Rodrigo:	**00:01:49**	All right, all right.
Adam:	**00:01:50**	Happy Friday.
Rodrigo:	**00:01:51**	Happy Friday.
Richard:	**00:01:52**	Happy Friday. Welcome, Mark.
Mark:	**00:01:54**	Thank you. Happy Friday, and great to see you all again. And I actually enjoyed that little promo there. And I always love that we have to pause for so long on the legal disclaimers. But…
Adam:	**00:02:08**	Yeah. Well, that's the most exciting part isn't it?
Mark:	**00:02:13**	Absolutely.
Adam:	**00:02:14**	Am I missing something?
Mark:	**00:02:15**	Whenever I show mine, so I was -- I did a couple events this week. I did a high net worth event in Dallas. And then yesterday I did the Catholic Crypto Conference, which was very cool. And whenever I pause on that, am like you know, I have to show you this. It's because in China, for every engineer we graduate in the United States, they graduate 35. For every lawyer they graduate, we graduate 40. They're a country of wealth creation, we're a country of wealth redistribution. So, lots of lawyers.
Rodrigo:	**00:02:49**	Yeah, yeah. I remember the stat …
Richard:	**00:02:55**	Rod, before we jump in, let's just remind everybody that nothing we discuss today …
Adam:	**00:02:59**	Lest you leak Alpha accidentally Rodrigo, before we disclaim away.
Richard:	**00:03:03**	Exactly. Exactly. Should not be construed as investment advice. And this conversation is for entertainment and information purposes only. Sorry, Rod. Go back.
Rodrigo:	**00:03:12**	You're a good man, Richard. You're a good man. I just remember …
Mark:	**00:03:13**	Excellent. More disclaimers. I love it.
Rodrigo:	**00:03:15**	Oh, yeah. Now that was separate. That was for the fund. This is for the podcast. I remember the stat 10 years ago was 75% of the world's lawyers reside in the United States, the most litigious nation in the world.

Mark:	**00:03:29**	Yeah, it's crazy. And look, they're paid by the word and we all know the joke, right? What's 40 lawyers on the bottom of the ocean? A good start, right? I got it. But they're very useful and they're going to be busy. They're going to be busy with this FTX debacle. There's no other word for it. Complete debacle. I mean, we can go as deep as you want.

The FTX Debacle

Adam:	**00:03:55**	Well, Mark, actually, that's -- I mean, we've now had about 10 days or so to digest this. How would you characterize this debacle now that you've had a chance to digest and ruminate and peel back the onion a little bit?
Mark:	**00:04:13**	Criminal activity, okay. So, that's first and foremost, completely criminal activity. Premeditated, second. Complete fabrication and intentional, right. I mean, this was an intentional act by a group of people and my personal opinion, right. I've been tweeting about this. I believe SBF and Fair Caroline, Queen Carolina as she was called today by Forbes are *useful idiots*. They are not the brains in any way, shape or form.
Rodrigo:	**00:04:58**	Oh, I see. So, neither SBF nor Caroline are the brains?
Mark:	**00:05:02**	Oh, no, no, no.
Rodrigo:	**00:05:03**	We're going to be on that because… the charitable view of all of this is that this is a kind of a classic, *one mistake at a time,* right? Like, Madoff was a real hedge fund manager, made a mistake, wanted to cover up and said I'll get the money back, and then we're back in the good books, and you just never get there, right? So, is there any aspect of this where you can say, these were kids that were doing too much, too fast, willing to break things, willing to take the biggest and wildest edgiest bets in order to grow their wealth with that, but thinking that they were going to do good and all this was… you actually -- there's no part of that, that maybe, that comes into your …
Mark:	**00:05:52]**	None. Zero.
Rodrigo:	**00:05:53**	All right. So, talk more about that.
Richard:	**00:05:54**	Would the trades Alameda was allegedly doing, not really taking place at all; the whole arbitrage across the different …
Mark:	**00:06:01**	There were a few. Right. I make the joke all the time that they called Madoff a hedge fund scandal. The only problem about it, there was no hedge and there was no fund. I mean, literally, they had not made a trade in 13 years. Think about that.
Richard:	**00:06:22**	It's the classic pyramid scheme.

Mark: **00:06:23**

They had not made a trade in 13 years. To Rodrigo's point there was a time when they were a real firm doing index arbitrage. But that ended and I don't believe in the Madoff case that it was the accident. I mean, there's the story of the big money market fund that all the endowments were invested in 20 years ago, where the guy was doing index arbitrage. And he got 495 of the 500 names short and lost 30 grand one day. Girlfriend runs the back office, *like just cover up for me honey*, tries to trade his way out of it. Two years go by, $130 million, okay, multiple audits. Think about this. People came in and audited the books for money, didn't find it, she hid it. Unfortunately, he broke up with her and she turned him in. And you know, the universities all lost money. That was exactly as Rodrigo described. Right? Mistake, mistake, mistake. Madoff, bad guy. Bad guy doing bad things.

Maybe smart, probably a little bit smart. Masterful. I watched him once in action. The way he set up, kind of like I'm sitting here you have the table in the corner, he would sit in the corner, three empty chairs at the Palm Beach Country Club. And in order to get into the club, a member had to bring you to the table. So, one empty chair, three people. And while I'm having lunch this one day with some friends down there this guy gets up from the table and says, "Don't you know who I am? You can't tell me I can't invest?" He said, "Well, you asked to see our operation and that's just not allowed. You're out." And made this big -- and everyone's like, oh, ah, he just told that really rich guy that he can't come in and created this illusion of… and his brother-in-law was literally -- when I say there was no hedge, no trades and no fund. Right? The brother was literally transferring money into a personal bank account. And if you look at all the frauds, the big frauds in history, they're all family. Right? They're all family relations because you can make people do stuff. And that's it, right? SBF and ex-girlfriend, and look, this is my opinion and I don't have like insider knowledge on this, but it's my opinion.

And I believed this since minute one, zero probability in my mind, that those two children were the masterminds of this criminal enterprise. I mean, if you look up the term *money laundering* on Wikipedia, you'll see a picture that looks like the FTX network. I mean, couldn't make this stuff up, right? Shell companies owned solely by SBF, loans, personal loans from Alameda to SBF, donations to political parties. Money from Ukraine into, FTX loaned to Alameda. I mean, the mind just blows with what actually… and the thing is, in the old days, I'd come have lunch with y'all and I bring my briefcase and I'd leave it under the table. And you're like, "Mark! Mark! You left…" And you look and… Oh, full of cash. "Oh, oh. Mark, okay, got it." Because bag o' money, not traceable. You do it all on chain? Are you joking? It's observable.

Rodrigo: **00:10:18**

But what's the point of that and also becoming the most or the second most well-known public-facing organization that look, I mean, that piece of software is pretty fantastic, right. And if you're a trader, if you wanted to get the type of leverage that you needed, if you're producing any sort of Bitcoin, or any sort of crypto where you need to hedge out your risk, you need kind of entities like that in order to be able to be useful, so he created something useful. So, why -- There's so many ways to do what you just described in crypto. Why make it that very powerful brand and then start buying things in the United States and so on?

Mark: **00:11:01** You know, I said, in situations like this, questions are way more important than answers, you know. I or anybody else can spew an answer if we have, you know. But it's mostly opinion, as opposed to fact. And there's very few people who really have the knowledge and what do they say? Knowledge is when you can give an answer. Genius is when you can ask good questions, and wisdom is when you can ask good questions at the right time. And I think that's kind of where we are is, you, do you say, well, wait a second, if this was simply a money laundering enterprise to cleanse money going to foreign countries back into the US and into political candidates pockets, there are other ways to do that and a lot of other ways to do it where you wouldn't necessarily get caught. So, why create this whole other thing?

But the question of, were they actually doing the trading? It's coming out that they weren't, that Alameda was supposedly this big trading company, wasn't. And it reminds me a little bit, and I don't want to go down this rabbit hole. But Bridgewater, arguably the largest hedge fund in the world, if you were the largest hedge fund in the world, you think you would have to be in the top five customers of Goldman Sachs, Morgan Stanley, JP Morgan, all these firms, right; just mathematically that that should be the case. But whenever I would go ask these people, "Hey, do you trade with these guys?" Like, not really. Like, how can you have a firm with hundreds of billions of dollars of equity levered multiple times in the futures market, not showing up? So, that always worried me a little bit.

And I think the same thing is true here is, you know, trading, exchange arbitrage, cross border exchange arbitrage, that's not rocket science. Anyone could do that. But your point, there was some good software and there were some real people using it. The part that's just so hard to fathom is how many legitimate organizations lent this other organization billions with an *S*, on not much, it appears diligence.

Adam: **00:13:52** I think that's actually just as big a story, Mark is the names on the cap table are just remarkable. These are the who's who of VCs, and growth investors and large pension funds. And it just defies belief to think that not one of them conducted sufficient due diligence to uncover something suspicious that required further investigation.

Rodrigo: **00:14:19** Well, Chamath Palihapitiya had, I don't know if you saw the interview on the All-In Podcast, but he goes on about his team being asked for some money by FTX. And he asks, he says, "Look, what we recommend that you do is first of all, give us some more information. Secondly, we recommend that you put a board together and once you get a board together then we can, you know, maybe see about giving you some money." And the response from FTX was "Go fuck yourself." Like apparently verbatim, why don't you just go and fuck yourself? And the other thing -- so, that was, I'm not sure whether that is the epitome of institutional due diligence, right. But there is a company called Copper that is trying and attempting to be a custodian in the crypto space, right.

So, this idea of being responsible, making sure that you can trade outside of the ecosystem so that your money doesn't get caught. And they have these processes called *clear loop* and …

Richard:	**00:15:17**	*Walled Gardens*.
Rodrigo:	**00:15:19**	And the *walled garden*. And they have a list of all the crypto exchanges that have integrated with them. And at the time, when I was looking at it, I thought it very odd that out of all the exchanges, FTX would have, was not integrated, right. And I guess Copper was asking some tough questions that FTX may not have been willing to answer.
Mark:	**00:15:38**	No. Look, I mean, we just got lucky, right? I mean, we passed on this deal three times. Not because we're smart, just because we couldn't make the math, just of the valuation, work. Like the first round at 8 billion we're, I think at the time, revenues were 40 million. We're like, "On what planet? No." So, we didn't even, like I never met him. I mean, I've met pretty much most people in crypto. Not every single person but a lot of people in crypto, been around a decent number of years. But never met him and clearly never met her, because I'm confident in this, after seeing the video and the blog posts and the Twitter stuff. Had I met that young woman, run. I believe I would have run away. No chance. No chance.
Rodrigo:	**00:16:35**	I think VCs love that personality though. You know? I don't know.
Mark:	**00:16:38**	Yeah. I have known people that do the idiots …. No, no, no, no, no, no, no, no, no. The interview she did where she was trying to explain high school math or elementary school math, nope. No, no, no. But so -- and the last round at 32 billion was really a head scratcher. But that's the one that the really smart people put a lot of money in.
Rodrigo:	**00:17:04**	When was that? When was that raised?
Mark:	**00:17:07**	November of last year, January this year, something like that.
Rodrigo:	**00:17:11**	So, this is like the peak of the mania where you really were like, here's a term sheet. You have until tomorrow to say yes. Yeah.

Mark:	**00:17:20**	It was like right around the same time as the open seed 13 and a half billion where I was like, what? And I remember some of the guys calling me and saying, "Hey, we'll sell you some of ours." In a second I'm like, "No. I mean, 50 cents on the dollar, 40 cents on the dollar. No, not at that value." And actually, 10 was the right number, 10 cents on the dollar. But here's the weird thing. They're two really weird things. I've been doing this a long time. That's just a nice way of saying I'm old. I mean, I'm old. And I've never, and this doesn't mean I've seen every transaction, but I've never seen and I've done, I don't know, 300, 350 venture fund, buy-out fund investments in my career, easy, probably more than that. Not once have I ever seen an individual commit hundreds, plural, of millions of dollars to a fund, and then have that fund invest hundreds of millions in that company. Never seen that.
Rodrigo:	**00:18:31**	Oh, I see what you mean, the SBF buying a … fund and then…
Mark:	**00:18:33**	SBF put 500 million into a couple of the firms including Sequoia. And then Sequoia, I shouldn't name names, but then they -- I've just never seen that. And so that's one weird thing. But the second thing is that it does remind me and we are, we meaning, because remember I was an allocator. I worked for Notre Dame, I worked for UNC. And I was part of this university group and there was an example in the 2000 period where there was this -- and again, I don't mean this in a politically incorrect way. But it was a very attractive woman just like Elizabeth, I guess, today said, *they don't put attractive people like me in jail.* Like she actually said that during the deliberation on her sentence. So, and people say … Mark, you're being shallow or you're being -- no, no, no. My point is that we all know attractive people rise, right? Whether you're a model or a salesperson or a CEO, people who are tall do better than people…. So, it's real. But my point was she was an attractive woman and she was smart, well educated, and Sutter Hill backed her. And basically, Yale assumed Harvard did the diligence and Harvard assumed Stanford did the diligence and Stanford assumed Duke did the diligence and we assumed -- and Duke assumed we did the diligence and we assumed Yale did the diligence. No one did the work. I mean, literally, no one did work. And when it crashed, we're all like, how did that happen? Like, well, because literally no one called a reference, I mean, did any work. And so there's a little bit of that that does happen. If someone you admire invests, you're like, "Oh. Well, I want to be in that group. I want to be one of the cool kids." And that FOMO stuff, plus you had FOMO, right. It was the peak of the FOMO. And the one that just kills, and look, I actually like, Mr. Wonderful. I mean, I actually think he's a decent guy. But the other day, because he got in on the FOMO, and someone asked him, "Well, would you back him again?" And he kind of hemmed and awed and said yes. Ah, no, Kevin, come on.

Rodrigo:	**00:21:05**	You do not have to tell me about Kevin. I've seen him, so fellow Canadians, right. I've seen him do this over and over again. I mean, my God.
Mark:	**00:21:14**	Yeah. And so look, I don't, I really don't understand because one, there wasn't any there. So, the whole thing about if you just went and asked for trade tickets, you wouldn't have seen them. But look, I didn't uncover it, you know. I'm not saying that I knew that it was a fraud. I will say the one thing I never did understand is, because we have invested in other exchanges, and I knew the cash flow of those exchanges. I don't understand even if he is the second largest, that doesn't generate enough to pay $135 million dollars for the naming rights of the stadium. Right? I mean, it just doesn't
Richard:	**00:22:09**	Or $40 million to Biden's campaign or to the Democratic Party. At the risk of asking you a leading question, Mark. Sorry. At the risk of asking you a leading question Mark. What do you make of the mainstream media's kind of softball …
Mark:	**00:22:28**	Yeah. Look, you're going to make me do it and I'm going to get grief about it and that's fine. I will go there and you can pull me by the nose in here. I actually do believe and everybody says Mark you're such a conspiracy theorist, your tinfoil hat. Like guys, it's only a conspiracy theory if it isn't true. Okay. That's true about everything in life, right? It's only a conspiracy theory if it isn't true. Truth is an absolute defense. So, we learned that about COVID, we learned it about Madoff, we learned it about all kinds of… So, I will answer your question. It's funny, my media, I had media training one time and I go in and he says, all right, here's … So, ask me a question, start answering, he says "What are you doing?" I said, "What do you mean? I'm just answering the question." He says, "You never answered the question. You deflect and redirect and talk about what you want to talk about. Never ever answer a question." But I'm a dutiful firstborn so I will answer your question.
Rodrigo:	**00:23:38**	What have you done to Mark, Richard? All right, go ahead.
Mark:	**00:23:41**	So, I believe that SBF and Caroline are useful idiots, Manchurian candidates, not with the chip, right, but useful idiots for much smarter people, including his parents. I don't think it's a coincidence that his dad is an adviser to the regulatory agencies in the United States, graduated from Yale with all the Clinton mafia. I don't think it's a coincidence that his mom leads the mysterious Super Pac that the Silicon Valley VCs used to get around campaign finance laws. I don't think it's a coincidence that Caroline's father is the head of the economics department at MIT, where they both went to school. I don't think it's a coincidence that Gary Gensler worked for the guy at MIT, and then was appointed by Biden after SBF was the largest contributor personally to the Biden election campaign. I don't think those are coincidences.

And so my belief and again, maybe I'll be proven wrong, but my belief is we live in a, we all live in this world and we're working in this world where there's been an innovation, blockchain technology, that has the potential and I believe will disrupt the traditional financial system, right, the same way the internet disrupted media and commerce. I believe blockchain replaces trust with truth. We don't need trusted third parties to mediate the exchange of value in the future, like we have for the last 800 plus years. Because of that, everyone always said, well, as soon as this become successful, then the government will just ban it. Turns out, you can't ban a decentralized or distributed network, right? If you squeeze it here, it just pops up someplace else.

So, what can you do? A couple of things. Well, you could make it illegal, right? They tried that with gold in 1933. And it was illegal in the United States from 1933 to 1975 to own gold, and people still owned gold, but it was technically illegal, and allowed them to go off the gold standard and convert to a fiat standard and destroy the value of the currency and make the rich people really, really rich and the poor people less rich through inflation, theft. So, you could do that. Or you could make the on-ramps and off-ramps illegal, like China kind of does with the internet, right? You're not allowed to have Google or Twitter unless you use a VPN. So, you can't use the on-ramps and the off-ramps unless you kind of have a workaround. That's what I think kind of is happening here.

So, it appears that by systematically taking down the infrastructure, the lending infrastructure and the exchange infrastructure, that allows people to move into digital assets and move money out of the traditional financial system. Because it's, I use this example of the Gandhi quote that I guess Gandhi didn't say, right? First, they ignore you, then they laugh at you, then they fight you, then you win. So, 09 to 15, first they ignore you. It's a nerds and geeks playing through magic internet money. Teeny, tiny, not meaningful, doesn't bother us. Then they laugh at you. 16 to 21, ha, ha, ha, it's a billion dollars, a couple of billion dollars, oh, it's $100 billion. Ha, ha, ha. Then they fight you. 2022 Bitcoin's a trillion dollar asset, whole industry is at 3 trillion. Okay, 10s of billions of dollars are leaving the banks and going into these lending things making 6% instead of zero. Timeout, now they fight you. So, 2020 or 2027, then the fight you phase. That's a long time.

And so my belief is that the FTX entity was created to do what it did to discredit and cause doubt, sow the seeds of doubt and also to depress price. Because a part of the allure of crypto, whether we like it or not, is the numbers go up. Right? That's what draws people to it, is the fact that the market value kept going up. But if you can depress that price to the level where people just, I'm done. So, that's a long answer to your question that. Again, I'm not accusing any particular person or persons. I'm simply saying it seems odd, to me. It seems odd that the firm was founded eight days after the guy who was the person who was elected, based on the person who's the largest donor to that person, eight days later they formed this firm. Seems odd to me that so much money that was coming out of governments, I mean, WEF, NFTX, I mean they've taken it down on the website now but FTX sponsored WEF. SBF was up there in his gym shorts and T-shirt with Clinton and…

Rodrigo: **00:29:49** The thing with all this is that like a good story and a good conspiracy theory, is full of coincidences. So, it could just, it could well be. You know, I try to -- I just have a hard time thinking that something that complex and that abstract was coordinated by any one thing or not. In fact, when I see a lot of this, I think that the vein of this theory that you expounded could be in lockstep, but kind of coincidental. Right. For example, SBF, how he was raised, what his values were, what he believed to be important in life, possibly power, rather than money and money leading to power, and how do you maximize your opportunity sets in one lifetime? What do you do? What type of bet are you going to play? Are you going to play the edge, are you going to do the full Kelly criterion, and betting approach in order to maximize that belief system and the people that you've known your whole life, and try to --

If you want to influence the system, that's the only way to do it. And it kind of -- I can see that happening where he actually went for it, and it worked for him in a dispassionate way, where he's playing the … language, because he knows that that's what, that's the game. But ultimately, what he wants to create is enough value for him to be powerful enough to get government to do what is right for FTX, so he can continue his perpetual motion machine, right? And then everything that you said, as kind of like everybody else, nudging them in the right direction, and without a … That's as close as I can get to that, like -- …

Mark: **00:31:24** A 100% agree with you that like I said, I don't have any special knowledge. I'm observing fact patterns. I'm observing flows of capital. Again, they did it on chain so it's actually easy to analyze, as opposed to sacks of money under the table. But I think your point is well taken. But I had the same problem, and again, this is going to make me unpopular with a whole bunch of people. I have the same problem with that argument that I do when people say, "Oh, Trump's playing 4D chess, and the rest of y'all are just too stupid to understand it." Like, I don't see it, right. I just don't. So, I've listened to Sam in hours and hours of interviews. I've watched his actions on the internet and his engagement with people and like you say the F-off to the -- I've seen all and I look at that.

And the flip side is Mark, he went to MIT you didn't. Truth, true, he did go to MIT. But did he go to MIT because of this or because mom and dad are really well connected-- I don't know, I don't. But I have a hard time believing that this guy, that I don't know if you've seen the recent video of him where he's holding the $100 bill and showing his Toyota Corolla. I watched that and no way I'm thinking mastermind. Just no way. But you absolutely …

Rodrigo:	**00:33:10**	Fooled a lot of those VCs. What was that, … that was shared, that transcript that was shared about meeting with SBF and everybody's like, I'm 100%. I'm at 10 out of 10 on this guy, because he's such a genius. So, other people might not think that way.
Adam:	**00:33:25**	Where do we go, Mark? I mean, in a couple of different ways, right? So, you've got all these top drawer growth allocators, VCs and institutions, who utterly failed at basic due diligence in their role as fiduciaries and capital allocators. What does that say to end investors, and how does that slow the gears of allocation going forward? Right. What new processes and checks and balances are going to be added to the list as people with money go to allocators and trust them with the allocation of their capital? That's the …
Mark:	**00:34:13**	Oh, Adam. I mean, such again, it's a brilliant, brilliant insight. And that's exactly the issue, right? It's like the snail crawling up the pole, crawls up three and then slides down two at night. He's still making progress. But geez, if you backslide, I feel like this back slides us four, right. So, we lost two whole days of progress because financial services is all about trust. Right?
Adam:	**00:34:47**	Yeah. This is like *a you had one job situation*. Right?
Mark:	**00:34:51**	Yes. Yes. And look, do bad people do bad things? Yes. Do bad people who are really smart do really bad things? Oh, yeah. In fact, if you think about, I can't remember the three things, but it's like, competence -- yeah, it's competence -- It's like technical skill, competence and integrity. And the worst possible combination is someone with like intelligence, technical competence, but no integrity, like, most dangerous person on the planet, and Howard Marks used to talk about this in our world. And he says the problem is when you're trying to allocate capital, you have to decide between the good person who sounds good, and the bad person who sounds good, because they don't want the people who sound bad to make the presentation. And so, yes, this definitely sets back adoption, embracing the industry. It also probably sets back to some of the firm's you know, self-inflicted wounds. But I struggle with laying all the blame on them, because fraud happens, right? And people, they maybe showed a balance sheet. It's possible, right, that Sequoia went in there and they showed them a balance sheet that footed and looked normal. Now, could you have said, well, I need to see the trade tickets, or I need to see the bank balance or whatever. It's kind of like, we have this investment in this company called Figure Technologies, Blockchain company and they bank, home equity lines of credit. In the old days, what'd you do? You filled out a paper application, you could lie your ass off, right? You could make up all kinds of stuff, you give that paper application, the person, the human being reads it and says, oh, it looks

trustworthy. And maybe, maybe they'd ask you for a pay stub, which you could forge that too if you wanted to. But that was about it. And people got their loan and some people defaulted, some people didn't. What does Figure do? They literally, using *Plaid*, go into your bank account and look, are you getting paid every two weeks, who is paying you, how much is going out every month, and then do the calculation and in five minutes, you're either up or down? Okay. That's superior.

And there was an instance, I don't know if you remember this global financial crisis? There was this hedge fund that was basically doing trade financing. And there was this big firm, public company up in Minnesota that supposedly was funding Best Buy and Target and basically helping them buy computers and other gizmos. And all these hedge funds put money in it and it was a goose egg. Because literally, this guy who was a pillar of the Minneapolis Community, like won all kinds of awards, and man of the people, had a woman in a warehouse who printed out on a dot matrix printer, fake invoices from Walmart and Target. And for eight years, billions of dollars, just fake. And so should anybody have caught that? Sure. But how did you -- the only way to catch it, because you looked at the invoice that looked like a real invoice. But you had to know the difference between the type of paper or the ink or I don't even …

Adam: **00:38:39** No, no. And Mark, I'm sympathetic of people making mistakes and I understand the momentum of FOMO and I can get behind a lot of that. What really strikes me is just the number of reputable institutions … multiple rounds. And I'm not, I'm not asking for you to give an answer. But I can't help but think that this doesn't just set back investment in the digital asset space, but it just sets back investment in growth and innovation and tech in general. Right? Because these are all institutions that had been well-known for being -- writing the biggest tickets and recognizing that the up and comers in Silicon Valley and in crypto and that whole spectrum of growth assets.

Mark: **00:39:30** It's not the first time and it won't be the last time unfortunately. Pets.com, Pets.com.

Adam: **00:39:38** I was there. You and I were there, I get it.

Mark: **00:39:39** Big black guy, real smart people put money in that, wiped it out, you know.

Rodrigo: **00:39:47** Look, WeWork**.** WeWork with Adam Neuman, right and not only -- what's crazy about that story is that he blows up, First of all, he's the same type of guy, walks into a boardroom, says some word, impresses the board, no due diligence necessary. That's the type of founder that's going to win. And if you're in the game of investing in 100 things knowing that only 10 of those are going to actually be unicorns, then it really doesn't matter. You've seen the unicorns in the past, they have that personality type. That's what we're going to invest in. So much so that

Neuman, there's a Netflix documentary that comes out, documentary film, a mockumentary film that comes out. And then three months later, he raises a new venture and they all give him money again.

Mark: **00:40:29** But okay, here's the difference. Here's the difference. I actually have met Neuman and I hate to say this, I would back him. He is smart. He is charismatic, charming, attractive, but he is smart. And in WeWork, he made a mistake, right, by thinking that you could turn a bricks and mortar business into a tech company. Okay. You can't. It's still bricks and mortar. And leverage always will kill a real estate business if you get overly leveraged.

Rodrigo: **00:41:10** Especially leverage that resets in short order.

Richard: **00:41:13** And the difference between megalomania and Ponzi scheme, right. I think that's …

Mark: **00:41:17** Exactly. And I don't believe…

Rodrigo: **00:41:19** It was still poorly managed, right. Ultimately, it's poorly managed.

Mark: **00:41:23** Incredibly poorly managed, but that's a tragic flaw of a really, really smart, narcissistic person. Right? And really, really smart**,** narcissistic people get burned that way. Right? They think they're invincible. They think, oh, they'll be able to talk their way out of it. And that's the one thing with SBF, like, *get off the internet, dude. Stop talking*. I mean, he's getting bad legal advice. Either that or he's completely immune because he's got so many friends in low places that he's feeling smug. But you know, and Neuman's new idea is actually again, it's a good idea. And so that one is okay with me. Like, Theranos, she's a liar. I mean, she lied, right. There was not one drop blood. That was all fake, 100%. And with Alameda, fake. Just fake. So, I do agree …

Richard: **00:42:35** Do we know that for a fact? Mark, do we know for a fact that the trades were not taking place at all?

Mark: **00:42:40** Yeah, yeah. What we know is there's $600 million of assets and 10 billion in liabilities. So, that's what I mean by fake. I mean, it's kind of like with Three Arrows Capital, right? They told everybody, they had more equity than they did. So, they got 6 billion in loans on 2 billion of equity. That's just fraud. Right? That's -- they're lying. They're liars. And Adam Neuman didn't lie. He just over extended and it came collapsing down. I mean, I remember he invented community adjusted EBITDA. I'm, like, well, what is that? What is that, Adam? Well …

Adam: **00:43:27** Yeah, no, an abundant -- I think what you're doing is an abundance of hubris is not fraud. Right? Like…

Mark:	**00:43:32**	Right, but and to your point, Adam, the people I blame there were the people that bought it. Right? He got up and said community adjusted EBITA. Well, what's that? Well, all the money we're spending on our buildings and maintenance to build the community isn't really an expense. It's an investment.
Rodrigo:	**00:43:57**	Intangible assets.
Mark:	**00:43:58**	No, it's not. And it's as crazy as you know, Shopify and all these tech companies using -- …
Adam:	**00:44:09**	Absolutely, market cap per click.
Mark:	**00:44:11**	-- stock based compensation. Stock based compensation is revenue, somehow? Like, on what planet is paying people money, revenue? Well, in this generally accepted accounting principle. Like, no. And so the fact that they're down 90 and 95% shouldn't surprise people, but it does. And so, what I think is always interesting in these situations is, it's a kid, right? The emperor has no clothes. All the adults are like, "Oh, look at those beautiful clothes." And the kids like, "The dude's naked." I mean, and I don't want to see that and I'm sorry to put the SBF image of naked in your brain for the weekend. I'm sorry.
Rodrigo:	**00:44:53**	I hadn't until you asked me to.
Mark:	**00:44:54**	I know. And I don't -- I can't unsee it, right. But here's -- Look, Rodrigo, I want you to be right. I don't want to be right. I don't want this to be a government controlled hit on an industry that I care about. That I believe is the future of financial service, that I believe does make mankind better. I don't want that to be the case. I mean, I really don't. But I just have such a hard time when I look at the players and when you read the report from the Enron guy, or he wasn't an Enron guy. He's the guy that came in to clean up the Enron mess, and now he's coming in to clean up this mess. And he says, "Look, this is worse in terms of controls, or lack thereof and fraud, than Enron." I'm like, okay, well that argues that, either they're incompetent, pretty sure they were, or they're evil. Which there's no, we can't be sure yet. We can't be sure yet. I mean, it's pretty clear they're incompetent, right? I mean, 9, 10 billion …
Adam:	**00:46:15**	Well they don't need be evil. They could just be sociopathic and not really care.
Mark:	**00:46:19**	Okay. And I don't want that to be true. Like, I lived through it in the summer. So, we're invested in BlockFi and BlockFi suddenly is under attack. Well, let's just do the whole sequence of events, because people forget this part. The FTX bid for BlockFi was not the first one. This goes back all the way to May 15th. Actually, to May 9th , my birthday of all days. May 9th, Luna collapses. Okay. Everybody freaking out. Now, who did the Luna attack? Because we know exactly how it happened. Someone had to go short two bills of Bitcoin against the four bill

collateral fund that was backing the peg in the algorithmic stable coin, like military intelligence, oxymoron. And so sequence of events that caused this thing to collapse, you know, people accuse Citadel, they accuse JP Morgan, BlackRock, they all denied it. Someone did it. I'm not saying who. Someone did it. Someone made that attack. Turns out Alameda lost a shit ton of money on that collapse. Okay. Super leveraged into that trade….

Rodrigo: **00:47:49** That's when most people think it became insolvent.

Mark: **00:47:52** Exactly. So, then what happens next? He goes to Celsius who he owes a lot of money and says "I'll rescue you." And they're like, "Oh, awesome. Here, look at the balance sheet." "Oh shit. No. Okay. We don't have enough money to rescue you. No. He, he's a bad guy. Everyone, look at Alex, look at Alex. Look at Alex." Amazing job making Alex the criminal. Okay. Then a month later, middle of June, BlockFi minding their own business. They've settled at the SEC. Everything's going fine. And this stupid little anonymous Twitter account, …, which had systematically exposed Celsius, leaked confidential documents that you could not have, unless you were in their data room. Who is in the data room? Sam. Hmm. So, is there a link? I don't know.

So, this … guy leaks documents that you could only have if you were in the BlockFi data room on Thursday. So, the way it went down is Tuesday, Three Arrows defaults. Okay. Celsius that morning, that was Tuesday, Singapore time. Tuesday morning. No, Wednesday, Wednesday morning, Celsius closed their doors. Up until that point, money was flowing out of Celsius into BlockFi, because people were like Celsius bad, BlockFi okay. Celsius closed their doors, now it's a bank run, right? Soon as you close the doors it's like it's a wonderful life. Don't close your doors, you won't reopen. Okay, Mama dollar, Papa dollar, the whole thing.

So, we're trying to raise this equity and we get to Thursday night, and this fucker, releases this document showing that the collateral backing the Three Arrows Capital loan, because people forget Celsius lost a bunch of money to Three Arrows, Voyager, ton of money to Three Arrows, BlockFi got it all. They were over collateralized, but a piece of the collateral is GBTC. And they released that and in 12 hours the spread went from 23, the discount went from 23 to 34 and the price fell 50%. So, it just blew, and call it a $100 million hole in the balance sheet. So, the largest investor in the Syndicate, Friday morning, pulls out. What are you doing? You have $300 million in this company? What are you thinking? Like, we're out. So, now I'm scrambling to find other investors. Sam magically shows up over the Father's Day weekend, and says, "I'll give you this line of credit. One little caveat, I get to buy the company for nothing, literally nothing." Why? Why did he do that? Because he owed them $700 million that he couldn't pay because it was all fake. Same thing at Voyager.

And so now you start going whoa, whoa, whoa wait a second. The trigger was the losses at Luna. He owes all these lenders money that he doesn't have because it's been stolen. So, I'll just pretend that I can buy them with money that I don't have. I'll just steal it from, you know, customer assets, because no one's actually looking at the books, and he almost got away with it. Think about this. He almost got away with it. And what took him down? Hubris. He tries to get this law through, passed. And look, this has been going on forever. Right. Do you know why? We all have mutual funds in our 401K's? Because BlackRock and Vanguard wrote the law. They literally sit on the committee that wrote the law in the Tax Act of 86 that when we went from defined benefit to defined contribution. And but for *Mooch,* it would be worse. They wrote another law, remember the fiduciary act right when Trump got elected?

Adam:	**00:52:38**	Yep.
Mark:	**00:52:39**	That *Mooch* got killed in his 11 days in office. And that was going to mandate, unless you put the money in the lowest fee, meaning ETF, you were not a good fiduciary.
Adam:	**00:52:52**	I remember. Yeah.
Mark:	**00:52:53**	Who wrote the law? The guy from BlackRock and the guy from Vanguard. I mean, …
Adam:	**00:53:00**	Those who stand to benefit the most from that, the execution of that -- …
Mark:	**00:53:02**	Of course. But they actually sit on the committee writing the law because they pay the most money. So, here's the thing. Sam …
Rodrigo:	**00:53:10**	You caught me in a conspiracy theory I really believe in, Mark. Eventually you were going to catch me. You got me.
Mark:	**00:53:15**	I know. So, here's the thing. It's always follow the money. Right? I tell the story all the time. 2014 ExxonMobil made $40 billion. That's when oil prices were really high, right, before they collapse. The corporate rate was still 40% back then. So, what should they have paid? 16 Bill. What did they pay? Minus 1.7. They got a $1.7 billion tax refund. How? They were the largest lobbyist firm that year. They paid $327 million and turned it into 17.7 billion. I would do that all day long. That is a great investment. So, …
Adam:	**00:53:57**	One day I'll give you the inside information on what happens at the Canadian banks, and then you'll be really excited.
Mark:	**00:54:02**	Oh, God. Yeah, yeah, yeah.

Rodrigo:	**00:54:04**	That one, again, well, that's when conspiracy theories turn into actual reality.
Mark:	**00:54:10**	But real quickly. So, Sam's trying to get this bill passed that basically would make FTX legal and DeFi illegal. Just let that sink in for a second. Because even in all of this, it wasn't the technology that broke. It wasn't the promise of blockchain and decentralization that broke. It was the CFi version of TradFi that broke, because trust was violated and we had a run on the bank. Right? History is replete with lots of those examples. So, what happens? In trying to get that law passed, he said some bad stuff about Binance and CZ. And here's the crazy part, like about CZ's, kids. Like, what? Why would you do that? Because the world in which we live you can't say anything without it getting back to that other person. So, it gets back to CZ that you're dissing on my family, man. And so what does he do? He outs him. And had it not been for that event, had CZ not outed him…
Rodrigo:	**00:55:33**	Yeah, he wanted to give him a little slap on the hand. I don't know if he wanted to end him.
Mark:	**00:55:40**	No, no, no, no. I don't think -- I don't even think CZ knew the extent of the fraud.
Rodrigo:	**00:55:48**	Yeah, I don't either, no. But what was the other thing that happened? Didn't Caroline say what the…
Mark:	**00:55:52**	… he knew about the stuff, and he was trying to out that. Meh, maybe. I think it was simply, I own half a billion of FTT. There's only a couple billion free-float and you have five. So, I own you. Still, even though I sold you the business, I still own you. And look, he threatened, Caroline countered, and it was over in 12 hours.
Adam:	**00:56:25**	Well, I think Mike Harris asked the question, right? Is the government attacking these firms or are they attacking each other for domination? Right? And I think the narrative that you're proposing here is that this is cannibalization within the industry. Right? They're just fighting one another for monopoly power and now Binance is one step closer, right. I wanted to ask, because we're running up on an hour here, Mark. And one question that's been sort of nagging at me is, I've always sort of thought about the crypto ecosystem as a little bit like the Eurodollar system, where you've bought this kind of high-powered collateral, but it's a very small fraction of the total size of the of the ecosystem, right. And you've got, so you've got some small amount of real US money in the Eurodollar system that is available via swap lines from the US Fed, and a collateralized trillions and trillions of dollars of Eurodollar loans that are kind of backed by this network of cross guarantees from all these foreign banks, right? And so if one of those banks fails, and it's revealed that they actually don't have access to that high powered money, or there's not nearly enough high powered money in order to support the system in general, then the whole thing kind of comes down. What is the high powered money in the digital asset space? And like,

as I look across the sort of the Binance's of this world, and the entities that kind of facilitate lending and support the business or commercial orientation of the ecosystem, what is the high powered money? And what are some of the indicators? Like in the TradFi space, you look at the -- it used to be the TED spread or you know, like the OIS spread or whatever, right. Like this indicate -- what are some of the indicators in the digital asset space? And what am I missing about my analogy between the digital asset space and the Eurodollar system that maybe you can -- …

Mark: **00:58:38** No, it's actually a really cool analogy, and I like it a lot. I think that the only -- I wouldn't say it's missing. It's a timing issue. I think it's the eventuality, but it's still very nascent. And so I always talk about, Bitcoin is kind of like the base layer of the future of money. Money and assets that exist in the absence of a liability. That's gold. Gold is the base layer of the global monetary system. Even though we're off the gold standard, the central banks still own it, it still is the base monetary. And then on top of it we introduce currencies backed by government debt, and then banking credit, right, as JP Morgan said, right? Gold is money, everything else is just credit.

And then we have the fractional reserve system, which you got all the *maxi's* and all these people, like oh, that's evil, it's a fraud. I mean, stop. Name a country with a lousy or non-existent fractional reserve banking system that you would live in. I will wait. And no one has been able to give me an answer for that. Right? Because the difference between no growth countries and growth countries, I believe is fractional reserve banking. Because you allow the collection of the monetary assets to then be utilized more, because savers lend their assets to borrowers and builders and growers --

Rodrigo: **01:00:17** *For productive means* is a key part here, which is what I want to get to in the ecosystem …

Adam: **01:00:21** And the banking system can breathe, yeah.

Mark: **01:00:23** And so, and where Rodrigo's going is exactly where I want to go and why I think it's just, it's the nascence of this. We skip that part. We went right to zero cost trading and big leverage. And I tell -- I shouldn't out my brother, but I tell the story. He's like, he called me up and he says "They stole my Bitcoin." "What are you talking about?" … BitMex… I'm like, "Stop. You levered up your Bitcoin, right, 50 times whatever you leveraged it up. Got a margin call, you didn't make the margin call, and they seized the collateral. That is not stealing." Now, in hindsight, someone told me, well, that was their business plan. Right? Entice people to over lever and then steal… I'm like, oh, shit. Okay, that is theft. But they didn't really steal it. You're an idiot for levering.

So, Rodrigo's point, levering, trading sardines, is not productive. Building exchanges, lending institutions, like if I have Bitcoin that I'm saving, and I want to save outside the fiat system so the government can't devalue my savings. But I want to use that to let somebody borrow against it to build a restaurant or a widget company or a new software, that's productive. But using it to speculate on exchange arbitrage, it's fine. Produces a few jobs, but it's not really productive. And the financialization, to me, happened too fast. It's like we did a thing with a partner and we created an index fund. Like, no, it's too early. Index funds took 90 years to become a thing. Right? They were invented 90 years ago. And then they became -- well, I guess, it took 70 years, and the last 20 years they became a thing.

It was all about active management of stocks. And it was about saving and accumulating wealth and putting that wealth in the institution that we call finance, and then using it to build other companies and people would borrow against their homes and they'd borrow against their stocks and there was real growth. And the really smart people like Temasek and GIC, which unfortunately invested in FTX, they one-upped us all, right? They took their government obligations, and turned entitlements that were a net negative into a positive by investing in innovation and growing the assets so they exceed their liabilities. Like the one thing I agreed with *W*, and I didn't like him, I like him now. He's a cool guy. But I didn't like him as a President. But the one thing I agreed with, he's like, we should invest social security in the stock market. Now his timing was bad, but the idea is absolutely certain. Right? You got a long time horizon, shouldn't be in cash or bonds, it should be in equities.

In fact, my little pet peeve, and this is way off of topic, what you ask the question. In 401K's, for me, it should be illegal, like literally illegal for kids 25 until they turn 65 to own bonds. It should all be in real estate, venture capital, equities, growth assets, because those assets can't be touched until they turn 71 and a half or whatever. So, the reason they're in bonds is because insurance companies take 4% on the … . And the mutual fund companies take 1%. It's like, that's just a grift. So, I don't think we're the Eurodollar system. And to your point, why did we bail out all the banks? Because that would have gone like that. And that's…

Rodrigo: **01:04:29** You're muted, Adam. I think you're muted or your audio is gone.

Richard: **01:04:33** Adam, we can't hear you. We can't hear you.

Rodrigo: **01:04:39** Oh, your battery must be dead. So, just come into the conversation when you're ready to go Adam. Yeah, because the interesting thing about the Eurodollar is that eventually the Fed did come in and save it, right. I don't think anybody's coming in to save crypto at any point.

Mark: **01:04:54** No. Look, I mean, CZ …which it -- I struggle with the *us and them,* you know, TradFi, DeFi, you know, Bitcoin only, and there's no room for CFi. I think there is room for

CFi. I think it's a transitional mechanism to get those people who are not comfortable with the risks of a pure DeFi and self-sovereign, self-custody, because look, there's risk in custodying your own Bitcoin. You could send it to the wrong address, you could forget your seed phrase, you could have someone come into your house …

Rodrigo: **01:05:44** You could get kidnapped and dismembered or someone from your family could, which by the way are things that I know of people that were threatened by. So, it is a …

Mark: **01:05:52** Of course. Bare assets are a very scary thing. Ask Hans Gruber, right. It's almost Christmas time, Die Hard is going to be on. And I mean, bare assets have risks and so there's a role for CFi. And vilifying it, and the other one I don't get, this is the one I really don't get is the … are like get your Bitcoin off exchanges, so we can get price discovery. I'm like what? If everyone puts their Bitcoin on a *Treasure* or a *Ledger*, preferably *Ledger* since I own a piece of it, and they put it in the backyard, there is no …

Rodrigo: **01:06:32** You're exchanging your crypto in a random Starbucks? Nobody knows that's how you get your money.

Mark: **01:06:38** Yeah. You know big **…** risk. But if there's no trading then there's no price discovery at all. And I heard one guy say no, no, no, what we want to do is get the free float really low, so then the price moons. Like, oh my God you just …

Rodrigo: **01:06:51** Well, that's what I mean. So, look …

Mark: **01:06:52** That was FTX, those are the *Sam* coins.

Rodrigo: **01:06:55** 100%. So, look, we just had the -- we're in the Cayman Islands, Adam and I, we just had the Real Vision conference that Mark you were supposed to be at. I showed up at the lunch … you never came up.

Mark: **01:07:07** So embarrassing. I was supposed to be there and I changed bags and my passport didn't get into the new bag. And I got halfway there and no passport. No ticky, no washy, so, I didn't get to …

Rodrigo: **01:07:19** A lot of Americans I heard -- I had this conversation with a lot of Americans like I barely made it, I had to go back and grab my passport to get back in because I never traveled outside of the country. And for some reason they thought Cayman was the US. But look, what was interesting about the group is I would say half was traditional finance, the other half was crypto, and there was as always, right, with thoughtful, creative, intelligent people trying to build something new in a new frontier market, there was a lot of interesting projects. But I would say the balance of people there were literally just talking about breakouts and trading and charting, where crypto in their mind was the best casino to be in. And we're talking about like I'm, you know, we're trying to sell our services, right, we're trying to sell all-weather, all-terrain strategy that can deal with multiple investment scenarios. And you Mr. Crypto have seen the pain of that, but you got out. A bunch of them was like I knew enough, I've seen enough bear markets to get some cash on the sidelines, but I'm waiting for that 10X next week. Right. It's not -- for the most people right now in this ecosystem is about the casino. It is not about the projects. And that blew me away.

Mark: **01:08:30** Yeah. And that's … as a venture capitalist that's really hard for me because you know, 80% of what we do is the equity in the companies building out the infrastructure and only 20% is actually the protocols but we don't trade them, we own them. And that's not fair. We do have a product called *Risk Managed Bitcoin*. And it owns Bitcoin in an uptrend and it owns cash in a downtrend. Simple trend following model like an old CTA. And all it tries to do is take the vol from 80 to 40 and it's worked, right, you know, over the three plus years we're running it. Bitcoin's down 30, we're up 70.

Now, when Bitcoin was mooning, we'd lag because you know, you're not going to, you're not always going to be in the market. But it's just a -- CTA's worked really, really well for 20 plus years before decimalization, and Ken Griffin and high frequency and Jim Simons basically took all that alpha. And now the average person could never run a CTA or a trend following model because it doesn't work. But in crypto still run by humans, greed, fear, emotion, too many people looking at charts, it does. But that's just a little tiny piece of what we do. But the core is trying to build, and trying to build this infrastructure of the new financial system. Like, it's crazy that you can't get your money on a weekend, that you know the market's closed more hours than it's open, that things don't settle T instant, they settled T plus two or T plus 30 if you're a bank loan and Fed wire, 70 year old tech, you know ACH…

Rodrigo: **01:10:11** You have to walk into your bank in order to wire something.

Adam: **01:10:13** I don't know, Mark. As the CIO of a futures trading firm, I kind of am glad that there's no trading over the weekend, you know? At least a guy can rest.

Mark: **01:10:23** I gotcha. I know. Amen to time off. I'm a big fan. But ultimately, I really do believe blockchains are the only tech capable of managing hundreds of billions of connected devices in the future, and that financial networks will need them. But then it has to be about building, it has to be about slow and steady, not casinos. And it has to be as a diversifier. Right? I mean, what I love about what you guys do is you're focusing on discipline, right? We have a model and we follow a discipline, and we're trying to remove the emotion, you are trying to remove the emotion. It's like the first firm I worked for, right, disciplined investment advisors, we had a brown coffee mug, and it said invest without emotion. And it was awesome, right? That's what we did.

Now, people say that's boring. Yeah, but boring is beautiful over the long-term because compounding is what matters. And you know, I had this very cool experience yesterday. Just little, kind of some uplifting stuff instead of all the downer stuff, we're talking about FTX. So, I was in a Lyft on the way to the airport in Philly, and -- coming from this Catholic crypto conference. And my driver says, "Do you mind if I listen to a podcast?" I'm like, "No, go ahead." And she pulls up Preston Pysh's Investors podcast. "It's my favorite, Preston. In fact, I'm episode 265." She says, "What? You're kidding me." And this young woman grew up in the wrong side of Philly, not from means -- I mean, she's like, "Look, I'm working my nine to five job, I drive Lyft at nights because I'm saving up because I want to invest. And I want to get compounding working for me. And I want to learn about crypto." I'm like "Oh my God. Yes. I mean, yes, that's what this is all about."

And what you guys do is the tool for investors like her. I don't have time -- she's not going to become an expert in stocks and bonds and commodities and currencies and crypto. But she's trying and I just -- I was inspired by her. It was just a very cool 45 minutes.

Adam: **01:12:54** No, that's cool. So, Mark, I'd love to hear actually in the last 10 or 12 minutes or whatever that we have with you, what are some really neat projects that -- where you're actually building amazing tech that you think is going to, you know, to take Jobs' phrase *put a dent in the universe*? You know, like what some cool stuff you're working on that -- …

Mark: **01:13:18** One of my favorites, right, and he's my favorite CEO because the man is an animal. I mean, I mean that in the most positive, loving way. Mike Cagney runs a firm called Figure Technologies, talked about him earlier. And they do two things. One, they make home equity lines of credit loans on the chain, on blockchain So, first, you know, originated loans on chain. They also do some mortgages on chain but they're big business is, it's home equity lines of credit. That business is booming, obviously because no one can get a mortgage anymore because mortgage rates doubled. So they're going to improve their homes, so they tap on the equity of the house. But they'll tell you in five minutes if you're approved, you know, get your money in five days, doesn't take six months, no paper, zero paper, and all of it's done on chain. And so that's one of their businesses.

But the other business that I really love and I think is amazing tech, but it's got some work to do. Most people don't think about it but every stock and bond traded in the US sits, literally, physical piece of paper, sits in file drawers in Dallas, Texas at a place called DTCC. And they trade, this is a crazy number, 1.8 quadrillion dollars a year of volume. It's a little like a mutual insurance company owned by the banks, and they actually make some nice coin off it. But long story short, why are we using 400 year old technology, paper? “Oh, no, it’s not paper. It’s electronic. It’s CUSIPs, it’s ones and you know, little alphanumerics.” I’m like, “Yeah, but the paper is still there.” And the CUSIPs aren’t really ours, right? If I have a stock in my brokerage account, it’s the brokers. It’s in the broker name, not in my name.

So, they created something called Provenance, Blockchain that wants to replace DTCC. But it’s the problem about the lemonade stand, right? If you put the lemonade stand, even if you have great lemonade, if nobody drives by, nothing to do. So, the challenge is to get people to come to their marketplace, and digitize or tokenize assets. And ultimately, could it replace DTCC? Yep. Will it? I don’t know, but I’m willing to make that bet. And I mean, he’s a visionary guy, his wife is a great technologist and together, they’re just a killer team. So, that’s one that I love and we’re betting on. I was, honestly, I was pretty high on BlockFi, I really believed -- I really still believe that lending institutions need to exist in CFi to help get savings onto a platform that can then be lent responsibly to create this productive. And everyone’s like, no, no, they’re all….

Look, what happened wasn’t -- again, it wasn’t a failure of crypto, it wasn’t a failure of a fraud, it was a failure of risk management. Right? They had too much concentration to two borrowers, fine. Maybe they needed some more adult supervision. You know, they’re young, enthusiastic, very talented young people. Maybe they need a little more, I don’t know. But I still believe that that functionality -- so, it’s like right now I believe that a startup lender with a new brand that could be trusted I think would be -- it’s like a startup tobacco company. No liabilities for all the people you hurt in the past and huge windfall profits. But I wouldn’t really do that because …. But it would be a good business. But I do believe maybe a startup lender where you say, look, we’re only going to do lending the right way and we’re not going to pay egregious returns. We’re going to pay normal NNIMs, right, normal net interest margins.

So, I really believe and I got my fingers crossed on this one, you know, we’re investors in Gemini and I believe. They took the high road on regulation and got all the licenses, and they didn’t overextend and they managed the business well. They did get caught, unfortunately, with, as they announced yesterday with the Genesis problem, which Genesis goes back to FTX.

Rodrigo: **01:17:48** Yeah, this is the contagion.

Mark: **01:17:51** But I do think they have a chance because they can do what CZ did. Remember when CZ had the hack, and he put in 40 million bucks of his own money? Said you’re good and I’m going to create this SAFU fund and I’m going to make everybody whole, and now he’s built that up to a billion dollars. And it’s kinda like his own FDIC. Awesome. And someone as an exchange, and Coinbase kind of went down that path two days ago with the Wall Street Journal ad, basically saying, trust us, we do this right. We have insurance. Now it's not like FDIC insurance, but Brian's a good operator. You know, some people don't like him, but -- and we're investors in that too.

So, somebody's going to become the trusted exchange because we just saw the untrustworthy exchange blow up. But I still think that … And look, all the maxi's say, no, no, it's got to be in self-storage. Fine. Ledger, one of our portfolio companies just had their best sales week ever. And Ledger is going to announce a new product on December 3rd or 5th, I can't remember which day. It's going to blow people away, blow people away. The guy who designed it literally is the guy that designed the iPod, that revolutionized music. And I believe, and this is just me, the browser created the internet, Marc Andreessen, you know, Netscape, it made the internet available to everyone. He was the conduit, the portal. This made the mobile net available to everyone.

Now, what's crazy, in 2007 when this came out, Apple went down 40% because people were like, I don't need a smartphone. I got my flip phone and it works totally fine. I'm not going to pay $500 for a phone. You're right. You're going to pay $1,500 for a phone because it's not a phone. It's a supercomputer and it's connected to 100 billion devices around the world and the network is very, very, very valuable. So, I believe *the wallet* is that for Web3. I know people don't like the term and you know, Jack's now calling it Web5, whatever, web whatever.

The next iteration of the web, I believe *the wallet* and the question for me, is it this with an enclave that's protected from SIM swaps and all that stuff that supposedly is there, but no one's really said they can make it work. Or is it Ledger and those guys with the HSMs, the hardware security module that is hard tech. But I'm not going to give up my screen, I'm not going to give up the five or six things. Like I have what, 200 apps on here that I touch five every day, but I'm not going to give up those five apps. So, it needs to be and I don't want to carry another thing. I really don't. I want to carry one thing, so I need it to do both. And I think someone's going to do that. And whoever does, I think that tech is the inflection point for the adoption of this ecosystem.

Rodrigo: 01:21:16 Yeah, I think what you're talking -- all the companies that you're discussing, they're all part of an ecosystem. Right. The question is not that there's value in providing loans to people that would otherwise be charged 20% by credit card, because they can't get it anywhere else. It's not that you don't need a trading platform in order to be able to exchange things quickly and effectively. If you're a hedger or if you own assets and you want to be able to transact or if you want to own your own wealth in a safe place where nobody could take it from you, etc., right? It's always about … industry, the excesses of any one of those things, right? We need to -- it kind of, you need to find some harmony between all of them for you to actually create that next thing. And the tech bubble was the excess of the, I believe -- What was it that you called it, Adam, the click per -- It wasn't about the EBITDA …

Adam: **01:22:10** Market cap per click or whatever. Yeah.

Rodrigo: **01:22:12** Market cap per click, right.

Mark: **01:22:12** Yeah, yeah. Eye balls.

Rodrigo: **01:22:13** And so this is kind of a new normal, and then you realize no, it's not. It has to go back to fundamentals. And it took what, six-seven years for tech to really build something of -- that's widely distributed and used and making some money before it also became a bubble again, right? So -- hey, buddy. Before it also became a bubble. So, we're going to get there again. I think -- I like the analogy of the summer and the spring, right. And I think we're going to be -- it's going to be a few years before this all plays out.

Mark: **01:22:43** So, my big thing and the reason I'm, you know, he's like, it's Friday Night Magic. So, we got to go play … gathering tonight. So, but he and his cohort are the reason I'm still doing this and the reason we're all thinking about this. They are digital native, complete digital native. And this digital divide is real. Right? And I tell the story, they're like asked anyone over 35 who's your broker, Merrill Lynch … How much gold do you have? "Three, 4%." How much Bitcoin do you have? "Oh, zero. It's a Ponzi scheme. Haven't you heard that Peter Schiff guy?" How often to use DeFi? "What's DeFi?" Ask anyone under 35, particularly 11 to 18, maybe not 11.

But ask anyone under 35 who's your broker? "What's a broker? I mean I have a Robinhood account." How much gold do you have? "Oh, you're kidding me? Boomer rocks. Haven't you heard that Peter Schiff guy? Zero." How much Bitcoin do you have? "I don't want to talk about it." Why not? "A big part of my net worth, I'm kind of embarrassed." How often do you use DeFi? "Everyday." 37 trillion from my generation to that generation, from the Boomers to the echo Boomers, 37 trillion with a T. It ain't staying in the traditional world. It's going to the digital world.

So, all have the infrastructure to facilitate that, the replication of financial services in the digital realm is what it's all about. And there are so many opportunities, and it just goes so far beyond trading lines on a screen and levering up, number go up, illiquid tokens, and pump and dump. But if you go back to the history of markets, whether it's a bazar in the Ottoman Empire, whether it is the stock market in the 1920s, whether it's the tech bubble in 2000, or today, it's always the same.

Rodrigo: **01:24:55** Yeah. You know what, my favorite -- …

Mark:	**01:24:57**	The scammers came in, the bad people come in. They ruin it for everybody else in the short-term. But in the long-term, it’s all okay.
Rodrigo:	**01:25:05**	Yeah. Out of the ashes, something rises, right?
Mark:	**01:25:08**	Yeah.
Rodrigo:	**01:25:09**	Out of the ashes, something rises. I think my favorite take here is from my buddy here, Dave Nadig who was on the chat. It was my favorite tweet of the week, which was I keep feeling like I need to have a hot date here. But the only thing I can muster is humans, man. Humans going to human.
Mark:	**01:25:23**	Human’s going to human. Yeah, my hashtag this week has been bad people do bad things, and hashtag hate the player, don’t hate the game.
Richard:	**01:25:36**	But I think you’ve done a really good job here at the end, bringing some positivity and this future of finance and innovation, which is as good a pitch as anyone can probably do at this point to keep people, the skeptics a little bit more open to the idea of a revolution and innovation in this space.
Mark:	**01:25:58**	Yeah. And I appreciate that Richard. And my only subtle change is, I will say evolution, I drop the R. To me, this is an evolution of computing that isn’t as, is an -- is as inevitable, it’s a tongue twister, as client server, to the internet, the internet to the mobile net, the mobile net to the truth net. And displacing trust with truth is what we’re all about. Right? We have 800 years of relying on trust. We have a trusted third party, middle people extracting rents to make sure that value is what it is, and that the databases tie. Now we have a technology, we have truth. My ownership is on chain, and no one can change it. No one can mess with it. It’s permanent, immutable. And if I transfer it to you, Richard, it’s yours. And we all give a thumbs up and we verify that block, tick tock, we move on. And I love Jimmy Song. You want to get really enthusiastic. Listen to Jimmy Song, talk about what happens about human’s human. The thing humans do incredibly well, maybe not everyone individually, but as a humanity, we innovate and we grow, and we get better and we learn. And investing, right, with every investment, we get richer or wiser, never both, right? Because when we’re right, we never analyze, when we’re wrong we analyze a lot. And so if we think about the -- when Jimmy talks about this, he’s like if you get away from an asset, that when it’s given to you, it immediately starts to devalue, it makes you think about consumption. If you give someone an asset that at least is flat or has the chance to appreciate, you think about creation. And you unlock this unbelievable amount of human potential. Like this young woman I was talking to in the car last night she came from a lousy circumstance. But she’s got a mind that’s going to do something. And there are so

many examples of that all over the world. And that's what's amazing to me. I mean, I'll leave you one really, really cool thing. So, my wife and I copied the scholarship program here at University of North Carolina called the Morehead-Cain Scholarship, and did a similar thing up at Notre Dame. And we have this partnership with something called the African Leadership Academy. And it's a school that takes kids who score really high on test scores in all the African countries, brings them to Johannesburg for 13th year, which is like senior year, and a gap year, and it gets them placed on scholarship in schools in the US and UK.

And so we bring a number of these kids to Notre Dame every year. And we had this kid, he found his brother decapitated, tribal warfare. Family fled from Burundi to Rwanda where he grew up in a refugee camp, had the equivalent of three years of formal education, maxed the scores on all the A levels. Okay. Went to ALA, knocked it out of the park, we interviewed him, said please come to Notre Dame. Comes to Notre Dame freshman year, all the professors are fighting over this guy, right, fighting over this guy to bring him in the PhD program. Went back to Africa, started a school in Rwanda to find more of him. That can be fueled by all of what we're talking about. If we strip out the costs of international finance. Like, if I send money to Rwanda now he gets 70 cents on the dollar. If I use the Strike app, which we're investors in, he gets a $1. So, I don't mean to over-dramatize it, but there is so much promise and so much potential and so much positive. And yeah, all the press is on these bad people. Like we live in a society where the worst things you do, the more popular you become. It's insane.

Rodrigo: **01:30:16** The more sensational you are for sure, yeah.

Mark: **01:30:21** Insane. Anyway. Look, I love having these chats with you guys. You guys are awesome to tolerate my loquaciousness.

Adam: **01:30:27** Oh, no great energy and insights, Mark. This has been really fun. So, thank you so much for your generous offering of your time too, 90 minutes -- …

Mark: **01:30:35** No, so much fun, so much fun. And I appreciate the collaboration and the partnership, and we'll do it again soon.

Richard: **01:30:42** Where can people find you, Mark?

Mark: **01:30:45** So, @MarkYusko on Twitter, Morgan Creek Cap, C-A-P.com. I pretty much stink at email. I'm decent at DM. I'm really good at text, but I probably won't give out my mobile number to everybody, but some … people have it. But I'm pretty easy to find. And I'm not bad on DM. I'm pretty good.

Rodrigo: **01:31:12** Yeah, we'll have you back to talk a little bit about traditional finance and your history. There's a lot there that I think I want to pull on.

Mark:	**01:31:18**	Awesome.
Rodrigo:	**01:31:18**	Give it, we'll give it six months and bring you back in.
Mark:	**01:31:20**	All right. Thanks y'all.
Rodrigo:	**01:31:22**	All right, thanks much.
Richard:	**01:31:22**	Thank you so much.
Adam:	**01:31:22**	Thanks, Mark. And thanks everybody who participated today.
Rodrigo:	**01:31:24**	Everybody, Like and Share.
Mark:	**01:31:25**	All right.
Rodrigo:	**01:31:26**	Thank you.
Adam:	**01:31:26**	Yeah, see you.
Mark:	**01:31:26**	Bye.