Lowenstein's Tech Group Podcast: Crypto Innovators

Episode 12 – Accelerating the Web3 Evolution: A Discussion with Plug and Play's Maximillian Jungreis

By Eric Swartz, Maximillian Jungreis

APRIL 2023

Kevin Iredell: Welcome to the Lowenstein Sandler podcast series. I'm Kevin Iredell, Chief Marketing Officer at Lowenstein Sandler. Before we begin, please take a moment to subscribe to our podcast series at lowenstein.com/podcasts. Or find us on iTunes, Spotify, Pandora, Google podcast, and SoundCloud. Now let's take a listen.

Eric Swartz: Welcome to the Crypto Innovators Podcast, represented by Lowenstein Sandler's Crypto Practice. I'm your host, Eric Swartz, senior counsel and vice chair Lowenstein Crypto. We're speaking with the most innovative founders, operators, investors in Web3 to shine light on the technologies that fascinate us all. I'd like to introduce you to your other host, Leah Satlin.

Leah Satlin: Hi, I'm Leah Satlin, Lowenstein Crypto counsel. I'm specializing in IP and Commercial Contracts.

Eric Swartz: Today we welcome Maximillian Jungreis, head of Crypto and Digital Assets at Plug and Play Ventures. Hi, Max.

Maximillian Jungreis: Hey guys. How are you?

Leah Satlin: Great. Nice to see you.

Maximillian Jungreis: Nice to see you too.

Leah Satlin: We want to kick things off by just giving you a chance to tell our listeners a little bit about yourself and your journey prior to Plug and Play.

Maximillian Jungreis: Yeah, I'd say my journey is one that is a bit unorthodox, but I haven't met too many people within the world of crypto and digital assets that have a straightforward path. So with that, so I'm Colombian-American. I grew up between Florida and Cali, Colombia where my mom is from. So early on was exposed to this world that really lent itself to thinking outside of the box to understanding different cultures and languages and people. So when I was 16 years old, I participated in a program called School Year Abroad. I moved to Beijing, got dropped off there essentially, and lived with a local family, attended a local high school, and really fully immersed into that culture, into that language, and into that new world in my mind. So like I said, starting from scratch really developed on how I think of the world and this bubble that most people are living in and thinking outside and seeing what's out there.

So after that year, fell in love with really that culture and the language decided to double major in international business and Chinese at George Washington University. Went back again to China my junior year, this time directly enrolling at Chiha University, did a fellowship program geared towards intensive Mandarin studies. Out of that program, I got connected to a lot of investors and that's kind of what I was primarily focused on. I thought China was a really great place to understand the emerging market phenomenon there in terms of new technologies. So I was fortunate enough to land an internship at Chenin Capital Group, which is the largest domestic VC firm in China, and that was in 2014.

So at that time, peer-to-peer payments were really starting to take off and so WeChat Pay, Alipay, these kinds of applications were going into mass market adoption. So got really fascinated with the world of FinTech really before that was a term that was widely known in the US, and so when I came back, I tried to search for FinTech type startups out of school. I did investment banking one summer and realized that I was more interested in the innovative side of financial services. So I spent about a year and a half working for a FinTech startup in New York and then that was 2016. I just so happened to be next to a large PR marketing firm that was starting to cut its teeth in the crypto and blockchain space. In between lunch breaks and going to the water cooler, started chatting a lot with the team and started realizing that FinTech and payments and blockchain and digital assets were all starting to kind of converge, in my mind at least.

So made my way out to Silicon Valley. I took a role as head of partnerships for a layer one blockchain protocol, originally out of Seoul, Korea, called Yosemite X, and Yosemite was doing a lot of really interesting things at the time. This is during the ICO boom. So we were one of the only projects that did not do an ICO being as early as we were and that was because the founder and CEO at the time, YT Kim, was very interested in the adoption of the technologies more so than the cryptocurrencies that really were able to move these networks forward. So he was thinking about if a government or a corporation were to try to utilize our technology, would there be any sort of risks associated? Obviously, the biggest risk at that time because the technology was so nascent was the crypto price.

So the appreciation that was happening on a wide scale basis, if a company was to, let's say, use some of our products and they would have to pay in a native cryptocurrency if today the price was equivalent to $100 and tomorrow it was $40, how could they really budget for that and how could it go into the mainstream adoption from the corporation's perspective? So we started architecting a blockchain that was based around stable coins, and this is before the Libra DM project, and so we had something called DUSD and DKRW for the Korean one and that's how we started building our applications. So during my time, was fortunate to work with some of the largest companies in Silicon Valley as well as in Korea. We had gone back and forth a few times. We had done talks in seminars for a lot of the Korean government officials who were exploring this technology at the time.

This is 2017, 2018, and we were trying to build applications for real world use cases. That was what we were focused on, dead set, blinders on, not thinking about any of the other stuff that was occurring within ICO markets or anything of that nature. In 2019, 2020, our company was approached by the Korean government, and we actually won a huge pilot for a project called Ku. Now, this project was one that we didn't know would be as big as it became, but essentially what it was doing was it was helping with Covid vaccination record keeping. So our underlying blockchain now called Infrapass was used as the enterprise blockchain for this digital identity project. So today it's the largest blockchain implementation in the world by government with around 43 million Korean citizens on this front facing application and it's a really interesting use case I think because here we are in the US and Silicon Valley trying to figure out, okay, what is going to get the masses, if you will, into this technology?

Then all of a sudden, we have this use case that is a real use case that helps with privacy, preservatives, and all of these other really important core themes that are central to blockchain technology and it just takes off and it goes into implementation. That's how we end up. So I got interested in government and blockchain at that intersection. During my time working on that project, co-founded something called the Future of Digital Currency Initiative at Stanford within the School of Engineering. That was focused on central bank digital currency research. So three core research pillars, I would say digital identity, financial inclusion, and interoperability. We're able to work with a multilateral organization like the IMF, The World Bank, as well as the central banking institutions like the Federal Reserve, central banks from around the world all coming together to kind of discuss what the next generation of digital fiat would look like.

So after around two years working on that, I wanted to go and take that startup experience being someone who was on the ground floor of a project that then went into a large-scale implementation as well as the academic side to best support founders and the Web3 community at large. So how could we bring more of these use cases into the real world, really? So that's how I ended up at Plug and Play, as one of the largest global innovation platforms in the world. We are now 47 offices across 26 countries, and we have now 20 verticals. So everything from mobility to health to InsureTech and FinTech to branded retail. We work with around 560 of the largest corporations in the world to help them with innovation strategy. So that's finding startups that are tackling business challenges they might have. That's connecting those startups to sources of capital and also focusing on the pilots. So getting these startups into pilots with our corporate partners. So I came in about two years ago and trying to build this crypto and digital assets platform, which we officially launched about a month ago during our winter summit. So we're really excited to really sit at that intersection of these large corporations as well as the startups that are innovating in Web3 and trying to find that middle ground.

Leah Satlin: Amazing. So yeah, you touched on a lot there. We're really excited to talk a lot about Plug and Play, but I want to move backwards first. You had mentioned your time at Ku. So we were interested in hearing a little bit about Project Ku's success and what you think it means for sharing crucial personal data through blockchain.

Maximillian Jungreis: Yeah, I think that's one of the biggest, I guess in the early days, that was one of the biggest tenets of blockchain was talking about how we could create these large, shared databases that really were governed by multiple parties. I think for Ku's example, we'd probably look more towards the enterprise blockchain use cases because we ran consensus protocol that was based on DPOS where we have delegates, and in this case it was the Korean CDC called the KDCA that were essentially manning those notes. So one of the main core value propositions is that you're able to utilize this technology and provide immutable digital credentials and be able to verify them without a traceable server. So that was I think the initial strike point and from there it just became larger and larger. It started to morph into something that almost started to resemble a digital identity on chain. So when you have a government involved, there's obviously a lot of processes you need to go through to make sure that you're doing this in an efficient way and not a way that could be exploited by outside actors.

Leah Satlin: Was the Korean government, did you find that those regs a challenge to deal with or was that... I mean, comparatively with other regs that you've seen?

Maximillian Jungreis: Yeah, I would say even back then, I remember reading a lot, obviously working at a Korean blockchain company, but I remember reading a lot about how advanced the Korean ecosystem was in terms of the level of adoption of this new technology. So I think for the most part they were probably more open and innovative and forward-thinking in terms of how to utilize this technology to its fullest extent. So it was definitely easier to try to convey the value propositions with those individuals, maybe, than another jurisdiction.

Leah Satlin: Right. Cool. Eric?

Eric Swartz: So just taking us forward to where we are today as the leader of the crypto division of the largest accelerator in the world, I know you rack your brain to think through what will be next for crypto innovation now that the crypto market has suffered through the failure of a major exchange and many of the industry's top lenders. Has your thesis changed at all? What are you most excited about?

Maximillian Jungreis: Yeah, so I'll go into my thesis in a second, but I think I've seen this a lot on Twitter and other crypto publications that 2022 was really the year of the institutions getting involved in Web3. There's a couple of statistics that are interesting that I'll share here, but also highlight some of the projects that I think are really exciting. So this year, the number of blockchain wallets or Bitcoin wallets holding more than 0.1 Bitcoin reached an all-time high, which obviously we saw what happened with FTX. I don't think that there's a major correlation there, but I think if anything, we've become, to an extent, the crypto industry has become more calm and more widespread. It's no longer a small group of hobbyists. You have people like my dad who's watching videos on YouTube and trying to educate himself and then getting interested in this. You also have the Coinbase IPO, which happened a few years ago, but that just gives that sense of maybe security, maybe a sense of wider adoption than just a group of individuals in a Discord channel or on a blog site.

Another really interesting statistic is that stable coin volumes have steadily increased as we've found more use cases in Web3. I think if we think about stable coin adoption, there's a lot of emerging market economies that have experienced this kind of rapid inflation and a depreciation of their local currencies. So if you think about USDC or Tether or any of these other stable coin solutions as a bit of a safe haven or an easier way to hold US dollars, I mean I think you, all of a sudden, are able to globalize a lot of these individuals and places that have seen their local currencies depreciate against the dollar. So now you're giving those individuals a chance to get into this ecosystem and I think that's really interesting to watch, especially as we start to see more use cases coming out that maybe are tied to real world use cases.

In terms of the actual corporations, institutions getting involved, there's a few here that are interesting to me. Going chronologically, we saw Twitter launch their NFT integrations and then ad tipping in cryptocurrencies. Robinhood got involved in the space with wallet testing. Fidelity now allowing 401K accounts to hold Bitcoin. Stripe then getting involved in the USDC payment space. Once again, going back to more use cases within Web3, whether it's for merchants or consumers to go and purchase digitally and use these stable coins. Meta has gotten involved quite a bit. I think everyone here obviously with the name change and their bullish outlook on Metaverse, but allowing integration of NFTs across Instagram, Finance and MasterCard, encrypted a fiat cards in places like Argentina, which obviously one of the places that I mentioned before that have experienced a depreciation of their local currencies. NASDAQ announcing crypto custody services and then Starbucks obviously with their blockchain-based loyalty program and NFT community, Starbucks Odyssey. I think these large corporations getting involved into the space accentuates or underscores my thesis.

So my thesis is one that revolves around Web 2.5, and I think Plug and Play is a really great place to, I guess, experiment with it because we work with so many of these large corporates. We're able to talk to their innovation teams and understand what areas they're trying to innovate in. I think one of the big things that we have to keep in mind almost from a founder's perspective is how can I 10x that product experience? Why do I need to integrate a use case in Web3? I think earlier days we saw a lot of round peg, square hole, and so trying to just throw blockchain onto it or try to involve some form of crypto economics to try to bolster that user adoption, but just because we're in Web3 doesn't mean the laws of nature change. I mean, the roadmap in Web2 is not fully broken. It's one that is bringing on individuals on a daily basis and so I don't think we can completely rewrite the playbook, but yeah, going back to the thesis.

The thesis is that the next billion users, which I know a lot of leaders in the crypto space like to reference, the next billion users will not be onboarded through self-custodied wallets, seed phrases, wallet extensions. They will be onboarded through trusted intermediaries or corporations, financial institutions, brands that they already have in their wallets, in their smartphones. Places that they already shop at or merchants they already interact with and so the blockchain technology will, I think, largely, hopefully, be obfuscated away and to the point where we see a Web2 interface or an interface that we're familiar with some sort of functionality in Web3 on the backend. So these individuals will just know that their experience is 10x better. They won't really know about what's going on in the back end and what's enabling them to be able to operate in that environment, but that's why I think that intersection, that Web 2.5 is super, super critical.

Eric Swartz: A hundred percent agree. We actually had Anthony Pompliano on, and he answered the similar question extremely similarly. We need something that obfuscates this technology because the complexities of it, although interesting to folks like us and technologists and people obsessed with the space, all of us, it's not realistic to ask my grandma to do that. It's not realistic to ask most of even our parents to do that. So it's just not going to happen. I think we are starting to see the earliest fizzle of those types of projects and that I know that you kind of see that and where that's going based on the interaction with the brands and the accelerator. So would love to hear a bit more about the result of those conversations, the types of specific use cases that some of these large brands are really looking to utilize and therefore founders should really be zoning in on and paying attention to.

Maximillian Jungreis: Maybe even as a callback to one of the use cases that I was referencing before. I mean, I think the Starbucks Odyssey program is really interesting in the sense that I don't think it's a replacement of loyalty. I think it's an extension. It's an opportunity to pretty much innovate on top of that loyalty that we already have and that we know and that we recognize and then potentially add another immersive layer on top of that. So being able to allow customers to receive these digital collectibles in a way that allows them to then go outside of the gated application that they're interfacing with and then potentially port them over to other brands and maybe do some sort of collaborations and be able to really take that to the next level where they feel a sense of ownership.

Nike is one of our corporate partners. Obviously, the acquisition with artifact was huge, but to allow for the true, I don't want to, brand evangelists, if you will, like to be able to create and trade these digital collectibles that are in the form of sneakers or other forms of wearables that they can then use in a Web3 game for instance, or an immersive Metaverse environment. I think that just your mind starts to race in terms of what are other possibilities that could emerge here, and I think we haven't truly even gotten to that point yet because my biggest, I wouldn't say gripe, but I would say hesitancy around Metaverse, which we often hear lumped in with Web3 is that I don't think the medium is there yet. If somebody was to come to me before the invention of the iPhone and talk to me about an app store, I don't think I'd be able to effectively think through how that would look from a conceptual basis.

So the medium needs to get to the point where all of these dreams I'm being pitched can actually exist within that world and I know for a fact there's a lot of hardware technology companies, as well as large big tech companies, that are diving deep into this space and building the next generation of VR headsets, AR capabilities in app. We kind of saw a little glimpse of that with Pokemon Go where you would just see people outside walking around with their smartphones out, but that was just a little taste I think of what's to come when we think about Metaverse and when we think about how brands are probably thinking through what the next five to 10 years look like.

Eric Swartz: A hundred percent agreed. I think even within the Web3 gaming ecosystem, as I'm talking to your founders lately, they're not thinking about fungible tokens much anymore. I think that's such a positive development because frankly there's never going to be enough sinks. There's never going to be an ecosystem that will not be inflation, like hellbent on eventually becoming hyperinflated because you just simply don't have a group of users that will be loyal enough to only use it within game. I think that that's just because a lot of the users are younger people with spending habits that are a little bit different than maybe the normal sale of this type of item might target. Essentially those folks, they might want to buy a coffee that day, and so once you create that speculative ability to transfer to cash, I think first of all it eliminates a lot of the fun and I think it goes down the wrong path, and I think it just always ends up with a token that won't be very valuable in the end because you'll have to keep creating more of it.

I just don't think that that's the path forward. I think what folks will align with though, including folks that have those same kind of spending activities is just, I love this sword. I love this armor that I earned that took me X hours in game. That, I could see people valuing and associating with and not being willing to exchange for the pack of gum that they really want that second. I think that that's just so different and that's what I love about our gaming clients these days is just they're starting to see that and they're starting to really push that within their various ecosystems. That, I think, is a huge development forward because with the falling of the value of oxytocin for instance, and that's just an example, I think many of them are in very similar positions.

It was really sad to see because I think from my perspective, and I know from yours too, we were hoping that play to earners would in fact be able to make a real economic benefit for themselves at a desk job in a place where only labor was really accessible before. I think that the path forward to that is actually the collectibles. It's the NFTs, not the fungible. That, I guess, I didn't initially appreciate, but now I'm starting to see more and more and the folks that we talk to on the founder side are appreciating it too. They're not even talking to me about fungible or if we do, it's just like, "Yeah, what's the point of that? We don't need it." I love seeing that.

Maximillian Jungreis: Yeah, I think when we think about that whole world, I don't know if from Gaming Studios perspective does... So I know the holy grail, if you will, within Web3 gaming is centered around interoperability, being able to move assets across games or platforms or even it could be apples and oranges, it doesn't need to be all gaming. It could be being able to move it over to something that has to do with more defi focus. The question I have though is when we think about those groups of gaming studios, will it kind of shake out potentially to a Star Alliance versus a One World? Will it be cohorts of gaming studios that... Okay, if you're the One Alliance group, then you can trade within yourselves, but if there's no interlinkage to the One World with Star Alliance, maybe you're gated in a bigger community. The pie has gotten bigger, but you're still not able to move fully interoperable.

So I always think about is there going to be the Enterprise Ethereum Alliance type situation where it's a group of individuals of companies that come together and say, "Okay, we're all for this cause and it's going to be based on

EVM compatibility or it's going to be based on something that's more move based," or will it be boiling down to what layer one they're building on? I'm just wondering what the interlinkage might be looking down the road, but I think that is obviously an area that when we think about Web3 gaming that's still a big unknown and who's going to be the first to dip their toe into that world?

Eric Swartz: Absolutely. I mean, I think about it all the time too and you do have a lot of just gated communities, frankly, very similar to what you would have in Web2. Then you have some of these interoperability protocols that seem to be more defi focused, but potentially could apply in certain ways to the gaming and GameFi ecosystem, but from our perspective, I mean what I think is probably almost more important is the things that aren't blockchain oriented need to be in interoperable. So I think it's almost like the actual gaming ecosystem needs to be more interoperable, which is because that's what we all really want.

We want to be able to walk in from world to world and just have that instant access and that instant we already own our collectibles that we love and that we can take from place to place, because I have seen some different GameFi and even more Metaverse focused projects that allow for you to pay them to upload your collectible, a version of your collectible, which is an interesting way of doing it. I guess it's what we have right now, but I don't think that that's the more interesting way of doing it.

What would be cool to see is where we all just, hey, we decided that these are the parameters, similar to when the internet was created. I think that's what's required. You need some sort of similar data layer that we're all going to use and once we have that agreement, and I mean obviously Meta did found that trade association to hopefully maybe one day create something like that. So maybe we'll see it. I mean, I know a bunch of our gameplay clients are certainly watching those guys and would be willing to actually transition to something that would be interoperable if there was some sort of consensus.

Maximillian Jungreis: The question is, is it the Hulu model or is it the Netflix model? Is it the Hulu model in the sense that you get all the different television providers to come together and say, "Okay, we're all going to join underneath this one umbrella," or is it Netflix that basically provides its own content? So maybe Meta is Netflix in that example, or maybe they're Hulu, who knows? But yeah, I think about that a lot. When I think about GameFi I think what's more interesting is from financial service perspective, going back to stable coin for a second, I think the rise of regional stable coin is going to be a theme that we start to see 2023 as more mature markets start to come in line with the Web3 ecosystem. Maybe they feel like, hey, we should have our own little place in this world and we should have something that is for our local population. Then all of a sudden you see ecosystems being built regionally and then it gets really interesting.

I think like CBD, CS will only advance that discussion. I mean, one of the things that I like to reference a lot is the Atlantic Council has a CBDC tracker and I think for a lot of people, they don't realize how advanced some of these countries are, but I don't know what the exact percentage is, but it's a huge majority. I think it's over 60% of countries are exploring an ideation or pilot phase of a central bank digital currency, which will inevitably bring more people into this world of Web3 and of digital assets because you'll make the interoperability easier. So yeah, there's a lot of unknowns, but that's one of the reasons that I think I'm so bullish on the space. It's so much so in its nascent. I feel like if you're not in line with the news cycle, the crypto Twitter, and all the stuff that happens there, even three days and you're behind almost five years in any other industry. So it's definitely one where you got to stay on top of it.

Eric Swartz: A hundred percent. Couldn't agree more and we do a lot daily to stay on top of it, and I know you do too. From our perspective, it's just so important because you have to be on top of what the technology is offering because as a legal services shop, you need to understand where the demand is. The funny part about digital assets is that traditionally we haven't had to understand the business models at the level that we now have to because the security was separate from the business, but when you tokenize businesses, the business becomes the token and the token is the security. We're then focused on all three of those things in a unique way and it's a very different type of legal service, I think, just generally because now you have to really think about toke-nomics, but that's not just related to the price of a stock that's also related to just the revenue of an ecosystem.

You have to really be thoughtful in recommendations and including and incorporating other experts when necessary because there's a lot to it. The ecosystems are just so much more like operating companies and investment companies at the same time. So you have to bring both fields of study to bear a lot of the time and we've done a lot of is just collaborate. I literally work closely with the head of our investment management group to do that because otherwise you're just going to miss half of what these folks are really trying to accomplish. We just always want to ensure that we're getting as close to that as humanly possible because that'll always just make, from a legal perspective and from the client's perspective, just a better overall outcome because then everyone is aware of what's going on and understands what's expected and where the risk lies in a way that is way different than when folks are just focused on the token and try to take it out of the ecosystem.

You can't do that in the same way you would with a traditional equity or any kind of investment product. It just doesn't work that way at all and folks that are coming into the space are looking at it that way, just it's the wrong way to look at it. It's an ecosystem and business-oriented type of analysis. So we've been working on a lot of that type of work to just get to outcomes that make sense based on what folks are trying to accomplish. One of them has been just literally how exactly do you not become an investment company? That's one of the big real difficulties that a lot of these folks are starting to deal with and run into. We've been coming up with a few different structures for it, but what I think is most interesting is the various business and models within Web3 are so different than the operating company, investment company distinction. They don't really have that distinction.

I mean, it's almost like that's the tension that I see from a legal perspective and it's coming from the fact that businesses aren't really one or the other anymore. So we need to start thinking through the realities of that from hopefully a policy perspective one day, but right now, I'm not too hopeful for that, but I do see a path forward for that one day. I wanted to get into what you guys are seeing on that too. Have you guys been having your portfolio companies and folks you work with within the ecosystem been struggling with that divide and how have they been thinking about their businesses more like bonds or more like a traditional operating company?

Maximillian Jungreis: Yeah, I'd say it's more the latter. We primarily invest in equity, and so because we're not as involved in, say, token or SaaS for instance, we don't really necessarily have that kind of issue a lot of the times when we're thinking about these companies. I think for the most part, a lot of the companies are looking for their product market fit and thinking about, okay, how can I create a sustainable revenue model? So in that capacity, it's very reminiscent of the models that we know and that gives us that comfortable feeling in the sense that we can be as helpful as we need to be, especially with the corporates that are looking to innovate within this world of Web3. They're not necessarily sitting on, I don't want to call it piles of tokens, but they're not thinking about, okay, how can I generate venture capital investments in the same capacity? I mean, I think FTX was doing a lot of that, so they were investing at the same time as they were trying to operate. If we look back at a lot of the pitfalls, I think you'll see some stuff there in terms of what they were trying to do. Obviously for them there was a strategic investment angle, so investing in startups that then would utilize their services in some capacity. So yeah, I think for us we're much more Web 2.5, I'll put it.

Eric Swartz: Yeah, I love it. I mean, to be honest with you, I think those are the more exciting projects too. Folks that are trying to splice what we know and instead of just using the tech to provide a good revenue model with a good operation, literally that's what the purpose of it is, or a fund. One or the other is probably the best answer and, frankly, it's difficult for folks to want to understand that sometimes. They saw some of what was going on in the boom of our last boron, and then they were so excited by it. They want to have everything that they can. I think the answer is that you can have both, but you need to separate them, and I mean, that's always been our belief too.

Honestly, you may not need both. Most of the use cases probably don't need both. You don't need a investment arm in a non-network or non-layer one type of project. It just doesn't really, yeah, it's not necessary. So I agree a hundred percent. A lot of times you don't need a token. I mean, there's so few times that I've thought, hey, a token's really necessary here, and I feel like that's what we should be more focused on, exactly like you said. Then equity investment is a much bigger part of what we're thinking about and from my perspective, very similar to what we should have been thinking about all along, which is that, hey, we need to build recurring revenue. We need to have a use case that allows for folks to come back and spend more with us and be happy about doing that.

Maximillian Jungreis: Or if they are trying to earn some sort of yield, I think the maturity of those cash flows need to be adequately set. So Airbnb is a prime example of somebody who has created a recurring model. They know exactly when that money is due to the landlords, but they're earning float on the capital they're sitting on. I think within crypto, there's multiple variables at play that make it super unpredictable. You have the price of the tokens and then you also have this question about, am I going to be liquidated if that price starts to fall?

So I think once again, looking at FTX as a poster child for what not to do. You have to really understand when your liabilities will come to maturity and so unless you have a repeatable model, it's tough to do that and project it out, but I think maybe that's the next generation of this space. So I'm seeing a lot of ideation on models that are working within Web2 and trying to take some aspects of that and the success and replicate it in Web3. I think that's an okay strategy, but obviously it's going to be ever-changing. So it's really hard to say today if that model will work tomorrow.

Eric Swartz: A hundred percent or even almost a minute later in our world. Everything is so changing and then you...

Maximillian Jungreis: One tweet can change the world, as I like to say.

Eric Swartz: A hundred percent. I mean, a couple of tweets from CZ can certainly change a lot.

Maximillian Jungreis: Yeah, Twitter. I'll say a Twitter thread.

Eric Swartz: It brought a company crashing down and to be honest, I don't think it was intentional, which is even more interesting about the whole situation where it was just, I think that he just was upset about a situation and sort of venting and then it just brought to bear so much more than I think he could have ever imagined. Our public world that we live in now, I mean that in and of itself is such a different form of communication. It was such a different effect on society and then on economics in a way that, I mean, I don't think that a CEO could have ever caused that type of thing with a push of a button before.

Maximillian Jungreis: Yeah. I think the only person that will know that is Susie. We don't know what the intentions were.

Leah Satlin: Intentions. Yeah, right.

Eric Swartz: That's true too. That's true too. I've certainly heard a lot about that. I hope for the best, but definitely prepared for the worst. So I hear that. So we did want to end on a light node and just hear, hey, conviction wise, why is Web3 going to be the greatest innovation of our lifetime? Why are you such a strong believer in that statement and why do folks need to pay attention to this space?

Maximillian Jungreis: When you think about the state of Web3 today, it's hard to say that that will be the same model tomorrow and I think that was the core theme of this chat and this discussion, but there are certainly aspects that make it very interesting. If we think about this idea of ownership and being able to own data or own value, that's a concept that in and itself is very intriguing and multiple models will come out of that concept. I think we've already seen it in specific use cases that have shown to be somewhat sticky. So if we think about a paradigm shift, I think a lot of individuals at the new brain of a technology are thinking about where they fit into play and how they can ready themselves for this next generation. For the most part, with maturity of the industry, we start to see where we're going and when we're thinking about institutional adoption, this is why I get most interested in this space, is thinking about, from an institutional perspective, how they're taking these technologies or these concepts or these themes and integrating them into real life, really.

I mean, I would say the stuff that came out recently with Visa and proposing account design that could allow for auto payments from a self-custody wallet, that's stuff that, when we think about this technology and what it could bring, it'd be really tough to think through a use case yesterday. There are seedlings that are proving to be really interesting, and I think when we talk about stuff like zero knowledge proof technologies, when we think about stuff like these automated accounts that could just completely reinvent how a company is allocating resources to make it more efficient. When we think about tokenizing assets or opening up global access, I think within Web3, we think through a couple of things and one is the gated or the closed nature of Web2, and then Web3 being a lot more open. If we think about the population that has shown interest from all corners of the earth, we think about a more connected society and one that's interoperable by nature, not just by the technology, but inherently.

I think that's really exciting to me, is being able to provide economic value and prosperity regardless of where you're based, regardless of what platform you're on thinking through interlinkages. So I think for me, there's definitely conviction in the sense that there is something here that is very, very intriguing. I'm not one of these guys who comes on and says, "Okay, I know what the killer use case is going to be that brings everybody into the space," but I think we're getting closer to that just based on the institutional adoption headlines that we've seen over the last year. So for me, being able to be at the forefront of an industry, being able to work with global innovation teams and understanding what their pain points are, thinking through ways that we can 10x the product experience or the user experience, it just shows to me that there's a lot here. There's a lot of potential and there's a lot to continue innovating on. For me, that's enough reason to be excited about the space.

Eric Swartz: A hundred percent. I couldn't agree more. From my perspective, it's almost, and I actually do, I would say I am one of those crazy people that just loves the space. I can't help it. It's part of me, but at the same time, I would say we need to find that right answer, that use case that does bring on the next, let's call it, billion. I think from my perspective, there's been so many interesting tidbits over the course of this bear market just trickling in. The one that I wanted to mention to you, which I think is just fascinating, so we were always looking for whether a central bank would put Bitcoin on its balance sheet. So now we have Japan, one of the Japan owned energy providers that actually was the same one that had the trouble in connection with the recent nuclear meltdown that occurred there.

So they are using some of their renewable energy and other sourced energy to mine Bitcoin right now. I don't know if they're selling it, but presumably they're not. So I mean, that is just such a huge moment for Bitcoin and it's so funny because I don't hear anyone ever talking about it, but if it had been the bull run, I think people would be just flying Japanese flags. It's just so interesting to me because I haven't heard anyone talk about it. It was an article that I saw in passing and that I obviously thought was interesting, but I don't think many people even reflected upon much. That is a statement though about this space. It's little things like that that just kind of slide through their cracks, but at the same time, tell us exactly what you're saying and what that we're at the beginning of something really amazing here.

Maybe it's a defunct Japanese energy provider that we're looking at right now, but what about when it's literally the biggest energy providers in the world and they're all integrating mining as a core part of their business, which is happening in Texas right now. That has actually been just fascinating to watch too. So I couldn't agree more. There are the touch points that we see just pouring in slowly, but other than my just general love for the space, I agree with you. We're still very early and we have yet to see that fleece where the next billion will come from, but I think I were a betting man, I'd say it's probably from my friend Max's accelerator, Plug and Play.

Maximillian Jungreis: I appreciate that. Thank you.

Eric Swartz: Thank you so much for joining us today. It was an incredible conversation. I know that I enjoyed it so much, and I think our listeners will too.

Leah Satlin: Thank you, Max. For our listeners, if you enjoyed today's episode, please be sure to subscribe and hit the like button.

Kevin Iredell: Thank you for listening to today's episode. Please subscribe to our podcast series at lowenstein.com/podcasts, or find us on iTunes, Spotify, Pandora, Google podcasts, and SoundCloud. Lowenstein Sandler podcast series is presented by Lowenstein Sandler and cannot be copied or rebroadcast without consent. The information provided is intended for a general audience and is not legal advice or a substitute for the advice of counsel. Prior results do not guarantee a similar outcome. The content reflects the personal views and opinions of the participants. No attorney-client relationship is being created by this podcast and all rights are reserved.