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Frank Curzio's FRANKLY SPEAKING

Announcer: Wall Street Unplugged looks beyond the regular headlines heard on mainstream financial media to bring you unscripted interviews and breaking commentary direct from Wall Street, right to you on Main Street.

Frank Curzio: How's it going out there? It's Friday, November 9th. I'm Frank Curzio, host of the Frankly Speaking podcast where I answer all of your questions. [inaudible 00:00:23] comedy, sports, anything else you wanna throw at me. I created this podcast to answer more of your questions that you can send me to my Wall Street Unplugged podcast, which I host every Wednesday. So you have any questions to answer, just send me an e-mail at frank@curzioresearch.com, that's frank@curzioresearch.com. Be sure to put Frankly Speaking in the headline. And you never know, your question may be the one I read on this podcast.

Some awesome questions coming in. Let's get right to it and start with Rob. "Now as I say Frank, really appreciate all your research and articles. All the extras you give are awesome. Wish I was making more money on a few of your newsletters." He actually mentions Moneyflow Trader. Well, Moneyflow Trader is a short based newsletter, which is very well obviously in October, but [inaudible 00:01:07] the market has been the bull market so yeah, he's talking about Moneyflow … I was gonna take the heat for that if you noticed. Like most of our news, but at least to Moneyflow Trader. But it's doing very very well now because a lot of these stocks have come down in October and it's a good way to hedge.

But he goes on to say, "The best thing about your podcast

besides the free pics from your interviewees is your view and their view on macro items. There's so much noise out there, so your voice is greatly appreciated. Is there any way you would consider starting a macro letter? Maybe having some of the below topics … " then he just has a list of topics … "why there are three waves of US debt, where is fed reduce in balance sheet, new debt issuances, rising rates, why the cost of capital is going up and what it's meant in the past, recessions begin with too much leverage, why are China and Russia buying so much gold … " Rob keeps going here, man. He's really into the macro part. "The actual state of renewable energy, the creation of energy from uranium, from the ground sector to the reactor, why economies eventually slow after raising rates, understanding rates of return, the new era of easing bank regulations … " he has a couple more I didn't mention there.

So Rob says, "Again, I know that you're not an expert at all of these, what I as a reader would find invaluable is your opinion. But Frank thinks about these issues and I'm always hungry for that because of your honest no agenda approach to help us out. This is my two cents. I pay for the Wall Street Journal. Why not pay for something like the above? Written by someone that understands the market, the economy and economics, not just some journalist. Also, why is there not a newsletter out there on the DOW 30? In depth recommendation now says for us common folks. Why hasn't someone just maybe take one DOW component a month, with the best value recommended, tell it's history why it's good or bad, other important topics about the company … I find that so interesting. [inaudible 00:02:54] some components to the DOW and maybe short others. It would be great. There you have it. Two and a half years of newsletters, one month for 30 stocks, or something like that. Just asking."

A lot of stuff here. First Rob, thank you so much. I really appreciate … I try to be honest and open, even come [inaudible 00:03:10] on this podcast. You don't really hear that out there. You always hear better ones … winners and how great they are … and I'll tell you, "Listen, when it comes to education, you always gonna learn more from the mistakes you make." And

that's why I like covering them. Do I have more winners than losers, of course. I wouldn't be doing this 25 years, but you wanna be open and honest with people and they'll say, "Well, these are all my winners and I'm great and I'm awesome." I mean, I think I'm great and I'm awesome, don't get me wrong. Obviously, I'm just kidding. I can't even say that like joking around because it's just not me. But, I really appreciate it. It means a lot because I'm just trying to educate you guys based on the mistakes that I've made in the past 25 years or so.

Getting to your newsletter point about macro, I love the macro part. I love that top down approach and looking at different sectors … just different markets, different economies, international markets … you hear me talk about that all the time on the podcast. Writing a specific newsletter about it, it's difficult. We're in the business of making money, especially when we launch our STO, people are gonna invest in our company to make money. It's hard to make money off of a macro newsletter. People love stock picks and within our newsletter, especially [inaudible 00:04:13] … probably a recommended one Large Cap bank in probably 12 pages and 8 were just on the macro view of why you don't have to worry about other credit crisis again. Read it first, if you think I'm crazy, read it first and you'll understand why I'm not gonna go through it. That's not what the question is here but saying that you should own a Large Cap bank and the fact that they're sitting on so much cash that the one bank that I recommended is buying back 30% of their shares outstanding over the next three years and also increasing their dividend … that's how much cash they have on their balance sheets.

If I cover uranium, a couple of stocks I recommended or encouraged a venture opportunity. You'll see me have a whole thesis on that. A lot of my newsletters if you're not subscribers out there, which everyone's gotta be a subscriber, I know right? Phillis's podcast. But these reports, you could see it, put my heart into them. It was a lot of research, because I love what I do. I wanna get it right. I like talking to a lot of people that have different opinions of me. When I look at things, you'll see

a 12 page report on uranium where a good seven, eight pages is on the macro view. But, it's exciting.

I'm not talking about just throwing millions of number at you. I explain every number, I really dial it down and make sure you understand because, look, we're all professionals at some things, right? If you come over, you're fixing my car, and you talk about … I don't know unless you simplify it, I mean it's not something I do all the time. I'm familiar with oil change and doing a few things with my car, but for me I want it simplified and not lose you. The reason why I'm investing in a certain sector or stock, but I love that macro view. But just to have a newsletter on that and we've known these statistics and it's very difficult because two people like to hear but I cover a lot of that in our newsletter.

Could I create another newsletter, yes, and probably make a little bit of money off of it, yes. It would be a little bit of a difficult sell, but if you're newsletter subscribers to any of my newsletters, you're gonna see me talk about the macro a lot. If you're a listener to this podcast, you're gonna see me talk about the macro a ton. Whether it's the oil industry, the biotech industry, the mining industry, gold … I'm not saying why gold's going higher and not giving you an explanation, I'm explaining to you why I think now it's time to buy gold, or whether now is time to sell gold.

With oil, I think oil prices are probably going to go a lot lower. It's pretty scary. It's the industry I was bullish on not long ago. These guys are hedged to the max and you're just gonna see them continue to produce at record levels because they're getting a hedge at higher prices which is gonna put a lot more supply on the market that's gonna push down prices once they come off those hedges, we could see all full below $50 a barrel. Not too crazy. I wouldn't say it's gonna fall to below $40 but you know, $50, $45, around there … now you're looking a lot of companies are not profitable their hedges come off … now you gotta look when their debt is due.

So for me, I love these topics. I love going over different countries and Japan property price increase the first time in 27 years … just little things like that and what market's doing great and what markets aren't and for me it's not just the easiest sell. If a DOW components too, I pride myself on just trying to give you ideas even encourage your research advisory. There's a couple companies in there that are big that you realize, but it's … from a newsletter perspective and someone that wants to generate money off of this business for shareholders that are gonna invest in this company pretty soon, which I'm excited about through the security token offering, there's a lot of research you could see on all the DOW components. And again, you want that honest opinion, I hear you and I understand that. And I do actually have either one or two DOW components in one of my newsletters now. But, there's a lot of information. There's no surprises. There's 50 sometimes … at least 30 but up to 50 analysts, and when I say analysts I'm talking about cell side institutional analysts that cover these stocks. There's no surprises.

Yeah, you can see the mis-earnings and it comes down a little bit, but it's … with a DOW component, instead of analyzing every one of them and really getting particular, what you should do is you should exposure to the buyer. It's a secular market. It's two of the biggest secular markets in history if you go back 100 years, are the SP 500 and the DOW. Just pull up a chart. It's amazing, they just continue to go higher and higher and higher and higher. Yes, you have your bumps in the road. You're always gonna have those. But, you should have exposure to a lot of these. It's hard to pick which ones are gonna be great, which ones are not.

I was wrong on McDonalds. I didn't think McDonalds would come around and that one did fantastic. I was right on Apple a few times. I was wrong on Apple other times. But you know then giving advice on Verizon, JP Morgan, Microsoft, Home Depot, Coke, Boeing, Caterpillar, Fisher … I wonder if I could name them all. I probably can, if I think about it, I won't waste your time, but there's a lot of research on those names.

It's hard to have a newsletter just based on those DOW 30 companies saying, "You should buy Verizon. You should buy Exxon. JP Morgan's a buy, when from a newsletter point of view, for me I'd rather cover them on the podcast and give that stuff away. And if I see the analysts leaning one way, which I believe they're leaning in one way on Apple right now … these guys are forcing phones down your throat and you have Tim Cook saying, "Well, we're not gonna report unit sales anymore … " really? You're an iPhone company, so every cent of your revenue comes from iPhones. You've done that since you created the iPhone. They're such a big component. This is how many we're selling … so, why wouldn't you wanna tell us that? Why would you wanna hide that, unless it's not good news?

But sometimes, you have these DOW components where Einhorn shorted Caterpillar. So many people were just so negative at Caterpillar and I think took off to the other side. So things like that, I like covering on my podcast sometimes when you see all the analysts leaning towards one side, we might be like, "Wow, this … yeah." I don't know how much higher it can go where everyone says it's a strong buy and they're buying targets that are 20% higher than the current price, which is very high for DOW components of large companies. 20%, 25% and you just need something little and all those buys, a lot of them could go to holds and you see the company fold, but there's so much optimism, but instead of really covering them I like to give a lot of that stuff away for free on the podcast. But, it might be a good newsletter. It's not the easiest sell, I don't know how many people … maybe I'm wrong.

Look, the way you disrupt industries, right? Is by doing things that you're not supposed to do. In our industry, where we cover this, we know what sells and what doesn't sell. People really don't wanna buy a newsletter where I'm gonna say, "Hey, buy Microsoft." I recommended Amazon on my Curzio Research Advisory and I had to say this whole thing … I know what you guys are thinking … it's Amazon. Why am I paying this guy to recommend Amazon? It's because I researched 20 publicly traded cloud companies and no one was in the ball park when we recommended this stock last year.

We generate over around 100% gains and we took profits and now the stocks off its hide, well we took profits and they're 100%. Here it's down about 20% off its highs, but still, we locked in profits and now we have no risk. I know a lot of people didn't buy Amazon because it's a large stock and they're like, "Whoa, okay. It's Amazon. I hear about it. It's nothing new that you're gonna tell me." And I understand that [inaudible 00:10:52] already. You wanna invest something where you're gonna find ideas where you can't really find any place else.

So, I understand that but, let me hear from you … frank@curzioresearch.com and if you think like a pure DOW component newsletter or macro newsletter would make sense, I always say I wanna educate investors. Of course, we wanna make money in the end, generate profits … this way we could really build this company and have the right people structure, get the right adults in front of you, get … I've been doing this 25 years, interviewing amazing people and lot of those people aren't really happy where they are. And they wanna help individual investors, especially in the hedge fund industry and things like that, like the Alkins out there … which is really cool. That's what we wanna bring to you and if there's real demand for that, again, how you disrupt markets and people say, "Well, don't ever create a newsletter like that. No one's gonna buy it." Well, the one guy that does this side and does it right, that's the guys who could disrupt things. It's doing something that you're not supposed to do, right? If you're doing something that everybody does, you're not disrupting anything. It's doing something that someone's like, "Wow, you're a complete idiot for doing that." That's how you disrupt markets. Which is pretty cool.

So let me know what you think. I mean, really good stuff. I love the macro. I give a lot of that stuff away for free in a podcast and that's … people say, "Why do you give away for free?" It leads to a lot of subscriptions. People say, "Wow, this guy's covering this. I wonder what's in his newsletters." And you'll see when you get the newsletter … nobody buys our newsletters and says, "Wow, I can't believe it. I thought it was gonna be so much more." You get much much more … you know, I cover

the industry, I've read thousands of newsletters, I know most as … with our newsletters, I take pride in that. I'm traveling, I'm finding ideas, I'm going to my sources for you. It's ten 12 page reports, there's a lot of details in this stuff to the point where if you really totally disagree with me, you'll read that and be like, "Ah, you know, that makes sense." And that's the kind of research we do here. Not gonna agree with it all the time. I gotta give you my opinions and stuff like that but, you're gonna get what you paid for.

We never really see that. Ever had stocks go down? Yes. Ever had bad periods? Yeah. Beginning of towards the end of 2016 wasn't too good. Then, 2017 and 2018 a lot of winners and we did great with these portfolios. But, when it comes to just newsletters in general, we want to put things in front of you that make sense. Obviously, we wanna be profitable on these newsletters and not have three subscribers to something because we wanna make sure everyone's … the employee's times are being used in the right way to appeal to so many, like a big audience and really put that information out in front of you, but who knows.

Maybe those newsletters work, but let me hear from you … frank@curzioresearch.com. And again, talking about creating a DOW 30 newsletter or even a macro based newsletter with no stock picks. Is that something you guys would like and you guys find interesting? Maybe you do. Statistics show that not too many investors like that, maybe they do. Maybe they do. Just send me an email and let me know. Great question. Really appreciate those comments, Rob.

So onto Steve. Steve says, "Frank, want to know your thoughts on drug stocks after midterm elections. I remember drug stocks having a rough time in 2014 during midterm elections. Do you see the same thing happening again, specifically with any names of portfolio? Also, keep up the great work with the company. Wish I was in credit investor investing in STO, but plan on getting in after the first year, which is when [inaudible 00:14:07] will go live because never [inaudible 00:14:09] competitor."

That's not the plan. Obviously, with this STO, if we raise money then we're gonna be put on a different level. We're gonna have a higher valuation, so that takes that off the table and you show where my heart is that we're not looking to sell this company, we're looking to be around for a real long time. As for the STO, I would love to do it to [inaudible 00:14:26] investor, but the laws it just, you know, we have to do this for our security token offering, which we're gonna raise money through that and I'm gonna [inaudible 00:14:35] is the next question is well, STO's are great compared to everything else. A fantastic question next, but if you're interested in that your credit investor in our STO you can email me at frank@curzioresearch.com. But, I would love to give this to everybody, but just based on the laws out there we have to do it through a credit investors, do the right thing and that's going to require a lock up period where our token's not gonna trade for 12 months from now. That's with all security tokens from credit investors … that's what's launching right now. The Reg D filings and things like that so …

Frank Curzio: They're launching right now, they write D-filings and things like that. That's how you have to be compliant and that's what we want to do. Because we really have an investor friendly deal, again I'll cover this is a minute. We just want to make sure that everything is perfect on the compliance side and that we're working hard for that.

Getting to your question about drug stocks and the midterm election, you're saying 2014, midterm elections, drug stocks had a rough time because you have one party controlling Congress, you had Trump coming out and talking about drug prices, how they wanted to lower them.

Attacking these healthcare companies and he can get stuff done because the Republicans have control of everything. Now they don't, now you have democrats controlling the house, which means what? If you look also when Trump won what was one of his agendas, is to repeal Obamacare.

Forget about the politics behind it, but repeal Obamacare.

Obamacare is the biggest boom to health care companies in the history of that industry, why? Because they're providing insurance for what is it … You read statistics, I read 20 to 30 to 40 million people who are uninsured have to be insured now.

Forget about where you're getting the money from, forget about my company that have to make, I think it's like $300 thousand dollars in profit just to pay my health care, right because you're going to raise the money on every company that people who work have jobs and give it to people who don't have jobs.

Which some people do need it, I'll give it … I would say most of those people … It's almost like we promote them not to have a job and you're going to get health care regardless. Again, I don't want to be political but it's something that impacts me.

Again, I don't love every Republican policy, I don't hate every Democratic policy but that's one that is a game changer because I operate a business and it's expensive to me. Taking the politics out of it, when you're providing insurance for 40 million people who weren't insured, or 30 million, 20 million, whatever.

Again, I've done a ton of research on this and there's so many different stats from different people, safe is 30 million people. Think about that for a minute, I mean you're looking at more health care devices being sold, more care, more pills, more everything for these healthcare insurance companies.

I actually did a little homework, believe it or not, I did a little research for this, I'm not a research analyst. If you're looking at just the insurers, again you're talking about the whole healthcare industry which is great because now you're going to have kind of gridlock, nothing is going to happen.

Obamacare is going to stay, these companies are making tons of profits but if you look at just the insurance industry. If you look at United Healthcare, Aetna, Humana, Cigna, those four companies alone, 2017 generated $375 billion in sales, up tremendously from the previous years.

When you look at their earnings, net income, guys, net income combined $20 billion in 2017. If you want to put that in perspective, $20 billion, if you look at the S & P 500 there's only 95 companies with a bigger market cap than $20 billion. Together these four companies generate $20 billion in profit and it's going to continue because costs keep going higher and higher and higher.

They're not going higher by 2 or 3% along with inflation, they're going higher by 15, 20%, believe me if you own your own business you know what I'm talking about. Again, I'm trying to leave politics aside. From an investment point of view it's great news for these companies, it's great news where I talked about this educational segment on Wall Street Unplugged.

Of how great this is for biotech's as well. I mean biotech's got crushed just like every other industry during October, there's a lot of amazing technologies. These guys are reporting really good studies and results. You're seeing these companies start popping higher and you see more money flow into them.

Healthcare, just the profits, the dividends, the buybacks, the money that's pouring into these, don't close your eyes or you might be able to close your eyes and just buy whatever and do well. The profits are enormous, it's going to continue so there's not going to be repealed Obamacare which means all these people are going to be insured and money is going to continue to flow to insure them.

These people are what, they're going to go to the doctor, 40 million people now going to the doctors asking for prescriptions. How much does it cost you to go to the doctor, think about that. I love insurance companies too, I mean deductible is the greatest word ever.

Yeah, I'll carry insurance but it's like even the Harlem District, you have a $500 thousand dollar deductible. Why do I have insurance for, I got to pay a $1,000 just so you don't have to pay

anything and if you get into an accident they'll probably raise your insurance anyway.

It's the greatest industry ever, insurance, if you start an insurance company you're going to be a billionaire, it's the greatest industry on the planet. Especially when we're forced to have auto insurance, forced to have healthcare insurance, you're forced you're forced to have this stuff.

Constant money flowing into the system, going to destroy probably our country, whatever 50 years from now with the deficits. I mean that's the real killer, entitlement programs and stuff like that. I don't care what side you're on, I think everybody would agree with that.

With healthcare in terms of stocks and what's this election … It keeps this trend going, you don't have to worry about, yeah Trump could come out and say Pfizer is charging a ton of [inaudible 00:20:15] before it comes off patent or whatever they want to say.

Yeah, he likes attacking companies but there's nothing that's going to change and you're going to see these profits continue, continue to flow for insurance companies, for even the big medical companies, for biotech companies. Even mid-caps for all biotech companies now with the patent expiration's for all these drugs.

The Pfizer's and the Merck's have tens of billions of dollars on their balance sheets and they see the date that a drug comes off of patent so what they do is they take that drug and mix it with another drug, especially cholesterol drugs or even if it's an immunotherapy drug like Keytruda from Merck.

That's in a hundred different studies, this way if it works for something else that's another patent, all right another 20 years. Not only that they're taking money now from the balance sheet and they're investing in early stage biotech companies and mid cap biotech companies.

Saying here, "We'll invest in you, you can even use our services." This way if they do have a potential blockbuster, it's in phase 2 now, it passes phase 3 they can go in and buy the company. If they miss results, it costs them $3, or 4 million dollars they didn't have to buy the whole company up front, pay a huge premium.

You have money flowing into this sector from everywhere, you have profits going up, you have just a secular growth market of funding going in from every company that makes money just funding people, more people getting insured. It's a pretty remarkable industry.

Profits are going to continue to go higher, there's going to be winners and losers just before you pick the stock, one last thing on this, guys. Before you pick the healthcare stock that you want to buy, and you think it's the greatest buy, just look at its competitors.

Because I've done that a lot and said well so United Healthcare looks fantastic, biggest industry, $200 billion in revenue for the first time in the company's history. How does a company generate $12 billion in profit just by themselves over the past 12 months.

You might say, "Wow, this is great, this catalyst." When you look you might see Aetna is cheaper, you might see Humana is cheaper, Cigna is cheaper, it's growing faster, they have more catalysts. Plus when you're going lower down the chain there's a possibility they can get acquired.

No one is going to come in a buy United Healthcare but you can see Cigna get bought, possibility. Not the leader in the industry. Look at the whole industry because I think everything goes up but if you want to generate, alpha generate, those returns that are going to beat the rest of the sector.

Go into different stocks, just because they're expensive, don't ignore them, if they're expensive why are they expensive. They have great drugs on the market, you have a healthcare company,

they're growing faster than anybody else are they getting into more … Whatever it is there's a reason why these companies have premiums.

Don't just discount it because it's expensive to the industry just make sure that whatever reason why they're trading at that premium is going to continue to exist at least over the next 12 months and that's how you buy companies like Netflix in 2004 and Apple that are trading at 30, 40, 60 times earnings.

That guys like me avoided, because I said, "Wow, they're so expensive." Those stocks are up 5,000% because they continue to grow and they deserve those premiums. Again, learning from my mistakes. Really good question there and let's move on to one more here and this is from Chris, he says, "Hey Frank first off thanks for all the great work."

I love that, I love doing this, I get so many compliments it just makes me feel good even when I'm angry. I'm not angry all the time. He says, "Really great but with Mike Alkin, the rest of your team, please don't ever stop the rants or busting people's chops as it's often the highlight of my hour long commute. I'm an energy trader focus on electricity and natural gas in Seattle area.

I really enjoy the different resource plays and angles that you guys come up with. If you're ever looking for some boots on the ground in this area or sector let me know I'd love to help out where I can."

Chris I may take you up on that offer, Chris goes on to say, "You're talking about the STO market, got me wondering if you guys ever look at any of the equity crowd funding deals. I've been playing this space for a while now and I think it would be a great opportunity for a newsletter offering as the area lacks good, independent research.

One offer I'm looking at made me think of you half because the resource sector plays, half because of your STO deal. The company is HyperSciences, working on developing on new

drilling technology where they use high velocity projectiles to break the rock before the drill bit gets to it, which speeds up the overall process.

I think the tech sector is super interesting and if they're successful it could be a game changer in cutting drilling costs and time. I'm not trying to pitch the company but thought it was worth a look, so figured I would pass it along. I also have questions regarding STO offering, if and when someone buys a token, which is CEO's [inaudible 00:24:52] equity offering owners.

If someone buys a token in the secondary market will they own any rights, ownership in your STO fund as well or would the tokens just represent equity and encourage their research?"

All right Chris really the question here, I'll answer all 50 of them. You said don't stop busting chops so I'm going to bust chops buddy. Seriously, really good questions here, the first is about HyperSciences. I did some research on this, HyperSciences is actually pretty cool. It's on this company crowd sourcing site, if you want to call it SeedInvest, which is a great company.

If you register they'll ask you a bunch of questions and what this does is you get to invest in mostly private companies. I think they're all private, again I just started doing research on it. You can invest at a very early stage, it's not like kick start of where you're not going to have equity but you're investing in these companies very early.

When they do go public you're in at an early price like a seed investor. That's why they call it SeedInvest and you're taking that shot. They have this whole thing listed where how much they're looking to raise, making sure if you're a credit investor, even though you don't have to be on some of these, I'm not too sure.

When I look at HyperSciences I want to say this and guys this is why STO's are going to be a monster market, it's going to be a trillion dollar market, again, I'm betting my company, my

reputation on it, here's why. There are amazing companies out there, when I just researched this company HyperSciences, it's an amazing company.

Amazing, but it doesn't mean it's an amazing deal for investors and it's important for you to understand that because we're seeing a new wave of STO's, Security Tokens, come out and some of the ones I'm looking at are bullshit. Even though they are security tokens.

Okay, with ours and I'll talk about later, a little bit more where ours are structured there's a limited amount, so you don't have to worry about dilution. It's a very investor, friendly deal where you getting 3% yield.

You're getting an actual equity stake in our company so it should in theory, if our company does well, which we're hoping it does in the news editor industry as we build our file and build … It should be reflected in a token, kind of like a stock.

A lot of these STO's aren't doing that, some of the ones that we just launched are coming out you still don't have an equity stake in the company. Oh, you're going to participate in the profits as we generate cash flow, you're looking to do a real estate fund, I saw one that's buying real estate in New York City.

They have an unlimited amount they can raise, they don't even have a hard cap on it. No equity stakes, it says right on the first page, no equity stake, no debt, you get nothing in the company. Basically, say if they raise $50 million dollars, you're giving them say a million dollars, just saying.

You're going to be a credit investor for this, whatever, say if you give a million dollars, now you have to wait for these guys to purchase something in New York city. It says they kind of have experience in stuff like this but you're just going to go out and hey … It's nice to buy real estate when you have a 10 year outlook and you find something falls on your lap.

Now you're like forced to do deals, you're forced to do deals, you're forced to buy real estate in New York City and by the way high end real estate is actually coming down. Now you're waiting, now they buy this property, now you have to wait for it to generate cash flow.

If it does you get a tiny bit of that, you don't own any equity in a company though, if they get bought by another company you own nothing. You don't get anything, you don't have any equity in the company. Basically, you're giving away a million dollars.

They're going to lock the money up, I mean it's locked up because the tokens are going to come out 12 months from now, then it will trade but it has no real equity value still. It's all determined if these guys hopefully they could buy some really cool real estate and they say after New York city we're going to go out globally and raise even more money.

As an investor what does that do for you, for these guys it's awesome, imagine you created that company, you're sitting there generating, here I just raised $50 million, I can do whatever I want with it. All right well buy whatever, hopefully it works out, if it doesn't I don't care it's not my money, it's your money, I don't give a shit.

All right, $50 million you're sitting on, your job is to take the $50 million and just you want to transfer it from this investment that you got into profits, this way you can put that in your pocket. Right if you own the company that's what you're looking to do.

They could be aggressive right if this is a deal that like like, yeah they don't care it's your money. We have to buy real estate, let's go buy it. Now we buy real estate, we generated cash, well not for a few years, positive cash flow, I mean they buy all these properties, again they're just sitting there, again, they're using your money as an investor, what are you getting?

Wouldn't it be better to take your million dollars and put it in a REIT that focuses on maybe commercial property in some of the

major cities. If you don't like it, if the market changes I'd take it out, I'd have it liquid tomorrow. You're not going to be liquid. They have tokens on the market, a billion tokens and they say they're going to release 750 million tokens after that.

Which is good, but again you have to look at the structure of the deal because the deal is so amazing. I grew up, my dad taught me, when you do a partnership, when I think partnerships, I do partnerships with people in this industry or whatever. I think of a partnership like how Coca-Cola is McDonald's. It benefits both of them, I don't say, "Oh, man I can't wait to F this guy."

Frank Curzio: It's both of them. I don't say, "Oh man, I can't wait to (F) this guy. After a year, I'm going to collect profits and the hell with you." A lot of people have structured deals like that because they don't care about you. They want your money, but they don't care if you make money. I'm being dead honest with you. That's the way the industry is. Screw the little guy. Oh, they want to invest in big money deals. You want to play business? Okay, give me some money. These guys aren't going to read the terms of the deal.

Getting back to HyperSciences, some things that are interesting. First of all, when you look at SeedInvest, these guys right off the bat are going to take 6% of whatever you raise. Also, they take 6% of the offering. What do you think they're going to do once this is free trading? They're interested in … Granted, I'm not saying it's a bad site, but that's just like a brokerage firm. There's no different. Six and six, this is what STOs are about, security tokens. You're avoiding the middleman. Why do you have to give away that money for? It's a lot of money to give away. Granted, with our offering, if we come in and a fund wants to invest several million dollars, yes, we're going to offer discounted tokens, we can offer a finder's fee and things like that. But not for everyone. Not the entire offering. I mean, this is like kind of crazy when you see this.

But it's fine that they're providing the site, you're getting on the site, they're good. I'm not ragging on them. It's a cool site

again. HyperSciences is a great company. A couple things I noticed. I'm scrolling down, looking at this, I want to see the deal and what's going on with the deal. Okay, so when I go down, I'm looking at the people. They're looking to raise … This round size is $10 million. You're going to have preferred stock. After this thing gets public, it gets bigger and bigger, you're going to be in at certain price. It sounds all cool.

Just a couple things like you should know. First of all, the use of proceeds. Their use of proceeds they have to deploy their HyperCore unit, got to get a better look at this. 11% is going to go to joint industry testing, which is cool. Deploy 15%, deploy Hyper oil drilling and more stuff, blah, blah, blah. To buy a HyperCore unit, again you can go into these different sectors. But here's where it gets interesting. 26.6% is going to be used for pay and to expand the team. So basically, say if there's a $100 million, $26 million is going to be to pay employees and to hire new talent to get a team. I mean, shouldn't that be … shouldn't you make profits first?

If you're raising money, you look at so many deals, a lot of these guys don't take that money and pay themselves, right? I mean, if we raised whatever. Say we raised $20 million, $30 million dollars. Hey, hey, I'm making three million a year. No, it doesn't work like that. It's not even going to be the same. I'm going to base this on the token. That's where the big payday comes. This way my interest is on the line with everybody else.

Pay and to expand a team, I mean, 26%. Then even better is 16.3% is debt payments. That's awesome. Hey guys, invest in Curzio Research. I'm going to raise $20 million. Oh, by the way, 10 million that you give me man, I'm going to pay off that debt that I ran up from my company. Are you kidding me? I mean, so when I look at this, it's funny. This is the money that you're investing, just understand that.

You look at more than 40% is going to be going to … You're going to give money … Think about that. 100,000 you're giving them, more than 40,000 is going to go to them paying down

their debt, and also paying themselves? That's little F-ed up. I'm probably going to get edited with this podcast. Sometimes it doesn't post on iTunes right away, but this is how I feel.

Another thing which I thought was interesting, get into great company, but you have to make sure you're getting a good deal. Because when I look at it, it says option pool 10%. What the hell's that mean? Well, if you scroll over, it tells you what it means. The pool of unallocated options typically reserved for future employees, which affects the fully diluted per money valuation for this offering. What is that saying? That's saying basically we're going to dilute you by 10%. But you're offering employees options. It says reserved for future employees. So you're going to give future employees options, but I just showed you that 26.6% is going to pay, is going to pay your current employees and expand your team. So now you're going to use money to expand the team and you're going to dilute you by 10%?

Again, look at these, it's hard to look at these details guys. I understand, it's not your job. You guys have full time jobs. You run your own companies. That's why you're listening to this podcast. But it's a S-H-I, finish that word, show out there. It is, it's crazy. I mean, it's insane. The greed around people and how they want to screw you is insane. It's the reason why I started this company. It's unbelievable.

You're looking at this … It's a fantastic company. The technology's awesome. They just signed a deal with … What was it? Chevron, I think, or Shell. Several companies provided like a million dollars. I read through the technology, it's interesting. But you're getting a shitty deal. That's what you have to look at the with this. That's why STOs are amazing. 'Cause he goes back and says what about the STOs? I was mentioning that. We're going to create a STO fund. That may or may not happen.

So what we're doing right now is I called pretty much the best lawyers on Wall Street. 'Cause my biggest fear with our deal

is there's a lot of risk when it comes to regulation. We want to be fully compliant, doing a reg deal offering, five or six C. Investors could be deemed the security and down the line I'm going to have to register with the SEC, which is fine. But we want to be fully compliant, we want to go everything that we do, and that's my biggest fear. Because we have a really good deal that's set up for us, it's set for you, investor friendly. The last thing we want is oh well … and we've seen this with a lot of tokens. They're good guys. They just made mistakes and they had to take the token back and then restructure it and launch it again. It was a nightmare. You don't want to go through that process. You want to do everything right at the beginning, which is good because we've learned from a lot of people that I've seen make those mistakes.

So, for us, the bridge between having security lawyers, which I know a lot of the securities and market, I know security law because I've been in this industry for 25 years. But the crypto law, these are the people I call high profile lawyers, and saying that hey maybe difficult for this fund, and here's why. We're trying to work around it, legal ways that we can launch that fund. It's not off the table yet, but it's something I want to do. If we can't, then we're just going to use our Crypto newsletter to really in a lot of these STOs and offer that feature for credit investors, kind of like we do at Curzio Venture Opportunities, where it's not for credit investments.

You can invest in any company you recommend, but sometimes we come out with private placements, which some have been good, some of them not good. But the last one we did has been pretty good. A company, Nevada Exploration, I interviewed Dennis Higgs, he's a fantastic guy. This is a stock that I think we did the financing at 12-/2 cents. It's like 45 cents. I think we did it in June. Granted, we had one or two big losers when we've done this, see in mining industry. But you have access to these deals where one or two of these … One you need is a life changer. This could be it. I don't know, tremendously, this easily cover the losses on every one that we've done so far, for now. But offering that also through our Crypto newsletter,

Crypto Intelligence, and that's a way to deal. But this fund I think could be so big, and do everything I can, but again it has to be a legal structure. It has to be right.

Getting back to your question here, remember the STO fund. When you're investing in it, it's everything's going to fall on the Curzio Research. If we're generating profits through that, we're generating returns. It's kind of like BlackRock. You're investing in BlackRock. You're investing in the stock, all their funds, everything, their fund [inaudible 00:37:50]. They count profit from this division, that division, maybe not this fund, but that fund, and then they come up and then it generates whatever number they have in profitable. That's the valuation. That's what drives the stock. That's how it's going to be.

Will we take outside money? Yeah, we want to. We want to build this fund up. But again, it's a lot of moving parts. It's [inaudible 00:38:08] excited. I just wanted to get professional advice. So I talked to two lawyers, and just trying to work out the structure, which is not easy, to make sure everything's compliant, and making sure everything's right. But when I look at STOs, and I look at a company like SeedInvest, which again is a good company. They're taking six and six. You don't need a middle man. A middle man, anyone in the middle, you don't need the Goldman Sachs or the J.P. Morgans. The reason why NASDAC's sitting on the sideline waiting to launch a security token exchange. It's the reason why Fidelity's going all in on this. This is something that's a trillion dollar market in the making. It's threatening the foundation that these companies were built on. They have to get involved. They have to. Even if it doesn't work, and I'm totally wrong, they have to because it's that big.

When I look at this, this is why the STO market's exciting. You're getting something that could go directly to investors. You don't have to deal with all this BS. Worry about the structure, the tokens. Even though STOs you have to look at the what you're getting. Even though it's an STO, don't assume you're getting an equity stake. Don't assume you're going to get paid a dividend. They may not even have a platform yet,

and they're saying well, once we generate profits, you're going to get paid a 9% dividend. They may not generate profits for 15-20 years. They might not even get the company off the ground. Now your money's locked up. Your token comes out, it's probably going to be worth nothing. 'Cause again, there's no equity stake attached to it.

This is why this market is absolutely amazing. If you want to see how amazing it is, go to Overstock. They just reported. The numbers are bad, but the stock is up. Patrick Byrne talked about it because they're launching that tZERO platform, which was an ICO based platform. They pulled it back and said this is nonsense. You got to assume ICO market's dead. They know it. They're creating an STO that's registered with the SEC. I think it's going to be launched in April.

He started talking about it. Listen to him talk about that. Don't just listen to me. Do your research about STOs and security tokens. Listen to what he had to say. Yes, he has a stake, so there is going to be bias. But listen to what he had to say about this market, and how big that opportunity he thinks it's going to be. He's basing everything, his reputation, his company, on it. He understands that this is a massive, massive market that makes so much sense for individual investors. People can invest in these token right away. You're going to have exchanges being launched. It's going to be regulated by the SEC pretty soon, what laws, what you don't have to take money off, crypto off of the site after you buy something, and place it on something outside of your computer like a treasurer or ledger or whatever.

It's going to be just like stocks. You have research, just like stocks. You're going to have easy to use platforms, so you don't have to determine the calculation and the conversions and be like how much is this, what's going on? It's all going to get simplified. It's going to create this massive market that makes it easy to invest, and liquid assets like real estate are, anything that you want to sell a piece of, and also provide opportunities for investors to invest in really early stage companies instead of waiting till fricking [inaudible 00:40:57] comes out at $100

billion valuation IPO when you could invest in it. Only people that could invest it before that are venture funds that you have to have two, three, five million dollars in. Those days are going to be over.

There's going to be a good market. It's going to have opportunity for a lot of people to invest in early stage companies. That's where I think this is heading. Great questions here, Chris. When it comes to HyperSciences, awesome company, amazing, but the way the deal is structured right now, it's not favorable for you. It really is not favorable for you. There's a ton of dilution. They're taking a lot of the money. They're going to pay their employees money. They're going to pay off their debt. Come on, man, seriously. That's what you're raising money for? You're raising money to pay off your debt. Who says that? I mean, just take the money, generate some profits with this technology, and then pay off your debt. But you're really taking the money that people are investing, even when you see private placements. General administration purposes, yeah, and then drilling results, yeah. They don't say well, we're going to take this money and pay off our debt. Why would you invest in that? Why would you invest in … I'm giving you money so you could pay down your debt, really?

Be careful. Look at these deals. A lot of moving parts, guys, I know. It's not the easiest thing to understand. For me, I love this stuff. I've been engulfed in it. Again, I want to look out for you, make sure you guys get into the best deal possible 'cause in the end, if you make money, we all make money, it's a great thing. [inaudible 00:42:13] forever. That's what we're looking to do. Just give people really good advice, and tell them where there's BS. There's a lot of BS out there, man, there's a lot. You just be very, very, very careful.

So guys, that's it for me. Man, three questions, but a lot of material there. Hopefully, it wasn't too much. Go to frank@curzioresearch.com, that's frank@curzioresearch.com. Thanks so much for listening. Have an awesome weekend. Guys, I'll see you in seven days. Take care.

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