

January 2023 Investor Update

ProChain in the News

[Will FTX's ill wind reach the Global South? Maybe not](#); *Cointelegraph*, Dec 14

[The market's daily volatility is 'incredible'](#); *Fox Business*; Feb 7

1. Adoption

a. *Investment.*

- Much of the recent crypto news has focused on **FTX/Alameda/SBF** and **Genesis/DCG/Grayscale/Silbert/Gemini/Winkelvii**
 - SBF is out on bail in the US and preparing to face trial, and [has repeatedly, publicly aired his version of the story](#)
 - The professionals tasked with liquidating FTX will seek to [recover the maximum amount of assets](#) for the benefit of creditors and customers.
 - On this point, [a recent ruling in the Celsius bankruptcy case](#) is critical. Judge Glenn of SDNY ruled that deposits made by customers with Celsius for purposes of earning interest, rather than simply to be held in trust, are property of the bankruptcy estate. Therefore, those assets will be used to repay all Celsius creditors, rather than being segregated property of the depositors (in stark contrast to the bankruptcy treatment of customers'/depositors' plain checking and savings accounts and stock brokerage accounts). This means that those depositors will be subject to the same timeline and recovery as all the other unsecured creditors of Celsius, and they will be junior in priority to all secured creditors.
 - The Gemini/Winkelvii public feud with Genesis/DCG/Grayscale/Silbert [went a few rounds](#). And, seems to now be settled and getting to final resolution.
 - In short, Gemini offered its customers an ~8% return on deposits; the product is called Earn (similar to the higher yield-earning products offered by Celsius and Voyager)
 - In turn, Gemini loaned client money to Genesis, which loaned/placed the money with other crypto investors and borrowers (Truncated, it's comical, but we know that this is how all banking works).
 - By Nov 2022, withdrawal demands were so large that Genesis halted withdrawals.
 - Like Voyager and Celsius, Genesis finally [succumbed to a bankruptcy filing](#). But, unlike Voyager and Celsius, [Genesis is part of a conglomerate, controlled by](#)

[DCG, that has other valuable assets: e.g. ownership of Grayscale, which manages GBTC](#), the only publicly-traded ETF-like Bitcoin security, which generates >\$150mm in annual net profit.

- Ironically, and typically late to the party, the **SEC** decided to enter the fray and [sue BOTH Gemini and Genesis over the Earn product, for offering unregistered securities](#).
 - Furthermore, it seems that **Gemini** [committed some of its own infractions](#).
 - Finally, most recently, Gemini and DCG [appropriately agreed to recapitalize Genesis](#), with both parties participating in the recap.
- Since FTX dropped out of the bidding in bankruptcy for **Voyager's** assets, **Binance**, the world's largest crypto exchange, [stepped into purchase Voyager for \\$1B](#) (\$400mm less than FTX's price).
 - Most importantly, even after all this, [crypto will be just fine](#). Seriously.

b. *Currency and Use.*

- **Amazon (AMZN)** has [announced a partnership with Ava Labs](#), the developer of the **Avalanche** network, which will allow Avalanche decentralized application (DApp) developers to utilize Amazon's AWS (Amazon Web Services) features more easily for development. Avalanche has an existing similar partnership with **Alibaba (BABA)**.
- The **California DMV** is putting [car titles on the blockchain](#).
 - *ProChain*- This maybe boring but it's IMPORTANT. This is the beginning of digitization of all property- real property, goods, contract rights, securities, etc. **THIS IS BIG**. This initiative will lower costs and fraud and increase transparency and liquidity.
- The cabal of household financial institutions behind **Zelle** (Wells Fargo, BofA, JPMorganChase, Capital One, PNC) are [preparing a digital wallet](#), to be used with cards from **Visa (V)** and **Mastercard (MA)** (as opposed to being tied directly to bank accounts), to compete with similar services offered to shoppers by **PayPal (PYPL)** and **Apple (AAPL)**.

2. **Regulation and Legal**

- One of outgoing-**Brazil** President Jair Bolsonaro's final acts was to [permit investment funds to invest in crypto](#).
- The NY AG has [civilly sued Alex Mashinsky](#), co-founder of **Celsius**. Criminal charges have yet to be brought against Mashinsky.
- The **State of Texas** has proposed authorizing Bitcoin as an investment for State funds.
- The US Federal Reserve [denied a Wyoming-chartered crypto-bank from becoming a member of the Federal Reserve System](#). The bank, Custodia Bank, is going to continue to litigate its case.

3. **Public Companies**

- Anyone who has tried to purchase and transfer ETH in Metamask knows that it's difficult. Now, [Metamask is integrating with PayPal \(PYPL\)](#) to make the process easier.
- Along with the rest of the crypto ecosystem, crypto miners have suffered recently.
 - Historically, many miners accumulated the Bitcoin that they mined. More recently, many have had to sell down their inventory to fund operating expenses or CapEx (more sophisticated mining rigs, maintenance on existing mining rigs, buildout of new mining facilities).
 - One of the largest miners, publicly trades, **Core Scientific (CORZ)**, [filed for bankruptcy](#). Seemingly, Core Scientific will go through a relatively undistruptive financial restructuring with a debt reduction and continue to operate on a de-levered basis.

- **Silvergate Capital (SI)**, the largest crypto bank, has seen enormous asset outflows and tapped the Federal Home Loan Bank (FHLB) system to weather the storm
 - [Silvergate's ties with FTX and Alameda](#) have made its situation more difficult.

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