

Demetri Kofinas: 00:00 Today's episode of Hidden Forces is made possible by listeners like you. For more information about this week's episode or for easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you listen to the show on your Apple Podcast app, remember you can give us a review, each review helps more people find the show and join our amazing community. And with that please enjoy this week's episode.

Demetri Kofinas: 00:47 What's up everybody? On account of my ambition to release this episode sooner rather than later, I'm dispensing with the fancy intros and instead I'm introducing my guest to all of you right here, right now, Ed McCabe. Ed McCabe, welcome to Hidden Forces.

Ed McCabe: 01:03 Demetri, thanks for having me.

Demetri Kofinas: 01:04 It's great having you on. Before we get started, I want to also mention two things. First, we have a mystery guest who is going to be joining us toward the end of the program and who's going to be staying with us through the overtime, so make sure you stick around for that because I've never done that before and it's going to be anyone's guess, mine included on how that's all going to go down. Second, I have created a monster run-down for today's episode, which Ed can attest to, it's 18 pages long, can you attest to that Ed?

Ed McCabe: 01:34 It was a lot of homework.

Demetri Kofinas: 01:36 It includes a four page timeline that I've put together of important events at Tesla stretching back over the last eight months, demand numbers, financial projections, charts, Tweets, over 100 hyperlinks, I've counted them...To articles, press releases, you name it. If you're at all interested in getting up to speed on what's transpired of the company since we last covered it with Gordon Johnson and Montana Skeptic back in early September, this document is your ticket. So if you want to access that as well as the overtime to this week's episode, head over to Patreon.com/hiddenforces and subscribe. We also release transcripts of every single episode, but those take a couple of days to produce because they are human transcribed, so it may lag the release of this episode by a few days, if we get it out the door by Thursday, which is my hope. So, okay, Ed, I had to get all that out there. What a crazy bunch of weeks this has been for Tesla?

Ed McCabe: 02:31 Years...

Demetri Kofinas: 02:32 Okay. Before we get into it, let's start with your bio. What's your background and then how did you get into following Tesla and going short the company?

Ed McCabe: 02:41 Right. So I started my career on Wall Street in 1996 as a sell-side analyst at Oppenheimer covering enterprise software. And from there I went over to Merrill Lynch again as a sell-side analyst to cover the Internet during the last dot-com boom and crash. So I've seen some cults and I've seen some crazy valuation-

Demetri Kofinas: 02:56 Oh, really what cults have you seen?

Ed McCabe: 02:58 Well, we'll talk this one in a in a few minutes, but just in terms of the euphoria, the retail involvement in particular stocks, the financial illiteracy around certain stocks and what happens when it all comes to fruition or when it all comes to conclusion. So anyway, I went to Merrill, from there I worked on the buy side at a variety of hedge funds, including my own. And I've covered all of the sectors basically, I started in tech, but I've covered everything from consumer to industrials and most recently at a small family office, I'm currently a free agent.

Demetri Kofinas: 03:26 Before you continue, I also want to mention something else which I forgot to state, which is that I reached out to the two most respectable, thoughtful bulls on Tesla that I could find - one from Morgan Stanley, the other from Alliance Bernstein. Morgan reached back out to me and told me that he was "unavailable." I didn't hear back from the other analyst at Alliance Bernstein. I just wanted to say that because I got some heat for not having bulls on the program. The reason that I hadn't had bulls on the program was because I couldn't find any bulls that I thought actually understood the numbers and this as a business the way that the bears have. So I wanted to make sure that I didn't have someone on that people said, "Well, that was just a sort of throwaway interview." So I found two people that I thought were really great, but they haven't come on, so I just wanted to say that. So you said now you're a free agent, how long have you been looking at this company?

Ed McCabe: 04:14 Well, I mean when I had my hedge fund, which was focused in energy and industrials, which brought us into alternative energy, and we're talking 2007 to 2013 I got introduced to a lot of alternative energy companies, First Solar, SunPower, SolarCity.

Demetri Kofinas: 04:27 Now, that's when oil was up above 100, well above 100.

Ed McCabe: 04:30 Right. And there was a lot of support from the Obama administration and the Department of Energy for all of these technologies, and it was a burgeoning new industry. So I got involved with Tesla back then, it was a private company. I was at a conference, Musk was presenting, it was fascinating to me, it was an electric car company, it was the first new car company in 100 years in this country. Sat in, I didn't think it was viable, but I thought it was interesting.

Demetri Kofinas: 04:52 Why didn't think it was viable?

Ed McCabe: 04:54 Oh, I just thought it was too nichey, the batteries were too expensive, and I just thought the demand would never be-

Demetri Kofinas: 04:59 You didn't think it was viable as a large company, but that it was sort of a niche product for like the North East.

Ed McCabe: 05:05 Yeah. I still think they could have been that by the way, we can touch on that. So anyway, that's when I got introduced to the company, I didn't involve myself until really from an investment standpoint on the short side with long dated puts and that's how I have expressed it and I didn't do that until early 2018. That said, I followed the company, really what got my attention was the SolarCity acquisition in November of 16 because what I saw there was what I thought was one of the biggest miscarriages of corporate governance that I'd ever seen, and I've seen a lot, but when I saw Tesla bail out what should have been at bankrupt SolarCity, and Musk owned 20% of that stock and his cousins ran the company and his brother was on the board and they all had margin loans against that stock and they bailed it out, I said, "Well, this is going to be a problem." And I think that is going to be the seminal moment when the postmortem is written here because they bailed out, they took on 2.6 billion of debt doing it and they married together two companies that have no synergies.

Demetri Kofinas: 06:00 Right, that's something that we've discussed on prior episodes, it's what Jim Chanos calls the dark turn.

Ed McCabe: 06:05 I think that's a fair point. And basically Solar City has been in liquidation mode ever since. I mean look at Buffalo, Gigafactory 2, \$750 million of tax breaks, barely any jobs. You can go back to the solar roof tile, which frankly doesn't exist to this day, and that's the predicate upon which that whole deal was closed, demonstrated on the set of desperate housewives. That was what really got me reengaged.

Demetri Kofinas: 06:30 So let's fast forward now because we have done four different episodes and I encourage listeners who haven't heard those, the first one was with Charley Grant back in April, early April, and then another one in early April that followed up on the one with Charley with Mark Spiegel, and then again in September, we revisited the company that was, I don't know, five, six months after the April episodes with Gordon Johnson, analysts Gordon Johnson and Lawrence Fossi (aka Montana Skeptic).

Ed McCabe: 06:56 The legend,

Demetri Kofinas: 06:57 Right, the late Montana Skeptic, the Great Montana Skeptic, in early September. That was after the SEC filed charges against Elon Musk, I think it was right after he had got on Joe Rogan's show smoking that blunt. There are so many bizarre instances, moments related to this company that it's really difficult to know what to pick. I mentioned at the top of this show that I put together a four page timeline that stretches back to August 1st and goes all the way up to today. One of the things that I did and I was telling you this Ed, when I was writing this timeline was I had the daily price action of Tesla stock as well as the volume, the trading volume next to me and I would look at it and universally anything that could possibly be interpreted as good news made the stock rip, anything, almost universally, anything that would be viewed as bad news did not affect the stock or the stock went up, and in some cases went up ridiculously given what seemed to be objectively bad news. Only in certain very select instances like February 28th all right, did we see a spike in trading volume and the price decline.

Demetri Kofinas: 08:05 But what I'd like to do for listeners is to kind of, because it's so overwhelming because there's so ... it's like spraying bullets, it's like machine gun, maybe you can help us pick apart the important pieces of this timeline from early August to today, we were talking about some of them when we started. The first one I have here on my point is the gap losses I think for Q3 or what did I have for the latest? That was Q2, I can't remember what it was, but that was the one where Tesla reported the largest quarterly loss in its history with I think a loss of \$717 million and a free cashflow of negative \$812 million and the shares rose. That was August 1st, then we had the Azealia Banks situation, Martin Trip, the whistle blower, Saudi Arabia, the \$420, all that stuff. I guess maybe it's already there, it's the taking Tesla private at \$420 in early August that was sort of the big piece of that timeline.

Ed McCabe: 08:56 Certainly the biggest piece and probably the biggest act of securities fraud I've ever seen in my career, now, what would be

the motivation to do that? If you're in the midst ... think about that third quarter. That's the most profitable quarter Tessa will ever have. Musk also said in retrospect to Kara Swisher, I think on Recode that the company was weeks away from dying. Now how does that happen in the same 90 days? It's perplexing. And what happened with the Saudi stuff is that ... that was leaked via the press and I don't know what Musk was thinking, whether he was just going to jump on the momentum of that press leak and then speculate about a \$420 take out bid to further goose the stock. His motivation is hard to tell, I think there's always been an eye on the bogey of converting that March convert that was just paid in cash that they're always trying to avoid-

- Demetri Kofinas:** 09:48 How much was that?
- Ed McCabe:** 09:48 \$920 million and the conversion price was \$360 and they would have rather have settled that with stock and to part with precious cash resources. So I think that's always been in his mind and I think it was the motivation for that taking private bid, which was completely fake. I think it was the reason for pulling every stop possible to put together a third quarter that was legendary for them.
- Demetri Kofinas:** 10:10 Just to clarify, you're saying that the \$420 Tweet was meant to get the stock above a price target where they could convert that bond to equity?
- Ed McCabe:** 10:17 That's right. That's right. Over \$360 I mean, I won't get into the details, but that's roughly the price, they could just settle that with stock and they wouldn't have to part with close to a billion dollars of cash and they are short of cash and have liquidity issues. And he could have seen that coming in August, there's no doubt.
- Demetri Kofinas:** 10:31 Right. And that's been a feature for anyone that's been following this company and following Elon Musk, the extent to which he has relied on appearances and stories and been concerned with the price of his stock is disconcerting, is alarming in every single way because that's not what you would expect a CEO of a profitable or successful company to be occupying his time with, or a company that needs his full attention because it's in dire straits.
- Ed McCabe:** 10:57 Right, I mean, good CEOs are not wholly focused on their stock price, obviously they need to consider it, but if you're a CEO who has probably approaching \$1 billion of loans where the collateral is the stock, every day is an existential risk for you as it regards to the stock price because at a certain price, Morgan

Stanley who has the loans and Golden Sachs who had the loans, I don't know if they do anymore, but whoever has them, if the price gets low enough, whether it's in the low 200s or wherever it's speculated to be, he could have a margin call where he has to sell stock to satisfy those loans. So it's a very different position because he's in a precarious personal financial situation.

Demetri Kofinas: 11:36 Right, so you're talking about personal loans that he has close to ... well, how many do we know as a fact that he's taken out, close to \$700 million?

Ed McCabe: 11:40 As of 2017 was the last time it was disclosed, I think it was \$624.3 million.

Demetri Kofinas: 11:46 From Morgan Stanley.

Ed McCabe: 11:47 And other financial institutions, Morgan Stanley probably had about two thirds of them. Now since that time, we know he's done a \$101 million investment in the boring company, \$100 million, at least in SpaceX, he's paid a \$20 million fine to the SEC, he's bought Tesla stock in the open market and in a private transaction and there's been another SpaceX financing we don't know if he's participated, I'd speculate that he has. So easily from that \$624 million number is approaching a billion.

Demetri Kofinas: 12:14 So he is financing both his lifestyle and his investments entirely with or predominantly with stock from Tesla, which he's putting up as collateral to these banks that are lending him the money, which will inevitably these banks, they're indifferent investors, they're not interested in investing in Tesla they're interested in making their money back. So if the stock drops below a certain price target, I think it's what-

Ed McCabe: 12:35 You can only speculate about what it might be. It's not disclosed, but there's reasonable speculation and some analysis behind it that it would say it's \$200 to \$240 let's say, low \$200s.

Demetri Kofinas: 12:44 Okay, so once it gets to a certain price, these holders of Tesla stock becomes sellers.

Ed McCabe: 12:50 These banks-

Demetri Kofinas: 12:51 The banks which hold the collateral.

Ed McCabe: 12:53 Hold the collateral, which is the stock. They would force Musk to sell it to satisfy his margin loans.

Demetri Kofinas: 12:58 Right. In other words, yeah, exactly. It forces Tesla stock onto the market, which pushes the price down. Unless there's-

Ed McCabe: 13:03 Right, alternatively, he could put more cash into the account. Now the question is does he have more cash? He just mortgaged five properties in Bel-Air, California, so that would lead you to believe he's not liquid, not very liquid, he's more liquid than me, I guarantee you that, maybe not. But in all likelihood, he'd have to sell stock to satisfy those margin loans, so that's why the stock matters so much. The stock matters so much also because the company generates no free cash flow and has tons of debt. So the only reason this company is alive right now is because of the environment we're in and because the stock has been highly valued and up until recently, meaning last couple of years now, he's been able to issue stock whenever he wanted.

Demetri Kofinas: 13:39 So just to put a bow on that and that's something that I haven't appreciated until I came back to this story again after we covered it about six months ago or so, as I said with Lawrence and Gordon, which is his personal financial situation and how much of that may be driving his decisions at Tesla and are we seeing, and we can get into that later, are we seeing an informal liquidation of the company right now and a restructuring outside of bankruptcy that should be happening in bankruptcy let's say because of his own personal-

Ed McCabe: 14:09 Well, yeah, you could say and what I would say is if you were a responsible CEO and you had the lives of 41,000 employees in your hands, there's a way to restructure a company responsibly, because everything they just did on the 28th of February sounds like a restructuring to me that you would do in bankruptcy. You'd cut the price of the cars, you closed the retail operations and they went out and borrowed more on their asset based loan, you would do all those things in a bankruptcy and you can see it even with the stores closing, right? Now he's reopening stores, why is that? Because you can reject leases in chapter 11 you can't reject leases if you're not in the protection of the bankruptcy court. So that's what he should be doing in my eyes, he is protecting the enterprise, renegotiating with creditors, getting the balance sheet right sized, turning the company back from a mass market manufacturer to a niche product manufacturer, saving jobs and saving the brand and saving the enterprise.

Demetri Kofinas: 15:00 Saving the brand, that's also a good point. So again, this is the challenge with covering this company because there are so many events and it's just difficult to know what to focus on and

then also you're constantly remembering what you forgot. So let's go back to January 30th which is when a lot of stuff happened there. Take us back to that moment, I think that's a good place to start, right? Or I mean, on the 18th he fired 7% of his workforce too, right? I mean I don't even know where to start.

- Ed McCabe:** 15:27 So I think January 18th is an important place to start. And if I went back further than that, I'd say June of 18 is an important place to start because June of 18 he laid off 9% of his workforce. Now we are about to head in towards the third quarter, the immaculate quarter, this unbelievable quarter, were laying off 9%?
- Demetri Kofinas:** 15:43 Right. That was the first time they showed a profit in how long?
- Ed McCabe:** 15:47 Oh God, I want to say a couple of years, more than ... yeah, I forget exactly when. And they manufactured a profit that last time too with, so it was a onetime profit-
- Demetri Kofinas:** 15:57 Yeah, they generated I think \$6.8 billion in revenue in the third quarter and they had \$311 million in profit.
- Ed McCabe:** 16:02 Yeah. I'm saying the last time they were profitable prior to Q3 was years ago with the benefit of tax credits and they immediately reverted back to deep losses.
- Demetri Kofinas:** 16:11 Right, right. And that's another important point, right? The EV credits have been halving for a while now or have they completely gone away?
- Ed McCabe:** 16:18 In fact, there's a couple of different tax things to understand. The federal tax credit that consumers who buy the car get, that was \$7,500 up until the 31st of December, you're right, it's now been have to 3,750 and we saw a huge demand cliff once it got cut in half, January deliveries were terrible, February deliveries were terrible and then June 30th we'll get it halved again to 1,875 and by the end of this year there'll be no more federal tax income credit for consumers. The other credits I'm referring to are zero emission vehicle tax credits. And those credits are when somebody creates a zero emission vehicle, they get credit for it. And if you are a dirty car company and you don't manufacture enough of those in your fleet, you can buy those credits. So Tesla only produces zero emission vehicles so they can stock pile these types of credits. There's also some greenhouse gas emission credits, but they very much benefited from those credits in that miraculous quarter.

Demetri Kofinas: 17:15 Because they sold them for that quarter ... in that quarter.

Ed McCabe: 17:16 They sold them for that quarter.

Demetri Kofinas: 17:17 Right. So I took you away from January 18th when they announced the 7% layoff of their workers, you were saying?

Ed McCabe: 17:24 Well, all I'm saying is you laid off 9% in June of 18, you laid off probably about 5%, it was not publicized that was performance related, so let's just say that's an annual culling of the workforce due to performance, although I don't know if that's necessarily the case. And then we laid off 7% in January and we just laid off an undisclosed number of people February 28th.

Demetri Kofinas: 17:45 Right, and this is supposed to be a growth company.

Ed McCabe: 17:46 Growth company. It's a growth company where capex is below maintenance capex to growth company laying off people, it's a growth company with R&D nothing being invested in.

Demetri Kofinas: 17:53 Hugely important point the point about R&D.

Ed McCabe: 17:56 If I showed you a software company where they weren't investing in R&D, you'd sell the stock immediately. So it's not a growth company.

Demetri Kofinas: 18:05 So let's go back to the January 30th conference call, I think, was that the call where he contradicted his own filing?

Ed McCabe: 18:15 Yeah.

Demetri Kofinas: 18:15 Right, so walk us through that because that's an issue here with the SEC too, because later on Musk made a Tweet where he contradicted himself again and that's gotten him recently in trouble.

Ed McCabe: 18:24 Yeah. Let me give a little more background to ... this is all about production guidance, okay? The SEC and the DOJ are investigating Tesla related to funding secured which the SEC is still dealing with, Department of Justice, we've heard nothing about on that front, but that's funding secured, we know all about that. The other thing they're looking at are the projections that Elon Musk made about how many Model 3s he could produce by the end of 17 which he said would be 5,000 a week, we're still not there, and the end of 18 which was 10,000 a week. Why is that important? Because he raised capital based on those projections.

Demetri Kofinas: 18:56 Because he got reservations and also raised capital in the equity market.

Ed McCabe: 19:00 Right, and so what will the DOJ look at on that front? They're going to go in and say, "Well, you better show me, but if you're going to do 5,000 cars a week, you better have ordered 20,000 tires for that week," and they're going to talk to employees and make sure that they had the capacity at the plant to even do that. We know subsequently they built a tent to do this, so arguably they didn't have the capacity. So anyway, my point is he's already being scrutinized around his production guidance from years past, all right? Would be a hot button issue for me if I were him. And then on the 30th of January, they report fourth quarter earnings and they say total car production for 2019 is projected in a range of 360 to 400,000 units, that's Model 3, Model S, Model X. Then he gets on a call the same day an hour later and says he thinks Model 3 could be between 350,000 and 500,000 units, never mind another 75,000 to 100,000 Model S and X. Then on the 19th of February, he puts out a Tweet, this is what we're dealing with SEC-

Demetri Kofinas: 20:01 He was also on Ark Invest this investor Ark Invest podcast. He said that, "I think we will be featured complete on self-driving this year, meaning the car will be able to find you in a parking lot, pick you up and take you all the way to your destination without an intervention this year. I am certain of that, that is not a question mark." And the autonomous driving according to third party Navigant-

Ed McCabe: 20:24 Navigant is a consultant that look, they're like 18 out of 18. If the look at the autonomous miles driven last year in California, which people file, they had zero, how can you be a leader in autonomous vehicles if you're not spending on growth capex?

Demetri Kofinas: 20:39 And, yeah, I want you to continue-

Ed McCabe: 20:39 In R&D, I'm sorry.

Demetri Kofinas: 20:39 Yeah, and I want you to continue and I want to just drive a point home because we live in an age where people say more and more bullshit and okay whether it's in politics or whether it's on their Instagram account with pictures and selfies. When it comes to securities regulators, when it comes to people's money, that's not a joke. There are professionals who do analyses based on the numbers that you put out and for you to just cavalierly contradict those numbers is not a joke and I just wanted to actually just kind of put that out there because it

happens so often with Elon that it's just normalized and it shouldn't be thought of as remotely normal.

- Ed McCabe:** 21:14 It's not normal at all. I mean, I've covered companies, hundreds of companies over the years, and I've never seen somebody so brazen in how they throw around numbers, numbers that mean a heck of a lot.
- Demetri Kofinas:** 21:24 So the same day that he made this point about the autonomous driving, he also miss Tweeted, right? That's where you were going at I think, right? About the production numbers.
- Ed McCabe:** 21:33 Yeah, so let's just do production numbers in one block. 360 to 400,000 in the letter on January 30th the letter that went out to investors and the letter that was filed with the SEC in an 8-K. An hour later, he says 350 to 500,000 Model 3s, a subset of the total number just printed in the letter. Then on the 19th, he Tweets that they're going to do 500,000 in 19 another one in conflict with the last statement. Then four hours later he comes out and amends that and says he meant a 500,000 run rate, they'll do around 400,000 in 2019. Then on the 28th of February when he announces the \$35,000 Model 3, when he announces the shutting of the stores, when he announces effectively layoffs, he holds a private call and on that private call changes profitability guidance saying they'll not make money and gives a total range of production of 420 to 600,000 vehicles. And by the way, I have not seen an 8-K that can clarify any of that for me right now.
- Demetri Kofinas:** 22:38 Not to because I don't mean this politically because I just don't, but he reminds me of Donald Trump. He reminds me of Donald Trump and his modus operandi and in the way in which people who are familiar, who are used to operating in a particular way in terms of a set of what is considered to be fact or what is considered to be normal behavior is assaulted in such a manner that everyone's sort of just left totally discombobulated. And that's how I feel when I'm trying to guide this conversation, I just don't even know what to look at.
- Ed McCabe:** 23:10 Well, I mean he reminds me of Trump in many ways. One is he's thin skinned, two is-
- Demetri Kofinas:** 23:14 Incredibly thin skinned.
- Ed McCabe:** 23:15 Yeah, he's impetuous. I mean he will launch on social media similar to the president. He doesn't take counsel, he often feel like Trump is saying things without having taken counsel from

people in his cabinet or otherwise his advisors and Musk doesn't-

- Demetri Kofinas:** 23:26 He bleeds staff and advisors just like Donald Trump.
- Ed McCabe:** 23:29 Yeah, and then ... so I think there's a lot of similarities. And then the final similarity, and it's significant is the base. I mean, Trump's base, whether you like Trump or you don't, his base adores him and he can do no wrong in front of them, and the same thing for Musk.
- Demetri Kofinas:** 23:42 Dude, 100%, I Tweeted out today, I have people that listen to this show, I'm grateful for them being listeners, but some of them have criticized me for being biased in their view. I've never been short the stock, by the way, I've never been ... and more importantly I've never been long the stock, I have no financial interest in this company, nor is my personal reputation tied up in it. I'm not going to tell people what's going to happen, this is not what the show's about. I just sort of found my way into it because I just looked at what was happening and to me it seemed very obvious that we had a real problem here with this company. But it's remarkable that there are people who defend him given just the lack of integrity in his actions, if you're being generous misspeaking-
- Ed McCabe:** 24:21 Right. I mean what I find fascinating about the whole thing and the reason it's on your show probably is because it transcends financial markets. I mean he is a celebrity, a real celebrity, like every household knows who he is and what I found interesting is the hypocrisy, right? This is the man who's going to move us towards sustainable transport, this is the man that is going to help us save the earth, and this is a man who has access to two private jets, commutes via jet to work and has to heat five houses in Bel-Air California.
- Demetri Kofinas:** 24:46 He commutes via jet to work?
- Ed McCabe:** 24:48 Yeah, he lives in Bel-Air and when he goes up to Fremont or to Palo Alto in northern California, he goes by jet daily. When he shows up.
- Demetri Kofinas:** 24:56 I didn't know. Are you serious?
- Ed McCabe:** 24:57 Yeah.
- Demetri Kofinas:** 24:57 Daily he goes there? I didn't know.

Ed McCabe: 24:59 Well, I mean that's how he commutes from here to there.

Demetri Kofinas: 25:01 Jesus Christ. Are you serious?

Ed McCabe: 25:02 Yeah. We're in an age, right? Where there's no critical thinking. People have a narrative is written, a narrative is accepted and nobody delved any deeper than that. And that's the case here, I can't believe somebody has not called out the fact that he has a carbon footprint that rivals the US army.

Demetri Kofinas: 25:16 One of the things that I've noticed, there's this, I have a subtitle in this rundown called The Unholy Trinity because Tesla, crypto and marijuana stocks have a lot of similarities to them and they have a lot of similar buyers, right? And a lot of those are millennials. I think there are a lot of people who have purchased cryptocurrencies and purchase Tesla and when they have done well, and this is not unique to these people, this is common with lots of people who make a lot of money without knowing why they made it, right? And there's just something about wanting to believe that you're smart and that you can see a winner, and Elon Musk is brilliant and I'm with Elon, right? Which is totally insane. Anyway-

Ed McCabe: 25:53 No, I mean when you mention those three things, they're interesting. I think about it-

Demetri Kofinas: 25:56 By the way and let me make another point, listeners who have listened to the show know that I'm not universally bearish on cryptocurrencies, I'm selective in my coverage of it, I'm just making that larger point that there was a huge, enormous bubble in cryptos in an ICO, and I think there's a really good chance that Tesla is the equity market version of what we saw in the crypto market.

Ed McCabe: 26:17 Yeah, I mean, I do give a lot of thought to how millennials invest because millennials as a cohort are the same size as the baby boomers, and the baby boomers are exiting the stage left and withdrawing their money from the market and the next cohort of investors, a similar size are the millennials and they think much differently because they're born of the financial crisis, so they don't trust financial institutions, so the cryptocurrencies feed right into it, they don't believe in the Fed, they don't believe in JP Morgan, but if I think about marijuana, they're kind of anti-establishment and freedom and almost libertarian in nature, and if I think in terms of Tesla, they see it as the vehicle by which they can signal their love for the environment and somehow their love for Musk. So I kind of get why they're involved.

Demetri Kofinas: 27:00 I'm not sure what it is, man. Like for example, I am millennial and when I saw him go on Joe Rogan, I watch Joe Rogan a lot, I have watched clips of Joe Rogan, I find him interesting, entertaining, he brings certain people on that are interesting. I'm not against smoking marijuana, I've smoked marijuana before in my life, I'm not a prude. I thought it was crazy that he went and sat there with him when he was under investigation by the SEC after all those things that were going on and he sat there and smoked weed and talked about like AI and the fact that people see that and they say, "Yeah, he doesn't give a shit, he's sticking it to the SEC." That's insane thinking and that's not correct and you're going to lose money if that's how you invest.

Ed McCabe: 27:40 I watched a lot of people online including professionals who are like journalists and the ... mostly out in the valley and they said, "Well, it's legal in California." I said, "Well, great." I said, "He's the government contractor using drugs."

Demetri Kofinas: 27:52 That is not even the point. Even if he got drunk on a podcast, it's bad, you're the CEO of a company that is under investigation by the SEC.

Ed McCabe: 27:58 There is a lots of that are legal, that are bad judgment. And so you have 7,000 people at SpaceX, you have 41,000 people now at Tesla and you're going to run afoul of the SEC and you're going to run afoul of the Department of Defense, it's reckless behavior.

Demetri Kofinas: 28:11 So he hit back against the SEC on February 26th, well, before that, so here what I have here is the SEC on the 25th asked the federal judge to hold Elon Musk in contempt of court over the Tweets he made a week prior about the automakers, 2019 projections. What's happened since then?

Ed McCabe: 28:29 Okay, so since then, the judge came out the next day and said, "Okay, Musk, you need to respond by March 11th." And she did that the next day. Federal judges are pretty busy, so the fact that the next day she put that right on the top of her docket tells you it's high priority. He responded yesterday, his briefing, I'm not a lawyer, but his briefing was comical and essentially the consent order that he agreed to and that he signed, said that every communication he made in the company ... that he made was to be preapproved, whether it'll be on a phone call, whether it'll be Twitter. What we learned in all of this stuff in this back and forth is that no Tweet has ever been preapproved, okay? So we learned that.

Ed McCabe: 29:13 we learned in Musk's filing last night, his brief is that they're taking the very artistic view that Musk can police himself, so he in his own discretion decided that Tweet was fine. He sent it out, and then he's also arguing that the SEC is taking an unprecedented overreach approach to him because he's embarrassed them on 60 minutes and the like, and he's saying, "That's a violation of my First Amendment, freedom of speech rights." Guess what? Freedom of speech does not allow a public company's CEO to lie to investors. I'm sure he learned about constitutional law over the weekend and now he's an expert because this is how he operates, but it's a ridiculous argument. And then what happened today, which is what are we on-

Demetri Kofinas: 29:58 The 12th, March 12th.

Ed McCabe: 30:00 The 12th. So Musk filed his brief on the 11th yesterday and today the SEC immediately came back and said to the judge, "Please give us permission to file, basically something to clarify," or in opposition, I guess, to what Musk filed because these are new factual assertions.

Demetri Kofinas: 30:16 Jesus Christ.

Ed McCabe: 30:17 So he's laid down the gauntlet, it seems to me, I mean, he's going to fight and what shocks me is there is no doubt that he needs capital, and the one thing standing between him and capital, at least one very significant thing is the SEC. So to antagonize the very agency that prevents you or allows you to access the capital markets is suicide to me.

Demetri Kofinas: 30:38 And he's making himself out to be the victim. Any adult in his position knows to keep their mouth shut. I mean, anyone knows that, you just say, "Yes sir." If you get pulled over by a cop and he says, "Do you know how fast you were going?" "Yes officer," or, "I'm sorry officer," no matter what, you're his bitch, he pulled you over, you do what he said. It doesn't matter how rich you are, how smart you are, how stupid you think he is or how angry you are or whether or not you were speeding. That's not the point, you know what I'm saying?

Ed McCabe: 31:06 Absolutely. I mean if I were-

Demetri Kofinas: 31:07 We all know that shit.

Ed McCabe: 31:08 If I were guiding him on the brief last night, I would have said let's do something very conciliatory, let's wordsmith something very delicate and let's show a little bit of contrition here, and he

didn't, he went the exact way, he went defiance and you can see his fingerprints are all over that brief.

- Demetri Kofinas:** 31:22 Let's go back to that February 28th conference call where he had only the press join the call, right? Because we've skipped over that a second when we went to the most recent filing with the SEC. Let's just make that point really quick because I think it's important because he dropped the price of the Model 3 down to 35,000 which had been the original promise long ago-
- Ed McCabe:** 31:42 For three years, yeah.
- Demetri Kofinas:** 31:42 Right. What were the important parts of that call and what's significant in your view about that?
- Ed McCabe:** 31:48 Well to me, what I heard on that call was a restructuring outside the protection of chapter 11 bankruptcy. What I heard was cutting prices to move metal, to convert working capital into cash, closing retail locations, laying people off, and what happened a few days later was drawing down or increasing the size of the ABL, the asset based loan. What really would have happened correctly if you're responsible and you cared for the enterprise and you cared for the brand and you cared for the employees, all 41,000 of them, you would have filed for chapter 11, you would have arranged DIP financing, the DIP financing here is going to be the asset based lenders anyway and then you would have renegotiated with Panasonic, with your creditors, with your suppliers.
- Demetri Kofinas:** 32:30 I wonder how many of the equity holders know that they're behind the creditors.
- Ed McCabe:** 32:32 The people who own the stock don't understand any, and I'm not being facetious. There's nobody I know in this business who can rationally explain other than Catherine Wood and Ross Garber, there's nobody who can rationally, and those are irrational explanations to be fair, can explain why this exists. This exists because every time they see a dip in the stock, they see an opportunity to buy Musk cheap in their mind, and that's it.
- Demetri Kofinas:** 32:55 Right. How much was the drop to the \$35,000 for the car also about satisfying the SEC's complaints or promises he had made.
- Ed McCabe:** 33:03 It's very likely. I don't know if it's the SEC, I don't know if it's DOJ, I don't know-

Demetri Kofinas:	33:06	DOJ maybe.
Ed McCabe:	33:07	I don't know if it's the Federal Trade Commission, but they said-
Demetri Kofinas:	33:09	Who knows?
Ed McCabe:	33:09	No, but you've had people online for three years for a product that hasn't existed. I mean, there could be people or it could be a smart lawyer or it could have been Dane Butswinkas who said, "You better get this car out there because you can't take half a billion dollars of interest free loans from people for a product that doesn't exist."
Demetri Kofinas:	33:24	So while you were speaking Ed, amidst this insanity, amidst the insanity of these facts of these accusations, of all these papers that are spread out all over our table, our mystery guest made it in here, and why don't you just speak into the microphone and see if anyone recognizes you.
Montana Skeptic:	33:39	Of course. Yes. And great to see you Demetri and pleasure to meet, finally, Ed McCabe whom I've-
Ed McCabe:	33:44	Yeah, I mean I'm a little bit clamped right now, I got to tell you, this is like meeting-
Demetri Kofinas:	33:48	The ghost of Christmas past. So our guest is the late Montana Skeptic, Lawrence Fossi here to bring-
Ed McCabe:	33:55	He's very alive among TSLAQ
Demetri Kofinas:	33:57	Here to bring some legal insight and financial insight into this debacle.
Montana Skeptic:	34:02	Well, I'm sorry, I missed the earlier part of your discussion, of course.
Demetri Kofinas:	34:06	So did I.
Montana Skeptic:	34:08	But there are very few, if any factors regarding Tesla about which I would disagree with Ed McCabe because I follow him on Twitter and read what he writes and I've heard him speak and he's rock solid, possibly more exuberant about the prospect of a Tesla demise happening sooner than I think it might, but except for that, we're very much on the same page. I take it, you've talked some about the latest developments in the SEC lawsuit, more particularly SEC's attempt to have Elon Musk held in contempt of court. And I don't know, did you cover the fact that

the SEC requested until March 19 to file a reply brief, which the court granted and said, "If any party wants to have an evidentiary hearing on this matter, advise me by March 26."

- Ed McCabe:** 34:58 Oh, I didn't see that reply. I did see the petition of the court, but-
- Montana Skeptic:** 35:01 Yeah, so no, that's the court's order, the court said, "Yes, you have until March 19 to file a reply brief," And an evidentiary hearing, in other words, the court would swear witnesses, they would give testimony and the court would take all that into account in addition to the sworn affidavits and other evidence that she has before her. So this matter is most certainly on the court's fast track docket. The court is paying close attention to this, the judge is the honorable US District Court Judge Ellison J. Nathan. She's taking it very seriously and you've probably talked about the Musk response to the SEC's motion-
- Ed McCabe:** 35:45 I think your interpretation of that though would be more valuable than mine. I gave mine, but I know your background so.
- Montana Skeptic:** 35:50 Well, what stunned me about it was not what Musk said because it was evident to me when Butswinkas left and when there was not an immediate response from Musk. I thought if Tesla wanted to raise capital, what it would do would be to put this contempt motion behind it as quickly as possible, file a response saying, "I screwed up, I'm sorry, I know you have to do something to me. I hope it's not too bad, do it quickly and let's get this over with and meanwhile I'm going to go talk to the SEC and we're going to see if we can come to a settlement short of the court making a decision on this motion." That didn't happen but Butswinkas left.
- Demetri Kofinas:** 36:28 But the lead counsel for Tesla.
- Montana Skeptic:** 36:30 Yes, Williams and Connolly had represented Musk, excuse me, had represented Tesla in the earlier SEC lawsuit back, the one that was filed back in September and then Butswinkas came aboard to become general counsel of Tesla and then he departed as general counsel as you know, very possibly because he had, among other things, one, it's an impossible client with Elon Musk who will never be square with you, who will never do what he says, who will never do what you counsel. And number two, there may have been a conflict, Butswinkas may have said, "At this point, Elon, you wanting to fight the SEC where you are so manifestly and evidently wrong is not in the best interest of the enterprise which badly needs to raise capital. Your attitude

toward the SEC is an impediment toward the best interests of this company and I am now conflicted. You want me to take a position in this contempt action that I think is not in the best interest of the company and so I'm departing," in all events, he left.

- Demetri Kofinas:** 37:32 That's you think what he meant when he talked about cultural differences?
- Montana Skeptic:** 37:36 Well, the cultural differences were evident from the start, Dane Butswinkas is a, from all I can tell, careful, cautious, prudent, accomplished trial lawyer from a firm that has storied from the values and reputation that certainly has taken on clients who have some hair growing on them, okay. It's had, I think Joe McCarthy as its client, it's had, who was in the Iran-Contra scandal?
- Demetri Kofinas:** 38:02 Oliver North
- Montana Skeptic:** 38:03 Oli North is a client. It's had other clients like that, but it's a great and vigorous advocate, but what it can't have is a client who utterly disregards it's advice or does the opposite of what he or she or it promises, that puts a counsel in an untenable position. What shocked me was not what Musk said, evidently, he was going to fight, he waited till march 11 to file his response. What shocked me were two things, one that Cahill Gordon no longer represents Tesla. It had written a letter to the responding originally to the SEC inquiry about that Musk Tweet on February 19. Now we have WilmerHale is now representing Tesla, very connected, Washington DC firm, and if you know Tesla, you know it has an army of lobbyists. It has vacuumed up subsidies and direct and indirect subsidies all over the country and at the federal government level and so it has people who are intimately connected at the highest levels of government, but now WilmerHale is like the ultimate inside law firm.
- Montana Skeptic:** 39:08 And it filed a letter, it wrote a letter to the SEC, which Musk attached as an exhibit to his response, exhibit eight, and the WilmerHale letter takes the position that Musk's decision not to seek preapproval of that Tweet where he said, "We're going to make 500,000 cars this year. "That was," it said, "Reasonable and appropriate." Now that is an outrageous and incredibly stupid thing to say. Musk took positions in his briefing that were stupid and outrageous, and I expected that. I was curious to see how Tesla would react to this, would the board finally take some grownup position in this matter? Would it finally act to restrain Elon Musk? Would it finally say, "We really don't need a fight with the SEC," but no, it retained WilmerHale, no doubt at

the instance of Elon Musk, which wrote this letter that takes, in my opinion, utterly implausible, outrageous, indefensible position. So that's where we are today.

Demetri Kofinas: 40:12 Would you guys agree that maybe the central problem here or the defining problem, the problem that reasserts itself continuously is that this company is inextricable from Elon Musk, that the people who are long the company are long because they believe in Elon so that the upside of the stock is determined so much ... it's so heavily dependent on the perception that Elon is involved, and then at the same time, Elon is a source of so much of the disfunction. I mean, how important is that dynamic?

Ed McCabe: 40:40 I think that influenced very much the way the SEC has acted to date, and I think Clayton said in some article or some press release that basically sometimes the acts of the CEO hone the investors if you come down on them in not so many words.

Demetri Kofinas: 40:55 You're saying they don't want to get blamed for wrecking the stock.

Ed McCabe: 40:58 Yeah, the SEC is famous for coming in to the bar room after the shootout to see which bodies to pick up. They don't want to be seen as the guys who put the bullet in this thing. And I don't even know if the DOJ does, I mean, but this is a American manufacturing company in a Donald Trump administration that's kind of deregulated everything, that is pushing for jobs, so I don't know if there is a political will to do it, I just don't know. But I feel like the SEC has quietly kind of signaling to the market, but the market and this stock is too stupid to see it, that exit stage, right? I mean we're coming after this guy, but I don't know, he may have pushed them too far now because he laid the gauntlet last night from a layman's reading.

Demetri Kofinas: 41:35 Lawrence, do you think that he's pushed them too far? The last time you were on the show, it was shortly after the SEC had filed charges, he had settled, I don't think he had settled yet, it was after the Joe Rogan episode, I don't remember. Again, this is the thing that I was saying to Ed and I was saying to the audience, it's so hard to know how to cover this, it's overwhelming like you forget what happened when, but I remember that was a critical time early September.

Montana Skeptic: 41:58 Sure. It was actually September 27 that I was here that we laid down the tape, okay? That was the day the SEC filed the lawsuit and then Tesla came out in support of Elon Musk. Excuse me, it was the 28th it was the day after the lawsuit was filed and Tesla

just said, we're behind that guy a 100%. I was stunned. The very next day after the market tanked that day they all came crawling on their knees to the SEC saying, on a Saturday, "We're so sorry we were wrong, we will sign these consent judgments," and they resolved it that Saturday. Just I wanted to answer your question broadly and then narrowly, okay? The broad answer is you're exactly right. Investors who decide that they will allow a charismatic cult figure to become the embodiment of the enterprise in which they are invested, have a double-edged sword. They're, champion and hero when everything is going brilliantly, but there's no way to get rid of him without causing a collapse of the enterprise and that is the position Tesla finds itself in right now.

Montana Skeptic: 43:06

There's nothing worse for Tesla than Elon Musk, his business decisions at Tesla have been every bit as catastrophic as they were at PayPal and believe me, they were catastrophic at PayPal. On the other hand, were he to leave, the magic of this absurdly inflated stock would dissipate very quickly I believe. Now more narrowly, the SEC, as Ed said, it gets to the scene and looks at the corpse and pronounces them dead and it doesn't want to be the regulatory agency that brings down a thriving operating business enterprise no matter how poorly it's treating its employees, no matter how much it's lying and defrauding investors, it hopes that the market itself would take care of that. The SEC filed its contempt motion against Elon Musk only and that's really a problem because Tesla also signed a consent judgment and in it promised to implement mandatory procedures that would require preapproval for all written communications of the type that Musk Tweeted out on February 19 and now we learn that no one has preapproved or previewed any of his Tweets ever, okay? They looked at the quarterly update letter, they looked at the 10 K and they looked at the script part of his conference call, but nothing else.

Montana Skeptic: 44:33

On the one hand, maybe the SEC should be going after Tesla again and the board, on the other hand, people criticize the SEC, not me. The SEC has gone very far in trying to engineer the corporate governance of Tesla to make it a more responsive, responsible company disseminating truthful information. I don't know how much further it can go without really overstepping its bounds, and Musk and Tesla have put the SEC and the DOJ just in a terrible position on the one hand for them to take the actions they need to take, it's going to seem a bit extreme, on the other hand, if they permit this to continue, then the very notion of truthfulness in all materials statements for investors in the publicly traded enterprises of the United States, the very

foundation of the SEC under the 33 and 34X is called into question, is undermined and we've a problem.

- Ed McCabe:** 45:37 Can I ask a question?
- Montana Skeptic:** 45:38 Yeah.
- Ed McCabe:** 45:39 She's a federal judge, Judge Nathan so she has a lot of power. But I'd imagine from a practical perspective, she'll usually take counsel from the SEC in this case, but have the things that have gone on and so egregious like the private conference call on the 28th which is a brazen violation of Reg FD, have things gone on that are so egregious that she may drop the hammer herself?
- Montana Skeptic:** 46:03 Here's how I would answer that. She's a United States district court judge, she takes her job seriously. She's not that powerful, she has a lot of discretion in this case it's a fashion, a remedy, but like all district court judges, she can be overruled by the court of appeals and like all court of appeals, they can be overruled by the Supreme Court. Technically that private conference call that Musk arranged that special invitation only session that is irrelevant, it's not part of the record, nobody's made it part of the record yet, perhaps some evidence of that will come into the evidentiary hearing, but I don't think the judge can properly or will give any weight to that.
- Ed McCabe:** 46:43 Even though he gave guidance on that call as it regards profitability and production?
- Montana Skeptic:** 46:47 He did but that's not part of the contempt motion here, that's not part of the record she's got and in the opinions of hers I've read and there had been but few that I've read though, she seems to me to be very careful judge who writes clear opinions and intelligently interprets precedent and I expect she'll look just at the record in this case and focus just ... and by the way, a lot of this stuff Musk said is completely irrelevant as well, okay? She's going to say, "You know what? I approved a consent judgment and you agreed in, and I signed a final judgment that said you would get preapproval and you decided not to get preapproval. And frankly it doesn't matter whether your tweet was a 100% accurate or completely inaccurate, you are in contempt of my order. Why, sir, do you think you can act with such contempt not only toward the SEC but toward me, toward the United States judicial system?" That's how I anticipate she'll view this. What decisions she'll make, I would not presume to say.

Demetri Kofinas:	47:43	Okay, I want to ask you where we go from here and we can do that when we go to the overtime, but one other question I wanted to ask you, it was something that we talked about with Ed before you got here, had to do with Elon's personal finances and his personal financial situation and how much of a driver that is for his decisions at Tesla, how much is that impacting his decisions at the company?
Montana Skeptic:	48:03	Well, here we set sail on a sea of speculation, right? In my mind, this is again, another corporate governance problem, a problem with a board of directors that has been somnolent and reckless in allowing Elon Musk to finance his very expensive lifestyle with margin loans.
Demetri Kofinas:	48:24	Can I ask you something there? Another question I have there before you continue about the board, because we were circling around this, is that because of the board because the people that make up this board or is it because of the CEO or is it some combination? Why has this board been so lenient?
Montana Skeptic:	48:42	Well, of course, some of them are close cronies of Musk, some of them are the venture capitalists who have already made a boatload of money when Tesla went private they are out with 10X for their investors, they don't really care. Musk has taken them this far and they'll let him take him as far as he can and if it all goes down in flames, so what? That's how they view it. The board up until very recently has been completely beholden to him. Possibly James Murdoch has more independence, possibly Larry Ellison does, possibly the other director Kathleen Turner Rice, I think her name is though, I'm not remembering.
Ed McCabe:	49:21	Johnson Rice, I think.
Montana Skeptic:	49:22	Johnson Rice, possibly she does.
Ed McCabe:	49:25	She came in along with Murdoch, the same timeframe, I think June of 17.
Montana Skeptic:	49:28	She came in along with Ellison.
Demetri Kofinas:	49:29	Right, Ellison came along very recently.
Ed McCabe:	49:31	Oh, there is another hyphenated, I'm mixing up the hyphenated women.
Montana Skeptic:	49:33	Yeah, there's another one.

Ed McCabe:	49:34	There is one that came in with Murdoch when they wanted more independence and you're right, then there's ... I got them mixed up.
Montana Skeptic:	49:39	Yeah. I don't know Demetri, but for the board to allow the CEO to accumulate the amount of margin debt that he has and he's recently added to that with some mortgages, it means at some point there is a dollar amount share value at which this becomes a problem. The board will have to waive this 25% limitation it has and at some point, the private bank at Morgan Stanley and I think it's probably already happened, it starts to get nervous about this. They are exposed on a lot of loans to this guy. Remember they took out Goldman Sachs a few years ago and allowing him to have margin debt, well that's great for Elon Musk, he's collected hundreds of millions of dollars of loans and paid zero income tax on it, what a nice lifestyle that is. But it's not so good for Tesla because if we get to the point where the margin calls start and it's evident that Musk's shares are being sold, the collapse in the share price will be instantaneous and dramatic and radical.
Demetri Kofinas:	50:36	Well that's one obvious way in which is to bring us back to the sea of speculation, that's one obvious way in which his personal finances are negatively having a negative impact on the company and on the company stock.
Montana Skeptic:	50:47	Well, they haven't so far, okay, and we don't know where that happens.
Demetri Kofinas:	50:50	Or it could potentially, right.
Montana Skeptic:	50:50	Right, it's certainly potential.
Ed McCabe:	50:52	I mean, the question to me is, are the decisions he's making from an executive standpoint influenced by this factor, right? Is he going to take it into chapter 11 if that's the right thing to do, and I'm not saying it's the right thing to do today, but if it was the right thing to do today, would he do that?
Demetri Kofinas:	51:07	Right, that's a great question.
Montana Skeptic:	51:09	That's exactly right. And Ed has hit the nail on the head. Okay, number one, the board should never have allowed this peril to exist for Tesla. Number two, this corrupts Musk's ability to act in the best interest of the company because here's what happens, if he takes it into chapter 11 which he should have done more than a year ago, okay, to salvage something here so that these

people can keep their jobs, and so you have a company maybe making high end EVs, which is what it should have been doing all along. Then he has margin calls, his stock gets sold, he has debt he cannot repay and he suddenly has a massive income tax bill from California and from the United States Treasury forgiveness of indebtedness, okay? When debt is forgiven, that is income to you and you pay income tax on it and so must not possibly think straight about what's best for Tesla any longer and that is really a huge conflict of interest no one has mentioned before, no one has addressed, but it's overwhelming. And now Musk has put the company in a situation where quite frankly even a chapter 11 is problematic. He certainly needs chapter proceedings of one kind or another to wipe away all of the contingent liabilities he's created with the class actions and derivative lawsuits that arose out of funding secured.

- Demetri Kofinas:** 52:27 How many are they now?
- Montana Skeptic:** 52:28 Well, there were four or five that have now been consolidated into one in California. There's several derivative suits pending. It's hard to keep track-
- Demetri Kofinas:** 52:36 And also has personal lawsuits pending against him, right?
- Montana Skeptic:** 52:38 Yes, he does. Yes, he's named as an individual defendant in these and Tesla has exposure in these as well. Now another interesting factor, okay, if your Tesla and you're really acting in the best interest of Tesla, now you're the board, Musk has caused all this liability for your company with this funding secured Tweet, in these lawsuits, why are you not saying, "I'm filing a third party claim against Elon Musk or a cross claim against this other defendant?" Because if we have any liability, he should pay every penny of it, he put us in this bad spot. That's what a company with a general counsel like Dane Butswinkas or lawyers like Dane Butswinkas that's what they would be being advised to do. Sue Elon Musk for putting you in this terrible position. We don't see that happening, again, this board is the worst board in the history of corporate governance in the universe.
- Demetri Kofinas:** 53:28 On that note, I want you guys stick around because I want to discuss how you think this might play out. I want to look also at some important dates that we have on the horizon, the significance of some of those and how you think the situation's going to play out, how it's going to evolve and what the future looks like.