

All right.

Quick break to tell you about another podcast that we're interested in right now.

HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell.

And they break down why these pitches were winners or losers.

And each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

Yeah.

Yeah.

It's bad.

I mean, it's very, very visible, very, very painful, very like, I mean, just the gall of people.

That's like a crazy, crazy thing to do.

All right.

We are live.

Sean, this is all I've been wanting to talk about.

I purposely haven't texted you about this because this is all I want to talk about.

But like maybe just give like a three to five minute background on what's going on.

I think you're the guy that should be doing that.

And then I want to tell you some of the more interesting points that I think maybe haven't been covered or are less covered than I think are either hilarious or interesting.

Okay.

Great.

And by the way, should we check?

I have a \$25,000 withdrawal that we will see.

We'll see if FTX has any money left.

I'm going to check right now and see if it's come through.

What do you think?

Yes or no?

Did I get my 25 grand out?

I think you probably got it.

I did it on November 9th.

It's now November 14th.

It said it would happen by today and it is not in the bank account.

All right.

There we go.

Just another disappointment.

Okay.

## [Transcript] My First Million / Reaction To The Collapse of FTX and Sam Bankman-Fried

So why don't I have my deposit?

Actually, it's not even a deposit.

They advertise with us and so they paid me inside FTX and I was just lazy and never went through it.

Okay.

So basically what's happened, here's the what happened for those who aren't following it that closely.

FTX, which is a big crypto exchange, it's a place to go to buy, sell different cryptocurrencies.

It was, I think the number two or three largest exchange in the world, used mostly internationally because people all around the world want to buy, I think 90 plus percent of people buying crypto are international and so FTX was huge.

Basically Coinbase, but bigger than Coinbase.

Bigger than Coinbase.

Binance is number one.

I think there's technically something number two, but really it's like Binance number one, FTX two and sort of like Coinbase and the others come after that.

Okay, so FTX, which was this blue chip thing and it was seen as this mega success story.

You would see top investors in the world that were investing in this, so Sequoia, which is like a preeminent VC firm plus like 50 others who were investing in this.

He's on the cover of Fortune magazine and it says the next JP Morgan because he's this young guy who becomes one of the wealthiest men in crypto.

They say FTX at its peak was worth about \$32 billion and this company's only like four years old, right?

So it was had this like crazy explosive growth and valuation.

Sam was said to be worth \$16 billion himself.

He's this genius trader and now entrepreneur.

He's this crazy eccentric guy.

The guy looks goofy as hell.

He's a vegan who doesn't wear shoes and gives away all of his money if they're effective altruism or whatever.

He's got this sort of character that everybody wants to talk about of which I bought into it.

Very easy to buy into, you know, this like crazy person who sleeps on the floor of his desk and doesn't believe in normal stuff and he's at \$29 or \$30 worth north of \$10 billion and he previously made a billion plus by doing arbitrage with like Korean cryptos.

Just some crazy shit.

I bought into it.

So that's the background.

We all go on this train of like, okay, I guess that's what it is.

And then suddenly last week, there's a series of events we can go into however much detail we want, but there's a series of events that basically causes a bank run on FTX.

So users lose confidence that FTX is solvent, which means they say, I got to get my money off FTX just as I did.

You go, you hit the withdrawal button just in case there's any weird stuff going on.

## [Transcript] My First Million / Reaction To The Collapse of FTX and Sam Bankman-Fried

We've seen many things crashed in 2022 in crypto.  
Luna was one, a Voyager, Celsius.  
There was a handful of these things that crashed.  
So people said, better safe than sorry, let's start withdrawing our money.  
That creates the liquidity crisis for FTX.  
They don't have the money to give and everyone's like, where the hell's the money?  
Why don't you have the money?  
That's my deposit.  
That's my funds.  
You know, you go to the bank, you expect them to have your money.  
And so FTX does not have their money.  
He comes out.  
He says everything is fine.  
All the assets are fine, guys.  
This is just, you know, a hoax from a competitor.  
There's a competitor trying to f with us, blah, blah, blah.  
Binance is that competitor that he's talking about.  
So he basically saying, oh, the big, the big, the number one guys coming after us, but we're fine guys.  
Don't, don't panic.  
People still panic.  
And in fact, he was lying.  
Turns out there's basically, this guy was a giant fraud.  
You know, if you believe all the things that have been coming out.  
So allegedly, we'll just say the word allegedly, this guy was lying, deceiving everybody, misusing customer funds, et cetera, et cetera.  
FTX goes under.  
It goes from a 20 to \$30 billion company to a company that is now declaring bankruptcy.  
Billions of dollars.  
There's like \$10 billion worth of customer funds that are gone, vaporized, unaccounted for.  
This guy is fully in the country and all kinds of crazy stuff.  
So I'll just set that as the background and now we can go into whatever parts you want to go into.  
All right.  
So there's been a lot of interesting things that have happened and I want to name a few.  
You know, there's, the story is a week old now.  
So a lot of the stuff has been covered on the facts.  
We can talk about the facts if we want, but I want to talk about like some things that I think have been covered first.  
The things happening on Twitter are amazing.  
This is all unraveling in real time on Twitter.  
One of the more interesting and funny ones.  
There's a Twitter handle called Autism Capital, the most based citizen journalism in crypto.

## [Transcript] My First Million / Reaction To The Collapse of FTX and Sam Bankman-Fried

We are currently following the FTS saga, but please be patient.

We have autism.

That's their...

That's our source of truth, by the way.

That is who we are really leaning on at times of trouble right now.

But listen, it's hilarious.

And I think a lot of it's right.

It's sort of like TMZ.

TMZ is like considered trash because they sit, they're fast paced and they say a lot of stuff that eventually every once in a while, they have to recant and say, oh no, you know, we got this wrong.

But you know what?

They fucking nail it.

They called Prince being dead or about to die.

They call all this other stuff and that is exactly what's happening.

So there's all these interesting things that Autism Capital is tweeting like SBF.

That's this guy, Sam, the founder, SBF did a masterclass.

You know, the company masterclass on trading and it was set to release in December and it's already been filmed.

That's like an interesting thing they tweeted.

Another interesting thing they tweeted is basically SBF's right hand woman was this woman named Caroline who rumors are that they also were like sleeping together.

She ran the hedge fund so that SBF owns all this weird collusion.

She has a tumbler that Autism Capital found and it says she had a post called World Optimization where her kink is men who control most major world governments.

Yeah.

No, what did it say exactly?

It's like people always say, oh, I want this.

But what I want is like a man who's like control societies, governments, things like that.

It's like, what the hell are you talking about?

Yeah.

So I followed them like we, I mean, if you're in crypto, you follow these people, you know, these are, Sam was considered one of the like, you know, more blue chip.

Of course, there's always some people that are like, this guy's full of shit or I don't trust this guy or whatever, but they're like the small, small, small minority.

The majority of people believed that FTX was this fast growing company and that Sam was this like really interesting, really smart founder.

And then you knew the one part that was always shady.

So for example, when they advertise with us, they asked us to write a story on FTX and we were like, okay, great, we'll write the story about how you guys grew so fast, what tactics you used, why, you know, why, why grew so fast and we write the story.

And then me and Ben were talking, we were like, you know, stories all like, you know, perfectly rosy.

And that makes sense.

## [Transcript] My First Million / Reaction To The Collapse of FTX and Sam Bankman-Fried

This is like a sponsor, like, you know, deep dive basically, but like, you know, we should put in what are some of the concerns, even if nothing else, just to like balance out the story so that it's like, not literally just a fluff piece.

So we were like, well, what are some of the criticisms?

And one was like, there, well, before he started FTX, he started this company called Alameda Research and Alameda Research is not a research company.

It was a trading company.

They just called it research.

So it sounded a little more serious.

And the rumors are like an autism capital.

I think also shared this.

They're like, well, Sam said he wanted to call it Alameda Research because that just had an official sounding name and he didn't also didn't want people to know that they were trading.

Yeah.

And in the entrepreneurial circles, it was like, oh, great little growth hack, right?

You know, it's like, when we wanted to get advertisers for the hustle, I would first just write a fake ad for some other company, then I'd go to their competitor and be like, hey, do you want this spot and like, you know, there's a fake it till you make it, that's acceptable.

And then there's a fake it till you're a fraud, which is where this guy went totally wrong.

So he had this trading company hit the legend is basically that at the time Bitcoin was trading at, let's say 10 grand in America.

But in other countries where it was harder to access Bitcoin, there was a slight premium.

People were willing to pay more for Bitcoin because it was so hard to access because the government was, you know, maybe not allowing exchanges to run there properly or whatever.

So in Japan and Korea, everybody saw this Bitcoin would be 10,000 here, it'd be 11,000 or 12,000 there.

And so the legend of the origin story for FTX is that Sam saw this.

He was one of the people that exploited this arbitrage opportunity.

You know, he basically hustled, went to Korea and set up this like logistics chain where they could buy a million dollars of Bitcoin here, sell it for a slight premium there, wire the money back and do it again the next day, just keep recycling the money and that they made tons of money.

And nobody really understood exactly how like, there was some plot holes in this, but it was like, I don't know, I guess these guys are just smarter than us.

But like, is like, wait, you made a billion dollars doing this?

Now that sounds a little unreasonable.

So you might have made what hundreds of millions, but where did you get the seed capital for this?

Like you weren't rich.

So like, how much initial money went into this?

And there was never like some clarity there.

So that was a little bit strange, but nobody really caught.

What's the answer to that?

Well, now it appears the answer might have been that that just never even happened. That might have been a complete fabrication or they might have done it at a much smaller scale.

Nobody, nobody still knows the answer because this guy's like, you know, on the run or you know, hiding, you know, right now.

So, so nobody knows the answer to that.

But the bigger part, the part that we wrote about was like, well, Alameda research, when FTX launched as an exchange, every exchange needs liquidity when buyers and sellers come to the site, they need to be able to quickly get their order filled.

So you usually have a market maker or a liquidity provider basically who sits there and says, I'll, I'll be the one who buys and sells things and I'll take a small fee for providing that liquidity to the exchange.

So it runs better.

So Alameda was the liquidity partners, the market maker for FTX.

And so everybody knew that.

And I was like, okay, cool.

But it's like, wait, but Sam owns both.

He owns the exchange and he owns the market maker.

Isn't there some conflict of interest?

So, you know, like couldn't, you know, if this is a hedge fund basically that can go buy things, but then FTX can list those coins, they'll know what they're going to list.

Right.

So there's a little bit of a weird.

It's a conflict of interest.

It's a little bit of, you know, cousin's kissing there.

And so we had wrote about that.

We go, you know, they have this kissing, kissing cousins thing that people don't really like or nobody knows the true extent to this relationship between the two.

And they were like, Hey, we need you to take that out.

And we were like, well, we don't really think we should take it out.

We think we're going to keep it in.

And they were like, okay, cool, like, but just pause this whole story.

The crypto market prices are going down.

We don't want to be bragging about how well we're doing right now.

So we were like, okay, you paid us.

You don't want us to run the story.

We'll never run the story.

So we'd never ran it.

And I remember at that time, a little, a small red flag of like, I'm surprised that instead of clarifying the relationship, they're like, don't talk about that.

So that was a little bit of a red flag, but you know, like most things when you have, when you're reading nine out of 10 things are, are just saying how this is the wonder kid and this is the best company.

And then you have this one little red flag, you sort of brush it aside.

At least that's what I did.

Which is a mistake.

Anyways, that was just like one small thing.

And so what ended up happening, whether the sort of cause of this was essentially that FTX was, it was lying to customers and was illegally taking customer money, giving it to Alameda through either a loan or just like straight up funneling the money there.

And then Alameda was going and trading using the customer money, trying to turn a profit and was actually just like kind of bad at trading and was losing money.

And so then they didn't have the money to return when all the customers wanted their money out.

And when they, you know, quote unquote, lent them the money, the collateral that they put up to take the loan, right, like let's say users put in a more like solid currency, let's say like Bitcoin, Alameda borrows that Bitcoin to go trade.

And they put up in return as collateral FTT token, which is FTX's own internal token that doesn't have like real, that much real value.

So when they lost all the Bitcoin, for it just for like to make things simple here, when they lost all the Bitcoin, all FTX had was the shitty FTT token that wasn't, that was worthless.

So now there's no, there's a huge hole.

They lent basically \$10 billion out and then couldn't return it.

And so they went, they went under and basically now every day there's more leaks about how crazy this situation was, how these guys were liars, how they were doing this intentionally, how they were doing drugs, how they were, you know, 15 people sleeping together in this like mega mansion while he pretended to be this like big philanthropist.

And maybe he's an actor for the Chinese state who there's like crazy theories all around.

And you know, nobody knows the truth.

And this guy's coming out and yesterday he tweets for the first time and everyone's like, Oh my God, here it comes.

And he tweets out like a thread and then, you know, like you start a thread with one and then you say the first point, then you're going to say two, then the second point.

He tweets out one and all he says is what?

And then he says, and then he does nothing.

And then he tweets out two.

And then the letter H.

What does that mean?

And then just now an hour ago, he tweeted out a and then 11 minutes ago, P.

And maybe he's spelling like what happened.

I don't know what he's trying to do.

I don't know what's going on.

I don't know.

Maybe he's having a break or something.

Like, I mean, dude, I knew a guy who like was having a breakdown and, you know, he had to be institutionalized and he was tweeting crazy shit, you know, like, and this is how it started.



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Maybe the guy's going through something like that.

There's this.

There's another interesting thing that happened with the Chamath on the all in pod.

And this is another thing that I saw.

I think also autism capital.

They like clip this clip and on the all in pod Chamath, who has a whole bunch of other questionable things happening, but he said something interesting where he was looking at investing in FTX and he was like, you know, it's kind of weird how you guys are kind of self dealing.

I think you need a board and I think you need rules around what you can and can't not do with this.

And he said the person working at FTX called them back and literally said, hey, go fuck yourself and just hung up.

And that was the end of the call.

All right, a quick message from our sponsor, you know, I was thinking about the shortest day of the year earlier.

And while we technically had the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.

Our work days, the same length as always.

But before you know it, we spent three hours just fixing something that was supposed to be automated.

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Yeah.

By the way, I think there's 70% chance that entire story is bullshit.

I think Shabbat is generally full of shit and, you know, so I do not believe this story for what it's worth.

But dude, have you seen the videos?

So the woman name, I guess my point would be if you knew that something FDUP was going on with this company, the most popular company in the world at that time in crypto.

And that if you knew that this was messed up, like that there was fraud going on or deception or any of this stuff, you would have said something, right?

Like, so maybe what he said is, I don't know, I don't feel comfortable with this.

But I feel like he's trying to take some victory lap of being like, no, in the video, in the clip, I believe Chumat said, I believe he put emphasis on this, he goes, he literally said, go fuck yourself.

No, no, that part, I believe, I believe that they would say that it's Chumat's part where he goes, I called them, they pitched me, I said, this doesn't make much sense, but okay, I'll have my guys look into it.



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And my guys looked into it, we gave them a recommendation, you need governments, you need to do this, you need to do that.

And like, they said, go fuck yourself.

I don't know, something about that picture being so white 90, you know, raise more red flags to be as well.

But a few other interesting things, basically another Twitter thing, these guys have been doing these like marathon Twitter spaces, one of the guys named is Mario, and he hosted this Twitter space where Elon pop popped in.

And someone was like, Hey, Elon, what did you think when you first met this guy, SPF?

He goes, well, people were telling me when I was buying Twitter that he had lots of monies, a lots of money, but my bullshit meter was redlining.

And even all these major investment banks were like, yeah, this guy's walking on water, he's the best, he's got, he has money.

And I just didn't think that he had the money.

And I actually believe this story to be true.

And it just like, was interesting because from an outside you think, well, these billionaires all know each other, they know what's up and, you know, like they know if someone does or doesn't have money, they know if it does, they do or do not know if someone's legit.

And Elon's like, I had no idea if he was legit, but he didn't seem legit to me, but everyone else said he was.

And I thought that was like really interesting.

I was like, Oh, I thought this was like a club where you had to like show financials to get in inside of.

And turns out that's not true.

And also the balls of SPF to be buying stadiums, to be hiring Tom Brady and all these other like, you know, Larry David, these huge celebrities.

This guy took this guy took a scam to the next level, you know, so much hubris to be tweeting or DMing Elon and being like, Hey, I'm down to put up three billion for buying Twitter.

It's crazy.

So did you see the text message that leaked of that?

Yeah.

And what did Elon say?

He goes, so basically the text message that leaked, it's on this also.

Twitter handle called internal tech email.

So you can go check it out there.

It's Michael Grimes.

So I think it's like the head of, it's like a bank or I think, yeah, I think he's like one of the top guys at Morgan Stanley.

So he texts Elon, he goes, Hey, do you have five minutes for a meeting that I think you'll want to take?

Elon's like, I'll call you in half an hour.

Mike Grimes, perfect.

He goes, San Bank, my freed is why I'm calling links to a link of San Bank of Reed, which

is basically a link to a story that like San Bank of Reed is he was an effective altruist, meaning his goal was to make as much money as possible so that he could give it away. That was the best way that he could help and cause like positive change for society was by maximizing how much money you can make and then giving it away, which is like, why there's all the memes of like, you did it, you took all our money and you gave it away.

Wow.

And so then Elon just replies two question marks, like what?

And he goes, I'm backlogged with a mountain of critical work matters.

Is this urgent?

He goes, he wants one to five billion serious about partnering with you, same security you own, not urgent unless you wanted him to fly out tomorrow.

He goes, he could do five billion if everything is vision lock.

He would do engineering for the social media blockchain integration founded.

He founded FTX.

He believes in your mission.

Major Democratic donor.

He was the number two largest Democratic donor, 40, 50 million something like that.

He goes, so I thought it was worth an hour tomorrow.

He said he could shake hands on five, five billion if you like him.

And I think you will.

Can you talk with a, you know, whatever, but it, you know, it could get us five billion in equity in an hour.

He's like trying to sell it, like take this meeting.

Elon replies, blockchain Twitter isn't possible as the bandwidth and latency requirements could go a lot, you know, basically a blockchain Twitter won't work.

So this doesn't make any sense.

And then he says, Elon disliked could do five billion if every vision lock would do engineering for social media blockchain integration.

And then the banker goes, got it, I'll forward the equity interest to this other guy instead said, but even if there's not the blockchain piece, he's interested in investing in Twitter and your mission, but we can, we can put him on the sideline for now.

And he goes, as long as I don't have to have a laborious blockchain debate, which is honestly one of the cooler things that Elon has done or said in this entire thing, which is like, all right, I'll meet the crypto bro.

Just don't make me fucking.

I don't want to get into an hour long talk about blockchain, please.

And that I thought was hilarious.

So then, then he goes, the Sam actually have three billion liquid.

And then the guy goes, yes, I think Sam has, and he actually set up to 10 at one point.

But in writing, he said up to five, he's into you.

And he said, the blockchains only if you're interested, not going to push it, blah, blah, blah.

This other super rich guy, Orlando referred him.

And then he's like, we can push him to next week, but I believe you'll like him ultra

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genius and do or builder like your formula built FTX from scratch after MIT physics second to Bloomberg and donations to Biden campaign.

And so that was, you know, the grimes.

What's this guy's name?

Mark Grimes.

Dude, he's on the grind right now.

You're fire, bro.

You are fired.

Actually, we're calling him Mark Grimes instead of Michael Grimes for whatever reason.

We did this in the milk road.

We were like, you know, it's just, it's hard to report bad news every day, but it's like, hey, bad news, FTX, the biggest exchange in solvent, bad news, wasn't even just a miscalculation. You know, in good faith, it was actually fraud and deception, and we think, and that's what it looks like.

But what bad news, the money that they would have otherwise had to pay out the remaining customer deposits, oh, somebody just hacked it last night and took the last 600 million.

There's actually zero in the bank accounts now.

So there is nothing left for anybody because a guy literally just did this.

And oh, by the way, there's a plane going flying.

His private jet is flying to Argentina tonight.

We're tracking it here.

And it's like, dude, this is horrible.

And we're like, what are we going to do?

We're like, we're no longer calling this guy SBF nicknames are for winners.

This guy is now Samuel.

We're calling him his government name and like, Mr. Bankman.

No, not even.

No, not even.

He's Samuel.

How from now on?

We, I want to ask you about Milk Road's engagement, but first you tweeted something.

And I agree with basically you're talking about like, it just like, I lose trust in so many things.

I'm losing.

So SBF or not, FTX owned, I think 10% of Robin Hood, which I have money in.

Not a huge sum.

Not FTX.

I think he personally, him and Alameda owned the 90% or something of it.

I'm going to sell.

I'm going to, I'm getting all my money out of Robin Hood.

I don't, I don't trust anything.

I don't trust any new startup that is in banking by default.

Don't believe you.

Whereas before I would be like, Oh, this is kind of cool.

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I guess like you have MasterCards logo on there.

I guess you're okay.

Yeah.

No, fuck that.

I'm going to E-trades.

I'm getting my money off of Robin Hood.

I tell all the people who I said, Oh, you don't, you know, you just don't get the disruptors.

I'm sorry.

You are right.

I'm sorry.

I'm sorry.

Daddy, you are.

You are absolutely right.

I do not.

I think I trust Coinbase for some reason because a guy, Brian seems a little bit legitimate and they are publicly traded.

So they do report quarterly.

I guess.

You got to trust somebody.

Right.

Like you got to trust some things.

So for example, I was like, dude, I'm getting all my crypto off Robin Hood at the minimum because I had way back, I had bought crypto on Robin Hood.

Me too.

And then I was like, wait, I can't just send it to another wallet.

It's like, no, because Robin Hood actually wasn't buying crypto.

You were buying a crypto derivative.

I was like, what the fuck?

Why did they say buy Bitcoin?

Like this is not Bitcoin.

This is a Bitcoin tracking derivative.

It's not even, you don't even own the coins.

Then it was like, okay, now you could, after years, it was like, you could transfer it off.

So I was like, okay, I'll get to that when I get to it.

And I bought a bunch of ETH on there.

And I was like, I was like, you know, I'm getting it all out of there.

I go hit, send it to ETH wallet.

It's like, oh, you've exceeded your \$5,000 maximum.

I was like, \$5,000 max.

Every day you can only do 5,000.

First of all, why?

Second of all, that's bullshit.

I'll take forever to get all my money off this thing.

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It's just like, yet another, you know, yet another strike against, you know, innovation. I'm the old guy on the lawn now shaking my fist saying, you know, all you rascals, you know, stop playing with my money.

It's like, and it's not like, it's not crypto, it's not like Bitcoin did anything. It's like the people building the companies around this that are literally like committing fraud or taking so much reckless risk that their, that their, their whole exchange goes insolvent overnight or gets hacked, that's insane.

So I was like, you know what? I'm going to self custody or, you know, take this portion, move it over here, do this over here.

You know, I have this kind of strategy. I was like, I'm going to move more into self custody. And our buddy Greg was like, I was like, what do you think, man, should I, should I do this? And he's like, well, I was like, no, I said, what would feel worse if I just lose my crypto or if these guys lose my crypto? And he's like, well, let me ask you a different question. How many AirPods do you own? And like, how many AirPods have you lost? He's like, if you can't keep your AirPods, you really think for 10 years, you're not losing your crypto. And I was like, fair point. And so I'm like, you know, I gave cycling through options of how to hold this stuff so that A, I don't lose it, but B, you know, I'm not trusting anybody. Luckily, I wasn't really that affected by FTX, but like, you know, a lot of people were and that's extremely, you know, sad and disappointing. And like those people are, you know, they're traumatized, right? That's like, they got daddy issues now. They got trust issues. They're not coming back to the game and just being like, yeah, I understand, even if you intellectually understand that, okay, this guy was literally a criminal, right? Or like, you know, somebody who was, you know, doing something that was wrong, misappropriating user funds, even if you acknowledge that that was one bad actor, it's like, dude, there's a lot of bad actors in crypto and how the hell am I supposed to know? It's not like you get to go sit and audit the books of these companies. It's not like you get, they say one thing, they do another. Like 24 hours before I went and solve it, the CEO comes out and says, all assets are fine. We do not lend out customer deposits. 24 hours later, gone and turns out this guy was lying. Well, dude, an interesting thing about San Francisco and Silicon Valley where we both kind of started our careers is it's all based on trust. So there's like a lot of times where you give people money, you just wire them money without contracts, you, you pump people up and make intros, even though you don't entirely know at a slide deck and you say, okay, this is what they're saying the numbers are, you don't

say, okay, I need your, you know, I need to go into your database and I need to go check to see this.

Oh, I need to check, like, I need to check that this database number is also not fudged by, you know, bots or, you know, fake downloads or whatever.

Oh, I also need to check that your pixels not firing in twice or you're not like hiding costs over here with your shell companies.

You don't know all that stuff and it's all tremendous amount of time to do that.

This whole thing or our little world is based on this type of trust and you and I have both kind of got started right when a great economy was, was kicking off.

And I basically didn't ever think people were lying and that was incredibly naive.

And now I feel even though I haven't really been burnt by this, but I do feel I'm like, oh, I don't, I don't really trust anyone anymore.

And I think that everyone might be lying just a little bit and it has changed my perspective on that 100%.

So I used to see Robin Hood as like, oh, you're the underdog, like, you know, you're on my side.

It's like, oh, no, you're, you definitely can lose my money.

I don't, I don't, I don't believe you.

What about Milk Road?

So for the new listeners, Sean started this thing called Milk Road.

It's a daily email for crypto with hundreds of thousands of people.

Is your engagement skyrocketing or people just telling you to fuck off because they, they hate the whole industry?

No, it's, I mean, this engagement is very high because during a crisis, a lot of people want to read.

I think what we will see though is over the coming months, that's not going to bode well for us, right?

Like even if engagement is high right now, during, you know, the play-by-play craziness of what's going on, right?

We're getting, you know, record open rates and shit like that.

You know, what happens three months from now as people are just sort of disillusioned, the news is over, the crisis is over.

It's like, you know, dude, nobody's talking about Ukraine right now, in my world, like day to day, people aren't talking about Ukraine every day.

I remember when that shit broke out, it was like, my mom, my sister, everybody I knew was like glued to their phone, watching these videos, fucking getting Zelinsky tattoos and being like, oh my God, I can't believe this.

My heart goes out, thoughts and prayers, blah, blah, blah, and then you're in day 98 and you're like, your thoughts and prayers go back to like, you know, I wish this whatever, you know, just whatever your daily life was, you sort of revert, you stop caring as much in the same way.

Like, I think what's going to happen for us with the Milk Road is that engagement spikes during this time, but actually, it's not good for anybody in the industry when somebody breaks like customer trust gets shaken this badly, that sets it back like potentially

years.

Oh yeah.

I mean, it's not a question, is it set back by years, it's just going to ruin it.

I mean, like, that's how big this is in my mind.

Yeah.

And I think that one's probably not, if it was good, like if crypto is going to fail, I don't think it's going to fail because of this, like we've seen actually before the number one exchange go down before.

It's just like, as the industry grows, disasters cost a lot more money and they affect a lot more people.

But like, we've actually seen literally this disaster before with Mt.

Gox and there's a Netflix documentary, I've talked about it on the pod, about a Canadian exchange that was literally doing this.

You would go in, it was like, same thing, guys, a boy genius, everybody loves him, media loves him, starts this exchange, becomes the biggest one in Canada.

Turns out there was literally never anything at the deposits.

Like he would click buy Bitcoin, you'd send him the money, he wouldn't ever buy Bitcoin.

He would just show the number on your computer screen, yeah, you got 10.

And he would just take the money, go do whatever he wanted with it and it was literally just like a criminal.

He was lying.

And like...

And he faked his own death.

Then he mysteriously died or faked his own death and, you know, Sam Begmefries tweeting out one letter at a time here as, you know, who knows what's going on with this guy too.

So like, we've literally seen this exact disaster before, but it's higher profile, it's louder, it affects more people and now instead of losing millions, tens of millions, hundreds of millions, now it's billions that we're playing with that got lost here.

So I think it's definitely bad, but I don't think this is like the death blow to crypto.

I think if it's like, same thing with startups, like startups don't usually die due to competition.

You don't get, you don't die because you got hunted, you died because you starved.

And I think if it happens, if crypto dies, it's going to be for the same reason.

It's going to die not because FTX blew up and then people just all gave up and, you know, decided I don't trust this thing ever again.

Ever and ever and ever and everybody decided that.

It's that really the use case and the utility wasn't strong enough to draw people in continually over time and like maybe, you know, the use case just wasn't big enough or it wasn't strong enough.

There wasn't product market fit.

So I think startups and in this case crypto, it'll die if it dies of starvation, not of competition.

You know who's one of the big winners here is Martin Screlli.

So basically Martin Screlli, farmer bro went to jail for a couple of years for scamming and his farm pharmacy company or something like that, pharmaceutical company or something



like that, you know, finance guy, but very smart, I think a very smart guy.

And he has a sub stack now that is incredibly interesting and he's been doing Twitter spaces where he's been like commenting on this and he's like, well, you know, jail's not that bad.

Like, you know, like he's saying all this funny stuff and he wrote in his sub stack this morning that he predicts that Sam Bankman freed is going to get life in prison.

And I thought that that was an incredibly interesting prediction.

You know, Bernie Madoff got, you know, hundreds of years.

There's this other Ponzi scheme guy that I was reading about based out of Texas who also got like 150 years.

And so it's not crazy that that could happen, you know, people who commit these hundreds of millions and billions of dollars Ponzi schemes, they get life in prison, which is kind of crazy that you can get life in prison for a nonviolent crime, but his prediction is that he's going to go to prison forever.

So the Enron guy, Enron got 24 years as his sentence.

Let's see, Bernie Madoff.

Well, he, Bernie died in prison, you know, he got sentenced when he was in his seventies, but I think he got hundreds of years.

150 years was like the, you know, the headline number.

And then I think that one of the, another big Ponzi scheme guy, I think, I believe his last name was Sanford, Mark Sanford, I believe he at age 60 something got 150 years.

So it's, you know, regardless of when you get that 150 years, it's a life sentence.

And so it doesn't believe, it doesn't appear that this is literally a Ponzi scheme.

A Ponzi scheme works in a specific way.

Like I think Madoff basically would like, he like had all the money in like one checking account.

Did you know this?

He had like a million dollars in a chase account.

It was just like, whenever somebody requested, he would pay them out out of that and, and you know, show these great returns or whatever.

But in this case, basically the effects the same here, you know, like someone, he defrauded people to the tune of billions and billions of dollars.

And not only that, but the interest, you know, Bernie Madoff, I don't know if you know this, know this, but do you know that he was the head of the SEC for a minute of the security exchange?

Yeah.

He was that, or it was either that or NASDAQ.

I think, I think he was the head of the SEC and he had, and so he was like a big deal, you know, so that was like, you know, bold on his part, but SPK did this in an even bolder way because he was mainstream, you know, he owned or they, they had the naming rights to the Miami heat and they had commercials with Tom Brady.

And so to me, it's, if I'm a judge, I'm like, dude, you're even, you're, you're rubbing it in all of our faces.

This is more egregious than Bernie Madoff, who was a little bit more quiet about it.

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So you're just like taunting me while you're stealing.

So of course I'm going to like get you as hard as I possibly can.

Right.

Yeah.

Yeah.

It's, it's bad.

I mean, it was very, very visible, very, very painful, very like, I mean, just the, the gall of people, I mean, this guy is a real motherfucker for what he did.

That's like a crazy, crazy thing to do.

And you know, there's like, I could see one version of it, which is basically the, there's one version of it, which is he believed that this would like, he wasn't trying to steal people's money.

He was like, you know what, like Alameda, like basically what people think is that Alameda when Luna blew up, Alameda lost a bunch of money.

And in order to save Alameda from having to like liquidate everywhere, he's like, okay, let me just loan you this money.

You will make it back cause you're good.

And then I'll like make it all good in the end.

Nobody, no harm, no foul.

I know that I shouldn't do this.

He didn't tell anybody about this.

That's like one version of reality that could exist.

There is some evidence against that, but like, it's hard to know, you know, we're talking about like autism capital as a source, right?

Hard to know if this evidence is like anybody just like making a screenshot of whatever, you know, like it's hard to know at this point.

So, you know, so, so basically there's one version of reality that's that, which is he got stuck in a, in a, in a spot where he was going to lose a bunch of money and his thing was going to go under and it was going to be very public and bad.

And he tried to cover it up and he kind of panicked.

He made a terrible decision and he did something that was wrong and illegal and against terms of service at least for FTX, but he, he intended to like make it all right.

And then there's another version which was

As of now, that does not seem like a very likely scenario.

And what part makes you, what, what evidence makes you say that?

You know, people were saying that like he was, he's allegedly, none of this has been proven that he's been wiring himself for \$500 million and that coincidentally the FTX has been hacked things like that.

Like I don't, I don't feel as though that's, that is going to be the outcome.

Yeah.

So let's say whatever, there's some probability that that's what happened and there's another probability, the more egregious possibility is like, basically he's like, screw everybody.

We're going to take the money.

We're going to funnel it over here.

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I'm going to agree.

You know, he lives in the Bahamas.

He's like, I'm going to grease all the politicians here.

I'm going to grease the politicians in the United States to be the second biggest donor to Biden.

And I'm going to, you know, go to, there's like this crazy stuff where like his, the girl who was running Alameda, her dad was like, worked with Gary Gensler and who's like the SEC chair and like that's why SPF and Gensler kept meeting and like we're about to pass this bill.

That was going to be very bad for DeFi, but very good for FTX.

And it was like all this like, you know, game to basically like lock in this like money machine that he was going to, you know, continue to use for his own benefit and Alameda was like abusing the information that they had from running the trades.

There's like the, like everything was evil.

And then there's like the slippery slope type of thing.

Like if you watch the Theranos documentary, for example, I shouldn't say documentary, like, you know, the Theranos fucking movie, you know, whatever the show, they make it look in that like what actually happens is she's wants to do something great.

She's sort of delusional about her own abilities, thinks that I'm an entrepreneur, I could prove everybody wrong, thinks that the technology will work, thinks that she's buying time to fake it till you make it to get it to work.

And then at some point it gets so trapped in the lie that she's just goes all in on the lie because at that point, like her entire image, ego, company, fortune is based on this working and she's like, you know, eventually starts just, you know, actually lying and committing crimes.

And so like that, that became like, but that wasn't the intention day one is like, I'm going to do this scam.

I'm going to scam everybody.

And so I think that's the only question here, but regardless, the result is the same scam happened, whether he intended to do the scam from day one or halfway through got in a spot panicked and then started to lie and started to commit these, you know, sort of, I don't know if I should call him crimes, but, you know, do what he did.

To add to the story, do you know who this kid's parents are?

Yeah, they're like ethics teachers at Stanford.

Dude, they teach, they're both professors of law at Stanford Law School.

I think they also like taught at Yale.

I mean, so they're supposed to be like, no, but they also literally teach ethics.

Yeah, in relation to law from a legal perspective, I believe.

And they, the dad, I think Joseph is the same.

He is involved in FTX where he like helped them raise, raise some money.

So if this guy is full on lying criminal, crazy, man, screw the, I mean, screwing people out of money is, is, is bad.

Also screwing your family and your parents is the worst.

So like this whole entire story, you know, it hurts a lot of people, but in terms of

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just like story arc and soap opera, it is just the best.

It is the best.

Are you not entertained?

Yes.

If nothing else is entertaining.

Dude, I don't even like crypto.

You know, I've been like the crypto.

What is your prediction, Sam?

Let's put it on the record here.

What is your prediction for crypto?

Not not FTX.

I mean, it's pretty clear what kind of, we don't know the details exactly what happened.

We know the result.

Do you think this all just goes to zero?

Do you think this sort of peters out for a long time?

Do you think this rises again?

What is your prediction?

I think, keep in mind, my perspective here is only emotional.

So and basically I learned from crypto just from talking about you.

So everything that I've learned about crypto, it's been live on this podcast.

So I would say I'm not incredibly educated.

I think that it's going to peter out for the next five to 10 years.

I think that NFTs are going to go to zero.

I think that all the coins, basically Ethereum and Bitcoin are the only ones that are going to ever have the chance of being interesting.

Virtually all of them go out of business.

I think Coinbase stays in business and actually might grow because people are like, okay, fine, you're the only place that I can trust.

I think Luna and all this other stuff, that one's already dead, but like all these other like other 100% go to zero and never work.

And I think that this guy gets sentenced to 25 to 50 years in prison.

All right.

So what is the prediction?

What do you think?

I predict bad news bears for the next couple of years is my guess.

I don't know the time scale there, but I'm just going to guess a couple of years crypto winter.

I mean, I think that's probably true for the entire economy right now, but I think particularly worse for crypto.

But I do think that in the end crypto is real and is going to work.

And you know, I know that's kind of sort of maybe now unpopular, maybe it was always unpopular.

I'm not sure.

I don't really pay too much attention to that.

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Yeah, I do think Bitcoin, Ethereum and then replacements to some of the other use cases that that were built are going to rise.  
And I think some of the things that are totally true, I think this guy goes down.  
I think Coinbase does well.  
I think that most of the current coins that are completely overvalued go to zero.  
But I do think that Bitcoin and Ethereum are here to stay.  
And I think that they won't be the only two forever.  
I think there will be new ones that come and do well in the future.  
But I think it's another down cycle.  
Everyone who raised money and they had the word Web 3 in their deck, I think virtually one hundred percent of them are going to fail and not work.  
Not necessarily because they are bad entrepreneurs or because their products are stupid, although I do think that is the case in the vast majority of them.  
I think that they're just going to be laughed out of like existence and just like, dude, we're never working with you.  
Like this is like consumers because they're ugly, which they are.  
Because they're dumb, certainly so because they're going to get laughed out the room by investors.  
It's not because they're ugly.  
It's not because they're dumb.  
It's just because they're pathetic.  
I think that's going to happen.  
Not all, but close to all.  
Yeah.  
Well, that's true.  
I think for most startups.  
All right.  
I got to go.  
Let's visit my door.  
Keep knocking.  
All right.  
That's the pod.  
Let's go, I could be what I want to put my all in it like no days off on a road less travel never looking back.