that shows in black and white that Alameda owed
3 \$10 billion. The defense has no answer.

4 So without answers to these devastating pieces of
5 evidence, the defense fell back on unsupported and increasingly
6 desperate accusations: The government is painting the
7 defendant as a monster, as a movie villain. I didn't hear
8 those words at this trial. The first time I heard them were
9 out of Mr. Cohen's mouth. The evidence about the defendant's
10 image showed you that he was a different person in public and
11 in private and that it was a performance. His romantic
12 relationship with Caroline Ellison, that was important for you
13 to understand why he chose her as his front and as his deputy.
14 His girlfriend, the person who deferred to him, a person whose
15 relationship—in that relationship, the defendant had all the
16 power.

17 And most outlandish of all was this accusation that
18 three cooperators got on that stand, that they were pressured
19 to lie, that they pled guilty to crimes they didn't commit, and
20 that they were told to falsely point the finger at the
21 defendant. That's outrageous. Each of those witnesses got on
22 that stand and they told you what they were told by the
23 government from day one—to tell the truth. And you know that
24 that's what they did.

25 Now this desperate and unsupported accusation, the

1 defense has to make it, because if you believe Caroline, the
2 defendant is guilty; and if you believe Gary, the defendant is
3 guilty; and if you believe Nishad, the defendant is guilty.
4 The cooperator testimony tells you flat out that the defendant
5 oversaw the stealing of FTX customer funds, that he knew it was
6 wrong, that he lied about it, and he took steps to hide it.

7 And I want to tell you three reasons that you know
8 those cooperators were telling the truth. Let's start with
9 their incentive. Their incentives weren't to lie. And take a
10 look at their cooperation agreements. They're in evidence.
11 This is the 3500 series. And they explain to you how these
12 cooperation agreements work. Under that agreement, they're
13 required to tell the truth. And if they don't, they're stuck
14 with their guilty pleas and facing decades in prison. They get
15 a letter from the government explaining their cooperation to
16 the judge if they tell the truth. And it's the judge who will
17 decide their sentence. And if a cooperator is caught in a lie,
18 any lie, that agreement gets ripped up.

19 I wrote this down because I was puzzled by it.
20 Mr. Cohen said that the government is treating the cooperators
21 like they had no free will. No free will? Those three
22 witnesses all pled guilty to federal felonies. They took
23 responsibility for what they did. These are not people who
24 came in and said, "I did nothing wrong, it was all Sam
25 Bankman-Fried." From their first meetings with the government,

1 they admitted to serious federal crimes, and they described how
2 they did it and who they did it with.

3 On the other hand, the defense wants you to believe
4 that none of these cooperators helped the defendant commit
5 crimes and that they all pleaded guilty even though none of
6 them actually thought they were doing anything wrong at the
7 time. Now think about that. And let's take Gary Wang as an
8 example. By this argument, Gary Wang leaves the Bahamas days
9 after FTX declares bankruptcy, less than a week later comes to
10 meet with the government, no one at that point has been charged
11 with any crimes, and he confesses to all sorts of things that
12 he didn't do. In that very first meeting, he pleads guilty to
13 a host of crimes he didn't commit, he exposes himself to
14 penalties for things he never did, and then he comes up here
15 and he lies to you. That makes no sense.

16 And you know that this is not a case of crimes in
17 hindsight. And let's just take Caroline Ellison as one
18 example. The defense said if she really thought something was
19 wrong, wouldn't she have resigned, cashed out, blown the
20 whistle? Well, she didn't do those things, and that's why
21 she's guilty of participating in a conspiracy. And she told
22 you that during the conspiracy, she did think she was doing
23 something wrong and she expressed it to the defendant. She
24 went to him as far back as 2020 and said, *What about these*
25 *auditors? Are they going to see that we're taking customer*

1 money? That would be bad. And he said, *Don't worry. The*
2 *auditors won't see it.* When he wanted to buy out Binance, she
3 said, *Well, we can't do that without taking customer money.*
4 And he said, *Well, do it anyway.* And in 2022, when he told her
5 to lie to the lenders, she told you the effect that that had on
6 her. She spent a year in dread and fear, waiting for her
7 crimes to be exposed. She cried on that stand and she told you
8 about the worst months of her life, when she knew she was
9 committing crimes and was waiting to get caught, waiting for
10 customers to realize that their money was gone.

11 And let's talk about Nishad. The defense made a big
12 deal out of the fact that he learned of the conspiracy and
13 joined it a little later. I expect Judge Kaplan is going to
14 instruct you that different people can play different roles in
15 a conspiracy. You can play a minor role, you can play a major
16 role, you can join at a different time. You're still part of
17 the conspiracy. And so it's no surprise that Nishad, who
18 didn't work at Alameda, didn't have visibility into all the
19 spending and all the use of customer money, but when he did,
20 when it sunk in, he didn't say, oh, nothing wrong going on
21 here. He confronted the defendant on that balcony. He was
22 shocked, he was blindsided, and eventually he was suicidal.
23 That is not somebody who didn't think he was doing anything
24 wrong.

25 But you don't need to take the cooperators' words for

1 it, because they were corroborated by every single other piece
2 of evidence in this case, by the testimony of other witnesses,
3 by each other's testimony. Yes, they had different lenses into
4 what was going on and different roles, but they were consistent
5 in the most important respects, that they were acting at the
6 defendant's direction, that this was his scheme, his spending,
7 his vision, and that they did what he told them.

8 And Caroline, think about her testimony. She
9 described to you what happened with the seven alternative
10 balance sheets, that she prepared that for the defendant and
11 that they discussed how to hide the borrowing from FTX
12 customers, and the metadata shows you that she was telling the
13 truth. He accessed it shortly before she sent that balance
14 sheet off to Genesis. Her contemporaneous notes matched what
15 she said, her journal entries, her Signal chats. And remember
16 the all hands meeting. That wasn't hindsight; that was before
17 she had ever met with the government, before she knew there was
18 an investigation. And go back and listen to those recordings
19 because they're consistent with what she said on the stand.
20 When she told her employees that she did this with Sam, Gary,
21 and Nishad, and that Sam directed it, she didn't think the
22 government was listening. And it's consistent with what she
23 told you in court.

24 The last thing I want you to think about when it comes
25 to the cooperators is their demeanor. I know it's been a

1 little while, but each of them got up on that stand and they
2 were the same person during their direct examination and their
3 cross. They tried to answer the questions in detailed fashion,
4 directly, in a straightforward way. They remembered specifics,
5 like where conversations happened, and documents. And then
6 think about the defendant. He was a different person on his
7 cross-examination than his direct, where he was polished and
8 knowledgeable and defining 50 terms, and suddenly on cross, he
9 couldn't remember a thing. Not only that, his story, it's
10 changed so many times, it's hard to keep track. And then think
11 about Caroline, who's been the same from that all hands meeting
12 to today.

13 Now I want you to think about what it means to accept
14 the defense's argument and what you would have to believe to
15 accept what the defense has said. You've learned in this trial
16 that Sam Bankman-Fried was a talented CEO, he was smart, he
17 went to MIT, he was ambitious, he is good at explaining things,
18 he dazzled investors and Congress and the media, and he worked
19 around the clock to build a successful business. But the
20 defense wants you to believe that this same person was clueless
21 when it came to the most fundamental, important things going on
22 at his business. He didn't know the code; he never looked at
23 the database; he knew that Alameda was accepting customer
24 deposits but he didn't bother to check where they were going;
25 he was authorizing ginormous expenditures but didn't know where

1 the money was coming from; Nishad and Gary were making dramatic
2 changes to the code and he had no clue how those features
3 really worked, even though they were his friends, his
4 roommates, and his employees; Caroline, who was just a trader,
5 when fiat deposits started going to Alameda, well, she knew
6 that Alameda was spending those deposits, but the defendant
7 dated her, he supervised her, he lived with her, but he just
8 had no idea.

9 And then think about June. The crypto markets are
10 crashing, Alameda's assets are plunging in value, Alameda maybe
11 is going bankrupt, lenders are asking for billions of dollars.
12 The defendant is trying to manage this crisis, but all the
13 while he's asking no questions. He didn't really look at the
14 spreadsheets that metadata shows he received. He didn't bother
15 asking Caroline why there were seven versions of the balance
16 sheet. He overheard that there was an \$8 billion bug in a fiat
17 account, but he didn't say, "Hey, what's that and how did it
18 get to \$8 billion?" That makes no sense. It's absurd. It's
19 inconsistent with the documentary evidence.

20 And it doesn't stop there. They want you to believe
21 that in September-October he finally just decided to run a
22 query, the first time he's ever using the database, and he sees
23 a \$10 billion liability, and this raises no alarm bells. He
24 has no real reaction. He doesn't demand answers. He doesn't
25 try to repay FTX even though he never knew about this. And he

1 just goes about his business.

2 This story not only makes no sense, it's inconsistent
3 with the testimony of every witness in this case, and you know
4 that it's a made-up story. You should reject it.

5 The defense threw around these terms, "liquidity,"
6 "solvency," and Mr. Cohen told you that the defendant acted in
7 good faith because "he always thought Alameda had sufficient
8 assets on the exchange and off the exchange to cover its
9 liabilities." That's not good faith. First of all, you saw
10 the balance sheets, and these were the same balance sheets that
11 were sent to the defendant in June, in September, in October.
12 There isn't \$40 billion of NAV; there isn't even \$10 billion of
13 NAV. And you saw the liquid assets, the same liquid assets the
14 defendant was looking at at the time. Alameda had about
15 \$500 million in its bank account and owed FTX \$13 billion. And
16 the other liquid assets, they were coins like FTT and Serum and
17 Solana. And the government's not claiming, like Mr. Cohen
18 said, that FTT is a fake coin. What you learned in this trial
19 is that it was an illiquid coin, which the defendant and
20 everybody else knew meant that you couldn't sell all those
21 coins and recover the full value on the balance sheet.

22 So the defendant saw these balance sheets and he knew
23 that Alameda did not have the assets to cover this giant debt
24 to FTX customers. But let me be clear about this. Whether
25 Alameda was liquid, solvent, had \$40 billion of coins or gold

1 bars, or just a worthless pile of junk, it doesn't matter.
2 It's a distraction. Because even if the defendant thought that
3 Alameda could sell all its assets and investments that were not
4 on the FTX exchange to repay a \$14 billion debt—which it
5 couldn't and it didn't—that wouldn't be good faith. And I'll
6 tell you why. Because when the defendant told his customers
7 that their assets were safe, that a customer had to deposit
8 collateral on to FTX to trade or borrow, that negative accounts
9 would be liquidated and that Alameda's account was just like
10 everybody else, he lied. Unlike every other customer, Alameda
11 did not post collateral, it couldn't be liquidated, and they
12 were not being evaluated by the supposedly automatic computer
13 risk engine. He lied to gain customers' trust, to get their
14 money, and then he decided the rules didn't apply to him and
15 his business. Whether or not he made good investment decisions
16 after that or it was a good business judgment to pay
17 \$300 million to meet celebrities doesn't matter, because he
18 embezzled that money in the first place after his customers
19 trusted him with it. The customers did not sign up for that.
20 They told you that. And they would not have put their money on
21 the exchange if they knew what was going on. So whether or not
22 the defendant thought he could get away with it by selling
23 assets or raising money from other investors, he thought he
24 could one day put that money back, doesn't matter. He still
25 took his customers' property based on false misrepresentations,

1 and that is fraud.

2 I want to say a quick word about Pimbley's chart,
3 Mr. Pimbley. The defense talked about that in their closing
4 statement. You should disregard that chart. You remember
5 cross-examination. Mr. Pimbley couldn't tell you why he looked
6 at certain numbers, what the significance of the numbers were,
7 what the relevance was to this case. He just ran a query in a
8 database and did no analysis whatsoever. And when he was
9 cross-examined, he admitted that those numbers he used made
10 Alameda's debts look lower because he did not include the fiat
11 liability and he had included some accounts that were full of
12 Sam coins, like FTT.

13 If you want to know the full story, look at Government
14 Exhibit 1002. That chart shows all of Alameda's balances and
15 gives you a better picture of the defendant's actual use of
16 customer money. And look at Government Exhibit 5 if you want
17 to know what the defendant knew, because that's the defendant's
18 own chart showing that Alameda owed negative \$5 billion to FTX
19 and owed \$10 billion if you excluded the FTT and venture
20 accounts.

21 One quick thing on this risk officer point. The
22 defense made a big deal that FTX did not have a chief risk
23 officer. That's not a defense. That was a strategy. If
24 you're deleting messages and backdating documents and
25 embezzling customer money, of course you're not going to hire a

1 risk officer. And the defendant didn't need a chief risk
2 officer to tell him that stealing customer money was wrong.
3 You can't go into a jewelry store, steal a diamond necklace,
4 walk out, and then say, there was no security guard. The
5 defendant knew what he was doing was wrong, and that's why he
6 never hired a risk officer.

7 Before I conclude, I want to make something else very
8 clear, and leave you with this thought. Even if you accept
9 everything the defendant said on the stand, which you
10 shouldn't, he is still guilty of fraud. The defense doesn't
11 dispute that by September or October, the defendant knows about
12 Alameda's massive liability to FTX customers; he knows that
13 they've spent customer fiat funds; he knows they have borrowed
14 billions of dollars from customers, outside the normal rules of
15 the exchange; he knows the state of Alameda's balance sheet,
16 he's been reviewing it; he knows that they have barely any
17 money in bank accounts and a bunch of illiquid tokens and
18 investments that are not on the FTX exchange. And so you know
19 that he directed this fraud, that he was the hub. But even if
20 you accept what he is saying, he wasn't a member of the
21 conspiracy before then, he became a member of the conspiracy at
22 that point in time. The defense wants you to think that the
23 government has to prove that this was a giant fraud from day
24 one and that this was the defendant's plan all along. We
25 don't. Now the evidence shows that—the evidence shows that

1 over time, the defendant exploited FTX to take more and more
2 customer funds for his own spending, that he directed the
3 features in the code, that he directed the use of fiat
4 deposits, but even if you find that it wasn't until September
5 or October that he had the full picture, at that point he knows
6 what's going on and he agrees to help the plan succeed, by
7 covering it up, by trying to raise money in the Middle East to
8 fill the hole, and conceal what's going on, and by lying to
9 customers throughout September and October, publicly, in the
10 media, on Twitter, about the safety of the exchange and the
11 safety of their assets, all while he knows that there's this
12 giant, massive, unrepayable hole.

13 I expect Judge Kaplan is going to instruct you about a
14 concept called conscious avoidance. And that means if the
15 defendant deliberately closes his eyes to what otherwise would
16 have been obvious, or if he's aware of a high probability of a
17 fact but intentionally avoids confirming it, he is still acting
18 knowingly under the law. And according to the defendant's own
19 testimony, that's what he did here. He knew Alameda was
20 receiving customer deposits. He was CEO at the time, and he
21 permitted employees to use that money. He put in place no
22 restrictions, no policies to safeguard that money, to prevent
23 stealing, and he turned the other way and spent billions of
24 dollars without really asking where that money was coming from.
25 He directed changes to the code that he knew would treat

1 Alameda differently from everybody else, but then he didn't
2 really ask any questions. And when he overheard in June,
3 according to him, that there was an \$8 billion bug in the fiat
4 account, he didn't say, "Hey, what's that?" Instead of getting
5 to the bottom of why Alameda owed billions of dollars in an
6 account called fiat, that's conscious avoidance. Even if you
7 believe every word of that unbelievable story, that is
8 conscious avoidance and he is guilty.

9 Let's talk about November, because at that point in
10 time, the defendant indisputably demonstrated that he was a
11 member of an illegal conspiracy and he had wrongful intent. I
12 expect Judge Kaplan is going to instruct you that a single
13 act—one act—may be sufficient to draw a person into a
14 criminal conspiracy. Now the defendant, he committed countless
15 acts—false statements, deception, embezzlement, use of
16 customer funds, directing changes to the code, directing false
17 balance sheets—but one act in furtherance of the conspiracy is
18 enough.

19 And so when November rolls around, and the defense
20 admits the defendant at this time knew the state of affairs—he
21 knew about the borrowing; he knew that Alameda had not been
22 liquidated; he knew that Alameda had spent the customer fiat
23 deposits; he didn't tell customers the truth; he took steps to
24 continue the scheme; he lied to customers; he lied to keep
25 their money, to prevent withdrawals, to hide what happened. He

1 helped Caroline, for example, write a misleading tweet—that's
2 Government Exhibit 875—saying that Alameda's balance sheet was
3 secure because they had repaid all their loans. Repaid all
4 their loans? They owed FTX \$10 billion.

5 And then he tweeted himself. This is not the
6 government's favorite piece of evidence. I don't know if that
7 joke was meant to distract, but this is a significant piece of
8 evidence, and you should take it seriously, because when the
9 defendant said FTX had enough to cover all client holdings,
10 that was a lie. And the defendant himself admitted that that
11 statement, he was taking into account Alameda's balance sheet,
12 the company he told the public was walled off and separate, and
13 he was taking into account assets that were illiquid and that
14 were not on the FTX exchange. FTX did not have enough to cover
15 all client holdings.

16 And just look at Government Exhibit 21, where at the
17 same time in private he's saying, *We have one third of the*
18 *money to cover what client assets should be.*

19 So that tweet alone shows that he joined the
20 conspiracy, he took an act in furtherance of it, to prevent
21 customer withdrawals, and he lied over and over again.

22 The defense said that the fact that he deleted this
23 tweet somehow shows that he had good faith. Give me a break.
24 On November 7 he thought he could still fool the world. He
25 thought that if he lied to customers, maybe they wouldn't

1 withdraw their money. And when he deletes the tweet, it's
2 because the curtain has been pulled back. The world at that
3 point knows the money's not there. He's destroying evidence.
4 He's deleting evidence of his lies.

5 And then the defendant went and made false statements
6 to the press, and that's when he thought he would never be
7 caught, that his messages had been deleted, that his
8 fingerprints were not on the code, and that his deniability was
9 airtight.

10 (Continued on next page)

1 MS. SASSOON: He went on Good Morning America for the
2 same reason he sent a confident tweet thread, because he
3 thought he could fool his customers, reporters, the public, and
4 now you. Don't fall for it. You know better.

5 When the defendant sent that false tweet, when he lied
6 to the public, he didn't bargain for the metadata or Caroline's
7 journals or the complicated tracing of crypto and dollar money
8 movements that show when and how he took the money and where he
9 spent it. He didn't bargain for his three loyal deputies
10 taking that stand and telling you the truth, that he was the
11 one with the plan, the motive, and the greed to raid FTX
12 customer deposits, billions and billions of dollars to give
13 himself money, power, influence. He thought the rules did not
14 apply to him. He thought that he could get away with it. But
15 his crimes caught up to him. His crimes have been exposed.

16 It's time to deliberate without fear, favor, sympathy,
17 or prejudice. You sat through this trial. You know what
18 happened. Find him guilty.

19 THE COURT: Thank you, counsel. We will take 15
20 minutes.

21 (Recess)

22 (Pages 3139-3141 SEALED)

23

24

25

1 THE DEPUTY CLERK: An announcement to the spectators.
2 The Court is about to charge the jury. All spectators must
3 either remain seated throughout the duration of the charge or
4 leave at this time.

5 Marshal, please lock the door.

6 (Jury present)

7 THE COURT: The defendant and the jurors all are
8 present.

9 Members of the jury, you are about to perform your
10 final function as jurors. My instructions to you are going to
11 be in four parts. I will start by describing the law to be
12 applied to the facts as you find the facts to have been
13 established by the proof. I will then instruct you about the
14 trial process, give you instructions concerning your evaluation
15 of the evidence, and, finally, talk to you about the conduct of
16 your deliberations.

17 Now, you are free to take notes, but I want you to
18 understand that the charge will be given to each of you in
19 writing when you retire to deliberate, so that you will have it
20 for reference during your deliberations, and the law simply
21 requires that I deliver it orally as well.

22 The defendant, as you now know, is Samuel
23 Bankman-Fried. He has been formally charged in a document
24 called an indictment. The indictment is, as I told you at the
25 beginning of the trial, simply an accusation. It's not

1 evidence. It's not proof of the defendant's guilt. It doesn't
2 create any presumption or permit any inference that the
3 defendant is guilty of any of the charges.

4 You will have a copy of the relevant parts of the
5 indictment in the jury room for your reference.

6 Each part of the indictment or, to be more precise,
7 each count of the indictment charges a different crime. You
8 must consider each count separately and return a separate
9 verdict of guilty or not guilty for each of the counts. Except
10 in one respect that I'll explain to you a little bit later on
11 when I discuss Count Seven, your verdict on one count should
12 not control your decision as to any other count.

13 I am now going to describe the counts in the
14 indictment.

15 Count One charges the defendant with committing wire
16 fraud on customers of FTX by misappropriating customer
17 deposits.

18 Count Two charges the defendant with conspiring to
19 commit wire fraud on customers of FTX by misappropriating
20 customer deposits.

21 Count Three charges the defendant with committing wire
22 fraud on lenders to Alameda Research by providing false and
23 misleading information to those lenders. For convenience, I am
24 going to refer to Alameda Research from time to time simply as
25 Alameda, but you should understand that when I say Alameda or

1 Alameda Research, I am talking about the same thing, and they
2 are the entity or entities as to which you heard evidence -- I
3 guess it's one entity, I want to be clear -- that was owned 90
4 percent by the defendant.

5 Count Four charges the defendant with conspiring to
6 commit wire fraud on lenders to Alameda by providing false and
7 misleading information to those lenders.

8 Count Five charges the defendant with conspiring to
9 commit securities fraud by providing false and misleading
10 information to FTX's investors.

11 Count Six charges the defendant with conspiring to
12 commit fraud on customers of FTX in connection with the
13 purchase and sale of cryptocurrency and cryptocurrency swaps by
14 misappropriating those customers' deposits.

15 Count Seven charges the defendant with conspiring to
16 commit money laundering in order to conceal and disguise the
17 nature, location, source, ownership, and control of proceeds of
18 the alleged fraud on FTX's customers.

19 Now, the defendant has pleaded not guilty to all the
20 charges in the indictment. The burden is on the prosecution to
21 prove guilt beyond a reasonable doubt. That burden never
22 shifts to the defendant. He is presumed innocent of the
23 charges against him, and I therefore instruct you that he is
24 presumed innocent throughout your deliberations unless and
25 until such time, if such a time ever occurs, that you as a jury

1 are satisfied that the government has proved him guilty beyond
2 a reasonable doubt. If the government fails to sustain its
3 burden of proof on one or more counts, you must find the
4 defendant not guilty on that count or counts.

5 I have said that the government must prove guilt
6 beyond a reasonable doubt. What's a reasonable doubt? It's a
7 doubt based on reason and common sense. It's a doubt that a
8 reasonable person has after carefully weighing all of the
9 evidence or lack of evidence. It is a doubt that would cause a
10 reasonable person to hesitate to act in a matter of importance
11 in his or her personal life. Proof beyond a reasonable doubt,
12 therefore, is proof of such a convincing character that a
13 reasonable person would not hesitate to rely and act upon it in
14 the most important of his or her own affairs.

15 If, after a fair and impartial consideration of all of
16 the evidence, you have a reasonable doubt about the defendant's
17 guilt with respect to a charge in the indictment, it is your
18 duty to find him not guilty on that charge. On the other hand,
19 if after fair and impartial consideration of all the evidence
20 or lack of evidence, you are satisfied of the defendant's guilt
21 on a particular charge beyond a reasonable doubt, you should
22 vote to convict on that charge.

23 Let me talk in a little bit more detail about the
24 indictment. As I have told you, Counts Two, Four, Five, Six,
25 and Seven each charge the defendant with a different crime of

1 conspiracy. The other two counts, Counts One and Three, charge
2 what we call substantive crimes. I talked about that a little
3 bit before we finished jury selection, but now I'll give you
4 the full and dispositive and binding explanation of the
5 difference.

6 A conspiracy count is different from a substantive
7 count. A conspiracy charge, generally speaking, alleges that
8 two or more persons agreed together to accomplish an unlawful
9 objective. The focus of a conspiracy count, therefore, is on
10 whether there was an unlawful agreement. A substantive count,
11 on the other hand, charges a defendant with the responsibility
12 of the actual commission of a crime or an offense. A
13 substantive offense therefore may be committed by a single
14 person, and it need not involve an agreement with a second or
15 more other persons.

16 A conspiracy to commit a crime is an entirely separate
17 and different offense from a substantive crime, the commission
18 of which may be an object or a purpose of the conspiracy. And
19 since the essence of the crime of conspiracy is an agreement or
20 an understanding to commit a crime, it doesn't matter if the
21 crime, the commission of which was an objective or a purpose of
22 the conspiracy, ever in fact was committed. In other words, if
23 a conspiracy exists and certain other requirements are met, it
24 is punishable as a crime even if its purpose was not
25 accomplished. Consequently, in a conspiracy charge there is no

1 need to prove that the crime or crimes that were the objective
2 or the objectives of the conspiracy actually were committed.

3 By contrast, conviction on a substantive count
4 requires proof that the crime charged actually was committed,
5 and it doesn't require proof of an agreement.

6 Now, with respect to the two substantive counts,
7 Counts One and Three, you should be aware also that there are
8 three alternative theories on the basis of which you may find a
9 defendant guilty. I am going to explain all three theories in
10 more detail, but I want to just outline them briefly before I
11 get into the more detailed explanation.

12 The first theory is that the defendant himself
13 committed a substantive crime charged in one of those two
14 substantive counts. The second theory is that the defendant,
15 with criminal intent, willfully caused some somebody else to
16 engage in certain actions that result in the commission of a
17 substantive crime charged in the indictment by that other
18 person. I am going to refer, just for the sake of having a
19 shorthand for those two theories that I just outlined for you,
20 as it involving a claim that a defendant is guilty of a crime
21 as a principal.

22 The third theory is that somebody other than the
23 defendant committed a crime charged in the indictment as a
24 substantive offense, and that the defendant aided and abetted
25 in the commission of that crime. I am going to refer to that

1 theory as a claim that the defendant is guilty as an aider and
2 abettor.

3 For the sake of organizing my instructions to you in a
4 convenient way, I am going to instruct you first with respect
5 to Counts One and Three, which are the two counts that charge
6 substantive crimes. I will then instruct you on the first two
7 theories of liability, namely, that the defendant is guilty as
8 a principal of those crimes charged, either because he
9 committed those crimes himself or because with criminal intent
10 he caused somebody else to commit those crimes. I then will
11 instruct you on the aiding and abetting theory. Then I'll turn
12 to the conspiracy counts, which don't involve these three
13 alternative theories.

14 Now, Count One charges that: From at least in or
15 about 2019, up to and including in or about November 2022, the
16 defendant participated in a scheme to defraud customers of FTX
17 of money and property by making, or causing to be made,
18 material false representations, using interstate or
19 international wires, for the purpose of paying expenses and
20 debts of Alameda or to make investments and for other reasons.

21 When I pause like this, I'm fixing typos.

22 Count Three charges that: From at least in or about
23 June 2022, up to and including in or about November 2022, the
24 defendant participated in a scheme to defraud lenders to
25 Alameda of money and property by making, or causing to be made,

1 material misrepresentations regarding Alameda's financial
2 conditions, using interstate or international wires, so that
3 those lenders would not recall existing loans or would extend
4 new loans to Alameda.

5 With any criminal charge there are certain basic facts
6 that the government must prove beyond a reasonable doubt before
7 a defendant may be found guilty. Those basic, necessary facts
8 are called the essential elements of the charge.

9 For each of Count One and Count Three, the government
10 must prove the following three elements beyond a reasonable
11 doubt:

12 First, that the defendant employed a scheme, device,
13 or artifice to defraud or obtained money or property by false
14 pretensions, representations or promises.

15 Second, that the defendant knowingly and willfully
16 participated in the scheme, device, or artifice was to defraud
17 with knowledge of its fraudulent nature and with specific
18 intent to defraud; and

19 Third, in the discussion of that device, scheme or
20 artifice to defraud, the defendant used, or caused to be used,
21 interstate or international wires (for example, phone calls,
22 email communications, or electronic trades).

23 The first element that the government has to prove
24 beyond a reasonable doubt, and this is true of both Counts One
25 and Three -- excuse me. Strike "this is true of Counts One and

1 Three" and disregard that.

2 The first element that the government must prove
3 beyond a reasonable doubt is the existence of a device, scheme
4 or artifice to defraud the alleged victims of money or property
5 by false or fraudulent pretenses, representations, or promises.
6 In Count One, the victims alleged are the customers of FTX. In
7 Count Three, the alleged victims are lenders to Alameda.
8 Unless I instruct you otherwise, the instructions on the
9 elements that the government has to prove beyond a reasonable
10 doubt to establish wire fraud are exactly the same on Count One
11 and Count Three. What's different is the alleged victims.
12 Count One the victims are FTX customers; Count Three, Alameda
13 lenders.

14 Now let me define some of the terms relating to wire
15 fraud that I've already used.

16 Fraud is a general term. It is a term that includes
17 all the possible means by which a person seeks to gain some
18 unfair advantage over a victim by intentional misrepresentation
19 or false pretenses.

20 A device, scheme, or artifice to defraud is any plan,
21 device, or course of action to deprive another of money or
22 property by means of false or fraudulent pretenses,
23 representations, or promises. It is, in other words, a plan to
24 deprive another person of money or property by trick, deceit,
25 deception, swindle, or overreaching.

1 Money or property includes fiat currency, such as U.S.
2 dollars or British pounds or other foreign currency. It also
3 includes cryptocurrencies.

4 A statement or representation is false if it's untrue
5 when it's made. A statement may be false also if it is
6 ambiguous or incomplete in a manner that makes what is said or
7 represented misleading or deceptive. A representation is
8 fraudulent if it was made falsely and with intent to deceive.

9 A false or fraudulent statement, representation,
10 promise, or pretense must relate to a material fact or matter.
11 A material fact is one that would be expected to influence, or
12 that is capable of influencing, the decision of a reasonable
13 person. The same principle applies to fraudulent
14 misappropriation, which I am going to discuss in just a moment.

15 Now, as is pertinent here with respect to the alleged
16 wire fraud on customers of FTX, a scheme to defraud existed if
17 the government has proved beyond a reasonable doubt that the
18 defendant fraudulently embezzled or misappropriated property
19 belonging to another. The words embezzle and misappropriate
20 mean the fraudulent misappropriation to one's use of money or
21 property that was entrusted to one's care by someone else and
22 with whom that person stood in a relation, implying and
23 necessitating great confidence and trust. Money or property is
24 entrusted to the defendant's care when the business that the
25 defendant transacted or the money or property that the

1 defendant handled was not the defendant's own or for the
2 defendant's own benefit, but for the benefit of another person
3 as to whom the defendant stood in a relation implying and
4 necessitating great confidence and trust.

5 Now, such a relationship cannot be based solely on
6 unilateral, subjective expectations of FTX customers. Rather,
7 your judgment as to whether the government has proved such a
8 relationship should take into account all of the evidence
9 concerning the relationships between and among the defendant,
10 FTX, and FTX's customers. That evidence may include public FTX
11 policies, public statements and representations by the company,
12 or by the defendant, tweets and other electronic
13 communications, the FTX terms of service, and any other
14 circumstances pertinent to whether the government has proved
15 such a relationship.

16 As far as the terms of service are concerned, I need
17 to make a number of points about them.

18 If you don't mind, I am going to stand, not because of
19 any special emphasis, but because I need to stand once in a
20 while. If you feel likewise, feel free.

21 Let me make sure I can be heard.

22 First of all, my recollection is that there is only
23 one version of the FTX terms of service in evidence. It's
24 Government Exhibit 558. And the evidence, as I recall it, is
25 that it went into effect in May 2022. While there was

1 reference in the testimony to earlier versions of FTX terms of
2 service, none of those was received in evidence. There is
3 evidence also that a prospective customer had to click a box
4 that said, and I think I quoted accurately, I agree to the FTX
5 terms of service in order to open an account. Government
6 Exhibit 587 is said to be a screenshot of the web page on which
7 a prospective customer was presented with the check box next to
8 the statement, I agree to the FTX terms of service. Now,
9 mechanisms like this, in other words, where a customer has to
10 click a box on a website stating something to the effect of, I
11 agree to the terms of service in order to get access to
12 services or goods and does click the box, are often called
13 clickwrap agreements.

14 The second point I need to make about the terms of
15 service is that a clickwrap agreement is a civilly enforceable
16 contract of the terms and service that were reasonably
17 conspicuous to the prospective customer, which is often a
18 function of the design and the content of the relevant computer
19 interface. If the terms of service were reasonably
20 conspicuous, the prospective customer, as a matter of the civil
21 law of contracts, is bound by those terms of service -- excuse
22 me -- terms and conditions, terms of service, when he or she
23 clicks I agree, regardless of whether he or she ever read the
24 terms of service, as long as a reasonably prudent user would
25 see that next to the box appears text saying I agree in the

1 check box, and there is highlighted and underlined indications
2 that I suspect everybody is familiar with and that a reasonably
3 prudent user would understand that the page is hyperlinked to
4 another web page where the terms of service would be found. In
5 considering whether a statement or omission is material, let me
6 caution you that a clause in a contract or a disclaimer cannot
7 render any misrepresentation, including any oral
8 misrepresentation, immaterial as a matter of law.

9 The third point is that, insofar as Count One is
10 concerned, this, of course, is a criminal wire fraud case. It
11 is not a civil case for breach of contract. In order to decide
12 whether the defendant misappropriated or embezzled to his own
13 use money or property of FTX customers, you first need to
14 determine whether the relationship between the defendant and
15 those customers was one implying and necessitating great
16 confidence and trust. In doing so, you should, as I have said,
17 consider all of the evidence concerning the relationships
18 between and among the defendant, FTX, and FTX's customers, not
19 simply the terms of service alone. And if the government has
20 proved such a relationship of trust and confidence, you must
21 determine whether or not the government has proved beyond a
22 reasonable doubt that FTX customers were materially deceived or
23 misled to entrust their money and property to FTX whenever they
24 did so or to leave it there. Misappropriation of property is
25 material if the disclosure of the misappropriation would be

1 expected to influence or is capable of influencing the decision
2 of a reasonable person.

3 Now, you have heard evidence that after customers and
4 lenders transferred money to FTX and Alameda Research, the
5 defendant engaged in conduct, made tweets and other public
6 statements and provided financial information, which the
7 government claims were false or misleading. It is not
8 necessary for the government to prove that a false or
9 misleading -- excuse me -- false or fraudulent representation
10 or statement was made prior to a customer's or lender's
11 decision to part with money or property. Rather, if after
12 having obtained money or property, the defendant devised or
13 participated in a fraudulent scheme to deprive the alleged
14 victim of that money or property by keeping the money or
15 property through making a subsequent false or fraudulent
16 misrepresentation as to a material fact, that is sufficient to
17 establish the existence of a scheme to defraud. It is not
18 necessary for the government to prove that the scheme to
19 defraud actually succeeded, that any particular person actually
20 relied on a statement or representation, or that any victim
21 actually suffered damages as a consequence of any false or
22 fraudulent representations, promises, or pretenses. Nor do you
23 need to find that the defendant profited from the fraud or
24 realized any gain. You must concentrate on whether there was
25 such a scheme, not the consequences of the scheme, although

1 proof concerning accomplishment of the goals of the scheme may
2 be persuasive evidence of the existence of the scheme itself.

3 In determining whether a scheme to defraud existed, it
4 is irrelevant whether a victim might have discovered the fraud
5 if the victim had looked more closely or probed more
6 extensively. A victim's negligence or gullibility in failing
7 to discover a fraudulent scheme is not a defense to wire fraud.
8 On the other hand, a finding that a victim intentionally turned
9 a blind eye to certain types of representations when making
10 decisions about the victim's money or property may be relevant
11 to the materiality of the representations.

12 Finally, the government, in order to satisfy this
13 first element of substantive wire fraud, must prove beyond a
14 reasonable doubt that the alleged scheme contemplated depriving
15 the victims, that is, the customers of FTX, in the case of
16 Count One, and the lenders to Alameda, in the case of Count
17 Three, of money or property.

18 A scheme to defraud need not be shown by direct
19 evidence. It may be established by all the circumstances and
20 facts of the case.

21 The second element that the government must prove
22 beyond a reasonable doubt to establish the substantive crime of
23 wire fraud is that the defendant knowingly and willfully
24 participated in the device, scheme, or artifice to defraud,
25 with knowledge of its fraudulent nature and with specific

1 intent to defraud.

2 To act knowingly means to act intentionally and
3 voluntarily, and not because of ignorance, mistake, accident,
4 or carelessness.

5 To act willfully means to act voluntarily and with
6 wrongful purpose.

7 Unlawfully means simply contrary to law. In order to
8 know of an unlawful purpose, the defendant does not had to have
9 known that he was breaking any particular law or any particular
10 rule. He need to have been aware only of the generally
11 unlawful nature of his actions.

12 To prove that the defendant acted with specific intent
13 and defraud, the government must prove that he acted with
14 intent to deceive for the purpose of depriving the relevant
15 victim of money or property. The government need not prove
16 that the victim actually was harmed, only that the defendant
17 contemplated some actual harm or injury to the victim in
18 question. In addition, the government doesn't need to prove
19 that the intent to defraud was the only intent of the
20 defendant. A defendant may have the requisite intent to
21 defraud even if the defendant was motivated by other lawful
22 purposes as well.

23 To participate in a scheme means to engage in it by
24 taking some affirmative step to help it succeed. Merely
25 associating with people who were participating in a scheme,

1 even if the defendant knew what they were doing, is not
2 participation.

3 It is not necessary for the government to establish
4 that the defendant originated the scheme to defraud. It is
5 sufficient if you find that there was a scheme to defraud, even
6 if somebody else originated it, and that the defendant, while
7 aware of the existence of the scheme, knowingly and willfully
8 participated in it with the intent to defraud.

9 Nor is it required that the defendant have
10 participated in or have had knowledge of all of the operations
11 of the scheme. The responsibility of the defendant is not
12 governed by the extent of his participation. For example, it
13 is not necessary that the defendant have participated in the
14 alleged scheme from the beginning. A person who comes in at a
15 later point with knowledge of the scheme's general operation,
16 although not necessarily all of its details, and intentionally
17 acts in a way to further the unlawful goals, becomes a
18 participant in the scheme and is legally responsible for all
19 that may have been done in the past in furtherance of the
20 criminal objective and all that is done thereafter.

21 Even if the defendant participated in the scheme to a
22 lesser degree than others, he nevertheless is equally guilty as
23 long as he knowingly and willfully participated in the alleged
24 scheme to defraud with knowledge of its general scope and
25 purpose and with specific intent to defraud.

1 Because an essential element of the crime charged is
2 intent to defraud, it follows that good faith on the part of a
3 defendant is a complete defense to the charge of wire fraud.
4 Good faith is an honest belief by the defendant that his
5 conduct was not wrongfully intended. An honest belief in the
6 truth of the representations made or caused to be made by a
7 defendant is a complete defense, however inaccurate the
8 statements may turn out to be. Similarly, it is a complete
9 defense if a defendant held an honest belief that the victims
10 were not being deprived of money or property. Moreover, a
11 defendant that doesn't have any burden to establish a defense
12 of good faith, it's always the government's burden to prove
13 fraudulent intent and the consequent lack of good faith beyond
14 a reasonable doubt. However, in considering whether or not a
15 defendant acted in good faith, you are instructed that an
16 honest belief on the part of the defendant, if such a belief
17 existed, that ultimately everything would work out to the
18 benefit of the alleged victims does not necessarily mean that
19 the defendant acted in good faith. If the defendant knowingly
20 and willfully participated in the scheme with the intent to
21 deceive the victim or victims in question for the purpose of
22 depriving the victim or victims of money or property, even if
23 only for a period of time, then no amount of honest belief on
24 the part of the defendant that the victim ultimately would be
25 benefited will excuse false representations that a defendant

1 willfully made or caused to be made.

2 As I instructed you previously, it is the government's
3 burden to prove beyond a reasonable doubt that the defendant
4 had a fraudulent intent and that he engaged in a fraudulent
5 scheme for the purpose of causing some loss to another.

6 All of that said, you have heard evidence that FTX and
7 Alameda had lawyers. A lawyer's involvement with an
8 individual, entity -- an individual or entity or transaction
9 doesn't itself constitute a defense to any charge in this case.
10 The defense has not claimed, and it cannot claim, that the
11 defendant's allegedly unlawful conduct, assuming he committed
12 any unlawful conduct, was lawful because he engaged in such
13 conduct in good-faith reliance on the advice of a lawyer.

14 In the last analysis, whether a person acted
15 knowingly, willfully, and with intent to defraud is a question
16 of fact. It is for you to determine, like any other fact
17 question. Direct proof of knowledge and fraudulent intent is
18 never or almost never available, nor is it required. It would
19 be a very rare case where it could be shown that a person wrote
20 or stated that as of a given time in the past he or she
21 committed an act with fraudulent intent.

22 The ultimate facts of knowledge and criminal intent,
23 though subjective, may be established by circumstantial
24 evidence, based upon a person's outward manifestations, his or
25 her words, his or her conduct, his or her acts, and all the

1 surrounding circumstances disclosed by the evidence and the
2 rational or logical inferences that may be drawn from that
3 evidence. You may, but you are not required, to infer that
4 people intend the natural and probable consequences of their
5 actions. Accordingly, when the necessary result of a scheme is
6 to injure others, fraudulent intent may be inferred from the
7 scheme itself. As I instructed earlier, circumstantial
8 evidence, if believed, and I'll talk about circumstantial
9 evidence later on, is of no less value than direct evidence.

10 The third and final element that the government must
11 prove beyond a reasonable doubt is that one or more foreign
12 wires, which I have also referred to as international wires,
13 same thing, were used in furtherance of the scheme to defraud.
14 An interstate or foreign wire means a wire that passes between
15 two or more states. A foreign wire means a wire that travels
16 between the United States and another country. Examples of
17 wires include telephone calls, text messages, communications
18 over the Internet, commercials on television, and financial
19 wires between bank accounts, among other things.

20 A wire communication need not be fraudulent. It must,
21 however, further or assist in some way in carrying out the
22 scheme to defraud in order to satisfy this third element. A
23 wire communication can also include a communication made after
24 an alleged victim's funds were obtained if the communication
25 was designed to lull the victim into a false sense of security,

1 to postpone the victim from complaining to the authorities, or
2 to keep money obtained in the scheme.

3 It is not necessary for the defendant to have been
4 directly or personally involved in a wire communication, as
5 long as the wire was reasonably foreseeable in the execution of
6 the alleged scheme to defraud in which the defendant is accused
7 of participating. In this regard, it is sufficient to
8 establish this third element of the crime if the evidence
9 justifies a finding that the defendant caused a wire to be used
10 by another. This does not mean that the defendant must
11 specifically have authorized others to make the communication
12 or communications. When one does an act with knowledge that
13 the use of the wires will follow in the ordinary course of
14 business or where such use of wires reasonably can be foreseen,
15 even if not specifically or actually intended, then a person
16 causes the wires to be used.

17 Finally, if you find that a wire communication was
18 reasonably foreseeable and that the interstate or foreign wire
19 communication charged in the indictment took place, then this
20 element is satisfied even if it was not foreseeable that the
21 communication would cross state lines or the United States
22 border.

23 That takes care of the first of the three theories on
24 which the government could theoretically convict the defendant
25 on Count One and/or Count Three.

1 Now, if you unanimously find that the government has
2 proved the defendant guilty of both Counts One and Three under
3 that first theory of liability that I just finished explaining,
4 in other words, if you find that the government has proved that
5 the defendant himself committed the substantive crimes charged
6 in Counts One and Three, then you don't need to consider the
7 government's second and third theories of liability on either
8 one of those counts.

9 I have to tell you about them anyway.

10 If, on the other hand, you do not so find as to either
11 or both of Count One or Count Three, then you will consider the
12 government's second alternative theory of liability, namely,
13 that the defendant is guilty of the relevant conduct or counts
14 because he allegedly possessed the requisite criminal intent
15 and he willfully caused someone else to engage in actions
16 necessary to commit the crime or crimes. I am now going to
17 take a moment, I promise, to discuss what it means for a
18 defendant to be guilty as a principal through willful causation
19 in the context of this case.

20 Whoever willfully causes an act to be done which, if
21 directly done by the defendant, would be an offense against the
22 United States, it is punishable as a principal.

23 What does the term willfully caused mean? It doesn't
24 mean that the defendant need physically have committed the
25 crime or supervised or participated in the actual criminal

1 conduct charged in the indictment. Rather, anybody who causes
2 the doing of an act, which that person, had he done so directly
3 himself, would render him guilty of an offense against the
4 United States, is guilty as a principal. Accordingly, one who
5 intentionally causes another person to make a material false
6 statement in connection with depriving a victim of money or
7 property is guilty as a principal if the government proves that
8 the person who causes the making of the false statement acted
9 knowingly, willfully, and with the specific intent to defraud
10 the victim in question and satisfies the other elements of wire
11 fraud that I have described to you. That is so even if the
12 individual who was caused to make the false statement did so
13 without criminal intent.

14 Now, if you unanimously find that the government has
15 proved the defendant guilty beyond a reasonable doubt of both
16 of Count One and Count Three, under either of the first or the
17 second theory of liability that I have just finished explaining
18 to you, then you don't need to consider the government's third
19 theory of liability, but I need to tell you about it anyway,
20 just in case. And I don't mean anything by just in case. It's
21 just a note of humor. At least I hope so.

22 If you do not convict the defendant of Count One or
23 Count Three or both counts under either of the first two
24 theories of liability, then you must consider whether the
25 government has proved him guilty on the third theory, which is

1 called aiding and abetting.

2 I will explain that to you in a little more detail.

3 It is unlawful for someone to aid, abet, counsel,
4 command, induce, or procure someone else to commit an offense.
5 A person who does that is just as guilty of the offense as
6 someone who actually commits the offense himself or herself.
7 Accordingly, for either of the two substantive counts in the
8 indictment, you may find the defendant guilty if you find that
9 the government has proved on that count beyond a reasonable
10 doubt that someone else actually committed the crime and that
11 the defendant aided, abetted, counseled, commanded, induced, or
12 procured the commission of that crime.

13 In order to convict the defendant as an aider and
14 abettor, the government must prove beyond a reasonable doubt
15 two elements.

16 First, it must prove that someone other than the
17 defendant (and other than a person that the defendant willfully
18 caused to commit the crime, as I described that to you
19 previously) committed the crime charged. The reason is
20 obviously this. No one can be convicted of aiding or abetting
21 the criminal act of some other person if nobody committed the
22 crime in the first place. Accordingly, if the government has
23 not proved beyond a reasonable doubt that someone other than
24 the defendant committed the substantive crime or crimes in the
25 indictment, then you don't have to consider the second element

1 of aiding and abetting. But if you do find that a crime was
2 committed by someone other than the defendant, or someone he
3 willfully caused to take the actions necessary for the
4 commission of the crime, then you must consider whether the
5 defendant aided or abetted the commission of that crime and,
6 therefore, whether the government has proved the second element
7 of aiding and abetting, which requires the government to prove
8 that the defendant willfully and knowingly associated himself
9 in some way with the crime and that he willfully and knowingly
10 engaged in some affirmative conduct or some overt act for the
11 specific purpose of bringing about the crime. Participation in
12 a crime is willful if it is done voluntarily and intentionally,
13 with the specific intent to do something that the law
14 prohibits.

15 The mere presence of the defendant in a place where a
16 crime is being committed, even with knowledge that a crime is
17 being committed, is not enough to make the defendant an aider
18 and abettor. Similarly, a defendant's acquiescence in criminal
19 conduct of others, even with guilty knowledge, is not enough to
20 establish aiding and abetting. An aider or abettor must know
21 that the crime is being committed and act in a way which is
22 intended to bring about the success of the criminal venture.

23 To determine whether a defendant aided and abetted in
24 the commission of a crime, ask yourself these questions:

25 Did the defendant knowingly associate himself with the

1 criminal venture? Did he by his actions make the crime or the
2 criminal venture succeed? And did the defendant participate in
3 the crime charged as something he wished to bring about? And
4 if he did, then he's an aider and abettor. If, on the other
5 hand, your answer to any one of those three questions I just
6 posed is no, the defendant is not an aider or abettor. I
7 certainly understand, depending on your view of the evidence,
8 that there may be a very subtle distinction with respect to
9 whether a defendant is guilty, if he's guilty at all, as a
10 principal or as an aider and abettor. The question is what is
11 the difference between a defendant willfully causing someone
12 else to take actions necessary for the commission of a crime,
13 as opposed to aiding and abetting someone else in committing
14 the crime.

15 If this question should come up in your deliberations,
16 you should think of it in terms of the difference between
17 causing someone to do something versus facilitating or helping
18 someone to do it. If you are persuaded beyond a reasonable
19 doubt that the defendant willfully caused someone else to take
20 actions necessary for the commission of either of the
21 substantive counts charged in the indictment, you should
22 convict him as a principal on that count. If, on the other
23 hand, you are persuaded beyond a reasonable doubt that the
24 defendant, with knowledge and intent, as I have described as
25 necessary, sought by his actions to facilitate and assist that

1 other person in committing the crime, then he's guilty as an
2 aider and abettor. One important difference between willfully
3 causing and aiding another person and abetting another person
4 to commit a crime is that with respect to willful causation,
5 the government need not prove that the defendant acted through
6 a guilty person.

7 With respect to aiding and abetting, however, the
8 government must prove beyond a reasonable doubt that someone
9 else actually committed the crime charged with the requisite
10 criminal intent.

11 If you find that the government has proved beyond a
12 reasonable doubt that another person actually committed one or
13 more of the substantive crimes charged in the indictment, just
14 a reminder, Count One or Count Three, and that the defendant
15 aided or betted that person in the commission of the offense,
16 you should find the defendant guilty of that substantive crime
17 on an aiding-and-abetting theory. If, however, you do not so
18 find, then you may not find the defendant guilty of that
19 substantive crime on an aiding-and-abetting theory.

20 That takes care of Counts One and Three. I will say
21 no more about them, I believe.

22 (Continued on next page)
23
24
25

1 THE COURT: So let's go on to the conspiracy counts.
2 And let's see. I think I've been going for quite awhile. But
3 I'm going to push on a little further and take up Counts Two
4 and Four, the charge of conspiracy to commit wire fraud.

5 I've already explained to you that a conspiracy to
6 commit a crime is a separate and different offense from the
7 substantive crime that may have been the object of the
8 conspiracy. Now that I have discussed the substantive counts
9 charged in the indictment, I'm going to discuss the elements of
10 the conspiracy counts. And I'm starting with Counts Two and
11 Four.

12 Count Two charges that from at least in or about 2019,
13 up to and including in or about November 2022, the defendant
14 conspired with others to commit wire fraud--the crime I have
15 just described to you--against customers of FTX.

16 Count Four charges that from at least June of 2022 up
17 to and including in or about November of '22, the defendant
18 conspired with others to commit wire fraud against lenders to
19 Alameda.

20 In order to sustain its burden of proof with respect
21 to the conspiracy charged in each of Counts Two and Four, the
22 government must prove each of two elements--on each count, of
23 course.

24 First, it must prove the existence of a conspiracy,
25 the conspiracy charged in the count you're considering;

1 Second, it must prove that the defendant knowingly and
2 willfully became a member of, and joined in, that conspiracy.

3 Starting with the first element, a conspiracy, as I've
4 told you, is an agreement or understanding of two or more
5 people to accomplish by concerted action a criminal or unlawful
6 purpose. In this instance, Counts Two and Four charge that the
7 criminal or unlawful purpose was to commit wire fraud.

8 To establish a conspiracy, the government is not
9 required to show that two or more people sat down at a table
10 and entered into a solemn compact stating that they have formed
11 a conspiracy to violate the law and setting forth details of
12 the plans and the means by which the project, the unlawful
13 project, is to be carried out, or the roles that everyone is
14 going to play. Since conspiracy by its very nature is
15 characterized by secrecy, it is rare that a conspiracy can be
16 proved by direct evidence of an explicit agreement. You may
17 infer the existence of a conspiracy from the circumstances of
18 this case and the conduct of the parties involved.

19 The adage "actions speak louder than words" may apply
20 here. Usually, the only evidence available with respect to the
21 existence of a conspiracy is that of disconnected acts on the
22 part of the alleged individual co-conspirators. When taken
23 together and considered as a whole, however, such acts may show
24 a conspiracy or an agreement as conclusively as would direct
25 proof. In determining whether the conspiracy charged in Counts

1 Two and Four actually existed, you may consider all of the
2 acts, conduct, and statements of the alleged co-conspirators
3 and the reasonable inferences to be drawn therefrom.

4 In order to prove the necessary agreement, it is
5 sufficient if two or more persons came to a common
6 understanding to violate the law.

7 As I told you earlier, since the essence of the crime
8 of conspiracy is an agreement or understanding to commit a
9 crime, it does not matter if the crime, the commission of which
10 was an objective or a goal of the conspiracy, ever was
11 committed. A conspiracy to commit a crime, I've told you, is
12 an entirely separate and distinct offense from the actual
13 commission of the illegal act that is the object of the
14 conspiracy. The success or failure of a conspiracy is not
15 material to the question of guilt or innocence of an alleged
16 conspirator.

17 Now each of the conspiracies charged in Counts Two and
18 Four allegedly had one object--in other words, each of the
19 conspiracies in those two counts had a single illegal purpose
20 that the co-conspirators alleged to accomplish—which was to
21 commit wire fraud against customers of FTX in the case of Count
22 Two and against lenders to Alameda in the case of Count Four.
23 I've already explained the elements of wire fraud to you when I
24 instructed you on Counts One and Three. You will apply those
25 instructions when you consider whether the government has

1 proved beyond a reasonable doubt that the conspiracies charged
2 in Count Two and Count Four existed. However, because Counts
3 Two and Four each charge a conspiracy, the government does not
4 have to prove that anyone committed the substantive crime of
5 wire fraud. It need prove beyond a reasonable doubt only that
6 there was an agreement or understanding to try to accomplish
7 that.

8 The indictment charges that the conspiracy alleged in
9 Count Two lasted from at least in or about 2019 through at
10 least in or about 2022; the conspiracy charged in Count Four
11 allegedly lasted from at least in or about June 2022 through at
12 least in or about November of that year. It is not necessary
13 for the government to prove that the conspiracy in either count
14 lasted through the entire period alleged in the indictment. It
15 is sufficient if the government proved only that it existed for
16 some period within those time frames.

17 In sum, in order to find that the conspiracies charged
18 in Count Two and in Count Four existed, the government must
19 prove beyond a reasonable doubt that there was a material
20 understanding, either spoken or unspoken, between two or more
21 people to commit the wire fraud alleged in the relevant count,
22 Two or Four.

23 The second element that the government must prove in
24 order to convict on Count Two or on Count Four is that the
25 defendant willfully joined and participated in the conspiracy

1 you are considering, with knowledge of its unlawful purpose,
2 and with an intent to aid in the accomplishment of its illegal
3 objective--assuming, of course, that the government has proved
4 that there was such a conspiracy in the first place. In other
5 words, it must prove that the defendant willfully joined and
6 participated in the conspiracy to commit the wire fraud that is
7 the subject of the count that you are considering.

8 The government must prove beyond a reasonable doubt
9 that the defendant unlawfully, willfully, knowingly, and with
10 specific intent to defraud entered into the conspiracy that's
11 relevant on each count.

12 "Knowingly" and "willfully" have the same meanings
13 here that I described earlier with respect to the second
14 element of substantive wire fraud.

15 The defendant's participation in the conspiracy, if
16 there was a conspiracy, must be established by independent
17 evidence of his own acts or statements, as well as those of the
18 other alleged co-conspirators, and the reasonable inferences
19 that may be drawn from them.

20 Now obviously science has not yet devised a manner of
21 looking into a person's mind and knowing what the person is or
22 was thinking. To make that determination, you may look to the
23 evidence of certain acts that are alleged to have taken place
24 by or with the defendant or in his presence. As I instructed
25 you earlier with respect to determining a defendant's knowledge

1 and intent, you may consider circumstantial evidence based on
2 the defendant's outward manifestation, his words, his conduct,
3 his acts, and all of the surrounding circumstances of which you
4 have heard evidence, and the rational and logical inferences
5 that may be drawn therefrom.

6 To become a member of the conspiracy, the defendant
7 need not have known the identities of each and every other
8 member, nor need he have known of all of their activities. In
9 fact, a defendant may know only one other member of a
10 conspiracy and still be a co-conspirator.

11 Moreover, the defendant need not have been fully
12 informed as to all of the details, or the scope, of an alleged
13 conspiracy in order to justify an inference of knowledge on his
14 part. Proof of a financial interest in the outcome or another
15 motive is not essential, but if you find that the defendant had
16 such an interest or such another motive, that is a factor that
17 you may consider in determining whether the defendant was a
18 member of a conspiracy, alleged conspiracy that you're
19 considering. The presence or absence of motive, however, is a
20 circumstance that you may consider as bearing on the
21 defendant's intent.

22 The duration and extent of a defendant's participation
23 has no bearing on the issue of a defendant's guilt. Each
24 member of a conspiracy may perform separate and distinct acts
25 and may perform them at different times. Some conspirators

1 play major roles, others play only minor parts. An equal role
2 is not what the law requires. In fact, even a single act may
3 be sufficient to draw a defendant within the ambit of the
4 conspiracy. Moreover, a defendant need not have joined the
5 conspiracy at the outset. He may have joined at any time, and
6 if he joined, he—or she, as may be applicable in other
7 cases—will still be held responsible for the acts done after
8 joining.

9 I do want to caution you, however, that mere
10 association by one person with another does not make that
11 person a member of a conspiracy even when coupled with
12 knowledge that a conspiracy is taking place. Similarly, mere
13 presence at the scene of a crime, even coupled with knowledge
14 that a crime is taking place, is not sufficient to support a
15 conviction. A person may know, or be friendly with, a
16 criminal, without being a criminal himself. Mere similarity of
17 conduct or the fact that people may have assembled together and
18 discussed common aims and interests does not necessarily
19 establish membership in a conspiracy.

20 I further instruct you that mere knowledge or
21 acquiescence without participation in an unlawful plan is also
22 not sufficient. The fact that the acts of a defendant, without
23 knowledge, merely happen to further the purpose or objective of
24 a conspiracy doesn't make the defendant a member.

25 What is necessary is that the defendant must have

1 participated with knowledge of the unlawful purpose of the
2 conspiracy--in this case, to commit wire fraud. The
3 instructions that I previously gave you with respect to good
4 faith apply to these counts as well. If you find that the
5 defendant acted in good faith, he can't be convicted on Counts
6 Two or Four.

7 In sum, the government must prove beyond a reasonable
8 doubt that the defendant, with an understanding of the unlawful
9 nature of the conspiracy you're considering, intentionally
10 engaged, advised, or assisted the conspiracy in order,
11 knowingly and willfully, to promote its unlawful goal. The
12 defendant thereby becomes a conspirator.

13 A conspiracy, once formed, is presumed to continue
14 until its objectives are accomplished or there is some
15 affirmative act of termination by its members. So too, once a
16 person is found to be a member of a conspiracy, that person is
17 presumed to continue being a member in the venture until the
18 venture is terminated, unless it is shown by some affirmative
19 proof that the defendant or the person concerned withdrew and
20 disassociated him or herself from it.

21 In sum, if you find the government has met its burden
22 of proof on both elements as to the count you are considering,
23 then you should find the defendant guilty on that count. If
24 you find that the government has not met that burden with
25 respect to any of the elements as to the count you are

1 considering, then you must find the defendant not guilty on
2 that count.

3 Now let's all take a break and stand up for a minute
4 and catch our breath.

5 (Pause)

6 THE COURT: In fact, we'll take a ten-minute recess.

7 THE DEPUTY CLERK: All rise. Will the jury please
8 come this way.

9 (Recess)

10 (In open court; jury present)

11 THE COURT: The record will reflect that the defendant
12 and the jurors all are present, as they have been throughout.

13 Okay. We are up to Count Five. And just so everybody
14 has an idea of schedule, I'll probably take our lunch break at
15 1, or thereabouts. I'll get to a good stopping point, we'll
16 take our half hour, and come back and finish.

17 Okay. Count Five charges the defendant with
18 conspiring to commit securities fraud. Specifically, it
19 charges that from at least in or about 2019, up to and
20 including in or about November 2022, the defendant conspired
21 with others to commit securities fraud against investors in
22 FTX.

23 Now let me just back up for a minute. My
24 ever-detail-oriented and brilliant law clerks invited my
25 attention to the fact that as I was winding up the instruction

1 with respect to the last two counts, the conspiracy counts, Two
2 and Four, I left a word out that I should have read. The
3 sentence I read to you said, they tell me, he may have joined,
4 referring to the defendant, and to the alleged conspiracy, at
5 any time, and if he joined still would be held responsible for
6 acts done before he joined. I think that's what they tell me I
7 read, but if that's what I read, doesn't matter. It should
8 have said before or after. Everybody got it? Okay.

9 Now back to Count Five.

10 In order to sustain its burden of proof with respect
11 to the conspiracy alleged in Count Five, the government must
12 prove beyond a reasonable doubt each of the three elements:

13 First, that there was an agreement or understanding to
14 accomplish the unlawful objective alleged in Count Five of the
15 indictment—specifically, securities fraud—by providing false
16 information to FTX investors;

17 Second, that the defendant knowingly and willfully
18 became a member of and joined that conspiracy;

19 Third, that at least one person who was a member of
20 that conspiracy committed some overt act in furtherance of the
21 conspiracy.

22 Now the first element, as I said, that the government
23 has to prove was that there was a conspiracy that has as its
24 object the commission of securities fraud. I have already told
25 you probably more than you ever wanted to hear about the

1 definition of a conspiracy and what it takes to prove a
2 conspiracy, and you will apply all of those instructions to
3 Count Five. So what remains is to talk to you about the
4 alleged objective of the conspiracy charged in Count Five,
5 which is securities fraud. So let me tell you about securities
6 fraud, the alleged object of this alleged conspiracy.

7 Now harkening back to something I said before, the
8 government doesn't have to prove that a securities fraud
9 actually was committed. It simply has to prove that that was
10 an objective of an alleged conspiracy that you find to have
11 existed. Securities fraud, in turn, has three elements:

12 The first element is that in connection with the
13 purchase or sale of securities, the defendant did any one or
14 more of the following: (1) employed a scheme, device, or
15 artifice to defraud—you've already heard a lot about that;
16 second, made an untrue statement of a material fact or omitted
17 to state a material fact which made what was said, in the
18 circumstances, misleading; or (3) engaged in an act, practice,
19 or course of business that operated, or would operate, as a
20 fraud or deceit upon a purchaser of the securities.

21 That's the first element of securities fraud.

22 The second element of securities fraud is that the
23 defendant, when the defendant engaged in that scheme, if the
24 defendant did so, acted knowingly, willfully, and with an
25 intent to defraud.

1 The third element of securities fraud is that in
2 furtherance of the fraudulent conduct, there occurred at least
3 one use of any means or instruments of transportation or
4 communication in interstate or foreign commerce, or the use of
5 the mails, or the use of any facility of a national securities
6 exchange.

7 So I'm going to talk about those three elements of
8 securities fraud in order that you can evaluate whether there
9 was an agreement or an understanding to attempt to accomplish
10 securities fraud.

11 The first element of securities fraud which I
12 mentioned is that the defendant did one or more of the three
13 things that I just outlined to you. In proving a fraudulent
14 act, it is not necessary for the government to prove all three
15 of those types of unlawful conduct that I just read out to you
16 a moment ago were part of the objective of the conspiracy. Any
17 one would be sufficient to satisfy that element. You must,
18 however, be unanimous as to which type of unlawful conduct was
19 the alleged object of the conspiracy.

20 Now earlier, in the context of the wire fraud charges,
21 I explained what "fraud" means, and I explained device, scheme,
22 or artifice to defraud, and you will apply those definitions
23 here.

24 Material information, in the context of securities
25 fraud, is information that a reasonable investor would have

1 considered important in making an investment decision in light
2 of the total mix of information publicly available.
3 Materiality of the information is judged as of the time the
4 information was disclosed.

5 The government must prove also beyond a reasonable
6 doubt that the defendant's alleged fraudulent conduct was in
7 connection with the purchase or sale of a security. That
8 requirement would be satisfied if you find that there was some
9 nexus or relationship between the allegedly fraudulent conduct
10 and the sale or purchase of securities. On the other hand, if
11 you are not persuaded that any fraudulent conduct that may have
12 occurred was in connection with the purchase or sale of a
13 security, you cannot convict the defendant on Count Five.

14 The second element of securities fraud is that the
15 defendant in question participated in the scheme knowingly,
16 willfully, and with intent to defraud.

17 I have already defined "knowingly" and "willfully,"
18 and you will apply those definitions here.

19 In the context of the securities laws, intent to
20 defraud means to act knowingly and with the intent to deceive.
21 Since an essential element of securities fraud is intent to
22 defraud, good faith, as I have previously defined that term, is
23 a complete defense to a charge of securities fraud. And you'll
24 apply what I've said already about good faith with respect to
25 Count Five.

1 And the final element of securities fraud is that the
2 defendant knowingly used or caused to be used at least one
3 instrumentality of interstate or foreign commerce, such as an
4 interstate or international telephone call, a use of the mails,
5 or an interstate transaction in furtherance of the scheme to
6 defraud or the fraudulent conduct.

7 The government does not have to prove that a defendant
8 was directly or personally involved in the use of an
9 instrumentality of interstate or foreign commerce. If the
10 defendant was an active participant in the scheme and took
11 steps or engaged in conduct that he knew or reasonably could
12 have foreseen would naturally and probably result in the use of
13 an instrumentality of interstate or foreign commerce, this
14 element would be satisfied. Nor is it necessary that the
15 communication did or would contain a fraudulent representation.
16 The use of the mails or instrumentality of interstate or
17 foreign commerce need not be central to the execution of the
18 scheme or even incidental to it. All that is required is that
19 the use of the mails or instrumentality of interstate or
20 foreign commerce bear some relation to the object of the scheme
21 or fraudulent commerce.

22 Moreover, the actual purchase or sale of a security
23 need not be accomplished by the use of the mails or an
24 instrumentality of interstate or foreign commerce, as long as
25 the mails or instrumentality of interstate or foreign commerce

1 are used in furtherance of the scheme and the defendant is
2 still engaged in actions that are part of the fraudulent scheme
3 when the mails or the instrumentalities of interstate or
4 foreign commerce are used.

5 I've now defined for you the elements of securities
6 fraud, the commission of which allegedly was the purpose, the
7 object, of the conspiracy found in Count Five. Again, not
8 necessary that it be proven that that purpose was achieved in
9 order to convict on Count Five.

10 The second element of the conspiracy charged in Count
11 Five is that the defendant knowingly and willfully joined and
12 participated in the conspiracy to commit securities
13 fraud—assuming, of course, that there was such a conspiracy.
14 I've already instructed you on the terms "knowingly" and
15 "willfully," and what it means for a defendant to knowingly and
16 willfully become a member of and join a conspiracy. You will
17 apply all of those instructions here.

18 The third and last element with respect to Count Five
19 that the government must prove beyond a reasonable doubt is
20 that at least one of the conspirators, not necessarily the
21 defendant, committed at least one overt act in furtherance of
22 the conspiracy. Now this is different from Counts Two and
23 Four. No overt act requirement there. Some day we'll all ask
24 congressmen why, but that's the way it is. In other words, the
25 overt act requirement requires that there have been something

1 more than an agreement--some overt step or action must have
2 been taken by at least one of the conspirators in furtherance
3 of the conspiracy. The overt act element, to put it another
4 way, is a requirement that the agreement that's charged in
5 Count Five have gone beyond merely the talking stage.

6 The government may satisfy the overt act element by
7 proving one of the overt acts that you'll find listed in the
8 indictment, but it doesn't have to prove one of the overt acts
9 listed in the indictment. It is enough if the government
10 proves one overt act committed in the furtherance of the
11 conspiracy whether or not that overt act is listed in the
12 indictment. As long as you all agree that at least one overt
13 act was committed, that element of an overt act is satisfied.
14 But you must agree on at least one act, all 12 of you.

15 Similarly, it is not necessary for the government to
16 prove that each member of the alleged conspiracy committed or
17 participated in an overt act. It's enough if you find that at
18 least one overt act was committed and performed by at least one
19 member of the conspiracy, whether the defendant or someone
20 else, and that it have furthered the conspiracy within the time
21 frame of the conspiracy. Remember, the act of any one of the
22 members of the conspiracy done in furtherance of the
23 conspiracy, effectively, in law, becomes the act of all of
24 them. To be a member of the conspiracy, it is not necessary
25 for a defendant to have committed an overt act.

1 The overt act, as I have suggested already, must have
2 been done knowingly and it must be in furtherance of one of the
3 objects of the conspiracy charged in the indictment, and in
4 fact I believe this is another count where there's one object
5 of the conspiracy—the commission of securities fraud.

6 You should be aware that an apparently innocent act
7 sheds its harmless character if it is a step in carrying out,
8 promoting, aiding, or assisting an alleged conspiratorial
9 scheme. The overt act does not have to have been an act which
10 in and of itself was criminal, or that its occurrence have been
11 an objective of the conspiracy. It's just one overt act that
12 you all agree upon and that it be in furtherance of the
13 conspiracy, regardless of what it is.

14 If you find that the government has met its burden on
15 all three elements of this conspiracy claim, Count Five, you
16 should find the defendant guilty of Count Five. If the
17 government has not met its burden with respect to any of the
18 three elements of this conspiracy claim, then you must find the
19 defendant not guilty on Count Five.

20 That brings me to Count Six, which should give you
21 confidence that some day this too will end, because there are
22 only seven. And I once charged a case with 283 counts, many
23 years ago.

24 Count Six charges that the defendant, from at least in
25 or about 2019, up to and including in or about November 2022,

1 conspired with others to commit commodities fraud against
2 customers of FTX.

3 In order to sustain its burden of proof with respect
4 to the conspiracy alleged in Count Six, the government must
5 prove beyond a reasonable doubt each of the three elements:

6 First, that there was an agreement or understanding to
7 accomplish the illegal or unlawful objective alleged in Count
8 Six—namely, commodities fraud;

9 Second, that the defendant knowingly and willfully
10 became a member of and joined that conspiracy; and

11 Thirdly, that at least one person who was a member of
12 the conspiracy committed some overt act in furtherance of that
13 conspiracy.

14 Now the elements of the conspiracy charged in Count
15 Six are exactly the same as those in Count Four, except the
16 object of Count Six is different. Count Six says the object
17 was commodities fraud, whereas Count Five alleges that the
18 object was securities fraud.

19 Once again, in order to convict on Count Six, the
20 government does not have to prove that commodities fraud was
21 actually committed, only that doing so was the objective of the
22 conspiracy. So as I did with Count Five, now I'm going to tell
23 you about commodities fraud for a similar purpose, so that you
24 understand what the object is said to have been.

25 Commodities fraud has three elements:

1 First, that the defendant did any one or more of three
2 things: thing (1) employed a manipulative device, scheme, or
3 artifice to defraud; thing (2) made an untrue statement of a
4 material fact or omitted to state a material fact which made
5 what was said, under the circumstances, misleading; and thing
6 (3) engaged in an act, practice, or course of business that
7 operated, or would operate, as a fraud or deceit. That's the
8 first element.

9 Second element: The scheme, untrue statement, act,
10 practice, or course of conduct was in connection with a swap,
11 or a contract of sale of any commodity in interstate or foreign
12 commerce.

13 Third, that the defendant acted knowingly, willfully,
14 and with an intent to defraud.

15 Now as respects the first element of commodities
16 fraud, I described that as involving doing one of three things,
17 remember? Manipulative scheme or artifice to defraud, untrue
18 statement, or omission, act, practice, or course of business
19 that operated or would operate as a fraud.

20 The government doesn't have to prove all three. Proof
21 of one is enough. But you must be unanimous as to which one.

22 Now the terms I used with respect to that first
23 element are exactly the same terms I defined with respect to
24 Count Five, and earlier counts in some cases. You will apply
25 them all here, as you will also apply what I said about good

1 faith on Count Six.

2 The second element of commodities fraud is that the
3 defendant and his co-conspirators, if there were more than one,
4 committed their conduct in connection with a swap, or a
5 contract of sale of a commodity in interstate or foreign
6 commerce. So let me tell you what those terms are.

7 A commodity is a good, article, service, right, or
8 interest in which contracts for future delivery are dealt. A
9 "contract for future delivery," which is also called a "futures
10 contract," is an agreement to buy or sell a particular
11 commodity at a specific price in the future. A virtual
12 currency or cryptocurrency may qualify as a commodity.

13 A swap is an agreement between two parties to exchange
14 payments with each other based on the value of one or more
15 rates, commodities, indices, or other financial or economic
16 interests. A swap transfers between the two parties, in whole
17 or in part, the risk of changes in value of the things
18 underlying the swap, without actually exchanging those things.
19 In determining whether a financial contract, agreement, or
20 transaction qualifies as a swap, you may consider whether the
21 arrangement is commonly known as or referred to as a swap.

22 The requirement that the fraudulent conduct, if there
23 is any, be in connection with a swap or contract of sale of
24 a commodity is satisfied so long as there was some nexus or
25 relation between the alleged fraudulent conduct and the swap or

1 contract of sale of a commodity. Fraudulent conduct may
2 satisfy the "in connection with" requirement if you find that
3 the fraudulent conduct touched upon a swap or contract of sale
4 of a commodity. Statements directed to the general public
5 which affect the public's interest in these products are made
6 in connection with them. The fraudulent or deceitful conduct
7 need not relate to the value of the swap or contract of sale of
8 a commodity. It is also not necessary for you to find the
9 defendant was or would be the actual seller of the swap or
10 commodity.

11 Now the third element of commodities fraud is that the
12 defendant participated in the scheme to defraud, false
13 statement, misleading omission, or deceptive act, practice, or
14 course of conduct knowingly, willfully, and with intent to
15 defraud.

16 I've already instructed you about the meaning of the
17 terms "knowingly" and "willfully," and you will apply those
18 instructions here. So too with the term "intent to defraud,"
19 which I defined in connection with Count Five, and you will
20 apply those instructions here.

21 Additionally, as to Count Six, the government must
22 prove beyond a reasonable doubt a sufficient relationship
23 between the commodities fraud, which was the object of the
24 conspiracy, and the United States. And there are two ways the
25 government could do that—that is to say, satisfy that burden.

1 One way the government could prove a sufficient
2 connection to the United States is by showing that some conduct
3 relevant to the offense charged in Count Six occurred in the
4 United States and that the fraudulent conduct that was the
5 object of the alleged conspiracy would not have been
6 predominantly foreign. It is not necessary that all or most of
7 the conduct relevant to those crimes happened in the United
8 States, although the conduct in the United States must be more
9 than incidental to the scheme. Nor does the government have to
10 prove that the defendant ever was in the United States, just
11 that conduct relevant to the offenses occurred in this country.
12 In assessing that issue, you may consider also whether conduct
13 in furtherance of the crime charged in Count Six caused
14 trading, money transfers, and communications to occur in the
15 United States, or otherwise affected commerce in this country.
16 In proving the existence of a connection to the United States,
17 it is not necessary to prove both conduct in, and an effect on,
18 the United States. Either would be enough to satisfy the
19 government's burden.

20 A second way the government may prove a sufficient
21 connection to the United States is by showing that some conduct
22 relating to swaps had a direct and significant effect on, or
23 connection with, commerce in the United States. Here, there is
24 no need for any conduct to have occurred in the United States.
25 All the government has to prove is that the offense involved

1 conduct that had an effect on or a connection with commerce in
2 the United States and that the effect or connection was direct
3 and significant.

4 If you find that the government has met its burden on
5 all three elements of this conspiracy claim, Count Six—that
6 is, it proved beyond a reasonable doubt that there was an
7 agreement to commit securities fraud, the defendant became a
8 member of that conspiracy, or at least one co-conspirator
9 committed an overt act in furtherance of that conspiracy, and
10 it has proved also beyond a reasonable doubt a sufficient
11 connection to the United States—then you should find the
12 defendant guilty on Count Six. If you find that the government
13 has not met its burden with respect to any of those three
14 elements of Count Six or that it has not done so with respect
15 to a sufficient connection to the United States, then you must
16 find the defendant not guilty on Count Six.

17 Now, lunchtime?

18 I misspoke, again.

19 The last paragraph should have begun: If you find
20 that the government has met its burden on all three elements of
21 its conspiracy claim in Count Six—that is, that it has proved
22 beyond a reasonable doubt that there was an agreement to commit
23 commodities fraud, that the defendant became a member of that
24 conspiracy, or at least one co-conspirator committed an overt
25 act, etc. That's how it should have gone. You forgive me for

1 my misstatement.

2 But it is now lunchtime. I will see you back at 1:30.
3 I hope you enjoy the canteen food and that you've left some for
4 others. And we'll resume with Count Seven at 1:30.

5 THE DEPUTY CLERK: Will the jury please come this way.

6 (Luncheon recess)

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1 AFTERNOON SESSION

2 1:40 p.m.

3 (Jury present)

4 THE COURT: Defendant and the jurors all are present,
5 as they have been throughout.

6 I hope you enjoyed your lunch, folks.

7 We are up to Count Seven, which is the last count on
8 which I need to instruct you.

9 The defendant is charged in Count Seven with
10 conspiracy to launder the proceeds of the wire fraud charged in
11 Count One. You will consider Count Seven if and only if you
12 find the defendant guilty on Count One. If you have found the
13 defendant not guilty on Count One, you must enter a verdict of
14 not guilty on Count Seven.

15 Count Seven charges the defendant with conspiring to
16 commit money laundering from in or about 2020, up to and
17 including in or about November 2022, by agreeing to launder the
18 proceeds of the wire fraud charged in Count One.

19 To sustain its burden with respect to the offense
20 charged in Count Seven; the government must prove beyond a
21 reasonable doubt two elements:

22 First, that two or more persons entered into an
23 unlawful agreement or understanding to seek to accomplish money
24 laundering; and

25 Second, that the defendant knowingly and willfully

1 entered into the agreement.

2 In other words, the elements of the conspiracy charged
3 in Count Seven are the same elements that the government must
4 prove with respect to the conspiracies alleged in Counts Two
5 and Four, namely, the existence of an agreement or
6 understanding to violate the law and knowing and willful entry
7 of the defendant into the agreement. The difference between
8 Counts Two and Four and Count Seven is that Counts Two and Four
9 alleged conspiracies to commit wired fraud. Count Seven is an
10 alleged conspiracy to commit money laundering.

11 Now, Count Seven actually charges that there were two
12 objects of the conspiracy charged in that count. As I told you
13 before, you don't need to find that the defendant actually or
14 anyone else actually achieved the object or objects of the
15 charged conspiracy, but only that he agreed with others or that
16 the conspirators agreed with others, putting aside the
17 defendant for the moment. I frankly lost my place, folks.

18 But the short answer is, the short principle is, you
19 don't have to find that the object of the conspiracy was
20 achieved, only that there was an agreement to do so.

21 Now, let's talk about the agreement.

22 The first object of the two objects charged in Count
23 Seven is that the defendant agreed with at least one other
24 person to commit money laundering by engaging in financial
25 transactions that involved the proceeds of the wire fraud in

1 order to conceal or disguise the nature, location, source,
2 ownership, or control of proceeds of the wire fraud. Now, the
3 wire fraud we are talking there, remember, is Count One. I am
4 going to refer to this object, this first object of the
5 conspiracy charged in Count Seven, as concealment money
6 laundering, which is a shorthand way of saying to conceal or
7 disguise the nature, location, source, ownership or control of
8 proceeds of the Count One wire fraud. That's what it is.

9 The second object of the conspiracy is that the
10 conspirators agreed to engage in money laundering by engaging
11 in monetary transactions greater than \$10,000 involving the
12 proceeds of the wire fraud. I am going to call that object
13 wire fraud proceeds money laundering.

14 So we have concealment money laundering and wire fraud
15 proceeds money laundering. In each case what we are talking
16 about is concealment of or proceeds of the money laundering
17 charged in Count One and, again, you are going to consider
18 Count Seven if and only if you found him guilty on Count One.

19 Now, John Hammel is going to distribute to you the
20 proposed verdict form which I am going to talk about very
21 briefly now.

22 The part we are interested in for now is Count Seven,
23 so it's on the second page. Everything that comes before this
24 just asks you, as you normally expect: Do you find the
25 defendant guilty or not guilty on Counts One, Two, Three, Four,

1 Five and Six? But we are going to talk about Seven because
2 it's a little different.

3 You were asked, to be sure, on Count Seven: Do you
4 find the defendant guilty or not guilty of conspiracy to commit
5 money laundering? If you find him guilty, there is another
6 line on the verdict form that you will have to fill out and it
7 asks you: In the event there is a conviction on Count Seven,
8 whether you unanimously have concluded that it was concealment
9 money laundering or wire fraud proceeds money laundering, or
10 both -- that's what's different -- and in order to answer yes
11 to those questions, each question, one, two, or both, you got
12 to be unanimous. That's the verdict form.

13 Now I am going to explain the two types of money
14 laundering.

15 I am going to start with concealment money laundering,
16 and it has four elements.

17 The first element of concealment money laundering that
18 the government must prove beyond a reasonable doubt is that a
19 person, that is to say, a person who is part of the conspiracy
20 would have conducted a financial transaction that would have
21 affected interstate or foreign commerce.

22 That is to say, if the conspiracy had had its
23 objective achieved, would a person who did that, and so forth.

24 The term conducted includes the action of initiating,
25 concluding, or participating in, initiating, or concluding a

1 transaction.

2 The term financial transaction means (1) a transaction
3 involving a financial institution, including a bank, that is
4 engaged in, or the activities of which affect, interstate or
5 foreign commerce in any way or degree, or (2) a transaction
6 that involves the movement of funds by wire or other means and
7 in any way or degree affects interstate or foreign commerce.

8 A transaction involving a financial institution
9 includes a deposit, a withdrawal, a transfer between or among
10 accounts, an exchange of currency, a loan, extension of credit,
11 purchase or sale of any stock, or any other payment, transfer,
12 or delivery by, through, or to a financial institution by
13 whatever means.

14 The term funds includes any currency, money, or other
15 medium of exchange that can be used to pay for goods and
16 services, including digital or cryptocurrency.

17 Interstate commerce, for purposes of Count Seven,
18 includes any transmission or transfer between persons or
19 entities located in different states, and foreign commerce
20 means the same thing, except that it involves somebody in the
21 United States and somebody in a foreign country. The
22 involvement of interstate or foreign commerce can be minimal.
23 The government satisfies its burden if it proves any effect or
24 involvement, regardless of whether it was beneficial or
25 harmful. It is also not necessary for the government to show

1 that the defendant actually would have intended or anticipated
2 an effect on interstate or foreign commerce by his actions or
3 that commerce actually would have been affected. All that is
4 necessary is that the natural and probable consequences of the
5 acts the defendant would have agreed to take, assuming he
6 agreed at all, would affect interstate or foreign commerce.

7 The second element of concealment money laundering is
8 that the financial transactions would have involved the
9 proceeds of specified unlawful activity. As I have said
10 already, the specified unlawful activity here is the wire fraud
11 charged in Count One, and I instruct you, therefore, that if
12 you've convicted on Count One, this element is satisfied here.

13 The term proceeds means any property or any interest
14 in property that someone would have acquired or retained as
15 profits resulting from the commission of the specified unlawful
16 activity, which I have already defined.

17 The third element of concealment money laundering is
18 that the person would have known that the financial
19 transactions at issue involved the proceeds of some form,
20 though not necessarily which form, of unlawful activity.

21 If you find beyond a reasonable doubt that the
22 defendant committed the wire fraud offense I have instructed
23 you on in Count One, and he knew that the proceeds came from
24 that activity, that is sufficient for you to find that the
25 defendant knew that the proceeds came from unlawful activity.

1 However, keep in mind that it is not necessary for the
2 defendant to know that the proceeds came from the wire fraud
3 offense alleged in Count One or that the defendant personally
4 participated in the wire fraud. It is sufficient that the
5 defendant knew that the proceeds would come from some unlawful
6 activity.

7 The fourth element of concealment money laundering
8 that the government must prove beyond a reasonable doubt
9 concerns the purpose of the transaction. Specifically, the
10 government must prove beyond a reasonable doubt an agreement to
11 conduct financial transactions with knowledge that the
12 transactions were designed in whole or in part to conceal or
13 disguise the nature, location, source, ownership, or control of
14 the proceeds of the specified unlawful activity. The
15 government need not prove that the intent to conceal or
16 disguise would have been the only or even the primary purpose
17 of the person, as long as it was an intent of that individual.

18 I previously instructed you that to act knowingly
19 means to act purposely and voluntarily and not because of
20 mistake, accident, or other innocent reason. The acts must
21 have been the product of the actor's conscious objective. To
22 prove that than act is done knowingly for the purpose of this
23 element, the government is not required to prove that the
24 person would have known that his acts were unlawful. If you
25 find that the evidence establishes beyond a reasonable doubt

1 that the person would have known of the purpose of the
2 particular transaction in issue and that he would have known
3 that the transaction was either designed to conceal or disguise
4 the true origin or ownership of the property in question, then
5 this element would be satisfied. However, if you find that the
6 person would have known of the transaction, but that the
7 government failed to prove beyond a reasonable doubt that the
8 person would have known that it was designed either to conceal
9 or disguise the true original of the property in question, but
10 instead throughout that the transaction was intended to further
11 the innocent transaction, you must find that this element has
12 not been satisfied.

13 For the fourth element to be satisfied, the person
14 whose actions you are considering need not have known which
15 specified unlawful activity he or she was agreeing to help
16 conceal. Such person need have known only that a purpose of
17 the financial transaction would have been concealing the
18 nature, location, source, ownership, or control of the funds.
19 Furthermore, intent to disguise or conceal the true origin of
20 the property need not have been the sole motivating factor for
21 the transaction.

22 That covers the elements of the first object of the
23 money laundering conspiracy alleged in Count Seven. Now I am
24 going to go on to the second object, wire fraud proceeds money
25 laundering.

1 The elements of wire fraud proceeds money laundering
2 are these:

3 First, that a person would have engaged in a monetary
4 transaction in or affecting interstate or foreign commerce;

5 Second, that the monetary transaction would have
6 involved criminally-derived property of a value greater than
7 \$10,000;

8 Third, that the property would have been derived from
9 specified unlawful activity;

10 Fourth, that the person in question would have acted
11 knowingly, that is, with knowledge that the transaction
12 involved proceeds of a criminal offense; and

13 Fifth, and last, that the transaction would have taken
14 place in the United States.

15 A bit more about the five elements individually. I
16 remind you again that you will get to Count Seven only if there
17 was a guilty verdict on Count One.

18 If there is such a guilty verdict, however, and you
19 get to Count Seven, it's sufficient to convict on Count Seven
20 if you all agree that the defendant committed either
21 concealment money laundering or financial transaction wire
22 proceeds money laundering.

23 The first element of wire fraud proceeds money
24 laundering is that the person would have conducted a financial
25 transaction that affected interstate or foreign commerce. You

1 know what that means already. I have told you.

2 The second element is that the transactions would have
3 involved criminally derived property having a value in excess
4 of \$10,000.

5 Criminally derived property means any property
6 constituting or derived from proceeds obtained from a criminal
7 offense. I already instructed you about proceeds. You will
8 apply those instructions here. Wire fraud, of course, is a
9 criminal offense.

10 The government is not required to prove that all of
11 the property involved in the transaction would have been
12 criminally derived property. However, the government must
13 prove that more than \$10,000 of the property involved would
14 have been criminally-derived property.

15 The third and fourth elements of wire fraud proceeds
16 money laundering are that the property would have been derived
17 from the specified unlawful activity and that the person would
18 have acted knowingly, that is, with knowledge that the
19 transaction involved proceeds of a criminal offense.

20 The term specified unlawful activity has been defined
21 previously. That definition applies equally to the second
22 object of the conspiracy charged in Count Seven. I have also
23 defined knowingly, and you will apply that definition here too.

24 I instruct you that the government is not required to
25 prove that the person in question knew the particular offense

1 which the criminally derived property was derived from.
2 However, the government is required to prove beyond a
3 reasonable doubt that the person in question knew that the
4 transaction involved criminally derived property, which means
5 any property constituting or derived from proceeds obtained
6 from a criminal offense. This element would be satisfied by
7 proof that the person you are considering knew that the
8 transaction involved such property, property derived from a
9 criminal offense.

10 The final element of wire fraud proceeds money
11 laundering is that the agreed-upon transaction, that is, the
12 transaction that was the object of the conspiracy, would have
13 taken place in the United States if it had been achieved.

14 If you prove that the government has -- excuse me. If
15 you find that the government has proved beyond a reasonable
16 doubt that there was an agreement or understanding by two or
17 more persons to act together to accomplish one or both of the
18 objects of the money laundering conspiracy, the first element
19 of the money laundering conspiracy charged in Count Seven will
20 have been satisfied. You then would go on to consider the
21 second element. If, on the other hand, the government has not
22 proved the existence of such an agreement or understanding, you
23 must find the defendant not guilty on Count Seven.

24 The second element of Count Seven is that the
25 government -- the defendant knowingly and willfully have joined

1 and participated in the conspiracy to commit money laundering.
2 I already have instructed you on knowingly and willfully and
3 what it means to join a conspiracy. You will apply those
4 instructions here, including the instruction concerning good
5 faith.

6 If, after conscientious and deliberate consideration
7 of the evidence, you conclude that the defendant has proved
8 each of the two elements of the charge of conspiracy to commit
9 money laundering, that is, it has proved beyond a reasonable
10 doubt that there was a conspiracy to commit money laundering
11 for the purpose of achieving either or both of the two
12 objectives I was just described and that the defendant
13 knowingly and willfully joined in that conspiracy, then you
14 should find the defendant guilty on Count Seven, and mark the
15 appropriate space on the verdict form to indicate whether you
16 found him guilty as to either or both of the concealment or
17 money wire proceeds money laundering bases. If the government
18 has failed to prove any of the elements of the conspiracy
19 charged in Count Seven with respect to both the concealment and
20 the wire fraud proceeds money laundering bases, then you must
21 find the defendant not guilty on Count Seven.

22 Now, there are three other very small points, and I'm
23 finished instructing you on the law. These will be brief.

24 First of all, as I explained with respect to every
25 count in this indictment, the government is obliged to prove

1 that the defendant, usually among other elements, acted
2 knowingly. In determining whether the defendant had knowledge
3 of a fact, you may consider whether that defendant deliberately
4 closed his eyes to what otherwise would have been obvious. As
5 you all know, if someone is actually aware of a fact, then he
6 knows it. He knows the fact. But the law allows you also to
7 find that a defendant had knowledge of a fact when the evidence
8 shows you that the defendant was aware of a high probability of
9 that fact, but intentionally avoided confirming the fact. We
10 refer to this concept, this notion of blinding yourself to what
11 is staring you in the face, as conscious avoidance or willful
12 blindness.

13 Although I told you before that acts done knowingly
14 must be a product of a defendant's conscious intention, not
15 simply the product of carelessness or negligence, a person
16 cannot willfully blind himself to what is obvious and disregard
17 what is plainly in front of him. When one consciously avoids
18 learning a fact, the law treats that person as knowing that
19 fact. An argument of conscious avoidance or willful blindness,
20 however, isn't a substitute for proof. It's simply another
21 fact you may consider in deciding what the defendant knew.

22 With respect to the substantive wire fraud charges in
23 Counts One and Three, in determining whether the government has
24 proved beyond a reasonable doubt that the defendant had
25 knowledge or acted knowingly or acted knowing that something

1 was intended or would occur, you may consider whether the
2 defendant deliberately closed his eyes to what would otherwise
3 have been obvious to him. One may not willfully and
4 intentionally remain ignorant of a fact important to his
5 conduct in order to escape the consequences of criminal law,
6 and a person cannot look at all sorts of things that make it
7 obvious to any reasonable person what is going on and then
8 claim in court that because he deliberately avoided learning,
9 explicitly what was obvious anyway, he did not actually know
10 the incriminating fact.

11 Accordingly, if you find that the defendant was aware
12 of a high probability of a fact, and that the defendant acted
13 with deliberate disregard of the facts, you may find that the
14 defendant knew that fact. However, if you find the defendant
15 actually believed that the fact was true, then you may not find
16 that he knew that fact. You must remember also that guilty
17 knowledge may not be established by demonstrating that a
18 defendant was merely negligent, or reckless or foolish or
19 mistaken.

20 Now, with respect to the conspiracy charges, that is,
21 Counts Two, Four, Five, Six, and Seven, conscious avoidance or
22 willful blindness cannot be used as a basis for finding that a
23 defendant knowingly joined a conspiracy. If you think about it
24 for a minute, you will see why. To join a conspiracy a
25 defendant needs to know that there is an agreement among one or

1 more persons to act together to achieve some unlawful purpose.
2 If the defendant doesn't know of the agreement, he can't join
3 it. It's logically impossible. But if you find that the
4 defendant entered into such an agreement, you are entitled to
5 consider conscious avoidance or willful blindness in
6 considering whether he knew the illegal object of the
7 conspiracy. You may consider, in other words, whether the
8 defendant was aware of a high probability that the facts were
9 so, in other words, that there was an unlawful object and what
10 it was, but took deliberate and conscious action to avoid
11 confirming those facts. In other words, if you find beyond a
12 reasonable doubt that the defendant deliberately avoided
13 learning or confirming the illegal object of the conspiracy,
14 such as by purposely closing his eyes to it or intentionally
15 failing to investigate it, then you may treat this deliberate
16 avoidance of learning a fact as the equivalent of knowledge.
17 If, however, the defendant actually believed he wasn't a party
18 to an illegal agreement, or if the defendant was merely
19 negligent or careless with regard to what knowledge he had,
20 then he lacked the knowledge necessary to become a member of
21 the conspiracy.

22 Two to go.

23 Now, in addition to all the elements I have described
24 to you, you must separately decide whether an act in
25 furtherance of each alleged crime occurred within the Southern

1 District of New York. The Southern District of New York
2 includes the Manhattan, Bronx -- I am not insulting anybody who
3 may live there, but some other counties upstate, none of which
4 was mentioned in this trial. This requirement is called venue
5 and that word refers in this context to the fact that the
6 government must prove that this case as to these various counts
7 was brought properly in this court rather than in a different
8 federal court. You will determine the satisfaction of the
9 venue requirement separately for each count.

10 For the wire fraud charges in Counts One and Two, it
11 is sufficient for the government to establish -- I'll talk
12 about the standard of proof in a minute -- venue if the
13 defendant caused any interstate or international wire, such as
14 an email, a phone call, television, Internet broadcast, or
15 financial transaction to be transmitted into or out of this
16 district.

17 What did I forget to read? Did I say Counts One and
18 Two. Never mind. I mean to say Counts One and Three. Thank
19 you, Aditi. Where would I be without them. Let me tell you,
20 it wouldn't be pretty.

21 The wire need not itself have been criminal, as long
22 as it was transmitted or caused to be transmitted as part of
23 the scheme. The act need not have been taken by the defendant,
24 so long as the act was any part of any crime you otherwise find
25 he has committed.

1 With respect to all the conspiracy counts, Counts Two,
2 Four, Five, Six, and Seven, it is sufficient for the government
3 to prove that some act in furtherance of the conspiracy
4 occurred within the Southern District of New York. In that
5 regard, the government does not have to prove that the crime
6 itself was committed in this district or that the defendant
7 himself was even present here.

8 Now, what's the government's burden on venue? It is
9 not beyond a reasonable doubt. It is to show that venue was
10 proper count by count. Of course you don't have to consider
11 venue if you have otherwise concluded the defendant is not
12 guilty on a particular count. Then it becomes irrelevant. But
13 if you are considering a guilty verdict on any count, you also
14 have to find venue is satisfied as to that count. And now as
15 to the government's burden to establish proper venue, it is
16 simply that the government must prove it by a preponderance of
17 the evidence; in other words, that it is more likely that the
18 requirements of venue in this district are satisfied as to that
19 count than not.

20 All of the elements of the offense that I talked about
21 before, everything other than venue, the standard is proof
22 beyond a reasonable doubt, as I told you. Venue is different.

23 Regardless of what you think about the elements on any
24 given count as to which the government is required to prove
25 guilt beyond a reasonable doubt, if you conclude that the

1 government hasn't established proper venue by a preponderance
2 of the evidence, you must acquit on that count.

3 Lastly, you have heard various references, and you
4 will see in the indictment that goes into the jury room various
5 references to dates. It does not matter if the evidence you
6 heard at trial indicates that a particular act occurred on a
7 different date, and the government is not -- it is not
8 essential that the government prove that the charged offenses
9 started on the dates that may be alleged, either in court or in
10 the indictment, or ended on any specific dates. The law
11 requires only a substantial similarity between the dates in the
12 indictment, to the extent there are any dates in the
13 indictment, and the dates established in the evidence.

14 Now, those, folks, are my substantive legal
15 instructions. The rest of this is all downhill. Not that it
16 isn't important, but it is neither as long nor as technical.

17 I'll start out with the trial process. As I told you
18 all about the time you were selected, you are the sole and
19 exclusive judges of the facts. Please understand that I do not
20 now, and I never during this trial have meant to indicate any
21 opinion as to what the facts are or what your verdict should
22 be. The rulings I have made during the trial, the questions I
23 asked, any comments I have made in managing the trial or in
24 attempting to clarify the evidence or get it into evidence more
25 efficiently and quickly are no indication of any views that I

1 might have as to what your decision ought to be or as to
2 whether or not the government has proved its case.

3 I remind you that it is your duty to accept my
4 instructions on the law and to apply them to the facts as you
5 determine those facts to be, regardless of whether or not you
6 agree with my instructions. You are to show no prejudice
7 against an attorney or the attorney's client because the
8 attorney made objections to evidence, asked for sidebars, asked
9 me to rule on questions of law. They were doing their jobs,
10 and I was doing mine, and that's all there is to it.

11 In addition, I want to reemphasize the fact that I may
12 have asked questions of witnesses and may have made comments to
13 counsel or to a witness or witnesses. It was never intended to
14 suggest that I believed or disbelieved any witness or have any
15 view about how this case should be decided. You are to
16 disregard entirely the fact that I have asked a few questions,
17 though of course you may consider the answers, and you are to
18 disregard entirely any comments that I may have made during the
19 course of the last several weeks.

20 You should find the facts in this case without
21 prejudice as to any party. The case is brought, of course,
22 formally in the name of the United States. That doesn't
23 entitle the government to any greater consideration than the
24 defendant. By the same token, the government is entitled to no
25 less consideration. We stand for equal justice before the law.

1 It applies to both sides in court.

2 Let's talk about the evidence a little bit.

3 The evidence is the sworn testimony of the witnesses,
4 the exhibits received in evidence, and the stipulations between
5 the lawyers.

6 The indictment is not evidence. The questions,
7 arguments, or objections are not evidence. You are not to
8 consider any statements that I told you to disregard or said
9 were stricken or struck or whatever formulation I may have
10 used.

11 It is for you alone to decide the weight, if any, to
12 be given all the testimony you have heard and the exhibits you
13 have seen.

14 I have already referred a bit to direct and
15 circumstantial evidence, or at least circumstantial evidence.
16 Direct evidence is really pretty obvious. It is evidence that
17 you can observe with your own senses and evidence that a
18 witness came in and swore on the witness stand. The witness
19 personally perceived, the witness heard it, saw it, touched it.
20 You got the idea.

21 And in a case I tried earlier this year, which
22 involved the question of the meaning of the word beer, I would
23 have said taste it, but this isn't that kind of case.

24 Circumstantial evidence. Believe it or not, my idea
25 of a good time is a trial movie or a Law & Order episode or

1 whatever. I have been watching trials my entire life, many of
2 them dramatic performances of Hollywood, and I have heard on
3 television and on streaming and everywhere else more nonsense
4 about circumstantial evidence than one could possibly imagine.

5 Let me tell you the simple answer to this.
6 Circumstantial evidence is simply evidence that tends to prove
7 a fact that is in dispute by proving some other fact and
8 logically reasoning from the one you can prove to the one
9 that's maybe not so certain. That's what it's all about. The
10 circumstantial evidence is the direct evidence and it refers to
11 the process of logic. The law is that circumstantial evidence
12 is of no lesser value than direct evidence. You are simply
13 required to base your verdict on your conscientious evaluation
14 of all the evidence and come to the conclusion that you think
15 is consistent with the facts.

16 I told you during the trial that whatever the lawyers
17 stipulated to you are bound by. You must accept whatever they
18 stipulated to as being fact for purposes of this case. We have
19 heard a fair amount of credibility in the last day and a half.
20 Now it's your job to decide who you believe and how important
21 each witness was, and you're the sole judges of credibility of
22 each witness and of the importance of each witness' testimony.
23 I urge you to use your common sense and apply all of the tests
24 that you would apply in everyday life with respect to important
25 matters in determining the truthfulness and accuracy of what

1 testimony you have heard.

2 Your decision whether or not to believe a witness may
3 depend on how the witness impressed you. Was the witness
4 candid and frank and forthright? Or did the witness seem as if
5 the witness was hiding something, being evasive or suspect in
6 some way? How did the way the witness testified on direct
7 examination compare with how the witness testified on
8 cross-examination? Was the witness consistent in the witness'
9 testimony, or did the witness contradict what he had said on
10 another occasion? Did a witness appear to know what he or she
11 was talking about, and did the witness strike you as someone
12 who was trying to report his or her knowledge accurately?

13 If you find that a witness willfully lied to you about
14 any material matter, you may either disregard everything that
15 witness said or you may accept whatever part of it you think
16 deserves to be believed. In other words, if you find that a
17 witness lied under oath about a material fact, you may treat it
18 like a slice of toast that has been partially burned. You can
19 either throw the whole piece in the trash or you can scrape the
20 black parts off and eat the rest.

21 Ultimately, the determination of whether and to what
22 extent you accept the testimony of any witness is entirely up
23 to you.

24 In evaluating the credibility of the witnesses, you
25 should take into account any evidence that a witness may

1 benefit in some way from the outcome of the case. Keep in
2 mind, though, that it doesn't automatically follow that
3 testimony given by an interested witness is to be disbelieved.
4 It is for you to decide, based on your own perceptions and your
5 common sense, the extent to which a witness' interest has
6 affected whatever the witness testified to, if it affected it
7 at all.

8 Now, you have heard the testimony of at least two, but
9 there may have been another, law enforcement officers. The
10 fact that a witness may be, or may previously have been,
11 employed by the government in law enforcement does not mean
12 that the witness' testimony is deserving of any more
13 consideration or any less consideration, or in each case
14 weight, of an ordinary witness. At the same time, in
15 considering the credibility of such a witness, you are entitled
16 to consider whether the testimony may have been colored by a
17 personal or a professional interest in the outcome of the case.

18 It is your decision, after reviewing all of the
19 evidence, whether to accept the testimony of law enforcement
20 witnesses and to give that testimony whatever weight you find
21 it deserves.

22 You have heard testimony from a number of government
23 witnesses that they actually were involved in planning and
24 carrying out some of the crimes charged in the indictment.

25 You should be aware that it is not unusual for the

1 government to rely on the testimony of witnesses who admit to
2 having participated in criminal activity. The government has
3 to take its witnesses as it finds them, and frequently the
4 government must use such testimony in criminal prosecutions
5 because it otherwise would be difficult and sometimes
6 impossible to detect and prosecute wrongdoers. Accordingly,
7 the law allows the use of cooperating witness testimony, and
8 you may consider the testimony of these witnesses in
9 determining whether the government has met its burden of
10 proving guilt beyond a reasonable doubt.

11 However, the testimony of an accomplice witness should
12 be scrutinized with special care and caution because such
13 witnesses may believe that it is in their interest to give
14 testimony favorable to the government. The fact that a witness
15 is an accomplice can be considered by you as bearing on the
16 witness' credibility. It doesn't follow, however, that simply
17 because a person has admitted to participating in one or more
18 crimes that he or she is incapable of giving a truthful version
19 of what happened.

20 Like the testimony of any other witness, accomplice
21 witness testimony should be given the weight you think it
22 deserves in light of the facts and circumstances before you,
23 taking into account the witness' demeanor, candor, the strength
24 and accuracy of the witness' recollection, their background,
25 and the extent to which their testimony is or is not

1 corroborated by other evidence. You may consider whether an
2 accomplice witness, like any other witness in this case, has an
3 interest in the outcome and, if so, whether and to what extent
4 it may have affected the witness' testimony.

5 You certainly heard testimony, and probably have in
6 evidence before you, though I don't offhand remember, certain
7 agreements between the government and accomplice witnesses. I
8 must caution you that it is of no concern to you why the
9 government made agreements with any particular witness. Your
10 sole concern is whether a witness has given truthful and
11 accurate testimony here in this courtroom before you.

12 In evaluating the testimony of accomplice witnesses,
13 you should ask yourself whether these witnesses would benefit
14 more by lying or by telling the truth. Was their testimony
15 made up in any way because they believed or hoped that it would
16 somehow result in favorable treatment if they testified
17 falsely, or did they think their interests would best be served
18 by testifying truthfully and accurately? You believe if that a
19 witness was motivated by hopes of personal gain, was that the
20 motivation one that would cause him to lie, or was it one that
21 would cause the witness to tell the truth? Did the motivation
22 color the witness' testimony?

23 If you find that the testimony was false, you should
24 reject it. If, however, after carefully and cautiously
25 examining an accomplice witness' testimony and demeanor, and

1 you are satisfied that the witness told you the truth, you
2 should accept it as credible and act on it accordingly.

3 As with any witness, let me emphasize that this issue
4 of credibility doesn't have to be an all-or-nothing decision on
5 your part. Even if you find that a witness testified falsely
6 in one part, you still may accept their testimony in other
7 parts, or you may disregard all of it. That's up to you. It
8 is not an all-or-nothing decision necessarily. It may be, but
9 that's your job.

10 You have also heard testimony from, I believe, three
11 government witnesses who have pleaded guilty to charges arising
12 out of the same facts that are at issue in this case. I
13 instruct you that you are to draw no conclusions or inferences
14 of any kind about the guilt of Mr. Bankman-Fried from the fact
15 that one or more prosecution witnesses pled guilty to similar
16 charges. The decision of those witnesses to plead guilty were
17 personal decisions that those individuals made about their own
18 guilt, and it may not be used by you in any way as evidence
19 against or unfavorable to the defendant in this case.

20 You also heard testimony from one witness who entered
21 into a nonprosecution agreement with the government arising out
22 of at least some of the same facts that are at issue in this
23 case. I instruct you that you are to draw no conclusions or
24 inferences of any kind about the guilt of the defendant here in
25 this case from the fact that a prosecution witness entered into

1 such an agreement. Again, that was a personal decision and it
2 may not be used by you in any way as evidence against the
3 defendant.

4 The same is true with respect to the testimony of the
5 one witness who testified under a grant of immunity, formal
6 immunity issued by the Court. The testimony of such a witness
7 cannot be used against the witness in a criminal case except
8 for prosecutions for perjury or giving false statements to the
9 Court while he was immunized. I instruct you that the
10 government is entitled to call such a witness as a person who
11 has been granted immunity by an order of this Court. You
12 should examine the testimony of such a witness to determine
13 whether or not it's colored in any way by the witness' own
14 interests. If you believe the testimony, you may give it
15 whatever weight you think it deserves.

16 You heard a couple of expert witnesses in this case,
17 and I'm using a couple as an approximation. I don't remember
18 the count. Why are they here? Ordinarily, witnesses are
19 restricted to testify about facts, facts that they have
20 personal knowledge of.

21 (Continued on next page)

22

23

24

25

1 THE COURT: There are occasions when there are people,
2 however, who have technical or specialized knowledge in some
3 area that would assist you, the jurors, in deciding a disputed
4 fact. And when that occurs, a witness who has those
5 qualifications can be called to testify about some evidence or
6 facts at issue in the form of opinions.

7 In weighing expert testimony, of course you may
8 consider the expert's qualifications, the opinions given, the
9 reasons the witness is here and why they're testifying, and
10 everything else I talked to you about relating to credibility.
11 You can give the expert testimony whatever weight you think it
12 deserves in light of the whole record in this case. What you
13 should not do is accept a witness's testimony because the
14 witness in some sense is regarded as an expert. It's not a
15 substitute for your own common sense, judgment, and reason.
16 The determination of the facts is up to you, not expert
17 witnesses.

18 Now you have heard some evidence that the defendant
19 was involved in conduct that is not charged in the indictment
20 in this case, and you probably all remember what that is.
21 You've heard some evidence about an alleged bribe involving one
22 or more Chinese government officials and alleged campaign
23 finance law issues. Mr. Bankman-Fried is not on trial for any
24 such offenses here. You can't consider the evidence of those
25 uncharged bad acts as a substitute for proof that he committed

1 the crimes of which he is accused in this case, nor may you
2 consider that evidence as proving that the defendant is a
3 person with a propensity to commit crimes or a man of bad
4 character. The evidence was admitted for limited purposes, and
5 you may consider it only for those purposes.

6 You may consider the evidence you heard regarding the
7 alleged bribe to someone in China as bearing on the
8 relationship of trust and confidence between the defendant and
9 Ms. Ellison and as to the defendant's motives. You may
10 consider the evidence you heard regarding the campaign finance
11 matters as relevant to the defendant's criminal intent and
12 knowledge and as to his relationship of mutual trust with
13 Mr. Singh. You may also consider that evidence as direct
14 evidence of the charged wire fraud scheme on FTX customers, as
15 it pertains to allegations about how the defendant spent
16 alleged misappropriated customer funds, and as direct evidence
17 of the charged money laundering conspiracy, as it pertains to
18 the allegation that the defendant engaged in financial
19 transactions that it is alleged were designed to conceal the
20 nature, location, source, ownership, or control of criminal
21 proceeds. And I remind you that this is not to be considered
22 as evidence of a criminal propensity and that the defendant is
23 not charged with crimes on the basis of those two categories of
24 evidence.

25 Certain evidence that came in concerned the acts and

1 statements of others because the acts were committed and the
2 statements were made by individuals whom the government claims
3 conspired with the defendant.

4 The reason for allowing that evidence has to do with
5 the nature of the crime of conspiracy. A conspiracy is often
6 referred to as a partnership in crime. Thus, as in other types
7 of partnerships, when people enter into a conspiracy to
8 accomplish an unlawful end, each and every member of the
9 conspiracy becomes an agent for the other conspirators in
10 carrying out the conspiracy.

11 In determining the factual issues before you, you may
12 consider against the defendant any acts or statements made by
13 any of the people that you find, under the standards I have
14 already described, to have been his co-conspirators, even
15 though such acts or statements were not made in his presence,
16 or were made without his knowledge.

17 You have heard some evidence during the trial that at
18 least one witness—and possibly more than one, although I don't
19 remember, it's your memory that counts, folks—prior to the
20 trial, made statements that were the same as, or similar to,
21 the testimony the witness gave in court. As I instructed you
22 then, I believe, and in any case instruct you now, you may
23 consider evidence of such statements—that is, pretrial
24 statements consistent with what was said at trial—in
25 determining the facts of the case. Evidence like that may help

1 you decide whether you believe the witness's testimony in
2 court. If the witness made statements before trial, and before
3 the witness was aware of anything that would have given him or
4 her a motive to give a false account, in other words, that were
5 the same as or similar to what the witness said at trial, that
6 may be reason for you to believe his or her trial testimony on
7 the same subject.

8 You have certainly heard evidence during the trial
9 that some witnesses have discussed the facts of the case and
10 their testimony with lawyers before they appeared in court.

11 You're entitled to consider that fact in evaluating
12 credibility, but I do tell you that there is nothing unusual or
13 improper about a witness meeting with lawyers before testifying
14 so that the witness can be aware of the subjects he or she will
15 be questioned about, focus on those subjects, and have the
16 opportunity to review relevant evidence before being questioned
17 about them in court. Such consultation helps conserve your
18 time and, frankly, the Court's time. In fact, it would be
19 unusual for a lawyer to call a witness without such
20 consultation.

21 But again, the weight you give to the fact or nature
22 of a witness's preparation for testimony and what conclusions
23 or inferences you draw from preparation like that are
24 completely up to you.

25 Now I'm about to make a vast understatement.

1 There is evidence before you in the form of charts and
2 summaries. These exhibits purport to summarize some of the
3 underlying evidence that was used to prepare them, and they
4 were shown to you to make the other evidence more meaningful
5 and to aid you in considering the evidence. They are no better
6 than the documents they're based on, and they're not themselves
7 independent evidence. You are therefore to give no greater
8 weight to the charts and summaries than you would give to the
9 evidence on which they are based.

10 It is for you to decide whether the charts and
11 summaries correctly present the information contained in the
12 exhibits on which they were based. You are entitled to
13 consider them if they help you in analyzing and understanding
14 the evidence.

15 I have instructed you previously during the trial
16 about the audio and video recordings and, in those cases where
17 there are transcripts, that it's the recordings that are the
18 ultimate determinative evidence, not the transcripts. I'm
19 going to spare you repeating it.

20 There are some documents and exhibits received in
21 evidence that are marked redacted and probably a few that
22 simply have big black blotches on them in some of the original
23 content. You are only to concern yourself with the parts that
24 have not been redacted. You are not to speculate about what's
25 under the black markings and what was redacted. There were

1 sufficient reasons for doing all of that, to the extent it was
2 done, and you are not to concern yourself with what those
3 reasons might have been. You are to decide the case on the
4 basis of what's actually in front of you.

5 Now you have certainly heard a lot of people's names
6 during the course of this trial who were not called as
7 witnesses. I instruct you that both sides had an equal
8 opportunity or lack of opportunity to call as a witness any of
9 them. Therefore, you should not draw any inferences or reach
10 any conclusions as to what those people might have testified to
11 had they been called. Their absence should not affect your
12 judgment at all.

13 But you should remember that the law does not impose
14 on the defendant in a criminal case the burden of calling any
15 witnesses or producing any evidence. The burden of proof is
16 always with the government.

17 Now you have heard recordings or seen statements by
18 the defendant, which are in evidence, in which he claimed that
19 his conduct was consistent with innocence and not guilt. The
20 government claims that these statements, or at least some of
21 them, in which he exonerated or exculpated himself are false.

22 If you find that the defendant gave one or more false
23 statements in order to divert suspicion from himself, you may,
24 but you are not required to, infer that he believed he was
25 guilty. You may not, however, infer on the basis of that

1 evidence alone that the defendant in fact is guilty of any of
2 the crimes with which he is charged.

3 Whether or not the evidence as to the defendant's
4 statements shows that he believed he was guilty and the
5 significance, if any, to be attached to any such evidence, are
6 matters for you to decide.

7 Now let's talk about auto-deletion for a minute.

8 And we truly are in the home stretch.

9 If you find that the defendant deleted or caused the
10 deletion of communications, you may, but you need not, infer
11 that he believed that he was guilty. You may not, however,
12 infer on the basis of this alone that the defendant is in fact
13 guilty of any of the crimes with which he is charged.

14 Whether or not the evidence as to a defendant's
15 deletion of evidence, or his having caused evidence to be
16 deleted, shows that the defendant believed he was guilty, and
17 the significance, if any, to be attached to any such deletions,
18 are for you to decide.

19 You have heard some testimony about evidence that was
20 seized pursuant to one or more search warrants signed by a
21 judge, from email accounts, Twitter accounts, electronic
22 devices, and conceivably other things, but I don't remember.
23 Evidence obtained from such searches were properly admitted in
24 this case and are properly considered by you. Indeed, searches
25 of online accounts and electronic devices are entirely

1 appropriate law enforcement actions. Whether you approve or
2 disapprove of how that evidence was obtained should not enter
3 into your deliberations because I now instruct you that the
4 government's use of that evidence is entirely lawful.

5 You must give that evidence, regardless of personal
6 opinions, full consideration along with all other evidence in
7 deciding whether the government has proved the defendant's
8 guilt beyond a reasonable doubt.

9 Now in a criminal case, of course, a defendant never
10 has a duty to testify or to come forward with any evidence.
11 The reason, as I've told you, is that he is presumed innocent
12 and the government at all times has the burden of proof beyond
13 a reasonable doubt. Except of course on venue, where it's by a
14 preponderance of the evidence. But if the defendant takes the
15 stand and testifies on his own behalf, he has the right to do
16 that.

17 In this case, Mr. Bankman-Fried decided to testify,
18 like any other witness, and he was subject to
19 cross-examination. You should examine and evaluate the
20 testimony of the defendant just as you would the testimony of
21 any other defendant.

22 Some of the people who may have been involved in the
23 events leading to this trial are not on trial here. You may
24 draw no inference, favorable or unfavorable, toward the
25 government or the defendant from the fact that any person other

1 than defendant is not on trial here. Nor may you speculate as
2 to the reasons why that is so. Those matters are wholly
3 outside your concern, and you may not consider them in reaching
4 your verdict. Your task is limited to considering the charges
5 in the indictment and the defendant before you.

6 Now John Hammel points out to me that I made a mistake
7 a moment ago. I mistakenly said you should examine and
8 evaluate the testimony of the defendant just as you would the
9 testimony of any other defendant. If in fact I said that, it
10 was wrong. And I will read it to you the way I typed it. The
11 hour draws late. You should examine and evaluate the testimony
12 of the defendant just as you would the testimony of any other
13 witness.

14 The question of possible punishment of the defendant
15 is of no concern to the jury, and it should not enter into or
16 influence your deliberations. The duty of sentencing in the
17 event of a conviction rests entirely with the Court. Under
18 your oath, you cannot allow consideration of punishment that
19 may be imposed in the event of conviction to influence your
20 judgment.

21 Last words. Your deliberations. You're going to
22 retire to decide this case in just a couple of minutes. You
23 must consult with each other and deliberate with a view to
24 reaching an agreement. Each of you must decide the case for
25 yourself, but you should do so only after considering the case

1 with your fellow jurors. You should not hesitate to change an
2 opinion if you're convinced it's erroneous.

3 Your verdict, whether it's guilty or not guilty, must
4 be unanimous, but you are not bound to surrender your honest
5 convictions concerning the weight or the effect of the evidence
6 merely for the purpose of returning a verdict or solely because
7 of the views of other jurors. Discuss and weigh your
8 respective opinions dispassionately, without regard to
9 sympathy, without regard to prejudice or favor for either
10 party, and come to the conclusion which in your good conscience
11 appears from the evidence to be in accordance with the truth.

12 I need to say a word about your notes. I remind you
13 that any notes you may have taken are for your personal use
14 only. Each of you may consult your own notes during
15 deliberations, but any notes you may have taken are not to be
16 regarded during deliberations as a substitute for the
17 collective memory of all of you. Your notes should be used as
18 memory aids but shouldn't be given precedence over your
19 independent recollection of the evidence. If you did not take
20 notes, you should rely on your own independent recollection of
21 the evidence, and you should not be influenced by the notes of
22 others. The notes are entitled to no greater weight than the
23 recollection or impression of each juror as to what the
24 evidence showed.

25 You are all, as I told you right at the beginning,

1 going to get a typewritten copy of my instructions in the jury
2 room. Two things about that. The copies you get will have a
3 handful of handwritten interlineations, which are my chicken
4 scratchings making little tiny corrections that I made as I
5 went along. And the little tiny corrections are part of the
6 instructions. They are binding on you.

7 You are also going to find scattered among the
8 instructions legal citations. They are probably going to be
9 incomprehensible because—and here I'm being facetious again,
10 but—they're in lawyer code. They indicate which books, on
11 what volume and what page things come from. You are not going
12 to understand them, I think, and even if you do, disregard them
13 entirely. They are my audit trail and the lawyers' audit trail
14 about what we are relying on in formulating the instructions
15 I've given you.

16 You are not to discuss the case unless all 12 jurors
17 are there. When there are less than 12 of you, you are not a
18 jury. You are 10 or 11 or six what I imagine by now are pretty
19 good friends; at least I hope so.

20 When you retire, you will select one of your number as
21 the foreperson. That person will preside over the
22 deliberations and speak for you here in open court. The
23 foreperson will send out any notes and, when you've reached a
24 verdict, the foreperson will notify the court officer that you
25 have a verdict, and I'll talk more about how.

1 And now is the best time. You have the verdict form
2 already. If you need more, you'll send out a note and ask for
3 more. But they're all the same. When you've reached a
4 verdict, the foreperson should record the verdict on a copy of
5 the verdict form, and that's of course when you have a
6 unanimous verdict. Please don't add any commentary or any
7 suggestions or thoughts to the verdict form. They're basically
8 yes/no questions. I can tell you from prior experience, no
9 good will come of it. Maybe no bad, but no good will come of
10 it, and it will take time.

11 When you have a verdict form filled out, each of you
12 should sign it. The foreperson will send in a note with the
13 court officer in a sealed envelope that says, "We have a
14 verdict." Don't give the verdict form to the court officer.
15 Put it in an envelope. The foreperson will bring it into the
16 courtroom. Clutch it tightly to your breast. And I will ask
17 for it at the appropriate moment. I stress that you each
18 should be in agreement when it's announced in court. Once it's
19 announced by the foreperson and officially recorded, it
20 ordinarily cannot be revoked.

21 If during your deliberations you want me to discuss
22 any of my instructions further or you have any questions about
23 my instructions, you should formulate a note. The foreperson
24 should put the note in a sealed envelope, give it to the court
25 officer, tell the court officer there's a note. Every page and

1 line of these instructions is numbered. If it's a question
2 about something in the instructions, give the page numbers and
3 lines so that I know for sure what you're talking about. The
4 procedure we go through when we get a note is I give the note
5 to the lawyers, the lawyers each decide what they think it
6 means and what they think the answer should be. If everybody's
7 in agreement, I'll bring you into the courtroom and answer the
8 question. If there's disagreement, I'll decide the answer and
9 bring you back and give you the answer. And that process is
10 facilitated and speeded up the faster we can understand the
11 note. So that's the reason for being specific.

12 We will respond to any requests as fast as we can.

13 Now if you need any testimony read back, the procedure
14 is exactly the same. Send in a note, sealed envelope, and
15 exactly what you want to hear. With the witnesses, if you can
16 remember whether it's direct or cross, what the subject is,
17 just be as specific as you possibly can. We go through the
18 same procedure. We try to understand what you're really asking
19 for, and then we have to search through the transcript, which
20 is now over 3,000 pages—there are some automated ways of
21 searching, but they're not perfect—and get you exactly what
22 you want, and we will do that. But first of all, be sure you
23 need it, and second of all, be as clear as you can be.

24 I remind you that you took an oath to render judgment
25 impartially and fairly, without prejudice or sympathy and

1 without fear, based solely on the evidence in the case and the
2 applicable law. It would be improper for you to consider, in
3 reaching your decision as to whether or not the government
4 sustained its burden of proof, any personal feelings you may
5 have about the race, religion, national origin, sex, or age of
6 the defendant.

7 If you let prejudice or sympathy enter into your
8 thinking, it could interfere with clarity of judgment, and
9 there's a risk that you would not arrive at a just verdict.

10 Both parties are entitled to a fair trial. You must
11 make a fair and impartial decision to come to a just verdict.
12 If you have a reasonable doubt as to the defendant's guilt on
13 one or more counts, you should not hesitate to find him not
14 guilty. On the other hand, if you find the government has met
15 its burden of proving the defendant's guilt beyond a reasonable
16 doubt on one or more counts, you should not hesitate, because
17 of sympathy or anything else, to find him guilty.

18 Finally, on a related point that I suspect crossed
19 somebody's mind at some point, in the federal system, we have
20 crimes only that are defined by statutes—laws passed by
21 Congress and signed by the president. I have instructed you as
22 to the law under those statutes, and it's your job to apply
23 those instructions to the facts that you find. In the event
24 that you conscientiously conclude that the government has not
25 proved every required element necessary to convict, but you

1 necessarily think that something was morally wrong or unfair,
2 you may not allow your feelings to substitute for your
3 conscientious determination as to the facts or following the
4 law that I have given you. You are obliged to return a verdict
5 consistent with the law and the facts as you find them,
6 regardless of personal feelings.

7 Now a couple of other—oh, yes. If you need any
8 exhibits, you will tell us.

9 Now you're going to get a laptop, and I think it's
10 going to have either all of one party's exhibits or all of the
11 exhibits. And use it to your heart's content. But if there's
12 something in evidence that you need that you don't have in
13 there and that we haven't sent in to you and you want it, send
14 us a note, we'll get it for you.

15 Thank you, Aditi.

16 Now let me come to our stalwart alternates.

17 You are not going to deliberate, at least now. But I
18 am not discharging you. You remain alternates in this case,
19 though I'm going to send you off home or wherever you go next.
20 You may not discuss the case or read about the case or any of
21 the other things about the case that I told you at the
22 beginning not to do, and the reason for that is that if, god
23 forbid, something happens to a juror, you may be re-called to
24 serve as a juror in this case, in which case deliberations will
25 begin anew and you will be one of the 12 jurors just as if you

1 were one of the first 12 now. It is very important that you
2 adhere to that instruction. Now believe me when I say that
3 everybody appreciates your time here, your close attention
4 here. It was essential—particularly in this era, when all
5 sorts of things happen, not least of which a pandemic that we
6 hope is nearly all gone—that we have alternates, and we thank
7 you. So you now will go with the court officer into the
8 jury—sorry.

9 MS. SASSOON: Your Honor, there are a couple things to
10 raise at sidebar with regards to the instructions before the
11 alternates are discharged.

12 THE COURT: All right. Just give us a moment.

13 (At the sidebar)

14 THE COURT: Quickly.

15 MS. SASSOON: Page 43. I'm going in reverse order.
16 We didn't catch this typo before, but on lines 18-19, on
17 page 43, it says, "However, if you find that the defendant
18 actually believed the fact was true, then you may not find he
19 knew the facts," and it should say "believed that the fact was
20 not true." And I think it's important just to get the context
21 of the instruction correctly.

22 THE COURT: I'm just showing you that I marked that on
23 here. Do you agree with that?

24 MR. COHEN: Yes.

25 THE COURT: Next.

1 MS. SASSOON: The other one I have is on page 37, with
2 regard to concealment money laundering. The second element.
3 So we're at lines 16-21.

4 THE COURT: Just give me a minute to wrestle with the
5 staples.

6 Go ahead.

7 MS. SASSOON: So this is not reflected in the
8 language. I think your Honor went slightly off script and said
9 something along the lines of, "If you find he's guilty of wire
10 fraud, this element is satisfied." And I believe it's that
11 that meets the definition of "specified unlawful activity," but
12 your Honor I don't think read lines 20-21.

13 THE COURT: I think you're right. So I'll read that
14 whole paragraph to the jury then. Yes?

15 MR. REHN: One more.

16 MR. COHEN: Your Honor?

17 MR. REHN: Sorry. We have one more from the
18 government first.

19 On page 63, you did not read the sentence telling them
20 that they should not indicate in a note to the Court how they
21 were divided.

22 THE COURT: Yes, okay.

23 MR. REHN: Which is on lines 18-20.

24 MR. COHEN: And your Honor, on page 35, lines 5-6, the
25 Court read "must prove beyond a reasonable doubt."

1 THE COURT: Yes, I did.

2 MR. COHEN: The text—the wording has to be added to
3 the text.

4 THE COURT: Well, I gave it orally so I'm just going
5 to interlineate.

6 MR. COHEN: Okay. And then several times—and I think
7 this can probably be just addressed by one more repetition, but
8 several times, starting with page 19, lines 24-26, the Court
9 read—

10 THE COURT: You're going too fast for me. Let me get
11 to page 19.

12 MR. COHEN: Sorry, your Honor.

13 THE COURT: Yes. What lines?

14 MR. COHEN: 24-26. And the way it came out in the
15 reading was the Court left out the phrase "the government must
16 prove beyond a reasonable doubt."

17 THE COURT: That entire phrase?

18 MR. COHEN: Yes, just that. The rest of it was read
19 except for the clause "the government must prove"—the "beyond
20 a reasonable doubt" part.

21 THE COURT: So you're telling me that I charged that,
22 and I'm quoting now, charged in Counts Two and Four each of the
23 following elements?

24 MR. COHEN: Yes, yes.

25 MR. REHN: I only had it as omitted "beyond a

1 reasonable doubt."

2 MR. COHEN: That's what I said, yeah.

3 MR. REHN: I think you read "the government must
4 prove."

5 MR. COHEN: No. I had it the same as Mr. Rehn. And I
6 think that happened again.

7 THE COURT: Yes. Look, I understand, and you may well
8 be right that I omitted it, but I think I probably said a
9 hundred times in this that they have to prove every element
10 beyond a reasonable doubt.

11 MR. COHEN: Right, and where I was getting to was we
12 would ask that you just repeat that one, because it happened a
13 few other times. Rather than—

14 THE COURT: It's quite possible. All right. So I'll
15 start with that one.

16 MR. COHEN: Okay.

17 THE COURT: And then somebody's going to prompt me
18 page by page. And I'll start with you if there's another page
19 that you made a point about—

20 MR. COHEN: That's it, your Honor.

21 THE COURT: —and then go to the government.

22 MR. COHEN: Your Honor, before we go back, a couple
23 other things. Obviously for record purposes, we continue any
24 objections we made at the charge conference and before about
25 the charges, the charges we had asked for. And also, we would

1 ask that the Court—

2 THE COURT: I didn't hear your whole statement.

3 MR. COHEN: I'm sorry. For record purposes—

4 THE COURT: Obviously you need not renew objections
5 you made at the charge conference.

6 MR. COHEN: Okay. And lastly, your Honor, we would
7 ask that you instruct the jury that while they certainly can
8 stay to 8:15 tonight, they're not required to, and if they feel
9 it would be more productive for them to pick up on Monday, that
10 they may do so.

11 THE COURT: Yeah, I'll do that.

12 Okay.

13 MR. EVERDELL: Your Honor, one last thing. This is
14 the indictment that the government prepared to pass back to the
15 jury.

16 THE COURT: I'll deal with that when the jury is out.

17 MR. EVERDELL: Okay.

18 (In open court)

19 THE COURT: Okay. During the course of my reading of
20 the typewritten instructions, counsel have brought to my
21 attention that in one place or another, I left out a phrase or
22 a word, and we're going to go through about a half a dozen of
23 these corrections now.

24 First of all, before we even do that, I remind you
25 that as I said many, many times during the course of the

1 instructions, it is the government's burden to prove each of
2 the essential elements of the offense beyond a reasonable
3 doubt, and if anywhere in the typescript or in my oral
4 rendition of the typescript I left out any of those words, you
5 are to understand that they belong there, "beyond a reasonable
6 doubt."

7 Okay. Now—

8 MS. SASSOON: Page 37.

9 THE COURT: Okay. See, I have very able prompters.

10 Oh, you're now going in ascending order rather than
11 descending order?

12 MS. SASSOON: I started with the earliest, but I can—

13 THE COURT: Listen, I'll go either way. I'm very
14 versatile on that, backwards and forwards.

15 Okay. In the course of charging you on the second
16 element of concealment money laundering, I am told that I
17 orally may have gone off script, so I'm going to read you that
18 paragraph again. But it is accurate in the typescript. And
19 that paragraph reads:

20 The second element of concealment money laundering is
21 that the financial transactions would have involved the
22 proceeds of specified unlawful activity. Here, the specified
23 unlawful activity is the wire fraud offense charged in Count
24 One, and I instruct you as a matter of law that the wire fraud
25 charged in Count One of the indictment, if proven beyond a

1 reasonable doubt, meets the definition of "specified unlawful
2 activity." You must determine whether the funds involved in
3 the financial transactions would have been proceeds of that
4 unlawful activity.

5 Next.

6 MS. SASSOON: Page 43, lines 18-19. But perhaps some
7 context is necessary.

8 THE COURT: Don't worry. I think I can handle it.

9 I'll read you this whole paragraph. We were talking
10 here about conscious avoidance and willful blindness, and in
11 summing up part of that, I left a "not" out somewhere. So I'm
12 now going to read it to you accurately, and this will be
13 reflected in an interlineation in my handwriting, which I
14 promise to make arguably readable.

15 Accordingly, if you find that the defendant was aware
16 of a high probability of a fact and that defendant acted with
17 deliberate disregard of the facts, you may find that the
18 defendant knew that fact. However, if you find that the
19 defendant actually believed that the fact was not true, then
20 you may not find that he knew that fact.

21 Next.

22 MS. SASSOON: Page 63, lines 18-20.

23 THE COURT: Yes. I neglected to tell you that if you
24 communicate with the Court before you reach a verdict, either
25 by a note or in the courtroom, you are not ever to indicate how

1 you are divided on the defendant's guilt or lack of guilt,
2 unless I specifically ask you for it.

3 And?

4 MS. SASSOON: Nothing further.

5 MR. COHEN: You've already addressed our point, your
6 Honor. Thank you.

7 THE COURT: There was a place on page 28 where I was
8 talking about securities fraud and I mistakenly said
9 "fraudulent commerce" instead of "fraudulent conduct." But
10 we'll fix that one too. Thank you, Aditi.

11 Okay. Now back to the alternates.

12 You folks are temporarily excused, but you are subject
13 to re-call. I imagine Andy will tell you how to find out when
14 the case is finally over and you're done. You can always call
15 Andy. So if the five of you would kindly go with Andy, collect
16 your stuff, leave your notes with Andy, and we'll proceed from
17 there.

18 (Alternates excused)

19 THE COURT: Please be seated.

20 Now, members of the jury, it is ten after 3. Let's
21 talk about the rest of the day.

22 First of all, although I'm willing to stay till 8:15
23 if you want to stay till 8:15—car service, cafeteria,
24 dinner—but you're not obliged to. And it would be extremely
25 helpful if you could send us a note in the next half hour

1 about—I have to be careful how I phrase this to get it exactly
2 right—should we order supper, should we order car service.
3 Two different questions. You could do one without the other.
4 And it's a question of what you want. And if you want to order
5 both against the possibility that you'll use it, that's okay
6 too. The government can afford it. I don't mean to say the
7 government's money should be wasted. Obviously not. But we
8 have to give advance notice to the vendors in order to make
9 sure it's available should you need it, and that's a legitimate
10 purpose.

11 So as soon as Andy gets back, we will send you out to
12 deliberate.

13 First thing he's going to do is swear the officer, of
14 which these two were going to remind me.

15 Oh, yes. I'm reminded that I committed to the court
16 staff that we would not keep you past 8. Somebody has a train
17 to catch.

18 Swear the Marshal, please.

19 THE DEPUTY CLERK: Okay. Would the Marshal please
20 come forward and raise his right hand.

21 (Marshal sworn)

22 THE DEPUTY CLERK: Thank you.

23 THE COURT: Ladies and gentlemen, thank you for your
24 attention. You will get the charge in writing as soon as we
25 can Xerox enough copies. And we'll wrestle with the exhibit

1 issues.

2 Thank you. Please deliberate on your verdict.

3 (At 3:13 p.m., the jury retired to deliberate)

4 THE COURT: Please be seated.

5 Andy, how are we going to handle the exhibits?

6 THE DEPUTY CLERK: The parties have their exhibits
7 that were admitted that I have checked their admission and
8 where Aditi and I have marked so they have hard copies of
9 nonmedia exhibits. They have those originals ready to go in to
10 the jury room, and they also have supplied us with a clean
11 laptop that each side has a thumb drive with the admitted
12 exhibits on them, including the media exhibits and the
13 spreadsheets, if I'm correct. Right?

14 THE COURT: Okay. Now first of all, I assume they are
15 secure. Nobody can delete one or whatever by accident; is that
16 right?

17 THE DEPUTY CLERK: That is beyond my knowledge.

18 THE COURT: Counsel? Yes?

19 MR. ROOS: Yes.

20 THE COURT: Read only, read only. That's the phrase
21 I'm looking for.

22 Okay. Now is that procedure satisfactory to both
23 sides?

24 MR. ROOS: Yes.

25 MR. EVERDELL: Yes, your Honor.

1 THE COURT: Okay. And Andy will be the one to deliver
2 the exhibits, without any further proceedings in open court,
3 yes?

4 MR. ROOS: That's fine.

5 MR. EVERDELL: Yes, your Honor.

6 THE COURT: Okay. I guess we will reconvene very
7 briefly around a quarter to 4, ten to 4, whenever we get notice
8 about what they're going to do, and we'll take it from there.

9 Anything else we need to do before we break?

10 MR. EVERDELL: Your Honor, do you want to talk about
11 the indictment to go back to the jury?

12 THE COURT: Oh, yes, yes. Let's just make a record of
13 that.

14 I've been given a proposed redacted indictment, which
15 is undoubtedly somewhere in the cloud of paper on my desk.
16 Let's mark this Court Exhibit W. And we'll send that in to the
17 jury room. And that's satisfactory to both sides, I
18 understand.

19 MR. RAYMOND: Yes, your Honor, for the government.

20 MR. EVERDELL: Yes, your Honor. Just to be clear,
21 it's not redacted. It's had the portions removed. So to be
22 clear about that.

23 THE COURT: Okay with me.

24 MR. EVERDELL: Okay. Thank you, your Honor. It's
25 satisfactory.

1 THE COURT: If it's okay with both of you, it's okay
2 with me.

3 Okay. Anything else?

4 Okay. We'll designate a dinner hour if they decide to
5 stay for dinner, but otherwise, everybody is to be—I mean,
6 counsel on both sides who are capable of acting, authorized to
7 act, ought to be in the courtroom or in the immediate environs.
8 Andy has to know where to get you at any time.

9 And that's that. We'll await further communications.

10 ALL COUNSEL: Thank you.

11 THE DEPUTY CLERK: All rise.

12 (Recess pending verdict, 3:17 p.m.)
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1 THE COURT: I just want to put on the record that the
2 charge as it was typed and distributed to you previously has
3 now got handwritten delineations which has been provided to
4 both sides, and we will mark it as Court Exhibit whatever Andy
5 tells me.

6 THE DEPUTY CLERK: Z.

7 THE COURT: Z.

8 The proposal is to have Andy deliver 12 copies to the
9 jury in that form?

10 Any objection.

11 MS. SASSOON: Looks good, your Honor. No objection.

12 MR. COHEN: No objection.

13 THE COURT: We will do that.

14 In case the word has not filtered to you, the jury has
15 asked for dinner and transportation.

16 Another note.

17 Two more notes.

18 Note 1 says: "We want cars." That will be Court
19 Exhibit AA.

20 Court Exhibit BB says: "The defense thumb drive
21 appears to only have one audio file of portions of the
22 all-hands meeting. There seem to be missing government
23 exhibits, including 558, on the thumb drive as well."

24 MS. SASSOON: As I understood it, an exhibit like 558
25 wouldn't be on the thumb drive because it's a document.

1 MR. EVERDELL: Your Honor, the defense drive just has
2 the one portion that the defense submitted from the all-hands
3 meeting, that one audio portion. So the thumb drive and the
4 hard copy binders have the rest of the defense exhibits that
5 were admitted.

6 THE COURT: It sounds to me like this is a very simple
7 message. The very simple message is clear. I would normally
8 bring the jury in and tell them, but it seems may be
9 sufficiently simple so everyone can agree that Andy will simply
10 tell them. If anybody wants to have the jury brought in and
11 told on the record, I will do that.

12 MR. EVERDELL: Fine to have Andy do it, your Honor.

13 MS. SASSOON: No need to bring them in.

14 THE COURT: Andy, the message is: 558 is a document
15 and only a portion of 558 is on the thumb drive. It's the
16 portion the defense put in, and they should look at 558 on the
17 government thumb drive, right?

18 MS. SASSOON: No.

19 THE COURT: Then we are going to bring them in.

20 MS. SASSOON: Two different things, your Honor.

21 558 is the terms of service, so it's a document that
22 should be in the government exhibit binder. And what is on the
23 defense drive, they said it's just one file, that is the
24 entirety of what should be on that drive. The defense put in
25 one audio exhibit.

1 THE COURT: Here is what I missed. I assumed,
2 incorrectly apparently, that the government exhibits went in on
3 a thumb drive. Apparently, they went in in hard copy. Is that
4 right?

5 MR. REHN: I think the message should say: The
6 exhibits are in hard copy, with the exception of multimedia and
7 spreadsheets, which are on the thumb drives for both government
8 and defense.

9 THE COURT: Andy, let's have you repeat it back for
10 the court reporter so we are sure you have it, unlike I,
11 straight.

12 THE DEPUTY CLERK: I am going to print it off the
13 transcript myself, so I make no error.

14 MR. REHN: There is one thumb drive containing
15 government exhibits and one thumb drive containing defense
16 exhibits.

17 THE DEPUTY CLERK: I was going to copy and print that
18 the exhibits are in hard copy with the exception of multimedia
19 and spreadsheets, which are on the thumb drives for both
20 government and defense.

21 THE COURT: Satisfactory.

22 Let us mark that exhibit Court Exhibit BB, and Andy
23 will take it in writing marked Court Exhibit BB.

24 Now. Inasmuch as they have ordered supper, when do
25 you want your dinner hour, folks?

1 MS. SASSOON: If the jury has a preference if they
2 want to relay to Andy, we will defer to them.

3 THE COURT: Let just make a command decision here.

4 THE DEPUTY CLERK: Judge, if I may I told the
5 cafeteria manager to expect to supply dinner about 6:00.

6 THE COURT: We will trust the cafeteria manager to
7 supply dinner at 6, so you guys are free from 6 to 7.

8 Thank you.

9 (Recess pending verdict)

10 THE COURT: I just want to make a record of the
11 various notes, and I'm going to take them out of order.

12 About an hour ago the jury sent in a note, now Court
13 Exhibit EE: "Can we get the transcripts of the Matt Huang and
14 Robert Boroujerdi testimonies."

15 I gather you have agreed on the excerpts to go in, and
16 they are marked Court Exhibits FF and GG.

17 Yes?

18 MR. EVERDELL: Yes, your Honor.

19 MS. SASSOON: Yes, your Honor.

20 THE COURT: Take them on in.

21 Just to make a record, the first note was: "May we
22 have some highlighter pens and some Post-its, please," Court
23 Exhibit CC. Those were provided.

24 And Court Exhibit DD: "Can we get a copy of the
25 actual indictment." And you were all informed of these and the

1 redacted indictment, which has been identified previously on
2 the record, was sent in.

3 Everyone agree to all that?

4 MS. SASSOON: Yes.

5 MR. EVERDELL: Yes, your Honor.

6 THE COURT: We will recess pending further
7 communication from the jury.

8 (Recess pending verdict)

9 THE COURT: We have a note from the jury saying they
10 have reached a verdict. It's marked Court Exhibit HH. It is
11 signed by juror number 4 as foreperson.

12 Before you bring in the jury, we will have decorum in
13 the courtroom when this is announced. No demonstrations, no
14 shouting, no running for the door. Everyone is to remain
15 seated until I discharge the jury.

16 Bring in the jury.

17 (Jury present)

18 THE COURT: Madam Foreperson, I understand the jury
19 has reached a verdict, is that right?

20 THE FOREPERSON: Yes.

21 THE COURT: Would you please give the verdict to Andy.

22 Thank you.

23 The original verdict form is temporarily in your
24 custody. The clerk will now publish the verdict.

25 THE DEPUTY CLERK: Would the foreperson please rise.

1 THE COURT: Mr. Bankman-Fried, please rise and face
2 the jury box.

3 THE DEPUTY CLERK: As to Count One, wire fraud (FTX
4 customers) how do you find the defendant, guilty or not guilty?

5 THE FOREPERSON: Guilty.

6 THE DEPUTY CLERK: As to Count Two, conspiracy to
7 commit wire fraud (FTX customers), guilty or not guilty?

8 THE FOREPERSON: Guilty.

9 THE DEPUTY CLERK: As to Count Three, wire fraud
10 (Lenders to Alameda Research), guilty or not guilty?

11 THE FOREPERSON: Guilty.

12 THE DEPUTY CLERK: As to Count Four, conspiracy to
13 commit wire fraud (Lenders to Alameda Research), guilty or not
14 guilty.

15 THE FOREPERSON: Guilty.

16 THE DEPUTY CLERK: As to Count Five, conspiracy to
17 commit securities fraud, guilty or not guilty?

18 THE FOREPERSON: Guilty.

19 THE DEPUTY CLERK: As to Count Six, conspiracy to
20 commit commodities fraud, guilty or not guilty?

21 THE FOREPERSON: Guilty.

22 THE DEPUTY CLERK: As to Count Seven, conspiracy to
23 commit money laundering, guilty or not guilty?

24 THE FOREPERSON: Guilty.

25 THE DEPUTY CLERK: Thank you. Please be seated.

1 THE COURT: There is another question, Andy.

2 THE DEPUTY CLERK: My apologies.

3 Is your unanimous verdict based on concealment money
4 laundering, wire fraud proceeds money laundering, or both?

5 THE FOREPERSON: Both.

6 THE COURT: Thank you.

7 You may be seated, Mr. Bankman-Fried.

8 Andy you can recapture the original verdict form.

9 MR. COHEN: Your Honor, we would ask that the jurors
10 be polled.

11 THE COURT: Of course.

12 The clerk will poll the jury.

13 THE DEPUTY CLERK: Juror number 1, is that your
14 verdict?

15 JUROR: Yes.

16 THE DEPUTY CLERK: Juror number 2, is that your
17 verdict?

18 JUROR: Yes.

19 THE DEPUTY CLERK: Juror number 3, is that your
20 verdict?

21 JUROR: Yes.

22 THE DEPUTY CLERK: Juror number 4, is that your
23 verdict?

24 JUROR: Yes.

25 THE DEPUTY CLERK: Juror number 5, is that your

1 verdict?

2 JUROR: Yes.

3 THE DEPUTY CLERK: Juror number 6, is that your
4 verdict?

5 JUROR: Yes.

6 THE DEPUTY CLERK: Juror number 7, is that your
7 verdict?

8 JUROR: Yes.

9 THE DEPUTY CLERK: Juror number 8, is that your
10 verdict?

11 JUROR: Yes.

12 THE DEPUTY CLERK: Juror number 9, is that your
13 verdict?

14 JUROR: Yes.

15 THE DEPUTY CLERK: Juror number 10, is that your
16 verdict?

17 JUROR: Yes.

18 THE DEPUTY CLERK: Juror number 11, is that your
19 verdict?

20 JUROR: Yes.

21 THE DEPUTY CLERK: Juror number 12, is that your
22 verdict?

23 JUROR: Yes.

24 THE DEPUTY CLERK: Verdict unanimous, your Honor.

25 THE COURT: Mr. Cohen, Ms. Sassoon, is there any

1 reason why the verdict should not be filed and recorded?

2 MS. SASSOON: No, your Honor.

3 MR. COHEN: No, your Honor.

4 THE COURT: The verdict will be filed and recorded.

5 Members of the jury, you have completed your task. I
6 have a couple of words to say to you.

7 First of all, there was a very distinguished judge of
8 this Court who has now long left us, probably generally
9 regarded as the finest trial judge of the 20th century in this
10 country, Ed Weinfeld. And Judge Weinfeld's belief, and I and
11 most of the rest of us follow pretty much everything he ever
12 said, don't follow him in one thing, and it is that it was his
13 belief that serving on a jury is a privilege and a duty of
14 citizenship and it doesn't deserve thanks. It is a duty, it is
15 a privilege of citizenship, it does deserve thanks, and you
16 deserve thanks, each and every one of you.

17 It was obvious from the first day of this case that
18 you paid attention, however complicated it got from time to
19 time. You learned a whole new industry in the course of it.
20 You took your job just as seriously as you could have taken it,
21 and I thank you. I know counsel on both sides thank you.

22 You did what we hope all citizens do when called for
23 jury service, and of course I make no comment on the verdict.
24 That was your call. It is not mine. I express no opinion on
25 it, and I never have, and I don't plan ever to do so. But you

1 have my thanks and those of the others I have mentioned for
2 your service in this case.

3 Now, in just a minute I am going to discharge you and
4 you will go about your business. You will be free to either
5 talk about this case privately or otherwise, or not to talk
6 about this case, privately or otherwise. That's your call too.
7 Should you elect to say anything to anybody about it, I would
8 simply urge on all of you some sensitivity to the concerns and
9 feelings that other members of the jury may have about privacy
10 and about what you say. It's the golden rule: Do unto others
11 as you would have them do unto you.

12 If anybody involved in the case, the parties or the
13 people who work for the parties, lawyers or whatever, the
14 question of whether you talk to them or not is up to you should
15 they contact you. But if you elect to say no or I've had
16 enough, I don't want to talk anymore and any of the lawyers or
17 people who are working with the lawyers don't easily take no
18 for an answer, you let Andy know, and I will take appropriate
19 steps to see that you are not bothered if I lawfully can do so.

20 With that, you are discharged. Andy will escort you
21 into the jury room, and you can collect your stuff and head off
22 with thanks.

23 You will leave your notes or whatever in there, and he
24 will take care of them.

25 Counsel will remain and everyone else will remain for

1 a moment too.

2 THE DEPUTY CLERK: Would the jury please come this
3 way.

4 (Jury discharged)

5 THE COURT: Now, we have scheduled a second trial of
6 counts that were severed before this case was tried. I believe
7 it's set for March 11.

8 I would ask the government -- I will tell the
9 government to let me know by February 1 if that's going to
10 proceed. Obviously, it may be that you will come close to
11 February 1 and there will be a good reason why you can't say.
12 If that's so, you will let me know, but I want an update on
13 that come February 1.

14 Now, what is the government's position with respect to
15 setting a sentencing date on the present matter?

16 MR. ROOS: Your Honor, you are correct that obviously
17 the second trial may have an implication on that. That said,
18 we think it makes sense to set a sentencing date to get the PSR
19 process started. We, of course, can always move that. But if
20 we wait, we can't.

21 THE COURT: I am just going to wait until Andy gets
22 back in a second because he is the only one who knows my
23 calendar as between the two of us, or indeed I can try to fly
24 blind on my own. Let's see if I can get my calendar.

25 We will set sentencing for March 28 at 9:30 in the

1 morning.

2 Any defense submissions will be due February 16 and
3 government submissions will be due March 8.

4 Is that enough time, Mr. Cohen?

5 MR. COHEN: I was wondering, your Honor, if we might
6 have a bit more time on this, maybe a couple more weeks.

7 THE COURT: February 27; government, March 15.

8 Is that enough time for the government?

9 MR. ROOS: Yes, your Honor.

10 THE COURT: The schedule is: Defendant submissions by
11 February 27, government submissions by March 15, sentencing
12 March 28.

13 Is there anything else we need to accomplish tonight?

14 MR. COHEN: A schedule for posttrial motions, your
15 Honor.

16 THE COURT: Sure. What do you have in mind?

17 MR. COHEN: I think under the rule we get two weeks,
18 which would take us to the 16th. We would ask if we could
19 submit on the 20th.

20 THE COURT: That's November 20.

21 MR. COHEN: Yes.

22 THE COURT: Sure. That's fine.

23 Government.

24 MR. ROOS: In light of the holiday, can we have three
25 weeks from that date?

1 THE COURT: December 11.

2 Reply papers by December 18.

3 I'll set an argument date later.

4 Anything else this evening?

5 MR. ROOS: No, your Honor.

6 MR. COHEN: No, your Honor.

7 THE COURT: I just want to express appreciation to
8 counsel on both sides for a very well-prepared case and a great
9 deal of cooperation between attorneys on both sides and a good
10 job all around.

11 I think that's all I really want to say right now.
12 Thank you very much.

13 (Adjourned)

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