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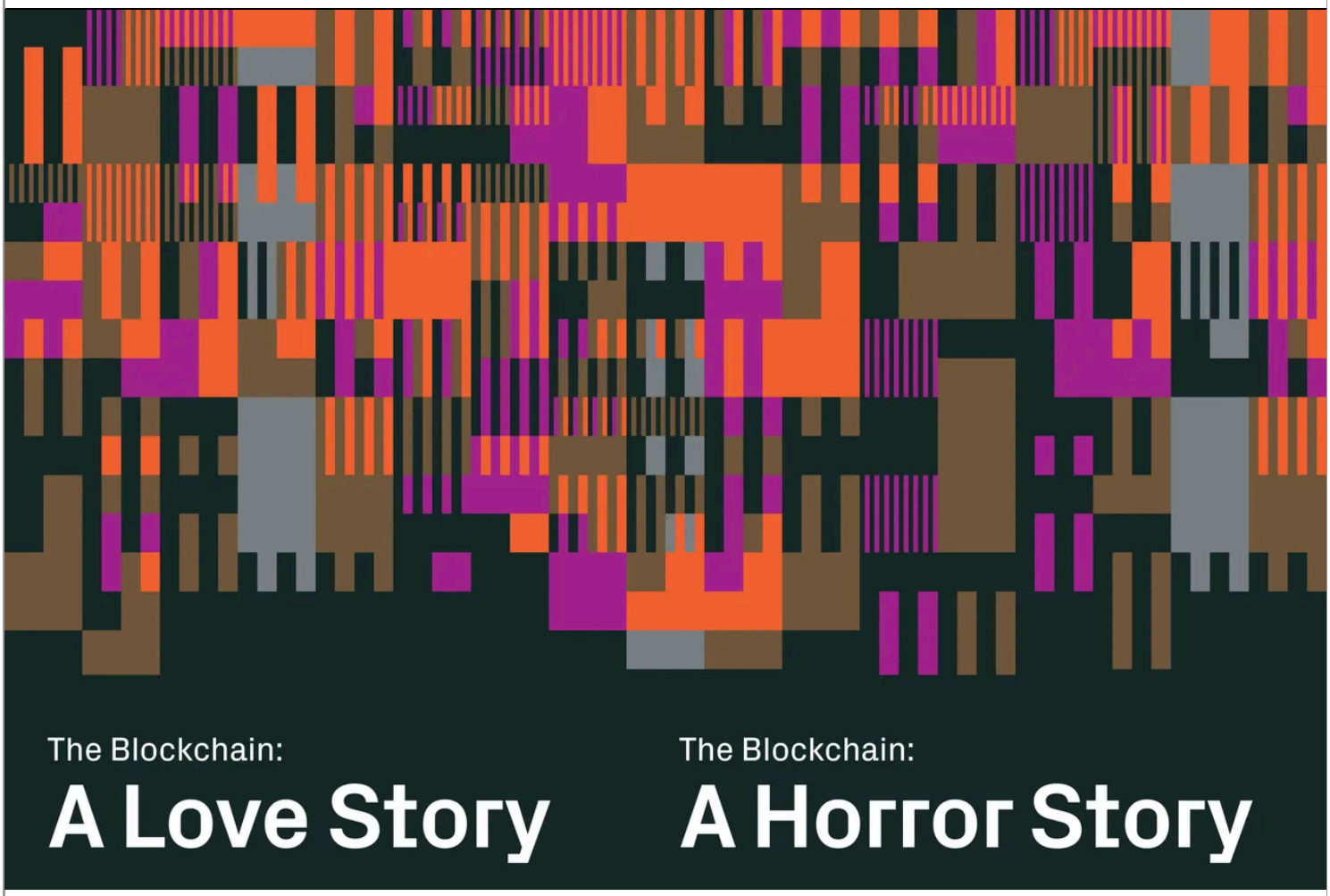
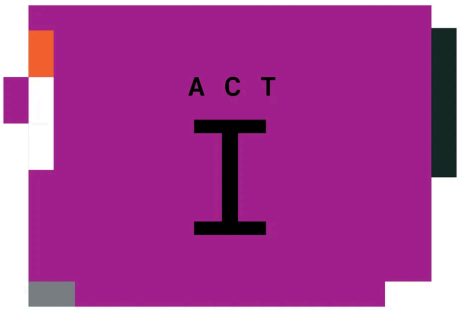


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GIDEON LEWIS-KRAUS THE BIG STORY JUN 19, 2018 6:00 AM

Inside the Crypto World's Biggest Scandal

Arthur and Kathleen Breitman thought they held the secret to building a new decentralized utopia. On the way, they plunged into a new kind of hell. A crypto-tragedy in three acts.



ONE DAY IN the spring of 2010, Kathleen McCaffrey, a sophomore at New York University, received an invitation from a stranger named Arthur Breitman. On the basis of what Breitman had been told about her political persuasion by a mutual acquaintance, he thought she might want to join his monthly luncheon for classical liberals. (Breitman had also seen a photograph of McCaffrey and thought she was pretty.) McCaffrey, the curious type, accepted.

Breitman was not typically one to overextend himself socially, but he made a "beeline" for McCaffrey, she recalls, when she walked in the door. The luncheon, it turned out, was actually for anarcho-capitalists—people who believe that an absolutely free, self-regulating market will allow individuals, bound to one another by contract alone, to flourish in radical harmony. But by the time McCaffrey discovered she'd been misled, they'd already hit it off. She told Breitman she admired Milton Friedman. Breitman was pleased to report that he was friends with Friedman's grandson, Patri, and offered to lend her a book about freedom by Patri's father.

To keep McCaffrey nearby, Breitman threw an impromptu party at his disorderly financial-district apartment after lunch. The next morning he texted her to say he'd reserved a table for two for that evening. Everything from that point forward felt like a fait accompli.

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The match, despite their vast differences in temperament and background, was an inspired one. Kathleen is relentlessly animated and quick-witted, with thick tangerine hair, steely eyes, and an endearing personal idiolect that suggests both an autodidactic reading in philosophy and economics and the gusty crudity of the merchant marine. Arthur is by turns retiring and pointed, with a soft, cublike appearance and a tight, parsimonious grin. Kathleen had grown up in northern New Jersey, the daughter of a Bronx-raised contractor and an Irish elementary-school teacher; she read *The Wall Street Journal* and played on the golf team at her all-girls Catholic high school. Arthur had been raised just outside Paris by a well-known playwright/television impresario and a civil servant; at 18 he'd won France's first-ever medal, a bronze, in the International Olympiad in Informatics, and he'd gone on to take his degree in applied math and computer science at the extremely selective École Polytechnique. Now, at 28, he worked as a quant in Goldman Sachs' high-frequency trading shop.



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Arthur only discovered that Kathleen was eight years his junior sometime later, when he remarked that her academic work, in epistemology and mathematics, frankly seemed pretty easy for a grad student. Kathleen was insulted, but she got over it. Arthur was unfazed by her youth; what mattered was that *Kassleen* had a

mind that could keep pace with his own. They admired in each other a brusque self-assurance and artless candor that others often perceived as arrogant.

When Kathleen transferred to Cornell University that autumn, she optimized her schedule to spend time in the city with Arthur, who was infinitely more interesting than her classes. If in the middle of the night Arthur read about a rare kind of suspension-bridge support, he'd immediately want to try his hand at the application of its principles. The two of them once passed two very happy weekends of courtship in attempts to reconstruct an ancient catapult called an onager. He expected precision and rigor in her thinking, but remained blunderingly sentimental in his attachment to Kathleen, who had reserves of strength and conviviality that far exceeded his own.

The weekend Kathleen graduated from college, she and Arthur traveled to France for a wedding. Following a drink at the storied Harry's Bar, he brought her to a bench in the Place de la Concorde and produced a box. Kathleen opened it to discover the ring was upside-down. "It was," as she remembers it, "the most Arthur thing ever. So much effort to go through, and such a small detail to screw up in the end."

Given his background in mathematics, computer science, and economics, it was natural that alongside bridge supports and primitive catapults Arthur was bound to fixate on Bitcoin. He bought his first bitcoins at a time when few people had even heard of them, and he badgered Kathleen about cryptocurrency until she could parry to his satisfaction. Arthur spent countless hours poring over Bitcoin's documentation. It clearly offered a terrific way to hold value, and to move value from one place to another, without paying for the services of a trusted intermediary. But it was clunky and limited, and it eventually became apparent to Arthur and Kathleen—"pedants by hobby," Kathleen likes to say—that Bitcoin's underlying technology, the blockchain, was capable of doing a lot more.

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blockchain even is—some people argue it's become a meaningless buzzword—but the standard definition describes a shared, decentralized, cryptographically secure, immutable digital ledger. In the broadest terms, a blockchain allows a group of strangers to agree on a state of affairs and to proceed together on the basis of that covenant. Bitcoin's blockchain is meant to supplant the powerful middlemen called banks, but in theory a blockchain could replace any kind of institution—a credit agency, a social media service—that exists to safeguard a changing set of historical records. We pay these centralized entities handsomely for their custodial services, not only in the form of the rents they charge but in the control they exert over our lives. The blockchain, in theory, affords us new opportunities to solve complex coordination problems without letting the incumbent coordinators extract so much value in the process.

This had, of course, been the initial premise of the internet itself. Its great collaborative potential, however, had been funneled into the leviathans of Amazon, Facebook, and Google—a new and massively powerful set of trusted third parties. The blockchain pointed the way to the sunlit uplands of a genuinely decentralized world. A loose culture of entrepreneurs and cypherpunks came together in what felt like a special moment of experimental ferment, and the Breitmans looked on with interest. Most of these early blockchain innovators just took the original cryptocurrency's source code, made their preferred changes, and launched their alternative versions as distinct cryptocurrencies; it was as if they'd modified the DNA of an existing species to create a new, reproductively isolated branch of the family tree. To Arthur and Kathleen, this "Cambrian explosion" of disparate currencies was a tremendous



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waste. Far preferable would be to have some machinery to organize and streamline this evolutionary process, to integrate its most successful adaptations into one grand, unified project. But this was never going to happen with Bitcoin. Its pseudonymous inventor, Satoshi Nakamoto, was a god in whose absence Bitcoin evangelists could only argue and dither. Bitcoin could only move forward by schism rather than reformation.

While Arthur and Kathleen continued to discuss what the blockchain augured—taking a break to marry, in a ceremony in France in the late summer of 2013—Bitcoin's first major competitor appeared on the horizon. In January 2014, a 19-year-old Canadian-Russian prodigy named Vitalik Buterin released a white paper that outlined his vision for something he called Ethereum. It would be not merely a decentralized bank but a decentralized world computer; Ethereum allowed for the automatic execution of programs called "smart contracts," which went beyond the simple movement of money from one place to another. A group of people could run their own insurance company, say, which would accept premiums, automate the actuaries, and pay out claims without skimming a house take off the top.

Arthur printed out the entire Ethereum codebase to bring along on their honeymoon that spring. He inhaled it on safari in Botswana's Okavango Delta, turning to it when he'd seen his fill of elephants. Ethereum was, Arthur saw, an awful lot like what he'd been imagining. But there remained a need for some system of participatory governance. Ethereum was more pliable than Bitcoin, but its updates were disseminated by a core development team overseen by Buterin. As with Bitcoin, if you didn't like those updates you only really had two choices: accept the revisions or "fork" the code and go your separate way. Arthur resolved to create a rival, one with formal provisions for genuinely decentralized administration—a community in which the entrenchments of power and control could at last give way to a new order that rewarded competence and merit. Kathleen was alternately skeptical and encouraging, but came around to rally him on. "The early bird might get the worm," she said, "but the second mouse gets the cheese."

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> Arthur printed out the entire Ethereum codebase and inhaled it on safari in the Okavango Delta, turning to it when he'd seen his fill of elephants.

In the summer of 2014, a few months after their honeymoon, Arthur wrote a pair of white papers, under the pseudonym LM Goodman, and posted them on the cryptography listserv famous for Bitcoin's quiet debut. (The pseudonym was a snide reference to Leah McGrath Goodman, the *Newsweek* journalist who notoriously misidentified the person behind Satoshi Nakamoto.) The papers outlined what Arthur saw as Bitcoin's flaws, and they accurately anticipated issues that would soon plague Ethereum; they also predicted, with stunning foresight, that the digital world would soon be awash in new fly-by-night currencies. As a way out of these traps, "Goodman" proposed a new platform called Tezos, the world's first "self-amending" cryptocurrency, one that could assimilate all the best newfangled ideas. "While the irony of preventing the fragmentation of cryptocurrencies by releasing a new one does not escape us," the second paper concluded, "Tezos truly aims to be the *last* cryptocurrency."

Nobody paid any attention. Arthur, by then an employee of Morgan Stanley, tried to explain the idea to the various corporate entities that had become interested in the blockchain, but he was by his own admission a miserable spokesperson for his own creation. Besides, the point of Tezos wasn't to help corporate middle managers impress their bosses with blockchain solutions, it was to support cooperative undertakings at a grand scale. But how was one supposed to build a critical mass of users? Bitcoin had slowly gathered its participants over years, but now the cryptocurrency field was chaotically large and competitive. If you built it, they did not necessarily come.

There was, however, one relatively new option. It was called an ICO, or initial coin offering, and it provided a way to jump-start a new decentralized platform via a crowdfunding model. It was as if an amusement-park operator, say, promoted the blueprints for

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innovative roller coasters, sold advance tokens at a discount for future rides, and then devoted the proceeds to the construction of a park—one that would eventually be overseen, maintained, and updated by its own visitors. An ICO, in which one central party collected money to support an ultimately centerless community, was a shortcut, if a slightly sinuous one, to arrive at a utopian political end. It also entailed the risk that an unsavory ICO might sell meaningless chips for a fake casino nobody ever planned to build. But Ethereum had doled out its own tokens via this method, and the $18 million it raised had become a lively and variegated mini economy worth, on its best day, $135 billion.

International libertarian circles had acquainted Arthur with one of the figures who'd helped orchestrate Ethereum's coin offering, a South African expat in Switzerland named Johann Gevers. On Gevers' recommendation, and with his support, Arthur and Kathleen decided to go down the same path. The Breitmans thought they'd be lucky if their enterprise could garner $20 million, and they hoped to have at least a modest impact. Tezos, to their surprise, went on to be the largest ICO to date. That surprise quickly turned to dismay, as the project descended into rancor, litigation, and even the odd rumor of an international assassination plot. What began in utopian ambition would blow up into one of the crypto world's biggest scandals.

JOHANN GEVERS IS a very tall, slender, charismatic man in his early fifties, with a high forehead, short orange hair whitening at the temples, and cloudy gray-blue eyes. He grew up in South Africa, a descendant of German missionaries; his second language, he says, was Zulu. He studied psychology, logic, mathematics, and philosophy, and then accounting and auditing, before he turned to work as a business consultant and investment manager. In 1998, fed up with his country's "financial authoritarianism," he left South Africa to make his name, in Canada, as a libertarian entrepreneur and "visionary thought leader." He would find his vision in the twinned phenomena of the 2008 crisis and the rise of Bitcoin. Cryptocurrencies, he preached, created the opportunity to move away from "too big

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to fail" and set our international financial system on a more secure footing.

In 2012 Gevers cofounded a digital-payments startup called Monetas, an attempt to disrupt a financial system that left billions unbanked. The banks, however, along with the governments that protected their interests, jealously guarded their domains, so Gevers tarried for two years in search of an agreeable regulatory environment for his venture. He considered Singapore, which he called the "Switzerland of Asia," and Santiago, which he called the "Switzerland of South America," but his period of jurisdictional shopping halted with Zug, the Switzerland of Switzerland. In 2013, Gevers moved himself and his company to the nation's smallest canton, about half an hour uphill from Zurich.

Zug had been a province of poor dairy farmers until laws enacted in the 1940s reduced the effective corporate tax rate to zero. By 2010, the canton counted 115,000 people and 29,000 companies, almost all of them headquartered in post-office boxes. The human residents live in highland villas above the town proper, which itself is unremarkably Helvetic: a broom-swept lattice of modest shopping boulevards extending outward from a scrupulously restored medieval fishing warren. The only signs of uncommon opulence are the cars. Zug is reported to have the greatest horsepower per person of any canton, and the largest per-capita number of Porsches in the country. The Maserati dealership is next to the Ferrari dealership and across from the other Ferrari dealership.

In June of 2017, a local business-development concern arranged for me to meet with Gevers, holding him out as an example of the sort of luminary the region was trying to attract. Monetas' office, in a five-story building, occupied rooms on a floor beneath the canton's tax authorities and its government accountability office; the other tenants were dentists, and the corridors had a sharp antiseptic smell. The fourth-floor landing was empty when I arrived early. Monetas, through a glass partition, looked dark and uninhabited, as if nobody worked there. Gevers arrived a few minutes later to explain that he was in the middle of a relocation. We went to sit at the chain café downstairs.

Gevers has a lilting accent and speaks fluently in the modular capsules and rehearsed-casual delivery of someone wearing a wireless headset microphone in a theatrical round. The story he told me began with cavemen on the hunt, moved through the Republic of Venice and the rise of the American railroads, and concluded with the crowning success of Ethereum. History had taught him to place his faith in technology over the tug-of-war called politics, but he nevertheless liked the political climate in Zug. "If you want to get something done here," he said, "you pick up the phone, and you've got an appointment within 24 hours."

What he wanted to get done in Zug was not limited to the goals of his own startup; Gevers hoped to help lay the groundwork for the full efflorescence of blockchain-related technologies. In the year of his arrival, similarly minded Swiss actors had pioneered a new legal mechanism that offered a means to raise money for legitimate crypto enterprises and discourage scams. Chief among its proponents was a local law firm called MME, a specialist in technology, anti-money-laundering compliance, and arbitration. The basic insight was that the Swiss Civil Code allowed considerable latitude to foundations. An independent foundation could be established to support an open source software platform in the public interest; instead of asking people to *buy* a token that might never do anything, these entities could instead solicit donations; donors would subsequently receive their tokens as a thank-you gift. The foundation structure would ensure that all donations would go directly toward the platform's development costs rather than disappear to some Caribbean island; the foundation itself would, in a second layer of institutional security, be supervised by a federal authority. The best part: None of these novel instruments would technically constitute securities, and would thus lie outside the remit of US or EU regulatory bodies. The resulting form of economic alchemy was what came to be called an ICO. (Other regulatorily agreeable jurisdictions, like Gibraltar and Malta, would follow suit, with various adjustments to the original Swiss model.)

The success of Ethereum, and the steady fruitfulness of Swiss ICOs in its wake, gave aficionados like Gevers and MME increasing confidence that the

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method did in fact serve as a viable way to galvanize token economies—and generate a lot of local wealth in the process. Last spring, a consortium announced the official formation of the Crypto Valley Association, an "independent, government--supported association" that would spur local fintech initiatives. The blockchain seemed an especially promising way to make up for the economic losses expected as a result of recent rule changes that had put an abrupt end to Switzerland's long, lucrative tenure as a world capital of banking secrecy.

Such government support—Zug became perhaps the world's first municipality to accept taxes in cryptocurrency—soon drew all manner of blockchain proselytes to the canton. One afternoon, outside the local administrative building, I met a chain-smoking Dane who told me that the blockchain was going to transform the lives of the poor by giving them titles to their land. Today, he explained, if you're a peasant in Africa, the sheriff can come whenever he wants and claim your property. But imagine that you have a smartphone with a GPS device that can fix the coordinates of your land on the blockchain. The next time the sheriff shows up to take your plot, you just use your phone to demonstrate your title. The sheriff will nod and stroll off.

Visionary thought leaders like Gevers, who took Silicon Valley's monopoly on startup financing to be a more tractable menace than African sheriffs, seemed by comparison exceptionally reasonable.

There was, however, a hiccup on this passage to the blockchain's emancipation of the world spirit. In 2016, an outfit calling itself the DAO—the Decentralized Autonomous Organization—sold $150 million worth of tokens in an ICO, in this particular case as a kind of Ethereum subtoken. (One of the selling points of Ethereum is that it's easy to build your own rides with your own tokens—as if, more or less, Space Mountain had its own special wristband within Disney World.) After the token sale, a security flaw allowed hackers to claim more than $50 million worth of the "ether" tokens raised by the DAO. The need for redress provoked a profound rift within the Ethereum community. Worse, however, was the likelihood that the kerfuffle would draw the scrutiny

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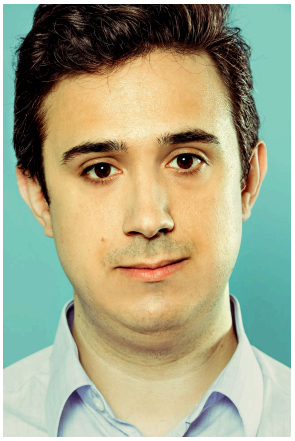
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of the US Securities and Exchange Commission to the whole ICO apparatus.

Still, the debacle with the DAO did little to stem the rising ICO mania. Last year ICOs raised $6.5 billion for various enterprises. One venture brought in $153 million in three hours. As the regulators in more cautious jurisdictions had warned, some turned out to be Ponzi schemes or other varieties of outright fraud. Everyone in Zug knew this. But they were certain that the problem was less with bad actors than flawed software. There was at last a technical solution—one that, Gevers told me on that June morning, would be unleashed upon the world in two weeks' time. It was called Tezos.



Arthur Breitman PHOTOGRAPH: ANNA HUIX



Kathleen Breitman PHOTOGRAPH: ANNA HUIX

GEVERS AND ARTHUR had first encountered each other in 2011 as fellow travelers of Patri Friedman, who had employed Gevers on a project to build a libertarian-minded charter city in Honduras. Arthur followed the project closely, and Gevers had been awestruck by his intelligence. Over the following few years Gevers had been pleased to see how their philosophies dovetailed—with each other and, now, with history. In the late summer of 2016, Arthur reached out to Gevers, who offered to make the introductory rounds in the Crypto Valley.

Arthur could not have arranged for a better prelude to his arrival in Zug than the calamity of the DAO, and the particular nature of the problems that almost brought Ethereum down with it. The DAO had fallen prey to a gaping security flaw in its code; the subsequent attempts on the part of the decentralized Ethereum community to remediate the breach had,



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in turn, revealed the platform's foundational instability. The hackers who absconded with the $50 million worth of ether had not technically done anything wrong—they just found a bug and seized their bounty. Some Ethereum supporters believed that the theft was bound to spoil the public perception of the platform's security, and suggested that Ethereum's clock be rolled back. Others believed that the immutability of the blockchain was axiomatic; by that logic, the record—theft and all—should never be manipulated. The creator of Ethereum, Vitalik Buterin, consulted with the community and then emerged to proclaim that the money would be restored to its prelapsarian locations on the ledger. The blockchain's sanctity had been altered by fiat from above. The Ethereum community was promptly rent asunder by a "hard fork": Some users respected the adjusted ledger, and others continued, irreconcilably, to use the one uncontaminated by a human hand.

Gevers spoke about Tezos in explicitly redemptive terms. Unlike the sloppy software engineers at the DAO, Arthur had what Gevers called a "fanatical focus on security." Gevers, too, was "obsessed with security," he said, "having grown up in South Africa with security concerns." But Arthur's obsession went so much further than his own! "Arthur goes to extremes. It's strong enough for the world financial system to run on. Trillions of dollars—quadrillions!" That wasn't all, however. There was also Tezos' "governance" provision. Without such a structure, Gevers said almost sadly, the Bitcoin and Ethereum communities "have vicious fights with each other on the bulletin boards—they hate each other, and it's bad for the whole ecosystem."

Gevers, the Breitmans, and the MME lawyers agreed upon a Swiss foundation structure to support Arthur's masterpiece. The public mission of the new Tezos Foundation, enshrined in its bilingual deed, would be to benefit "the fields of new open and decentralized software architectures," with particular emphasis on the "so-called Tezos protocol" and related technologies. As steward of the money collected, it would set budgets and disburse funds toward that end. The Breitmans, as inventors of the technology, would play a crucial role in getting the platform off the ground, but their relationship to the foundation

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was drawn up as an arm's-length contractual arrangement. Otherwise the Tezos ICO might just look like a license for the Breitmans to print money. Kathleen hadn't met Gevers in person and didn't know much about Swiss foundation law, but by now she had business experience—at the hedge fund Bridgewater Associates and the consulting firm Accenture—and what she cared about was that the plan seemed to guarantee the sober dispensation of the funds. The Breitmans didn't want token holders to feel as though Tezos were taking their confidence for granted.

Gevers emerged as the logical choice for foundation president. He had all the right credentials—he was trained as an accountant, and his emails were returned by important figures, both locally and abroad. The Breitmans got the impression he was a pillar of the community, and no further due diligence struck them as especially necessary. Gevers said he was very busy with Monetas—he was, he said, about to close a large funding round—but nevertheless agreed to serve. The foundation council, a three-person board, was filled out by a technical candidate with connections to Arthur and a local German businessman, well known to MME, who served on dozens of similar councils.

Arthur happened to be in Zug on the day last June when I met Gevers, and Gevers booked us a table for dinner on the outdoor patio of a lakeside restaurant that operated as the unofficial hub of the local blockchain community. The Tezos ICO fund-raiser was just two weeks away, but Arthur had no apparent desire to discuss it, or the Crypto Valley, or any ICOs at all. (Just that day, an Israeli outfit had raised $150 million in its own coin offering.) As far as cryptocurrency was concerned, he was happy to talk about governance or not talk at all, eating with rapid impatience.

He did talk about his family. Arthur had just come from Paris, where he'd scattered the ashes of his father, Jean-Claude Deret, who'd passed away the year before at 95. Deret, Arthur told me, had spent his young adulthood in flight from the Nazis; his own father was sent to Buchenwald. In the 1960s, Deret became famous for the creation of a children's television show that crossed a Robin Hood story with

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a thinly veiled attack on French collaborators. As Arthur grew up, his family observed the standard pieties of postwar left-wing French intellectuals, but Arthur's collegiate encounters with computer science and economics had emboldened his self-image as a rationalist in the tradition of French positivism, and he took pleasure in the espousal of hard-headed heresies.

Arthur moved to Manhattan in 2005 to study at NYU under Nassim Nicholas Taleb, whose emphasis on life's randomness modulated Arthur's belief that life was a multidimensional optimization problem. (Taleb argued it was always good to go to a party because the opportunity cost is low and the return could be high; Arthur's marriage to Kathleen was arguably the result of that advice, but he later reverted to a personal mean of mostly standing in the corner at social gatherings.) While Arthur came to develop an affinity for anarcho-capitalism, he had little patience for its emphasis on the evils of central bankers. He liked banks, and thought that the fractional-reserve system had been a glorious invention; if anything, he thought there should be more banks to compete. Ever since he'd visited the New York Stock Exchange as a 7-year-old, he'd wanted to work on Wall Street.

Arthur has a sleepy, remote affect, and if a conversation isn't stimulating enough for him he sinks into a kind of hibernation. When conversation turns rigorous, his eyes fly open and he sputters to talk. But if he seemed especially intolerant of stupid or slovenly thinking at that pre-ICO meeting, it may have been because he had a lot on his mind.

The Breitmans had begun to have some preliminary concerns about Gevers. In public, Kathleen described him as a "mensch," but, as she told me later, she'd in fact been instantly put off by him, and she couldn't help but prick at him in her pedantic way. She pointed to his nearly empty office and asked him how his big financing round was going. She offered to help circulate his pitch deck to people in the (other) Valley, but he didn't respond. Arthur told Kathleen to stop being so hard on him. It wasn't long, however, before Arthur began to have his own misgivings. On June 2, according to notarial records available online, the foundation board approved a revision of the deed to give Gevers single-signature access to its bank



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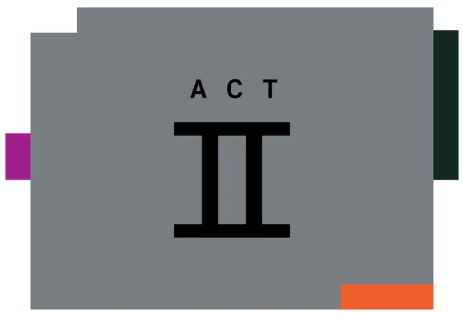
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accounts and safe-deposit boxes. A local American expat named Tom Gustinis, a former UBS controller who'd been in talks with Gevers to pitch in at Monetas, remembers pulling Arthur aside to ask if this seemed wise. "You do realize," Gustinis recalls saying, "that this puts a lot of power in Gevers' hands?"

Arthur hadn't thought it was such a bad idea; the intention was to make the foundation more nimble and efficient, and the Breitmans' major concern about Gevers was that his responsibilities at Monetas would leave little time for Tezos Foundation work. The decision, in any case, was up to the foundation's board; the Breitmans had no say. Besides, they had far bigger things to worry about—like the potential vulnerability of their ICO to hackers.

On the morning of July 1, 2017, the widely anticipated issuance of a new currency called the *tez* was set in motion. Blogs and online fora debated whether this was the birth of the new Ethereum. The initial retail price for 5,000 tezzies was arbitrarily floated at one bitcoin, or about 50 cents per tez—though a special discount structure incentivized early participation. For two weeks, there was no limit to the quantity of tezzies available for order. At the close of the business day on July 13, more than 607 million had been reserved for eventual distribution. In the end, the Tezos Foundation took in $232 million in alchemical exchange for a currency that did not yet exist, and, according to the fine print of the offering, might never.

It was by far the biggest ICO to date, and Gevers was ecstatic. "TEZOS RAISES RECORD-BREAKING $200 MILLION IN THREE DAYS," he tweeted, "giving it the resources to grow into one of the Big 3 blockchains."



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IN THE 1980S, a man named Frank Tortoriello wanted to relocate his deli, on Main Street in Great Barrington, Massachusetts, but was unable to secure the necessary bank loan. Instead, he issued his own Deli Dollars. A local artist provided a design and Frank signed all of the notes himself. Eight dollars purchased a $10 meal, redeemable in dated tranches. He raised $5,000 in a month. The pastor at a local church was a known breakfast regular at the deli, and he was given Deli Dollars in the collection plate; even the bankers who had turned him down for a loan lined up to buy Frank's Deli Dollars. The proprietors of other businesses accepted the currency at face value; they knew how hard Frank worked and trusted he would be good for sandwich repayment.

We value Deli Dollars, or euros or yen or francs, because we trust that other people, and the government, are going to accept them as payment; we also trust that the government won't wantonly print so many of them that their purchasing power gets inflated away. The novel thing about Bitcoin was that it created a way to move value around—a debit in my column would appear as a credit in yours—without having to trust anybody at all. There was, in theory, no way to tamper with the accounting, no possibility of counterfeit, and no threat of hyperinflation. (There will only ever be 21 million bitcoins.) All of the parties that had abused our trust could wither away in favor of incorruptible machines.

One of the things that differentiated the Breitmans from many others in the money-creation game was they never believed, as a meme once had it, that Bitcoin works "because math." Of course, Arthur thought, if you could depend only on math, that would be fantastic, but that was impossible; you invariably had to rely on people, and thus the kinds of leverage afforded by institutions. And there were, after all, plenty of credible people and credible institutions that had underscored thousands of years of humanity's joint efforts. Among the most auspicious of those joint efforts was the proliferation of money as a coordinating technology.

The blockchain could only properly be understood as a product of that history. Human commerce had seen

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lots of different kinds of money in circulation—money that was a good store of value but a bad means of exchange (like gold); money that was a good means of exchange but a bad store of value (like cacao beans); money that was a good means of exchange and a good store of value but a bad unit of account (like the early years of the euro)—but there weren't many good examples of money that could be reengineered midflight according to the preferences of the community. Entire social movements have arisen to protest the inflexibility of currency. A hard fork last year in the Bitcoin community was one example; another, memorialized in *The Wizard of Oz*, was a campaign for monetary expansion that gave rise to major American populist unrest. Tezos described its future tokens as programmable money that its bearers could hold to account.

> The Tezos Foundation took in $232 million in alchemical exchange for a currency that did not exist, and according to the fine print, might never.

Deli Dollars, for example, could be put onto Tezos. Everybody who bought a Deli Dollar would get to vote on how they would behave. They could decide, say, that if you help Frank sweep the floors for an hour, your account is credited with five Deli Dollars. Or that if you propose an imaginative new sandwich, Frank will put it on the menu, and you'll get 2 percent of the proceeds in the form of Deli Dollars. All of the accounting and the settlements would be automated and incorruptible, so there would be no question as to whether the books were kosher. If people rushed to sweep Frank's floors and invent his sandwiches, then there might be too many Deli Dollars in circulation; the lines would extend around the block, and Frank might be forced to radically increase the price of a sandwich. But the platform itself could then automatically adjust both Deli Dollar "wages" and sandwich prices to allow for nominal inflation. That is: Relative to the total number of Deli Dollars in circulation, the price of the sandwich could stay the same. If this sounds like some hippie collective, or a hyperlocal Federal Reserve, that's because it is. The

Breitmans believed that the blockchain didn't have to replace the kind of trust inspired by Frank; it could actually underwrite and extend it.

Tezos was designed at least in part for enterprises like Frank's that might want to operate on a larger scale, or for larger entities that might seek to generate public credibility by outsourcing their accounting to a clear, auditable blockchain. Imagine, for example, a videogame that runs an internal economy on a credit like digital gold; Tezos could prevent arbitrary changes to the game's money supply. Or take the example of airline miles, a form of private currency that is constantly debased by its issuers. It makes little sense to commit to an airline's loyalty program if one year a domestic flight is 35,000 miles and the next year it's 70,000. If these companies decided to put their rules and conditions into smart contracts on a public blockchain, the miles might be understood to be a better store of value, and loyalty programs would become more attractive.

That's all in theory, of course. As John Kenneth Galbraith put it, "A constant in the history of money is that every remedy is reliably a new source of abuse."

WITH THE ICO successfully completed, everything seemed to be in place for the final transformation of Tezos from idea to reality. The Breitmans held the project's intellectual property—the Tezos source code—through a Delaware corporation called Dynamic Ledger Solutions; now the foundation, according to both its contract with the Breitmans and its own public charter, was obligated to deliver a functional platform. The contract stipulated that it had a little less than nine months to do so; once the network was up and running for a specified interim, the foundation would acquire the original source code and the Tezos trademark from the Breitmans' company for 8.5 percent of the ICO funds raised, plus 10 percent of all tokens issued on the "genesis block." The foundation did not, one might reasonably have assumed, lack the necessary resources to get the work done; in fact, it was drowning in assets. They were still denominated in cryptocurrencies, so the foundation began to sell them off for regular fiat—hard currency was needed for rent and salaries—at the rate of approximately half a million dollars a day.

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The first signs of discord appeared without delay. Just days after the close, Gevers messaged Arthur to propose that the foundation hire someone to serve as a joint COO of both the Tezos Foundation and Gevers' own company, Monetas. The candidate Gevers had in mind was Tom Gustinis, the American expat who only a month earlier had warned Arthur about Gevers' single-signature power. Arthur responded to say that he thought the foundation could probably afford its own full-time person but that Kathleen was a better judge of these things. Gevers continued undeterred. In his strategic vision, he wrote, Tezos and Monetas needed a dual executive. Together, the entities had "two technologies that serve the same mission, and are used as a 'portfolio' to build solutions for clients." Furthermore, Gevers claimed, Gustinis was willing to work for free—or, that is, for tokens. The proposal was peculiar. With a $232 million endowment, why did they need to go bargain hunting for a C-level executive on a time-share basis? But Gevers, as president of the foundation, was entitled to recruit whomever he wished for board approval. The question was deferred.

Small skirmishes followed one another in rapid succession. Arthur had developed Tezos in a functional programming language that had emerged from French academia, and had been working with software developers at OCamlPro, a specialized French contract shop. According to internal foundation emails I was able to review, Arthur got into a dispute with the contractor, which held that, in light of the Tezos ICO haul, a generous bonus was in order. Work on the protocol slowed, and Gevers suggested that the development could be done much more cheaply elsewhere. Arthur didn't bother to hide his disdain: This was not simply a matter of outsourced IT, it was *computer science*. Gevers was micromanagerially preoccupied with things like travel expenses: He questioned, for example, Arthur's decision to purchase a sandwich on a plane. Arthur responded with contempt, and Gevers grew defensive. Even minor quarrels took on emotional freight.

As the summer dragged on, Gevers proved hard to reach, always seemingly en route to or back from a blockchain conference. Arthur assumed that he was very busy with Monetas, which in August had moved

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into a new address—an office listed as a Tezos Foundation expense. Then Tom Gustinis told him that, to the contrary, Gevers was almost never there. Nobody seemed to know what he did all day.

According to foundation emails, Gevers called the other two board members on September 8, a Friday, and told them he wanted to hire Tom Gustinis, this time as CFO, the following Monday. Diego Olivier Fernandez Pons, the member of the three-person board with longstanding ties to Arthur, wrote the next day to question the rush. Gevers responded with a long message about his own perfectionism and the necessity of good faith: "We also need to remember that no amount of 'systems' will ever be able to replace trust. If we don't trust each other and our competence, all of this will not work, no matter how many systems we put in place." When he eventually returned to the Gustinis question, he argued that the hire would come cheap, as he would only be working half-time. Gevers did not, in that email, see fit to mention to the board that he already considered Gustinis to be COO of Monetas.

Four days later, Gevers wrote to demand in addition that the matter of his own contract be settled immediately, as he'd been working as "de facto executive director" of the Tezos Foundation for months. There were limitations on what he could be paid as president of the board, but he was free to propose himself for a salaried executive role, and the contract he attached included compensation in the hundreds of thousands of Swiss francs. He also asserted that he was still owed a quota of tokens from his own ICO contribution, noting that a verbal agreement with Arthur had supposedly granted him a personal 50 percent discount for that period; on top of that, his draft contract included provisions for additional tokens in the form of annual bonuses. The Tezos network itself hadn't yet launched, of course, so any market value ascribed to these token allotments was almost entirely arbitrary. His proposed contract valued the allocations at a few hundred thousand dollars, but in a near-simultaneous private communication he expressed his belief that they were worth perhaps 10 times more. The cumulative contract value was potentially worth millions of dollars.



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When Arthur found out that Gevers hadn't mentioned the potential conflict of interest with Gustinis, and then had proposed such a lavish contract for himself, he was livid. Arthur called Gevers incompetent, and threatened that if he did anything improper—like prevail upon the supervisory authority to nullify the foundation's contract with the Breitmans' company—he'd expose him to the press; according to Pons, Arthur began to harass the third board member as well. Gevers, in response, excoriated the Breitmans for their attempts to wield "undue influence" over the foundation, and called a halt to all foundation activity until the matter of his own contract was forthwith resolved. No one—neither the software developers nor the small team—was being paid. (Gevers declined multiple opportunities to discuss questions about Tezos.)

Pons emailed the board with a methodical summary of a situation he could only describe as "dire." The foundation, in his view, had accomplished almost nothing since the ICO and now ran the risk that federal authorities would revoke its charter. Unless they got down to real, productive work, they would find themselves in breach of their contractual obligation to the Breitmans to complete the protocol. Foundation balance sheets for the period from July through October show inflows from crypto sales of about $65 million—and business expenses of less than a million dollars. The foundation had hired only a handful of contract employees, one of whom had sent screenshots of an empty bank account in a plea for payment. It was time, Pons wrote, to appoint an outside executive director.

Gevers argued that the stasis hadn't been his fault. "I cannot handle all the operational tasks myself," he wrote to the board, "and in fact it's a waste of my time, as my skills lie in high-level leadership, vision, strategy, and evangelism. However, Arthur has rejected all my suggestions for candidates for operational roles, instead suggesting candidates that are personal friends of the Breitmans." The latter category, in Gevers' view, included Pons, whom he denounced as an agent of the couple, scornfully inquiring if he was on their payroll. In emails and texts, Gevers instructed the foundation's team to stop talking to the Breitmans.

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Meanwhile, the value of the foundation's remaining crypto assets had passively doubled in value to more than $400 million. Within weeks, the entirety of the Tezos Foundation, as documents later revealed, would consist of three directors, zero employees, two HR complaints, and open hostilities with the people who owned the actual intellectual property.

ON OCTOBER 15, one of the Breitmans' growing cadre of lawyers sent a 46-page letter, including exhibits, to Pons and the third board member, excluding Gevers. The document charged Gevers with "deception and self-dealing" in his attempt to award himself a "license to print money," as well as with the Swiss crime of "disloyal management." The Breitmans called for Gevers' prompt removal.

Within a very short time, word of the letter and the ensuing tumult reached reporters working for the news agency Reuters, which had been investigating Tezos. On October 18, Reuters published a 3,300-word investigative report on Tezos, alleging that it was "now in danger of falling apart because of a battle for control playing out behind the scenes." Gevers told Reuters that the letter's censure represented nothing but "attempted character assassination. It's a long laundry list of misleading statements and outright lies."

For the most part, the article seemed to treat the Gevers-Breitman quarrel as a case of dishonor among thieves. After duly noting that the cryptocurrency markets had become "magnets for fraud and deception," the Reuters journalists quoted a pre-ICO interview with Kathleen in which she described Switzerland as a place with "a regulatory authority that had a sufficient amount of oversight but not like anything too crazy." The article noted that a PR firm representing the Breitmans had exaggerated a variety of claims about the financial institutions they had advertised as early adopters of their platform. (Kathleen showed me emails in which she expressed discomfort with the firm's move beforehand.) In describing the terms of their contract with the Tezos Foundation, the story insinuated that, even if the Tezos tokens never amounted to anything, the Breitmans would still walk away with tens of millions of dollars.

But the parts of the Reuters article that would ultimately cause the Breitmans the greatest tribulation were the ones that all but openly identified the Tezos ICO as a sale of unregistered securities. The article quoted a handful of Tezos token purchasers who frankly admitted they were only in it for speculative gain. "For me and for a lot of people this is an investment. We are looking for a return," a cryptocurrency trader named Kevin Zhou told Reuters; he added that he "didn't really care about using the Tezos technology." Kathleen had on her end been intermittently nonchalant in the way she described the fund-raiser in public. She'd been unable to help talking about the "sale" of tokens, and when she was careful to talk instead about "donations" she could sound glib: She once referred to their tokens as akin to the "tote bag" one might receive as a thank-you gift from NPR.

> By the winter, the Tezos Foundation consisted of three directors, zero employees, two HR complaints, and open hostilities with the Breitmans.

The Breitmans would not comment on the securities question, but these statements were all the more problematic in the context of a recent SEC memorandum on the DAO; its upshot was that anybody who wanted to sell tokens was on notice to proceed with extreme caution. The DAO's tokens, the commission wrote, had clearly qualified as securities, and ill-disguised ones at that. The same might be true for everything coming out of Switzerland, "depending on the facts and circumstances of each individual ICO." Optimistic observers took this to mean that the SEC would ultimately permit the unregulated sale of so-called utility tokens—those that, like a digital Deli Dollar, actually did something. Ethereum, for instance, had grown from a founding group's project to a diffuse, participatory network, and its token had evolved from a passive investment to an item people were using to animate utility--management systems, censorship-proof media startups, and music-distribution services. Tezos saw its destiny in the same arc, and the network, if it ever

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launched, would presumably prove it. Any token purchase was in some sense *speculative*, but in the utopian rather than the rapacious sense of the word. Idealistic token buyers speculated that their contributions represented a down payment on a new world of unfettered interpersonal exchange, one free at last from banks and other rentiers.

More than a few American securities lawyers, however, thought there were fundamental flaws with the entire Swiss model. The use of the magic word "donation" was not enough to indemnify coin issuers against the charge of selling unregistered securities; if it was unfair that a coin issuer was to be judged by somebody else's expectation of a return, well, that was the law. The US allows individuals to sue in cases of potential securities fraud, and the assets of the foundation made Tezos a rich target for private litigation. A week after the Reuters article appeared, a class-action complaint against the Breitmans, Gevers, and various associates was filed in San Francisco. These first plaintiffs—token buyers—charged the Breitmans with the sale of $232 million in unregistered securities, securities fraud, false advertising, and unfair competition.

As the Breitmans and Tezos came under ever more intense scrutiny, the value of the foundation's crypto hoard escalated under their feet. By the time four more lawsuits had been filed, in Florida and California, the dramatic rally in crypto prices had driven the foundation's assets to more than $700 million. Dodgy crypto entrepreneurs had become figures of morbid public fascination, as their magical internet money turned into very real Lamborghinis —"Lambos" in their insufferable meme argot—and at-home stripper poles. Further suits piled up. By Christmas, when the price of bitcoin neared $20,000, the foundation's assets had more than quadrupled. At Bitcoin's height, the board had at its disposal approximately $1.2 billion.

If the SEC or the courts ultimately ruled that the Breitmans had been selling unregistered securities, they could face ruinous financial penalties. On the utility-token theory, their best defense would be the appearance of the platform. But relations with Gevers were deadlocked, and he still had single-signature access to the safe-deposit box in Zug that held the

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cold-storage laptop with the private keys to the crypto assets. He couldn't steal the money—that would require a second private key, held by an entity called Bitcoin Suisse—but if the foundation's keys were somehow disappeared or destroyed, the money would simply be gone.

AS THE FIASCO unfolded, the name "tezos" became crypto-world shorthand for ICO avarice. On one Ethereum-news site, a contributor wrote that Tezos was "a reminder for us all that the greed of the few could ruin great ideas and ventures for everyone." Redditors called Tezos "the worst scam since Mt Gox." Maybe Gevers was a bad actor, some allowed, but the Breitmans had installed him in the first place.

Arthur was viewed as a sullen genius with no ability to communicate with those he took to be beneath him. In reality, he was overwhelmed by anxiety; he tried to put his own situation in perspective, he told me, by reminding himself that the source of his father's youthful stress was Nazi pursuit. He liked to distract himself with thought experiments: If he could send his past self a message that was limited to only eight bits, what would it be? Kathleen got none of the begrudging charity doled out to her husband. She was frequently disparaged as a nontechnical interloper of overweening aspiration, a nerdy engineer's Lady Macbeth. "If you look at her profile at LinkedIn you won't find anything special about her," one Reddit thread began. "Of course, it is easy for Gevers to fool a young girl like her." If the agony of the situation turned Arthur inward, it made Kathleen furious.

Gevers was no longer speaking to the Breitmans or, according to Tom Gustinis, pretty much anyone else; he confided in Gustinis that he believed his phones had been tapped, and ordered regular bug sweeps. Gustinis, as one of the only people Gevers would listen to, involved himself as an avuncular ombudsman, breezily telling the Breitmans to sit tight and give him time to broker peace. Given Gustinis' ties to Gevers and Monetas, however, he hardly seemed to them a disinterested party.

The Breitmans did, however, have thousands of ICO patrons who wanted them to prevail. Some were true believers in the promised land; others just wanted

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their tezzies in hand so they could flip them before the cryptomania ran out of lesser fools. In either case, they carried on like zealots. This distributed cohort took matters into its own far-flung hands, with letter-writing campaigns and tweetstorms designed to pressure the Swiss authorities into action. One anonymous Redditor, part of a loosely organized online group that called itself the Tezos Community Organization, corralled resources in the United States, South Africa, Canada, and Europe to compile a 17-page, single-spaced report on Gevers' past. Where Gevers had mythologized himself as visionary thought leader, the report presented a long list of odd, dead-end projects. He was listed as the president of nebulous libertarian operations called Freedom Universal and Institute for Freedom, and had solicited donations to their cause, but it was difficult to find evidence of anything they had done. The dossier referred to multiple businesses he led that ostensibly ended in stagnation or insolvency, as well as to a personal bankruptcy filing in Vancouver in 2009. A Zurich newspaper reported that the bankruptcy proceedings listed Gevers' occupation as "massage/odd jobs."

In addition to the dossier, other former colleagues of Gevers came forth to describe corroborating experiences. James Hogan and Patri Friedman, who'd employed Gevers on the libertarian-city project, took to Medium to describe troubling patterns of evasive and unprofessional behavior. Gevers, they wrote, refused multiple requests to hand over a security token that granted access to the project's bank account; this was "so unusual and disturbing that we began to fear the possibility that Mr. Gevers intended to embezzle or otherwise misuse company funds." They added that no such crime occurred and attributed the situation to poor communication, but said that the company's board took emergency steps to relocate the funds, and fired Gevers. Hogan and Friedman now urged Gevers to remove himself from his role at Tezos. (Though Gevers declined to respond to WIRED's detailed list of questions, a crisis PR specialist supplied a general statement, contending that all allegations against his client "are patently and demonstrably false." He attached a screenshot of a now deleted LinkedIn endorsement from Hogan.) Multiple people told me that Gevers was far less



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interested in money for its own sake than he was in money as a vehicle for control. "He would never spend 10 francs inappropriately," Gustinis told me, "but he would hold up a billion-dollar project over 10 francs."

Monetas, for its part, appeared to be a ghost ship. In an investor update on November 30, Gevers reported a new commercial venture that, he projected, would make the company profitable by the second quarter of 2018; he described it as "the most important milestone since our founding five years ago." The company, however, had no employees except the unpaid executive Tom Gustinis, and its bankruptcy was announced 12 days later. According to testimony submitted to the foundation authorities in Bern by a former Monetas employee, the company had been on the verge of receivership since the previous spring, before the Tezos ICO. The office had been dark when I visited because Monetas was moving into Gevers' apartment, which served as its headquarters until he could relocate his company to the new Tezos Foundation office. The employee described him as a capricious figure who was quick to blame any problems on the "dark forces" arrayed against him.

When I spoke with the former Monetas employee on the phone, she told me that she had been incredibly impressed by Gevers when she first met him, but that he was unable to keep up the facade. "Do you know that moment when you get on a train and sit down next to someone, and then you try to inch away without upsetting him?" she said. "I had that moment." She sighed; she seemed to pity him, as did two other former Monetas employees I spoke with. "The things he does leave him worse off," she said. "It's not like … he makes his money, rubs his hands, and goes off sailing to the South Pacific."

Still, the employee said, he was clearly so bright, and people were always trying to help him. This had certainly been the case in Switzerland. The anonymous Redditor's dossier drew a picture—with the sort of elaborate graphical aids that belong on a whiteboard in a caper movie—of a man propped up by a loose local confederation of mutual interest. The Monetas employee, in an email to Kathleen, described Gevers' problematic patterns of behavior as an "open secret" in Zug. Gustinis, for his part, told

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me that he'd spent the summer and fall trying to put together a salvage deal to save Monetas, in part because he expected to be installed as the CEO of the recapitalized firm.

The reality of the situation in Zug was almost certainly less archly conspiratorial than the dossier alleged, but the problem of business as usual was precisely the point. The specific charges were merely a vehicle for the Tezos token holders' grievances with the status quo. All of this was the opposite of what the blockchain was supposed to be. The Tezos community, however, proved itself exactly the sort of self-orchestrating effort the platform was designed to incubate, even without recourse to its actual blockchain. In December, aspiring tezzie holders posted an online petition requesting Gevers' immediate removal; it would gather more than 1,700 signatures, from a reported 95 countries.

At the same time, Gevers and Pons submitted their responses to a formal inquiry conducted by the foundation authorities. Gevers blamed the delays on the Breitmans and the media, but concluded that the foundation was now prepared to move forward with alacrity. Pons held a different view. Though supposedly an agent of the Breitmans, he did not spare Arthur; he understood why Gevers, hammered by Arthur for incompetence, had been offended. "But M. Breitman's lack of civility doesn't exonerate the board from its legal and technical shortcomings," he wrote. He presented an exhaustive inventory of the board's mismanagement, inactivity, and conflicts of interest, and finished with undisguised alarm. "As a member of the foundation council, I, once again, respectfully request your Authority to take immediate action to safeguard the interests of the foundation."



Johann Gevers PHOTOGRAPH: ANNA HUIX

IN LATE FEBRUARY, Gevers still reigned as foundation president. Kathleen had recently arrived in San Francisco from Paris via New York, and I drove with her to Los Angeles, where she was scheduled to appear at a blockchain conference at UCLA. She had recently received one more in a succession of Russian scam emails telling her that Johann Gevers had initiated a plot to hire assassins to murder her with poison, and that it could only be stopped if she transferred 10 bitcoin to the address included. She delivered an executive summary of the Tezos situation in a tone of hyperrational self-parody: "We overindexed on operational security risk, and underindexed on key-man risk."

By then, however, most of her resentment was reserved for the Crypto Valley. A prominent Zurich businessman called as we headed south, with a patronizing offer to broker a deal that would put the foundation in wholly safe Swiss hands. Kathleen's measured tone went out the window. "All these Swiss people calling me and telling me to shut the fuck up and do things the discreet way. If I got raped at a

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party, would you tell me it was my fault for wearing a skirt? Swiss business culture is a load of shit."

Gevers, the Breitmans' erstwhile key man, seemed to be doing fine. Kathleen described how she and Gevers had both recently been in St. Moritz to speak at a blockchain conference; Kathleen was allotted a "fireside chat," while Gevers had been invited to give his own talk—on ICO best practices. A friend of Kathleen's who had run security for Metallica paid for a German bodyguard to accompany her. At a white-tablecloth dinner, a prominent table companion brought up rumors that Kathleen had placed a bounty on Gevers' head. She had taken the comment to heart, and as she related the scene she looked at me with pleading humor. "Do I look like a violent person?"

Gevers had delivered his speech with a calm, commanding sense of impending victory. (On his PowerPoint slides, he quoted Warren Buffett, Elon Musk, and himself.) Immediately afterward he released a series of triumphalist tweets about the future of Tezos. "After months of incapacitating interference, obstruction, and attacks, the Tezos Foundation has regained the ability to act," he announced. "For those seeking to understand what happened at Tezos—both its successes and its failures: 'In a high-trust environment, the impossible becomes possible. In a low-trust environment, even the possible becomes impossible.'—Johann Gevers." Further tweets, later deleted, seemed to link, if implicitly, the future of Tezos to Monetas, for which Gustinis had found a buyer.

The Breitmans, Kathleen said, took Gevers' social media proclamations to indicate he was prepared to continue fighting a war of attrition. Though Tom Gustinis says he was personally paying Gevers' rent at this point, the foundation had expensive lawyers on retainer; the Breitmans, meanwhile, were paying $250,000 a month in legal fees. As Kathleen put it, "It's not a corporate-governance matter anymore, it's a hostage negotiation." When I asked how it had possibly come to this—Gevers, it seemed, could have just cut the checks, celebrated the network launch, and emerged a wealthy man—Kathleen could only throw up her hands. "He's the world's stupidest scorpion, and Arthur is the world's most gullible frog."

Kathleen now felt as though they had one option: brinkmanship. This was no longer about the utopia to come but ascendancy in the here and now. "I feel like I'm in a hole, so fuck it, the game's afoot. I'm going to blow this fucking canton up. I'm going to play the hand I was dealt, and I've got a much better deck. I keep telling Arthur that the people on the other side are just going to play their game for a billion dollars. It's not about the morality of crypto. It's about shipping and winning the game. I've got 60,000 lines of code that will ship with or without those guys in Zug."

> Thinking of Gevers and the others in Zug, Kathleen paused to stare out at the hills. "They fucked with the wrong nerds, is my take."

She paused to stare out at the hills near Santa Barbara, blackened and denuded by fire. "They fucked with the wrong nerds, is my take."

Their will had been renewed by the fact that they no longer felt so alone. Once it had become clear that the original board's efforts were at best nugatory, the Tezos community had formed its own parallel "T2" directorate. In partnership with this second foundation, she and Arthur would continue to fund the platform's development out of their own pockets; it had cost them $1.5 million so far, but they'd made a lot of money on their early personal investments in Bitcoin. She couldn't comment on anything that pertained to their legal entanglements, but an actual launch could conceivably change the juridical landscape: After all, it was the original billion-dollar foundation that had the contractual responsibility to roll out the platform and distribute the tokens. More than anything, though, they wanted to see Tezos live.

Exhausted, Kathleen looked out to the placid expanse of sea and wilted a little. "It's the 13th inning, and we're getting a little tired. Neither of us needs to be doing this. I'm doing it as an act of love for my husband, and he's doing it because he thinks he can

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do a good thing for the world. We're going to birth Tezos as an act of love and collaboration."

The next day, in front of a crowd at UCLA, she unveiled this strategy for the first time. "We're going rogue, and in the next few weeks we'll release the token. It's the software equivalent of carrying an ectopic pregnancy to term."

A few days after the UCLA panel, Kathleen sent me a strangely low-key message over Signal to report that Gevers had resigned from the Tezos Foundation. The leader of the T2 faction—a preternaturally tranquil and even-keeled Mormon named Ryan Jesperson—had sat in a room with Gevers and the lawyers for 10 hours of what he insisted was polite, amicable conversation. In the end Gevers had consented to his departure on the condition that the entire board be replaced. Gevers stepped down; an unsigned version of the final resolution of the first Tezos Foundation stipulated more than $400,000 in severance. Pons was ready to be rid of the whole travail, and he communicated, via Reddit, that he would be returning his own settlement to the foundation. He publicly invited Gevers to do the same, but according to Pons, no such donation had materialized. Jesperson moved, with his wife and three small children, from Utah to Zug to take over the new foundation. Twitter users taunted the foundation account: "When Lambo? When Lambo?"



THE END OF the standoff did not mean that everything for Tezos was looking bright. The lawsuits had been consolidated and a lead plaintiff selected. But the network had yet to appear, and, unfortunately, the long delay meant a lot of competition. When the original Tezos papers were released, in 2014, nobody was concerned with the

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need for governance. Now it was a stock talking point.

The other piece of bad news was that in late February the head of the SEC, Jay Clayton, declared that, as far as he was concerned, all ICOs constituted the sale of unregistered securities. He did not exclude Ethereum. The longstanding fantasy that a centralized entity could presell a token on the premise of delayed decentralization might have to be set aside once and for all. In the meantime, the total ICO market in the first quarter of 2018 had, by one measure, surpassed $6 billion. An MIT professor estimated that up to a quarter of that total was collected by scam artists.

Arthur was in Paris for the spring, passing long hours with a team of international software developers drawn from academia; they had the mellow, abstracted air of a postdoc colloquium. The platform, with any luck, would at last come to realization over the summer. Kathleen joined Arthur there between speaking engagements and business-development meetings in Singapore, Hong Kong, San Francisco, London, Berlin. The constant dread of the past year had only deepened the bluff tenderness of their interactions. Kathleen mocked Arthur for ordering a gin drink thick with melted marshmallows; Arthur made fun of Kathleen for her terrible French. Their small apartment had the underfurnished ambience of an Airbnb. The only remaining evidence of the conflict was a piece of ruled white paper with a ballpoint rendering of something that looked vaguely like Babar; it floated over Arthur's head in the video update he posted on Reddit, the elephant in the room.

In late March, Kathleen had yet another speaking engagement, this one in Zurich. Arthur wasn't crazy about the idea of Kathleen alone and unprotected there; other people might associate Switzerland with chocolate, watches, and neutrality, but the mountainous confederation hadn't been particularly kind to the Breitmans. I wanted to go to Switzerland anyway, to try to see Gevers and the lawyers at MME in Zug, so I went along. Gevers responded to my request to tell me that he was in "an intense work phase" but that I ought to try him in a month, then stopped replying, and I heard nothing from MME.



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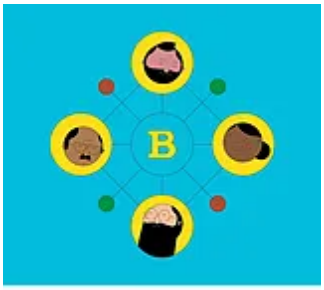
On the train to Zurich, Kathleen tried to concentrate on other things. But she couldn't help ruminating once more over how, exactly, a system she and Arthur had designed to underwrite and extend interpersonal trust at scale had foundered on their inability to rely upon one single individual. In certain moods, their interpretation of the events of the previous year had the ring of conspiratorial fancy—not because their thinking was muddled but because it was, if anything, too crystalline. Conspiracies made sense. One of the things that drew the blockchain community together was a commitment to the idea that the whole of human behavior could be interpreted as the pursuit of rational self-interest, and there was something profoundly disturbing in the fact that their model remained unable to account for Gevers' motivations.

The conference was two stops outside Zurich's city center, at a hulking black venue called Samsung Hall. It looked like what you'd get if you gave an alien civilization's stodgiest corporation a written definition of a nightclub. Kathleen ducked and dodged her way through the lanyarded slicks who wanted to network or gossip.

Then she froze. "Well," she said, with a weak laugh. "There's Tom Gustinis now, Johann's flying monkey."

Gustinis flashed Kathleen a wide smile and approached her with an unhurried, deliberate gait. He was very tall and broad-shouldered, with graying blond hair gone shaggy over his ears, and he vibrated with pocket-jangling energy. He greeted her with affected warmth. Curtly polite, she returned the greeting, introduced us, and immediately excused herself. Gustinis looked a little hurt.

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We stood at a high, rickety cocktail table and made small talk about our shared origins in New Jersey. When I asked him about Tezos, he assumed the frowning detachment of an elder statesman. In the ICO world, he said,



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The WIRED Guide to the Blockchain

there was now "Before Tezos and After Tezos, after everything that happened with the Stiff-dong." It took me a moment to realize he must have meant *Stiftung*, the German word for "foundation." But he didn't think that ought to be the case, and his own postmortem was lax and mild. "The project was delayed—probably unnecessarily. The project could have done without the noise." He'd tried to mellow the fuss. "After Kathleen and Arthur hung up on me many, many times, I still say the same thing: It started as a misunderstanding, and then egos got involved. She gives me a cold welcome here, but I've never done anything against the Breitmans." He'd only gotten involved because the world of blockchain felt electrifying in a way banking no longer did.

His deflationary story, if slightly evasive, felt plausible. "Look, I'm a conservative guy who comes from accounting and worked my way up at UBS. I was astonished at how this anarcho-capitalist community was going to cannibalize themselves." He stopped to sum it all up. "It was a fundamental misunderstanding that started it—and I disagree with Johann. And for that I have a lot of empathy for the Breitmans. But maybe that's too boring a story for you."

Two people from one blockchain startup or another came over to network aggressively and I excused myself. Through the business scrum I could see Kathleen far across the room, her back to the wall, editing her talk. Maybe it all *had* been a boring misunderstanding. After all, there had been few apparent consequences for Gevers; the previous week he had been quoted as a coin-issuance expert in a *Financial Times* story. There would, however, be at least some formal repercussions for Arthur for promoting Tezos while employed at Morgan Stanley: In April, the Wall Street regulator Finra suspended him from trade with its members for two years.

A few minutes later, Gustinis materialized once more. Kathleen conceded a second hello without looking up. He chatted idly to nobody in particular—"Who will be the Elon Musk of the blockchain?"—while Kathleen ignored him until she left to watch a panel.

I made to follow Kathleen, but Gustinis, all of a sudden upset, turned to confront me. "So," he said, "I see what this is, from one Jersey boy to another." As he spoke, he slowly leaned closer, until his heavy frame was looming over me. (Gustinis disputes this account, claiming he is simply tall.) "You're here hanging around with her, huh? I get what's going on."

I said I had press accreditation for the conference, but Gustinis only smirked. "Well, I'm going to tell people what this looked like to me." He turned on his heels to saunter away. As I began to stutter in reply, he wheeled back around and placed his palms flat on the high rickety table. "Are you going to make me be more explicit with you, Jersey boy?"

And then he was gone. Gustinis kindly apologized later. There was something, we both tacitly acknowledged, about this troubled crypto utopia—the conditions of perpetual alarm and mistrust, as well as fear, uncertainty, and doubt—that, even now, drove otherwise sensible people to paranoid extremes.

I said I of course forgave him, but at the time I'd walked into the dark hall on the verge of panic. Onstage the conference organizer was interviewing a panel of four Swiss men in suits. Their faces were gigantic and fleshy on the screen mounted behind them. I texted Kathleen to say I thought Gustinis had just tried to scare me. When I found her at her seat she just nodded, and even seemed to smile.

A lawyer onstage in a fitted waistcoat was talking about the necessary role of the proper regulator. "We take the fear away," he said. It is our job to tell people, he continued, "Don't be afraid."

This article appears in the July issue. Subscribe now.

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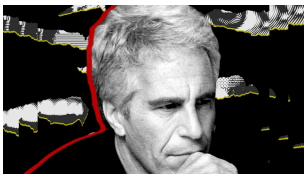
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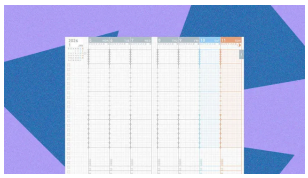
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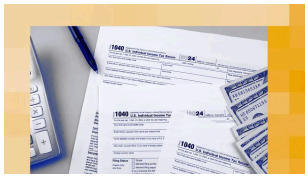
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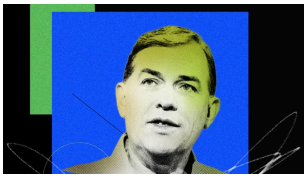
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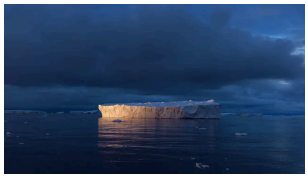
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