I remember right after this all collapsed and then he did like 10 interviews on
Good Morning America and 60 Minutes and everybody's like,
why is he's making himself look so bad?
I think somebody was...
I said that.
Oh, was it you?
I said, yeah.
That you thought that this is going to be part of his defense argument?
This is the defense argument.
Like, I'm a lunatic.
I have absolutely no judgment and I won't even listen to my lawyers and shut up.
Yeah.
I literally said that.
I was like, I think that this is part of his, I am deranged.
I don't, I do impulsive things.
And I don't think things through and I wouldn't even listen to my lawyers.
And then when the judge tells me, hey, don't use a computer and don't talk to
the press, I'm going to get a VPN.
I'm going to use my computer all day long and I'm going to talk to the press.
I mean, not only did he do it before he was indicted, after he was given
house arrest, they had to put him in jail.
Using a VPN.
This kid didn't know where the lines are or when he realized he had committed
all these crimes, he just said, you know what?
I'm going to lean into, I'm a lunatic.

All right, everybody, welcome to Friday.
It's Friday and we're going to do a little Jason unplugged producer.
Nick is with us and I wanted, you know, I have such a busy week this week.
I've been raising our fourth venture fund.
You can read about that at launch.co slash memo.
And I've just been at a ton of meetings and that's been amazing.
But I am falling behind on the news and I need to catch up on this SBF stuff.
I started listening to the Michael Lewis podcast.
Michael Lewis is doing like the trial of SBF, but he's not doing it himself.

I saw him on 60 Minutes.
He's sending somebody to the report and they were talking about the jury selection process, which I believe started this week.
Everybody knows SBF is in all likelihood a deranged sociopathic lunatic.
And Michael Lewis' book just came out going into where he covered SBF.
And he's created a little bit of controversy because he's one of the only people that doesn't think that SBF is a deranged sociopath.
He's sort of gotten roasted a little bit because he's kind of he's sort of defended SBF.
Oh, no, he's definitely defended SBF.
He said on 60 Minutes that SBF had a real business.
He was the casino and that the FTX exchange was printing money.
It was a very real business.
And he said, if it wasn't for Alameda, which he should have shut down, there would have been no problem here.
Of course, that's like saying like, you know, Al Capone would have been fine if it wasn't for the murder and if it wasn't for the murder and the rum running and the gambling and this ring extortion, extortion, loan sharking, whatever.
So sure, yeah, he wasn't a criminal if he didn't do the criminal stuff.
But obviously, you know, listen, he's got to have his day in court.
And here we are. It's his day in court.
But yeah, a bad look for Michael Lewis, but I'm a huge fan of Michael Lewis.
So I'll give him the benefit of the doubt.
I understand. Lewis is like one of those artists that, you know, like sort of like Kanye West, right?
Kanye can say a lot of crazy things.
Still made some of the best music I've ever heard.
Yeah. So, you know, like, I don't even care.
I could separate the art from the artist a little bit.
Yes, he can say whatever he wants.
I can't wait to read the book.
Make short moneyball. Come on.
Moneyball is such a great film.
I mean, that's one of the things about Michael Lewis is such a good storyteller that the films turn out great.
This film is going to be amazing.
I'm not sure who's going to play SBF in this, but Apple bought the rights to it, I believe, before the book even came out.
Yeah. Yeah.
Makes sense.
I'm sure you got five or ten million dollars for it because that's going to be a huge hit.
There's going to be a lot of interest in it.

But let's let's get started here.
What is happening in the trial?
Yeah. So the trial of SBF just kicked off this week.
And we'll just give you a little update on how it's going.
So a quick refresher on the FTX collapse.
If anybody forgot just some of the major players and what happened.
So the big issue was that Sam Beckman Fried controlled both FTX,
which is the crypto exchange where users could buy and sell crypto,
like a coin base or a finance.
But he also controlled Alameda Research, which was a crypto trading firm
that actively was almost like a crypto hedge fund.
You can think of it as basically.
So he owned the casino and then he had a bunch of and then he had a bunch of players
in the casino, yes, which is like rule number one of what you don't do.
But yeah, he allegedly told investors
that Alameda received no special treatment from FTX.
That's actually what one of the investors of FTX testified,
one of the paradigm founders FTX.
Now, this is where it gets really gnarly and where all of the alleged fraud and crime.
Or no, I don't know if we have to say alleged because some of the
his co-founders already admitted to fraud and flipped on him.
So I don't know if you have to say alleged there.
But yeah, you know, that's it's alleged he did it.
And I guess for those folks, they have admitted guilt.
So that would be, I think, the proper hygiene as a journalist.
He has denied it.
His co-founders or his compatriots have admitted it.
So we're in process.
It would be as if, you know, somebody, the accountant working for Al Capone says,
we committed crimes, but Al Capone is still saying he's innocent.
Or in the Trump case, you know, like people are starting to flip on Trump
and they said, we committed crimes, but Trump is saying I'm being
we're outroided, right? So you got to give people the benefit of the doubt.
I believe in that, although it's not looking good here.
So FTX had its own native token, which was called FTT.
It's like a platform token.
So if you wanted to transfer funds from your FTX account into the FTT token,
just to hold it and then transfer it back into another crypto,
that's sort of what the token was.
It was basically buying that token was a bet on FTX's platform.
Right. But it was not just so we're clear.
FTT was not a stable coin, though.
It's not Tether, which has its own reputation issues, and it's not USDC.

It was not pegged against any dollar.
Yeah. OK, great.
With FTX. FT was majority owned by Alameda and FTX itself.
So only a small percentage of FTT actually was traded publicly.
It had a very small float.
As we just talked about actually recently with Arm and Instacart and Clavio,
they all had a very small float, a small percentage of the company
that's actively trading publicly.
And what this did, allegedly, was allow FTX to manipulate the price of FTT,
thus increasing its holdings on paper.
Then, allegedly. So if you own 99% of FTT
and the public owns 1% and you start trading between your own accounts,
you could paint the tape, create a bunch of trades, fake trades, wash trades,
whatever you want to call them, and then, you know, have Alameda or FTX
or whoever individuals buy FTT from each other at increasingly high prices.
And then the public gets some benefit from it, but they only own 1%.
So if it goes up 10%, the majority of that value accrues to the 99% holdings.
I'm making numbers up here, but yes, that is a classic technique.
So their FTT would increase in value as they inflated it, allegedly.
Then FTX and Alameda would use these inflated tokens as collateral
for loans between the two of them.
So allegedly, Alameda would acquire FTX customer deposits to trade
by loaning FTX its worthless FTT tokens as collateral, if that makes sense.
I know there's a lot of letters and numbers and nonsense there, but the two
basically would use the FTT tokens as collateral, which would be like,
you know, if you and I were like, hey, I've got this imaginary paper over here,
this magic paper that's worth a billion dollars and we would give each other
loans based on it, or I would say to you, oh, I'll give you a loan
against your house, that's worth a hundred million dollars.
You'd be like, okay, I'll give you a loan against your house,
that's worth a billion dollars, which is exactly what they're trying
to get Trump for in this New York case, inflating the asset value.
So if you inflate the asset values and take a loan against it, right,
which is a fancy collateral as a fancy way of saying that,
that, you know, it's what you get if the loans don't get paid back.
But if the loans are not forced to be paid back between these two parties,
then, you know, it never becomes due, basically.
So it feels like we're getting towards the Ponzi allegations.
Yeah. So then it all came crashing down, starting in FTX somehow
withstood all the crazy block fi going out of business three hours capital.
They withstood all that, right?
And everyone was like, wow, how are they doing this?
And then finally, in November of 2022, someone at CoinDesk got a leaked,

basically, balance sheet of Alameda and it saw that a ton of Alameda's
holdings were FTT.
They reported that.
And then CZ from Binance, who is the big rival of SBF,
tweeted that Binance was liquidating all of their FTT tokens.
That caused a sell off of the public FTT tokens, which crashed the value.
And then that eventually caused FTX to go insolvent.
So that was basically in sort of a high level way, what happened.
And CZ cleared some large amount of selling.
Like he was the winner in all this.
He owned some percentage of FTX, I believe, and he sold it.
Yes, he sold it before, though, I think, like a year before this.
Earlier, but he owed some FTT tokens.
He starts selling them and he basically gets to make money and kill a rival.
So it's like a double joy for him.
Yes.
OK, I got a funny story to tell you.
House of Macadamia has graciously sponsored the All-In Summit.
And to wow the crowds, they created a special edition salt and vinegar
pack of macadamia nuts.
And guess what?
People went crazy for them.
Dozens have been messaging the founder, Brandon, asking him to make
the salt and vinegar nuts available on the website.
Listen, you've heard me rave about the health benefits of macadamias.
But don't take it from me.
The most health conscious people in the world are eating them.
Dr. Andrew Kuberman.
I like his podcast.
I started listening to it.
He mentioned he snacks on macadamias in his GQ profile.
And that guy, Brian Johnson, he was on the podcast when he wasn't a health lunatic.
He's trying to versus aging and he eats macadamias.
So all you really need to know, House of Macadamias products are delicious
and they support good health.
My favorite dry roasted chocolate dip macadamias.
You know, I get my chocolate dipped in there and they also have a dipped snack bar.
So I put a couple of those in my backpack.
I put a couple of them in my little roller.
So I have a healthy and delicious snack.
I make a better decision.
Listen, I've had a candy bar, which, you know, like sometimes I break down
and I buy one of those.

Not a good choice for me.
Now I make a better choice.
House of Macadamias, they got a new product, macadamia milk.
Get a free month's supply of macadamia milk with any order at HouseofMacadamias.com slash twist, that's a free month's supply of macadamia milk with the code twist 20 at HouseofMacadamias.com slash twist.
So now that we've covered like the basic of what happened, let's get to the argument. So the prosecution, which are federal prosecutors, by the way, their general argument is that SBF and his rise to fame as CEO of FTX were built on lies. They're alleging that he stole customer deposits through a secret backdoor to Alameda Research, which was SBF's trading firm.
And then with these stolen customer deposits, SBF was able to make investments by property in the Bahamas, enrich himself, get stuff for his parents and all that stuff. Allegedly, this is how he would have potentially, either from the profits of FTX, which did have some profits because they were taking a piece of very trade or from this stolen money or some combination, allegedly, possibly. That's how he signed up all these celebrities, Mr. Wonderful and you know, whatever, Giselle and everybody they gave money to, to Tom Brady, etc. All that money was probably some combination of customer deposits or maybe the profits of FTX and then a ton of donations to politicians. And then a ton of investments. He was investing in a ton of stuff. And I think some of those investments, obviously, since he was a trader, might work out. So that's another interesting wrinkle to all of this.
And some of their investments gave the money back, right? Semaphore, was that one of the investments? Semaphore, I think, got 15 million from him, the journalists, and I think they agreed to give it back. So this is going to be one of these crazy things. If he gave you money to buy shares in your company, are you obligated to give it back or not? Some courts will say, if it's stolen money, you do have to give it back. Now, what if you spent some of it? I don't actually know technically what's supposed to happen. If he invested in a startup, if he invested in Airbnb in the early days and they spent his money, I guess then they would own shares and those shares would have to move from Sam Bankman-Fraud's personal account or FTX's account and they would be owned by whoever the bankruptcy judge was going to give them to, right? The creditors. So I think that would be the process. So I think Semaphore could have just kept the money and given the shares to this bankruptcy, but maybe it's just cleaner for them to give it back. It was probably there soon. Right. So that's the prosecution's argument. How do you feel about that? Do you think that's a good strategy? I mean, that's really the only strategy, right? That's what they're going after. Yeah, I mean, they have information we don't have. This is the thing I've learned about these cases over the years. These very savvy DAs, when they do these kind of things, they don't show you all their cards for obvious reasons. They don't want people to get to the witnesses. They don't want any tampering and I think they give out to the public the least bit of information they can, just enough to kind of let people know

what's going on. And then they want to tell their story in court. So I think that's what you're seeing, whether it's the Trump cases or FTX's cases or in the case of Theranos, whenever they have these things, they'll drop certain specific pieces of information during the trial and they'll give just enough narrative, I think, upfront to make sure the public feels that there's nothing fugazi going on, right? And so we're seeing that in, I hate to keep bringing up Trump because I know that's polarizing with people, but that's also happening at the same time. New information is coming out in all those cases. You may have seen like in the documents case, different information came out after they filed the initial one, right? And there are these superseding indictments, which are additional indictments that come later because once you start having people roll over and people are rolling on SPF immediately, right? There's no loyalty there, whereas Trump has some deep loyalty, people who've worked with him for decades. These people are rolling on SPF and so you will see more indictments probably emerge over time. Do you feel like people are so quick to flip on SPF because a lot of it is younger professionals who were really, really smart and went to MIT and were amazing in their fields and they were working in crypto, which is finance, but it's sort of outside of finance and they kind of knew that they were doing something wrong, but they didn't know how illegal it actually was. Do you think that's why people are flipping so quick and they're like, I'm sorry, I just got caught up in something crazy, I don't want to go to jail? Yeah, you know, I think that these individuals were, this is like a total guess, but there are a lot of claims that they were on speed, all different types of speed, and I'm using speed as a general catch-all term because I don't know all the different prescriptions they had. These things, I believe, have some use cases that are valid, ADHD, etc. But I think they also have some impulsiveness that can come out of them or poor decision-making, and so that combined with a very smart person in a low moral compass and a weird environment, people can just get crazy. If you saw the Wolf of Wall Street, you can substitute cocaine the speed of the 80s to the speed that these kids are taking. I think it results in the same thing, which is this feeling of invincibility and that you're a genius. Hey, listen, if you were buying whatever, Bitcoin or NFTs, you felt invincible because every year your book went up two, three acts. Especially in 2021. Yes, and so if the world's telling you you're a genius and this super drug is making you feel like a genius and you're on a trading tour with eight other people on their trading turrets, man, you can just get deranged, I think. I think that's a big part of this, I have to be totally honest. I think the flipping is they all came down off of the high of this and were like, wow, we were out of control. There were no controls in place. For somebody from MIT with parents who teach at Stanford and people who are this smart to claim that they don't understand basic finance, they don't understand controls, they don't understand CFOs, boards, and all this stuff, they could have very easily understood it. If they were doing all this sophisticated trading, if they were making their own tokens, if they were running a hedge fund and they built an exchange, and they understood how the political infrastructure worked to make donations on both sides of the aisle to protect them, because they understood so many different systems. To make dark donations, right? These were really smart kids who knew how to manipulate systems. I don't believe anything they say. I think they were just straight up criminals and then what happened was they got ahead of themselves and then when things

collapsed,
they panicked and they started doing all kinds of unnatural acts to try to keep the fraud up. And that's typically what happens. You watch the Elizabeth Holmes story, it starts with small lies, small exaggerations, then you're covering up, you're covering up, you're covering up, cover up becomes much worse than the initial crime. That's almost universally what happens. It's like a gambler chasing it. If you've ever had one of your friends lose at a game, they double the bet in the next game, then they double the bet, and they lose three games in the row and they're like, that's not possible. And it's like, okay, flip a coin three times, and see if heads comes up three times in a row. It's completely probable, actually. It's going to happen. I just wonder how much of it was like, since it was crypto, it just felt like almost not real. It felt like pixie dust and that you couldn't do anything wrong with it. I remember there were so many people at the end of 2020 when everybody started going crazy and even people that
I know in my life are like, oh, what do you think about this token? And you're like, what are you doing? And then they're like, wait, we have to pay taxes on this? And you're like, oh. So I wonder how much that played into it. If this was traditional finance, could this have ever happened? Yeah, you know, there is a thing in technology, I've talked about it before here on the show many times, where people believe if I can technologically figure out how to do something, then it's legal because I technically figured it out. And so, you know, somebody technically figured out how to build Napster would be like the big example. And it's like, I technically figured out how to let people share MP3s, but I'm not sharing them. I just figured out the technology to do it. And it's like, okay, you know, that's a fine, fine reasoning if you want to have it, but no, you still have to follow the law. And this idea that, you know, like these tokens are not securities. Okay, you know, the SEC gets to decide that not you. And so that's why you've seen a lot of people lose their cases. And, you know, like wash creating and, you know, the front running of markets, which happened at Coinbase and at the NFT OpenSea. Both of those places didn't have tight enough controls in place, apparently, allegedly. Well, not allegedly, I think it's pretty clear they didn't have the tight enough controls in people front, front run the market or did wash creating on those sites. So, you know, I do think, you know, people can get caught flat footed in the case of Coinbase and OpenSea might have been getting caught flat footed. And, you know, they just didn't respond fast enough or build the stuff quick enough or they just had a bad actor. The funny thing about those two is on the Coinbase side, it was someone working there who was telling his brother, I believe, what coins were going to be listed soon so that he could buy them off exchange and then they could sell them and profit. On OpenSea, it was there, I think, head of product, Nate Chastain was the guy's name. I think he got a couple of months in jail just a couple of weeks ago. I remember it was on the ticker. He was actually bragging about front running on Twitter. There was like a famous tweet and it was like, oh, he didn't even like, he didn't even know that it was wrong. That's sort of what I'm getting at. People didn't even think it was real. This is why regulations exist. When you are raising a venture capital fund, when you're investing in companies, I was aware of a situation where somebody was asking their friends, telling their friends, hey, I'm investing in this vehicle. I wouldn't say what type of vehicle, but an investment vehicle.
And I just had to tell the person, listen, I know you don't think that you're a promoter here,

but you are acting as an agent because you're going to your friends with an opportunity
and then you're telling them you're investing and how much you think you're going to make and
how great this is. You just got to be a little bit careful because you might be acting as an
unregistered agent. They're like, what's that? Just type in unregistered agent. There's been
many instances of this. People try to do something creative in venture capital. You got to be very
careful. Syndicates were one where Angel List and Neval did a really buttoned up job explaining
every step of the way how SPVs work and we had to get a little lesson in them and how they don't
work and how you have to be careful because people's money is at stake. And I think that my
understanding of with all the SPVs that have occurred on Angel List, there was one instance
of somebody who was upset and they had made like a 10k investment and they lost their money in it
or whatever and they wanted their money back and they just created a huge stink and wrote some
legal letters and obviously they didn't win, but it was like one out of tens of thousands of people
in the history of Angel List. And it was because they were so buttoned up and they put,
investing in startups is high risk. Only invest what you can afford to lose,
majority of startups fail. And to this day in my deal memos, I put the majority of startups fail,
only invest what you can afford to lose. These are high risk investments.
Not that you really need to say that, but why not say it an extra two or three times?
Hey everybody, today I'm joined by Roots CEO, Dan Dorfman. Dan, welcome to the show.
Thanks for having me, Jason.
Tell everybody here in the audience what is Roots and what makes it different than the other real
estate investing platforms. I'm a complete neophyte. Roots is a reed with a little twist.
Sorry, I had to do it. We are the first real estate portfolio that we know of that builds
wealth for both our investors and our residents. And we've created a unique win-win model that
creates partners and not tenants. How does the resident get their equity? Do they put in a hundred
bucks just like I might as an investor or is it blended into their rent? What we do is we do not
take security deposits at Roots. Instead, our residents fund a Roots wealth building account
and invest in the reed. And so from day one, when they move into one of our homes,
they're actually an investor just like me or you would be an investor. The second step of our
program is what we call living and like you own it. And so if they pay rent on time for three months
in a row, and then they'd be a good neighbor, so like no noise complaints. And then the last
thing we want them to do is a quick walkthrough video of the inside and outside of their unit.
We're actually going to give them a rebate of rent of usually around $150
into their investment account. So just for being a great partner with us,
they're going to make $600 extra on top of the growth of the fund for helping us take care of
the asset. Head to investwithroots.com slash twist to sign up and start investing today.
That's investwithroots, no spaces, no dashes.com slash twist to sign up today.
All right, you want to get onto the defense argument?
Yeah, sure. So I know it's tough. Defense argument is tough when you already have
like four people that have flipped, right? It's like crazy. Odds are stacked against them.
So the defense is conceding that many facts that the government stated were true. So they're
already saying that like a lot of this is true, including that FTX customers deposited funds in
accounts that Alameda research controlled. But the defense is arguing that SBF operated in good
faith and never meant to defraud anyone. They're saying that FTX was a startup and they were

figuring things out along the way. And it was growing and things were crazy. I'm paraphrasing here. And they claim that Alameda was not an ordinary customer on the exchange, but a market maker that was really important to generate supply and demand in the early days of FTX.
So that's why that relationship was important early on. And the defense also is placing some blame on Caroline Ellison, who is SBF's girlfriend, who was the CEO of Alameda. She was the head trader at Alameda. She's also going to testify at some point, I think. She also pleaded guilty and flipped on SBF. And they're blaming her for failing to properly hedge Alameda's exposure after SBF had asked her to, which they are claiming led to the collapse in the first place.
Got it. Do you think that is a good defense? I mean, it's finger pointing. And if they've cut a deal with her, which it appears they have, I don't know if they've been public about that or not, if she has officially cut a deal. But it does seem like it takes two to tango and that they were both involved in this. And then there was a backdoor that somebody wrote. So it sounds like a lot of nice words. It doesn't sound like you did your fiduciary duty. And yeah, so no, I don't think you get to say we're figuring it out in finance. That'd be like, if I did surgery on you, I did plastic surgery on you. And I'm like, yeah, you said you wanted the surgery and we're figuring it out. You don't get to figure it out in finance. You don't get to figure it out in the medical field or health care. In some areas, you don't get to figure it out because the cost is too high. They knew that. If he knows she should have hedged these things properly, it was his duty to make sure she had as well, right? Because they're the market maker. So they should have had controls, but he didn't have a CFO. He didn't have a board that tells you everything you need to know. And supposedly he talked about not having a CFO and was like, what is a CFO? He was questioning the existence and nature of CFOs.
They thumb their nose at regulation, it seems, at every step of the way. And I think my gut tells me they did that because they knew that they would not pass any kind of formal audits, et cetera. And then the venture community failed to put the controls in place. So the penalty the venture community gets is losing their money. And because they're part of the equity stack, they're going to lose probably all of it or most of it. And the people with the deposits will get their money out first, of course. And they get a reputation hit. And so this has made everybody, I can tell you in venture, especially as late-stage investors, they are no longer doing this founder-friendly to the point of absurdity. We have to invest now because the deal is going to close and the train's leaving the station. I always said, if the train's leaving the station, we'll meet you at the next stop. We don't need to chase the train down the tracks. Train will come back. There'll be another train. We'll get on the next train.
It's absurd to be like, I'm going to just do something dangerous, like jump on the side of the train because it's leaving the station. You don't do that in business.
On the investor side, can you sort of bring people to, because I don't think a lot of people really understand this, what it was like at the end of 2020 and throughout 2021 and how investors looked at Sam Bankman-Freed and what he looked at as like this next Steve Jobs kind of figure. You were at a couple of events with him. You saw him walking around.
Yeah, interviewed him famously at an event.
You interviewed him, then got squashed or something.
Well, a friend of mine was a small investor and FTX was considered by most as the most legit of all of the exchanges.

Even more so than Coinbase, right?
I think it was considered on the same level as Coinbase.
So those were considered like, these are the two legit ones.
This kid's parents are Stanford professors. He dropped out of MIT.
This was what we call broadly signaling in the industry.
And then these politicians, he's meeting with them.
He's got pictures of himself, meeting with these folks.
He's flying to Washington. He's trying to do it right.
He's trying to create a framework. He's in lockstep with these politicians.
Checkbox, checkbox, checkbox.
And then his eccentric weirdness also is kind of a checkbox, right?
Okay, he's a little weird.
Maybe he's on the spectrum because he shakes constantly.
Maybe that's speed. I don't know.
All of that put together.
A lot of the really good ones are weird.
Sure. And so you put all that together.
That's the signaling that I think led to people saying,
okay, I'll take a leap of faith.
And then you see that all the previous investors are amazing.
And this guy was doing it. This is where I find it completely insincere.
He was buying this influence, whether it was celebrity influence
or making investments in companies.
He very famously tried to get himself inserted into the Twitter takeover by Elon.
He was making all these claims and Elon obviously saw right through it and was like,
I mean, I think he's been very public.
Yeah, they had like a famous meeting, right?
Where Elon was just like, I just don't want to talk to this person again.
Literally, this crypto stuff is nonsense.
You cannot build a database on the blockchain.
That's going to serve up a billion tweets every X number of hours.
And so Elon's got actual engineering signaling and there's different types of signaling.
My signaling is can this person build a great product?
That's what I always look at and they understand their customers.
And so I would have discounted everything but the product and the actual performance.
And I would have had my people in there looking at the actual performance asking about.
And I also think governance is super important.
And people's approach to governance, Nick, is super important.
So when somebody says, I don't want to have a board, I'm like, hmm, that's interesting.
Why? It's too early. I was told it was too early.
We want to stay focused on the product.
I'm like, oh, okay. Have you built a billion dollar company before?
No, it's first time. If I could have three people meet with you every 90 days,

who have built billion dollar companies in finance, would you have lunch with them for
two hours? And they'll say, yeah, of course. I'm like, okay, that's a board.
So why don't we set that up? And if I frame it to you as you get to have lunch with three people
who have been involved in building a billion dollar business in your vertical before you
and you don't want to have lunch with them for two hours every three months, four times a year,
that's a gift. Who wouldn't take that deal? And why wouldn't you take that?
And why do you need control or controlling shares of your company?
You know, why don't you want to have investors keeping you accountable?
You know, if you want their money and you don't want to be accountable to them,
that's like just major red flags, like red flags all over the place.
So I would have snipped this out immediately.
And that's why I didn't do any crypto investments because when I ask questions,
like the ones I'm asking now or how I frame things, none of them pass the SNP test.
No product, no customers, no governance, and then all kinds of shady weird stuff.
Yeah, I would say you were a very product and customer focused investor. And there was very
little, like a lot of times from what I remember you saying, you would meet with these companies
and you'd be like, so who's the end customer? And they'd be like you.
Yeah.
And you'd be like an investor and they'd be like, yes.
By the token.
What?
Yeah, don't make any sense. Yeah.
I think we had maybe a 400 companies in the history of my investing, maybe
less than 10 of them had any kind of crypto angle to them.
And I'd say if I pick a number eight, six or seven of them added the crypto during that
phase. And one or two of them we invested in knowing they were crypto.
So it's really that simple. And those were founders I had known previously.
And I thought, let me make two small bets on founders I know who have done great things
before. And in both cases, I think one didn't work out and one is still in play.
Yeah.
So we'll say, and that one has pivoted away from crypto. So there you have it folks.
All right, listen, we work with startups and they are all over the map.
Most of them very early stage, pre seed, seed, you know, going on to their series A.
But some of our investments have gone on to raise those late stage funding rounds.
They've gotten acquired. Hey, and a number of them have gone public.
And there is one thing that unites them all. They need to have their business insurance tight
if they want to succeed. This is obvious. A lot of founders ignore it and they ignore
it at their peril. If it's not tight, it's not right. And we need tight and right.
And we send them to a broker. And broker is business insurance built specifically for startups.
Their single application help startups get four quotes for four lines of coverage in just 15 minutes.
And broker will connect you with one of their expert brokers for unmatched service.
And it goes beyond your policy. They'll make the process painless and transparent,
especially when you compare them to the incumbents, which are slow.

So try in broker today with the code TWIST and get 10% off.
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We love them broker. Thank you for all the amazing support over the years,
both on this program and the love and care you give to our startups.
There were four witnesses so far in the trial. One of them was an investor, Matt Huang,
the co-founder and managing partner of Paradigm. I hope I'm pronouncing his last name correctly.
He mentioned Paradigm had invested $278 million into FTX over two rounds in 2021 and 2022,
all of which has been marked to zero. He mentioned that he was told in diligence that Alameda
received no preferential treatment on FTX, which was a lie. And he also mentioned that he would
have likely not invested if he had known about FTX's red flags like their Alameda relationship and
how they were giving them customer, allowing them to access customer funds.
But the real testimony that I think is interesting so far was Gary Wang,
who was Sam's co-founder and the former CTO of FTX and reportedly built the whole site and was
actually like the one who was doing all of the coding. So Wang has already flipped on SPF.
He's already pleaded guilty to fraud. And what I thought was really, really interesting is that
one thing he said basically lends itself to all being sort of a grift from the start.
So he said when they were creating Alameda and FTX, Wang said SPF named the firm Alameda Research
because it makes it easier to do business if the name doesn't mention trading or cryptocurrency.
SPF told him prosecutors, oh sorry, from one of the articles, prosecutors then played the jury
a recording of an interview in which SPF said he knew banks would not work with Alameda if it
were called Shitcoin Day Traders Inc. But no one doesn't like research, SPF said in the record.
This is where you get exactly SPF's premeditation and thoughtfulness, clever,
you know, premeditated, you can frame it however you want. But expertise, he knew what he was doing.
He had a strategy. I mean, this is, he had a strategy to trick the banks into working with
him. So that tells you everything you need to know about this individual. And I think these
moments is a great moment. We'll build and build and build. So Wang will continue to testify on
Friday from what I understand. And this thing's going to take six weeks, I think. They have six
or 10 weeks, I think, for this trial. It's interesting with these trials. They have a specific
timeline. They give everybody for trials. And so I think this is either six or 10 weeks. So this
is going to be going on. We'll talk about it here on the show every week. You have a guess on the verdict?
Yeah, he's going to be guilty. And I think he will, I could see him pleading, you know,
at some point during this process, they could come to terms because I think it's going to go
really bad for him. And I think we've only seen the tip of the iceberg of these kind of, you know,
really bad moments. There'll be all kinds of interesting things.
Right, we're two days in, I think.
Yeah, it's going to get much worse. I think he will get a Bernie Madoff sentence, which was,
you know, multiple life sentences. I think it'll be closer to Bernie Madoff than Theranos. Theranos
got like nine to 11 years each of them. I think it was nine and 11, if I remember correctly.
I think he's going to be more towards the life in prison. So I would say,

if I have to pick a number, I'm going to go with like 30 years to life.
I don't think he gets less than 20. So I'll put it at, you know, 20, 30 years plus.
Do you think he's a genius?
No, I don't. I think if he was a genius, he would have seen that FTX was a real business.
He would have seen Coinbase. He would have said, okay, anything that's full-gay,
we got to stop doing. We need to clean this mess up. And Alameda, you're on your own.
I'm shutting it down. I'm selling my shares to you. I'm out of that business. I'm only going
to focus on FTX. FTX is going to be on the up and up. We're going to put a CFO in place. We're
going to clean everything up. If we've made mistakes, we'll pay off penalties. We'll come
clean with it. But that would be what a genius would do. Yeah. This was just sloppy. And I
honestly think the kid was on, and maybe this will wind up being his defense,
that he was in a drug-induced haze and he was losing his mind on speed. I literally think he'll
probably come to that. Like, I wasn't thinking straight. I have ADHD. I'm severely on the spectrum.
I didn't understand what I was doing. I don't want to say it's like the pleading insanity,
but I think he's going to plead on the spectrum, which I don't think is an actual defense.
But I think that's where this all winds up, is that he was not thinking straight. He made
super crazy risks because he was under the influence of really serious narcotics.
I saw people speculating that. I remember right after this all collapsed, and then he did like
10 interviews on Good Morning America and 60 minutes, and everybody's like,
why is he making himself look so bad? I think somebody was... I said that.
It was you? You thought that this is going to be part of his defense argument?
This is the defense argument. Like, I'm a lunatic. I have absolutely no judgment,
and I won't even listen to my lawyers and shut up. I literally said that. I was like,
I think that this is part of his, I am deranged. I do impulsive things, and I don't think
things through, and I won't even listen to my lawyers. And then when the judge tells me,
hey, don't use a computer and don't talk to the press, I'm going to get a VPN. I'm going to use
my computer all day long, and I'm going to talk to the press. Not only did he do it before he was
indicted, after he was given house arrest, they had to put him in jail. He's on house arrest
using a VPN. Using a VPN. You want to know who's a genius? Trump's a genius because Trump
knows
exactly where the line is. He walks right up to it, and he's like, I'm going to dance right along
the line. These prosecutors are horrible in these ways. It's terrible that America's doing this.
It would be terrible if something happened. I don't think people should stand up for this,
and then he can be like, I didn't tell anybody. I didn't say anything to violence. I just said
it would be terrible, and America's going, okay, I have freedom of speech. He knows exactly. He
has that level of genius. Oh, yeah, no. I mean, now his defense for his departments being overpriced
is, well, I lived in them. And it's a tradition in real estate to talk up your assets. Of course,
yes, the view may not be as great as I make it out to be. He knows exactly where the lines are.
This kid didn't know where the lines are. Or when he realized he had
committed all these crimes, he just said, you know what? I'm going to lean into I'm a lunatic
with no filter, no self-control. He just went full lunacy. I mean, that was so weird. He did that
like Andrew Orr-Sorkin interview where Andrew Orr-Sorkin gave him like all those softball
questions, and that was bizarre. It was like, why would he even show up for that? And everybody's

like, is he going to show up for that really? He was doing everything. He was doing everything. He was everywhere. George Stephanopoulos. You don't want to go up against a Greek guy. That Greek guy, he filleted him like a Spartan. Ridiculous. All right, listen, this is great reporting. Everybody will keep this up, but we won't obsess over it. We'll just give it to you when it's really important. There's a lot of insights like today. We'll let it build up, and then we'll give you the debrief. And Jason will fire off some takes.
We'll fire off some takes. It'll be like every two weeks or every week or every three weeks, depending on how important it is. Okay, so we'll take a couple of questions, could be about anything. Thank you, everybody. This is a question. This is a comment that I think is interesting that you could reflect on though. It's from sweet spot 909. The venture community really takes a lot of blame. Most regular people invested because they saw all those big time name plates, venture funds investing. Regular Joe said if they invested, then it means it's legit. How do you feel about that? Yeah, I mean, I've been a little bit outspoken about this. I think venture firms that invested in tokens and then sold the tokens or enabled these startups to dance along the lines of what the SEC would allow, knowing how offerings work. I think there's going to be some explaining to do. Now, I don't know that they did anything criminal, but I do think they might have bent the rules and used, yeah, they might have used
their knowledge of the system to profit in a way that I would consider immoral or unethical, which is flipping tokens. If you're backing a startup, you're buying the tokens and then you flip them and you know normally when a company goes public and you've been involved in IPOs, that you have a six-month holding period and you know how secondary market works and you know what
an accredited investor is versus a qualified purchaser and you know what a registered offering is and you've raised different funds and you know what a hedge fund is and you're an LP in these things and you've got the best lawyers in the world. When you start stacking all that stuff up and then you start playing in this imaginary crypto world and you're like, oh, the rules don't apply here, but we can profit off this non-rule-based place, it would be the equivalent of somebody who
operates a casino in Vegas being like, you know what I'm going to do? I'm going to open up an illegal card room in my garage in, you know, Texas and it's like, you can't do that. I don't know, maybe in Texas you can. You're going to do it in California, I'm going to do it in New York, I know you can't do it in New York. It's like, you know that, you own a casino in Vegas, you're regulated, you go in and you take tests and you have insurance and you run a casino properly and you opened up a bunch of illegal casinos in Brooklyn. What? With rigged slot machines in the back too? Like, you know better and so I think that's going to be the issue. Do I think anybody wants them getting prosecuted? You know, it depends. We'll see if prosecutors keep winning these cases and it seems like they've got a pretty good track record of catching people doing things. Maybe the VCs knew how to not do things that were illegal and so maybe they just held their tokens and, you know, they really didn't sell too many of them or they sold equity in the company so we'll see. But VCs could have shown better leadership here I think. I think some VCs kind of just drank the Kool-Aid and was like, yeah, let's do it Airbnb or Uber. Let's reinterpret the rules around ride sharing and renting a room. As I've said before, you know, that's,

there are some areas where you don't get to reinterpret the rules, healthcare and, you know, finance are places where customer deposits, like you don't want to be too innovative there.
Yeah. Yeah. And I pulled from Jason in 2022 last year. I think this was from odd lots but I'm not positive. I believe the overwhelming majority of tokens are securities but they're being dumped onto retail investors and this is being done explicitly by venture firms, Calacana said. This is going to blow up in the faces of the venture community.
Yeah. I believe that that's still a big possibility. Now, the question is, you know, to what extent did people dump these things, right? And, you know, if you were in a venture fund and they sold the tokens and you got a return, okay, well, you're kind of abstracted from it. But if you were on the board of the company and then you personally bought tokens and the company
bought tokens and your firm bought tokens or you had a token side fund, it all just gets really murky. It gets really murky really quick. And so, yeah, the whole thing is just a total side quest gone wrong. Here's a good question from Keith. Okay. Are there going to be any more software unicorns in a world where increasingly software is going to be created by faster and smaller teams? And I'd add to that question, what do you think happens to the series CDE and after that rounds of, you know, $250 million kind of pre-IPO venture rounds? Do you think that still exists in 10 years?
I think, okay, so I'll take the first question. I think there'll be more unicorns because I think if you can get to, if you get to 100 million in revenue, but you only have 10 million expense and you got a 90% margin, okay, you know, that's really easy to do to become a unicorn. Now, if today you had to spend 200 million to make 100 million your money losing, maybe people don't want to give you the unicorn moniker. So I think the efficiency will then make the companies worth more. 20 times earnings means anybody with 50 million in earnings is a unicorn as opposed to top-line revenue. And so 50 million in earnings in a software company that may take 250 million in revenue, you got a 20% margin at the end of the day and you have 50 million in you, but it's going to be completely possible to have a 50% margin and get there, you know, much quicker. So that's, that's what I think. And then I do think the people who dip down into the really late stages, MASA,
Tiger, KOTU, whatever the late stage players were. Yeah, maybe they, maybe we don't need that. Oh, sorry, DST, DST, DST. Like we might not need those later rounds. And so those folks will either go early or they'll take them public, right? So that, that weird window that emerged where people just started overvaluing private companies, I think that's gone for a decade or two. Yeah, no, if things start going really well again, yeah, maybe people will dip down there. But I think generally speaking, startups will need less funding and they'll be more profitable, the successful ones will need less funding and they'll be more profitable. That'll be the trend. And you know what? That's a healthy trend. That's the trend that could get out us, get us out of this mess. And when you see 20,000 people leave Facebook, 85% of the people leave Twitter, 20,000 people leave Microsoft, 20,000 people leave Google, 30,000 people, whatever it is. And the companies are doing just as well. They're taking the medicine. They're using software and AI to get more efficient, get more fit as, you know, our friend says, Brad Gerstner. So if everybody's just getting more fit and getting, you know, running faster and being leaner, that's great for the economy. It's great for the economy. It means these companies are stronger. So great

question. All right, everybody, we'll see you next time on This Week in Startups and Fridays.
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