



Why Isn't Sam Bankman-Fried In Handcuffs Yet?

Description

To be honest, it's kind of hard to try and entertain the innuendo and rumors that Democrats and the media are working to do damage control on behalf of Sam Bankman-Fried, the founder of now-bankrupt crypto exchange FTX, because the idea is just so reprehensible.

But they sure do keep giving us ammunition to make that suggestion, don't they?



Bankman-Fried and House Financial Services Committee Chair Maxine Waters

Bankman-Fried – the second biggest donor to Democrats behind George Soros – has all but admitted that he squandered billions of dollars of other people’s money carelessly, writing “I fucked up” on [Twitter](#) in a mea culpa about two weeks ago, days after a run on his exchange exposed it to be a shell of what many perceived it to be.

Institutional investors in FTX have written their stakes in the firm to \$0.

SEQUOIA

To: Sequoia Capital Fundraising
Limited Partner: Administration
Subject: Update on FTX

Dear Limited Partner,

We are reaching out to share an update on our investment in FTX. In recent days, a liquidity crunch has created solvency risk for FTX. The full nature and extent of this risk is not known at this time. Based on our current understanding, we are marking our investment down to \$0.

Sequoia Capital's exposure to FTX is limited. We own FTX.com and FTX US in one private fund, Global Growth Fund III. FTX is not a top ten position in the fund, and our \$150M cost basis accounts for less than 3% of the committed capital of the fund. The \$150M loss is offset by ~\$7.5B in realized and unrealized gains in the same fund, so the fund remains in good shape.

Separately, SCGE Fund, L.P. invested \$63.5M in FTX.com and FTX US, representing less than 1% of the SCGE Fund's 9/30/2022 portfolio (at fair value).

We are in the business of taking risk. Some investments will surprise to the upside, and some will surprise to the downside. We do not take this responsibility lightly and do extensive research and thorough diligence on every investment we make. At the time of our investment in FTX, we ran a rigorous diligence process. In 2021, the year of our investment, FTX generated approximately \$1B in revenue and more than \$250M in operating income, as was made [public](#) in August 2022.

The current situation is developing quickly. We will communicate in a timely manner when more information is available. If you have any additional questions, please contact Andrew Reynolds, Marie Klemchuk and Kathleen Forte at: investorrelations@sequoiacap.com. For SCGE questions, please contact Kimberly Summe at summe@sequoiacap.com.

Sincerely,
Team Sequoia

Footnotes:

Global Growth Fund III (GGFIII) data is as of September 30, 2022 and is based on U.S. GAAP. The \$7.5B is composed of \$5.8B of unrealized gain and \$1.7B of realized gain, which includes the General Partner distribution on May 27, 2021 pursuant to the 2021 Amendment. Past performance is not indicative of future results.

Global Growth Fund III (GGFIII) refers to Sequoia Capital Global Growth Fund III – Endurance Partners, L.P. and does not include Sequoia Capital Global Growth Fund III – U.S./India Annex Fund, L.P., Sequoia Capital Global Growth Fund III – China Annex Fund, L.P., and their parallel funds.

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WARNING ABOUT STATEMENTS WE MAKE

In connection with our investment activities, we often become subject to a variety of confidentiality obligations to our funds, our limited partners, our portfolio companies and a variety of third parties. Any statements we make may be affected by those confidentiality obligations, with the result that we may be prohibited from making full disclosures. Please interpret any statement we make (in this communication or otherwise) in that context.

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The \$5 billion bank-run on FTX that started it all has many everyday crypto investors worried that their “investments” with FTX are total losses. For many, it was their life savings.

Since then, Bankman-Fried’s former company continues to be at the center of extremely shady circumstances. It has [seen](#) a “substantial amount” of its assets go missing in the days after its blowup.

The lawyer hired to oversee the liquidation of FTX, who also was in charge of the same task for Enron, has [said](#) “he’s never seen a company in worse shape than FTX.”

“I have over 40 years of legal and restructuring experience. I have been the chief restructuring officer or chief executive officer in several of the largest corporate failures in history. . . . Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here.”

To add insult to injury, Bankman-Fried has also admitted that his entire persona of being an altruist was a ruse, calling it a “dumb game we woke westerners play.”

Now widely accepted by the public and most in the financial industry to have committed a massive \$30 billion fraud that has spawned innumerable comparisons to Madoff and Enron, it’s unclear to me what more of an admission of guilt is needed to extradite Bankman-Fried to the United States and place him under arrest.

I know I’m not the only one who can hear the drumbeat of potentially covering up for Bankman-Fried beating a little louder with every day that goes by and he isn’t shown being paraded off somewhere in handcuffs.

Instead, the only photo I have seen of Bankman-Fried since his firm’s blowup has been one of him meandering around a grocery store in the Bahamas.



For historical reference, Bernie Madoff was arrested on December 11, 2008.

On December 11, 2008, financier [Bernard Madoff](#) is arrested at his New York City apartment and charged with masterminding a long-running Ponzi scheme later estimated to involve around \$65 billion, making it one of the biggest investment frauds in [Wall Street history](#).

His arrest came **two days** [after he admitted](#) to his brother that he was running a fraud.

“On December 3, he told longtime assistant [Frank DiPascali](#), who had overseen the fraudulent advisory business, that he was finished. On December 9, he told his brother Peter about the fraud.”

Between the beginning of December and his arrest on the 11th, he also confessed to his sons, who “turned him in”.

This means, at the maximum, it was 11 days between Madoff being “turned in” and being arrested.

For reference, FTX collapsed around November 8, 2022 and Binance turned down the company’s bailout on November 9, 2022. Bankman-Fried admitted to “fucking up” on November 10, 2022 and FTX filed for bankruptcy on November 11, 2022, which means it has already been 11 days since the bankruptcy filing – and nearly 2 weeks since the firm’s collapse.

In the interim, instead of Bankman-Fried being brought to justice in the United States, we find out that “members of the House are requesting testimonies from Bankman-Fried, top executives from FTX and Alameda at a hearing in December.”

“The fall of FTX has posed tremendous harm to over one million users, many of whom were everyday people who invested their hard-earned savings into the FTX cryptocurrency exchange, only to watch it all disappear within a matter of seconds.

Unfortunately, this event is just one out of many examples of cryptocurrency platforms that have collapsed just this past year. That’s why it is with great urgency that I, along with my colleague ranking member McHenry, announce the Committee’s intention to hold a hearing to investigate the collapse of FTX.”

Rep. Maxine Waters

Not at a criminal court – at a congressional hearing. Not anytime soon – in December.

In the interim, we are being treated to a cushy response from the media, who has hailed Bankman-Fried as anything other than a criminal. The New York Times wrote a widely criticized puff piece on Bankman-Fried 3 days after FTX filed for bankruptcy.

The Washington Post’s take was that he was a pandemic fighter:

HEALTH

FTX collapse dooms founder's effort to prevent another pandemic

Flush with crypto cash, Sam Bankman-Fried spent tens of millions of dollars on campaign donations intended to bolster public health and track emerging viruses.



By [Dan Diamond](#)

November 16, 2022 at 1:00 p.m. EST



Sam Bankman-Fried, founder of FTX Cryptocurrency Derivatives Exchange, center, after a congressional hearing this year. He is surrounded by people, including Gabe, and their network, spent at least \$70 million since October 2021, on initiatives intended to prevent the next pandemic, according to a Washington Post analysis. (Sarah Silbiger/Bloomberg)

For a party that seems to absolutely loathe billionaires, Democrats and their friends in the media sure are taking it soft on Bankman-Fried.

Key democrats also took it soft on Theranos founder and former billionaire Elizabeth Holmes. After she drove an \$8 billion fraud into the ground and was found guilty in a court of law, Democrat Cory Booker even wrote a letter pleading for a light sentence for her. Try to keep your lunch down while reading this:

My Plea

And now I must ask you to please help her. To help her help others. Her life will be one lived to its fullest potential. One of service to others and dedication to causes both great and small. And a life dedicated to protecting our son from the world Liz has now realized requires a bit of hesitation alongside her hope. She has paid the price of expensive lessons learned so he doesn't have to.

I ask you to consider who Elizabeth Holmes truly is. I ask you to get to know her through these letters and the outpouring of love and support she has. The fact that Liz still has the support she does, despite the risks of associating with her is a testament to her goodness. Many of the letters you will read were written and submitted by loyal people who know their careers and public standing will be put in jeopardy because of their public support for her. We have had multiple friends write letters who were told by superiors (who have never met Liz nor have any direct knowledge about the circumstances) that they would be fired for supporting her. Many people who sent letters ultimately could not submit them because they had to put themselves first. But the ones you'll see nonetheless feel compelled to help, to put themselves in harm's way to tell you what otherwise might be missed. I admire their bravery. Reading their letters, I am still surprised to learn about all the ways she has impacted these people's lives. Especially when considering that for 15 of her 38 years she ate, breathed, slept and single mindedly dedicated herself to her mission. While I know I am biased beyond anyone else, I believe in her deeply and I will continue to stand by her through the darkest times.

It is so very hard to distill what Liz means to me. I have struggled to adequately convey it here, though I am desperate to do so. I just hope, Your Honor, that my letter helps you know her. That these words ripped from my heart and thrown on this page can help you see what I know to be true.

If you are to know Liz, it is to know that she is honest, humble, selfless, and kind beyond what most people have ever experienced. Please let her be free.

Humbly,



Now, what do these two frauds have in common?



by Tyler Durden

Category

1. Crime-Justice-Terrorism-Corruption
2. Economy-Business-Fin/Invest
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