

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



## Can FTX Rise from the Ashes?

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As 2022 came to an end we were writing about [crypto winter](#) and whether the [FTX collapse was failed business or fraud](#). Nearly a year later Sam Bankman-Fried is in jail awaiting trial. FTX is going through bankruptcy proceedings. Things like who gets paid and who gets stiffed are getting sorted out in bankruptcy court. And the question now arises, can FTX rise from the ashes? There is the possibility of [FTX 2.0](#) in the near future. To understand what is going on, it helps to understand how bankruptcy proceedings work.

## Will FTX Survive Bankruptcy Proceedings?

When we hear the words bankrupt or bankruptcy we think of a person or business without assets. A business cannot pay its debts even after selling all of its assets. However, when a company files for bankruptcy they are seeking protection from the court. When someone like FTX files for bankruptcy all demands on their assets are legally required to cease. This includes judgements, demand letters, and even threatening phone calls. The point is to sort out the situation and give the person or company the ability to stay in business, settle debts, and continue.

In the case of FTX, the “estate” under consideration in bankruptcy court has billions of dollars in assets. These assets are properties in the Bahamas where the company was headquartered, crypto assets, and cash. These assets come to about \$7 billion. At the same time creditors are asking for \$16 billion. In order to survive, a company needs to present the court with a viable plan to continue in business and pay off creditors over time. This is what we are referring to when we ask, can FTX rise from the ashes?

## Plans for FTX 2.0

According to *Bloomberg*, the effort to put FTX back in business and out of bankruptcy will begin by next year. The FTX “estate” has been contacting as many as 75 potential investors and some have already submitted bids with the court. The last bids will be accepted in September 2023. The point is to gather sufficient funding to relaunch a new version of FTX that is able to make enough money to pay off debts and create profits for the new investors. A so-called “stalking horse” bid will be made in October which investors must improve upon. Tentatively this will be solidified by the second quarter of 2024.

## What Would FTX 2.0 Look Like?

An issue that will bear on court proceeding with Sam Bankman-Fried will be the degree to which the various arms of FTX were interlocked financially. Monies were moved from one branch to the other to cover costs and debts. At the same time these assets were portrayed as free and clear and not owed back to the other part of the business. For a new version of FTX to be approved by the court there will need to be safeguards against the sort of sloppy business practices and outright fraud that took FTX down in the first place. The FTX 2.0 bidding process is looking at recapitalization, a merger, an acquisition, or any other process that will get the business

back up with debts dealt with.

### Profits From a Bankruptcy

Not all bankruptcies end up with the company gone and everyone losing money. We wrote recently about the [profit potential in a Chinese bankruptcy](#). In that article we recalled how General Growth, the biggest manager of retail space in the USA went bankrupt during the Financial Crisis. Their stock fell by about 95% while they went through bankruptcy proceedings. A couple of years later the stock was back to the same price as before the Financial Crisis. Investors who got in as bankruptcy proceedings were progressing and the stock had bottomed out made huge profits. The point is that when all of the poor business practices and fraud are removed the new FTX could be a money maker again.

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