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10 **UNITED STATES DISTRICT COURT**
11 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**
12

13 **GGCC, LLC**, an Illinois Limited
14 Liability Company, Individually and on
15 Behalf of All Others Similarly Situated,

16 Plaintiffs,

17 v.

18 **DYNAMIC LEDGER SOLUTIONS,**
19 **INC.**, a Delaware Corporation, **TEZOS**
20 **STIFTUNG**, a Swiss Foundation,
21 **KATHLEEN BREITMAN**, an
22 Individual, and **ARTHUR BREITMAN**,
23 an Individual,

24 Defendants.
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Case No:

**CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

1 Plaintiff GGCC, LLC, individually and on behalf of all others similarly
2 situated, alleges the following based upon personal knowledge as to plaintiff and
3 plaintiff's own acts, and on information and belief as to all other allegations, based on
4 investigation of counsel, which included, *inter alia*, a review of disclosures related to
5 Tezos, media reports, interviews, social media, and other information concerning
6 Defendants Dynamic Ledger Solutions, Inc., Tezos Stiftung, Kathleen Breitman and
7 Arthur Breitman. Plaintiff believes that substantial evidentiary support will exist for
8 the allegations set forth herein after a reasonable opportunity for discovery.

9 **I. INTRODUCTION**

10 1. This is a securities class action on behalf of all U.S. investors that
11 contributed the digital currencies bitcoin and/or ethereum to the Tezos blockchain
12 "Initial Coin Offering" ("ICO") between July 1 and 14, 2017. In violation of Sections
13 5, 12(a)(1) and 15 of the Securities Act of 1933 (the "1933 Act"), Defendants offered
14 and sold Tezos tokens without filing a registration statement with the Securities and
15 Exchange Commission. Tezos tokens are securities.

16 2. An ICO is a fundraising mechanism through which the founders of a
17 blockchain project sell crypto tokens in exchange for the cryptocurrencies bitcoin and
18 ethereum (aka ether). An ICO is similar to an Initial Public Offering, but instead of
19 purchasing shares of a company, investors purchase crypto-tokens that can later be
20 traded for other tokens or for cash. Based on the tremendous appreciation of bitcoin
21 and ethereum, investors generally invest in ICOs with an expectation that the tokens
22 will appreciate in value.

23 3. The Tezos ICO was so "hot" that investors contributed \$109 million
24 worth of bitcoin and ethereum in the first 15 hours.¹ Upon its completion, the Tezos
25

26 ¹ <http://bitcoinist.com/drapers-uncapped-tezos-ico-raises-109m-15-hours/> (the Tezos ICO "was
27 keenly awaited by investors following Tim Draper's announcement he supported Tezos' concept.")

1 ICO was the largest in history. Defendants raised the equivalent of \$232 million in
2 bitcoin and ethereum at July 2017 prices. Contributed bitcoin and ethereum have since
3 exploded in value, and are now worth more than \$600 million at November 2017
4 prices.

5 4. The ICO was a boon for Defendants. Defendant Dynamic Ledger
6 Solutions, Inc. (“DLS”) and its shareholders will be paid approximately \$20 million if
7 the (not yet finished) Tezos platform is launched and stable. The rest of the invested
8 bitcoin and ethereum is owned by Defendant Tezos Stiftung. The only purported
9 “restriction” regarding Tezos Stiftung’s holding is that it use these monies to
10 “promote” Tezos. In addition, DLS will receive 10% of all tokens issued. Tezos
11 Stiftung will receive another 10% of tokens.

12 5. Yet, Defendants claim they have no obligation to provide Tezos tokens to
13 Plaintiff and the Class. Defendants even claim the right to abandon the project at will
14 and without recourse.

15 6. It is situations exactly like this that the federal securities laws are
16 intended to prevent.

17 7. The ICO for the Tezos tokens was an illegal offer and sale of securities
18 for which no registration statement was filed or then in effect, and as to which no
19 exemption from registration was available. The ICO was a generalized solicitation
20 made using statements posted on the Internet and distributed throughout the world,
21 including in the United States, and the securities were offered and sold to the general
22 public.

23 8. Therefore, pursuant to Section 5, Section 12(a)(1) and Section 15 of the
24 Securities Act of 1933, Plaintiff and the Class are entitled to rescission of the
25 transaction, receiving back their bitcoin and ethereum, with any corresponding
26 appreciation in value of invested assets, or the equivalent in monetary damages or as
27 restitution.

1 **II. JURISDICTION AND VENUE**

2 9. The claims asserted herein arise under and pursuant to Sections 5, 12 and
3 15 of the 1933 Act (15 U.S.C. §§ 77e, 77l, and 77o). This Court has jurisdiction over
4 the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1332(d), and
5 Section 22 of the 1933 Act (15 U.S.C. § 77v).

6 10. Venue is proper in this District pursuant to 28 U.S.C. §1391(b) and 15
7 U.S.C. § 77v, because Defendants are found, and/or reside, and/or are inhabitants of,
8 or transact business within this District. Venue is also proper in this District because
9 many of the acts and transactions giving rise to the violations of law complained of
10 herein occurred in this District.

11 11. In connection with the acts, conduct and other wrongs alleged in this
12 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of
13 interstate commerce to offer and/or sell Tezos tokens through the ICO, including but
14 not limited to mail, electronic mail, interstate phone communications, interstate travel,
15 and/or internet service providers in promoting, offering and selling Tezos tokens
16 through the ICO complained of herein.

17 **III. PARTIES**

18 12. Plaintiff is a limited liability company organized pursuant to the laws of
19 the State of Illinois and whose controlling interest is owned by a citizen of the United
20 States. Plaintiff, through its managing member Brian Beeman, invested eleven (11)
21 ethereum in the Tezos ICO from a computer within the United States to purchase
22 5,823.65 Tezos tokens.

23 13. Defendant Dynamic Ledger Solutions, Inc. (“DLS”) is a Delaware
24 corporation with its principal place of business in Mountain View, California, at the
25 home of Defendants Arthur Breitman and Kathleen Breitman. DLS is owned by
26 Defendants Arthur Breitman, Kathleen Breitman and non-party Draper Associates.
27 DLS claims to own all intellectual property in the Tezos project, including the source
28

1 code of the Tezos cryptographic ledger, logos, and trademark applications associated
2 with the name Tezos, domain names, and goodwill arising from a set of relationships
3 with several contractors and potential customers in the financial technology market.

4 14. Defendant Tezos Stiftung (aka the Tezos Foundation, hereinafter, the
5 “Foundation”) is a Swiss non-profit with its principal place of business in Zug,
6 Switzerland. The Foundation claims to have contracts with DLS to acquire all rights
7 to the Tezos project, and claims to have custody of all proceeds from the Tezos ICO.

8 15. Defendant Arthur Breitman is the developer behind the Tezos
9 cryptographic ledger. Arthur Breitman lives with his wife, Defendant Kathleen
10 Breitman, at their home in Mountain View, California.

11 16. Defendant Kathleen Breitman is the Chief Executive Officer of DLS. In a
12 July 2017 interview, Mrs. Breitman stated that she “take[s] care of all the operational
13 aspects of the Tezos blockchain. I deal with business partners, I deal with attorneys, I
14 deal with our marketing group, all the non-technical things.”²

15 **IV. SUBSTANTIVE ALLEGATIONS**

16 **A. WHAT IS AN ICO?**

17 17. An ICO is a fundraising event in which an entity offers participants a
18 unique “coin” or “token” in exchange for consideration (often in the form of virtual
19 currency—most commonly bitcoin and ether—or fiat currency).

20 18. The tokens are issued on a “blockchain” or cryptographically secured
21 ledger. A blockchain is a type of distributed ledger, or peer-to-peer database spread
22 across a network, that records all transactions in the network in theoretically
23 unchangeable, digitally recorded data packages called blocks. Each block contains a
24 batch of records of transactions, including a timestamp and a reference to the previous

25
26 ² Fintech Podcast, Episode 138: Interview with Kathleen Breitman, CEO of Tezos, (June 16, 2017),
27 <https://www.youtube.com/watch?v=cDIgGYI5krA&feature=youtu.be>

1 block, linking the blocks together in a chain. The system relies on cryptographic
2 techniques for secure recording of transactions. A blockchain can be shared and
3 accessed by anyone with appropriate permissions. All participants share a single view
4 of the blockchain, which is updated when bitcoin network participants reach a
5 consensus on the validity of transactions under review. Blockchains or distributed
6 ledgers can also record what are called smart contracts, which essentially are
7 computer programs designed to execute the terms of a contract when certain triggering
8 conditions are met.

9 19. The token may entitle its holders to certain rights related to a venture
10 underlying the ICO, such as rights to profits, shares of assets, rights to use certain
11 services provided by the issuer, and/or voting rights. These tokens may also be listed
12 on online platforms, often called virtual currency exchanges, and tradable for virtual
13 or fiat currencies. Often, the tokens are immediately tradable following the ICO.

14 20. ICOs are typically announced and promoted through public online
15 channels. Issuers usually release a “whitepaper” describing the project and the terms
16 of the ICO. To participate, investors are generally required to transfer funds (often
17 cryptocurrencies) to the issuer’s address, online wallet, or other account. After the
18 completion of the ICO, the issuer will distribute its unique “tokens” to the
19 participants’ unique address on the blockchain.

20 **B. BACKGROUND TO THE TEZOS INITIAL COIN OFFERING**

21 21. The Tezos project was conceived by Defendants Arthur and Kathleen
22 Breitman. Arthur Breitman released a whitepaper describing the concept for the Tezos
23 blockchain in 2014. It laid out a vision to launch a competitor to bitcoin and ethereum,
24 one that purportedly solved many of the problems faced by those early iterations of
25 blockchain technology.

26 22. The Breitmans formed Defendant DLS in August 2015 to hold the
27 intellectual property for the Tezos project. At all relevant times, Kathleen Breitman

1 has been the Chief Executive Officer of DLS, and Arthur Breitman has been the Chief
2 Technology Officer. As DLS had no traditional office, the Breitmans listed their home
3 in Mountain View, California as DLS's formal headquarters.

4 23. The Tezos project gained no traction until approximately September
5 2016 when Polychain Capital, a hedge fund dedicated to blockchain-based assets,
6 decided to invest in Tezos.

7 24. Between September 2016 and March 2017, DLS and/or the Breitmans
8 conducted a pre-sale of Tezos tokens to three crypto-token focused hedge funds, and
9 seven high net worth individuals. The Breitmans collected \$612,000 in funding, in
10 exchange for an allocation of Tezos tokens equivalent to \$893,200.77 (a 31.48%
11 discount).

12 25. During this time period, renowned technology venture capital firm
13 Draper Associates invested approximately \$1.5 million in DLS at approximately a \$6
14 million valuation, allowing Draper Associates to acquire approximately 25% of DLS
15 shares.³

16 26. On February 17, 2017, Arthur Breitman "announce[d] that Polychain
17 Capital has added Tezos to its hedge fund by preordering Tezos tokens." In hyping the
18 potential value of Tezos tokens, he noted that:

19
20 Cryptocurrencies comprise a \$17B market. Bitcoin commands most of
21 that market cap. But as new blockchain technologies emerge, many feel
22 that the overall value of the market will grow astronomically. In fact,
23 as Carlson-Wee said in an interview with Forbes, it could one day be "in
24 the trillions of dollars." Since the field is still in its infancy, new
25 advances are happening every day, and many are happening outside of
26 the Bitcoin blockchain.⁴

27 ³ <http://www.businessinsider.com/r-special-report-backroom-battle-imperils-230-million-cryptocurrency-venture-2017-10>

28 ⁴ <https://medium.com/tezos/polychain-hedge-fund-embraces-tezos-9075603456fa>

1 27. Also on February 17, 2017, Kathleen Breitman gave an interview with
2 Bitcoin Magazine. Describing the Polychain investment and the ICO process, she said
3 “[w]e think this is significant because it represents a new business model. We created
4 a product that was purchased by VC investors without the traditional equity
5 investment model *because of the anticipated appreciation of our token.*” (emphasis
6 added).⁵

7 28. On or about April 24, 2017, the Foundation was formed as a Swiss non-
8 profit (*Stiftungen*) in Zug, Switzerland, with the ostensible purpose of promoting the
9 development and use of the Tezos blockchain, and to be the recipient of ICO funds.
10 The Foundation claims the right to acquire DLS and all the Tezos intellectual property
11 after the Tezos network launches.

12 29. On May 5, 2017, two months before launch of the Tezos ICO, Reuters
13 announced that Draper Associates principal Tim Draper was an early investor in the
14 Tezos project. Draper “told Reuters in an interview he will for the first time
15 participate in a so-called ‘initial coin offering’ (ICO) of Tezos slated later this
16 month.”⁶

17 30. According to Reuters, “Draper...becomes the first prominent venture
18 capitalist to openly embrace initial coin offerings. This would be a significant stamp
19 of approval for this new financing mode of blockchain start-ups.” Draper announced
20 his previously non-public investment in DLS and the Tezos pre-sale to promote the
21 ICO.

24 ⁵ [http://www.nasdaq.com/article/tezos-receives-investment-in-smart-contact-system-from-polychain-
25 capitals-digital-currency-fund-cm749875](http://www.nasdaq.com/article/tezos-receives-investment-in-smart-contact-system-from-polychain-capitals-digital-currency-fund-cm749875)

26 ⁶ [http://www.reuters.com/article/us-tezos-blockchain-draper/exclusive-billionaire-investor-draper-to-
27 participate-in-blockchain-token-sale-for-first-time-idUSKBN181250](http://www.reuters.com/article/us-tezos-blockchain-draper/exclusive-billionaire-investor-draper-to-participate-in-blockchain-token-sale-for-first-time-idUSKBN181250)

1 31. In preparation for the ICO, DLS set up a U.S. based website:
2 www.tezos.com, as the mechanism for conducting the ICO.

3 32. The tezos.com website contained Arthur Breitman’s whitepaper
4 explaining the purpose and technology behind the Tezos project, the mechanics of the
5 Tezos ICO, the parties involved, and the intended uses of invested bitcoin and
6 ethereum.

7 33. The Tezos whitepaper explains how Defendants envision the finished
8 Tezos blockchain will operate. Included in the whitepaper is a description of how the
9 Tezos tokens allow Plaintiff and the Class to “vote” on amendments to the Tezos
10 blockchain. The whitepaper states that “Tezos begins with a seed protocol defining a
11 procedure for stakeholders to approve amendments to the protocol, *including*
12 amendments to the voting procedure itself.” The whitepaper goes on to explain how
13 “amendments [to Tezos] are adopted over election cycles ... [which] require[] a
14 certain quorum to be met.” “This is known as ‘approval voting,’ a particularly robust
15 voting procedure.” Tezos tokens’ “voting” procedures are highly analogous to voting
16 rights found in equity shares, and confirm that Tezos tokens are in fact “securities” in
17 disguise.

18 34. The Tezos whitepaper also explains how holders of Tezos tokens will
19 receive financial incentives called “mining and signing rewards” for maintaining the
20 Tezos blockchain and making improvements thereon. “Each block [of data] is mined
21 by a random stakeholder (the miner) and includes multiple signatures of the previous
22 block provided by random stakeholders (the signers). Mining and signing both offer a
23 small reward.” Thus, Plaintiff and the Class have the opportunity to receive a form of
24 quasi-dividend by participating in the operation and maintenance of the Tezos
25 platform.

1 **B. THE MECHANICS OF THE TEZOS ICO**

2 35. The Tezos ICO was “uncapped.” This means there was no limit on the
3 number of investors who could participate, or the amount they could invest in the
4 ICO.

5 36. The ICO utilized a tiered contribution structure that incentivized early
6 participants. A contribution of one bitcoin purchased five-thousand Tezos (5,000
7 XTZ) plus a time-dependent bonus. The bonus started at 20%, meaning that an early
8 contribution of one bitcoin purchased 6,000 XTZ (a 1000 XTZ bonus). From 20% at
9 the outset, the bonuses decreased progressively to 0% over four additional periods
10 (15%, 10%, 5%, and 0%) that lasted 400 Bitcoin blocks each. (The average time
11 between Bitcoin blocks is approximately 10 minutes). Investors of ethereum received
12 Tezos tokens based on a corresponding tiered structure, except that the exchange rate
13 fluctuated with the trading price of ethereum.

14 37. The ICO was open to public investments from July 1, 2017 through July
15 14, 2017. Plaintiff and the Class invested bitcoin and ethereum via the Tezos ICO
16 from computers, and through internet service providers, located within the United
17 States.

18 38. From the tezos.com website, Plaintiff and the Class were instructed to
19 manually enter “crowdfund.tezos.com” into their web browser. Users registered by
20 first entering their email, and creating a password.

21 39. The tezos.com website generated a 15 word “secret key,” to uniquely
22 identify a Tezos “wallet” that digitally identifies Plaintiff and each Class member.

23 40. Plaintiff and the Class then saved their wallets, which downloaded a PDF
24 document to their computers. That PDF document contained digital identifying
25 information, as well as a “bitcoin deposit address” and a “ethereum contribution
26 address” that Defendants claim belongs to the Foundation.

1 41. Plaintiff and the Class then inputted their identifying information back
2 into the tezos.com website. Then they inputted the amount of bitcoin or ethereum to
3 invest, and Defendants’ bitcoin or ethereum deposit address to send their
4 contribution.⁷

5 42. Plaintiff and the Class sent their bitcoin and ethereum *to* Defendants’
6 U.S. based Tezos.com website, *through* U.S.-based internet service providers, *from*
7 their own internet connected electronic devices, all within the United States.

8 43. After Plaintiff and the Class sent their bitcoin or ethereum to Defendants,
9 they were able to check whether their currencies were received by going to
10 check.tezos.com. By entering their public identifier (called a “public hash”) into the
11 check.tezos.com website, Plaintiff and the Class could confirm that their bitcoin and
12 ethereum were received by Defendants. The IP addresses for all “Tezos.com”
13 websites are listed as originating in the state of Arizona, United States.

14 44. On a separate website: tezos.ch, which notably was not linked to
15 tezos.com in any way, and was not accessed or referenced in any way as part of the
16 ICO process, Defendants posted a document called “Contribution Terms.” Through
17 the Contribution Terms document, Defendants attempted to disclaim any obligations
18 whatsoever to Plaintiff and the Class. This document stated that invested bitcoin and
19 ethereum constitute “a non-refundable donation” and not an “investment.” The Terms
20 stated that Defendants have no obligation to ever actually allocate Tezos tokens to
21 Plaintiff and the Class, and that the project “could be fully or partially abandoned”
22 without recourse whatsoever. Thus, according to Defendants’ posting of Contribution
23 Terms on tezos.ch, Plaintiff and the Class could receive absolutely nothing in
24 exchange for \$252 million in bitcoin and ethereum invested into the ICO.

26 ⁷ Ross Canyon of the Tezos Foundation made an official instructional video on how to participate in
27 the ICO, which can be found at <https://www.youtube.com/watch?v=Uti8-1Y-Wkk>

1 45. As of October 18, 2017, DLS had not relinquished control of tezos.com,
2 which was used to conduct the ICO. According to Foundation President Johann
3 Gevers, “they [DLS] control the Foundation's domains, websites and email servers, so
4 the Foundation has no control or confidentiality in its own communications.”⁸

5 **C. RESULTS FROM THE TEZOS ICO**

6 46. There were 30,317 investors in the ICO, who contributed 65,681 bitcoin
7 (62.5% of the total) and 361,122 ethereum (37.5%). Based on these numbers, 607.49
8 million Tezos tokens will (perhaps someday) be created for ICO investors.

9 47. A further 3.16 million Tezos will be created for early backers and
10 contractors, and 76.33 million tokens will be created for the Foundation and DLS.
11 This implies a total supply of 763.31 million Tezos tokens.

12 **D. DEFENDANTS ARE ENRICHED BY THE ICO**

13 48. According to a "Transparency Memo" posted on tezos.com, if the Tezos
14 blockchain launches and remains operational for three months, DLS is scheduled to
15 receive 10% of all Tezos tokens, issued over four years. The Foundation receives
16 another 10%, also over four years. DLS shareholders are also entitled to receive 8.5%
17 of the ICO proceeds in cash. The Foundation claims that this amount is approximately
18 \$19.7 million.

19 49. The remainder of funds invested in the ICO is purportedly the
20 Foundation's property. While the Foundation appears to have a mandate to use these
21 monies to support development of the Tezos blockchain, it appears to have no legal
22 oversight or compulsion to do so.⁹

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24 ⁸ <http://www.businessinsider.com/r-special-report-backroom-battle-imperils-230-million-cryptocurrency-venture-2017-10?r=UK&IR=T>

25 ⁹ Under Schweizerisches Zivilgesetzbuch (Swiss Civil Code), Art. 84 C. Augsicht (Supervision), a
26 supervisory authority shall ensure that a foundation's assets are used for its designated purposes.
27 However, as of August 2017, no supervision authority was designated for the Foundation.

1 50. In the time since the ICO concluded, the Foundation has purportedly
2 been converting bitcoin and ethereum to cash and then investing it in “conventional”
3 assets like stocks, bonds and precious metals.

4 51. In August 2017, the Foundation announced it would invest \$50 million in
5 ICO proceeds “through venture capital partners” and “a direct venture arm” into
6 “companies looking to build on the Tezos platform.”

7 **E. DISPUTES AMONG THE FOUNDERS**

8 52. Between August and October 2017, few updates were given on the Tezos
9 project. Then on October 18, 2017, a story broke that all is not well.

10 53. The Breitmans posted an open letter on www.medium.com. The letter
11 explained that the Tezos ledger is still in its alpha stage, and will not be rolled out
12 before February 2018 or “when it’s ready.” Moreover, the project is experiencing
13 serious problems of corporate governance. The Breitmans noted that “despite the
14 resources,” Tezos has been unable to “scale the development team,” *i.e.* recruit people
15 to the project. The letter described material disputes between the Breitmans and the
16 Foundation’s President, Johann Gevers that endanger the viability of the Tezos
17 project.¹⁰

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22 According to an article by Business Insider, “Georg von Schnurbein, coauthor of a book on Swiss
23 foundation governance, expressed surprise over cryptocurrency ventures like Tezos setting up not-
24 for-profit foundations in Switzerland. ‘For me, the public interest is not clear,’ he said. While not
25 illegal, he said, creating a foundation with the aim of allowing inventors to profit from a sale
26 conflicted with its status as a not-for-profit, which is supposed to benefit the public. He said federal
27 regulators eventually might prohibit it.” [http://www.businessinsider.com/r-special-report-backroom-
battle-imperils-230-million-cryptocurrency-venture-2017-10?r=UK&IR=T](http://www.businessinsider.com/r-special-report-backroom-battle-imperils-230-million-cryptocurrency-venture-2017-10?r=UK&IR=T)

28 ¹⁰ <https://medium.com/@arthurb/the-path-forward-eb2e6f63be67>

1 **F. THE ECONOMIC REALITIES OF THE TEZOS ICO**

2 54. Fortunately for U.S. investors, the federal securities laws focus on the
3 substance, not the form, of a transaction to determine whether it is an offer and/or sale
4 of securities.

5 55. In her June 16, 2017 *Fintech Interview*, Kathleen Breitman represented
6 that Defendants were “selling” the Tezos tokens: “**we’re selling**, rather the Foundation
7 is recommending an allocation of tokens to the genesis block based on donations to a
8 Swiss non-profit. And there’s a suggested allocation amount. So one bitcoin for 5000
9 tokens. And were going **to sell them** over the course of, rather have them up for
10 donation over the course of two weeks.”¹¹

11 56. On September 1, 2017, Kathleen Breitman gave an interview with famed
12 angel investor Jason Calacanis (the “Calacanis Interview”).¹² There, she attempted to
13 distance the Tezos project from the term “ICO”, which everyone, including
14 Defendants, had used to describe the project. In the process she acknowledged the
15 lack of sophistication of many investors, and the need for their protection from
16 scammers:

17 **An ICO, which sounds like an IPO, sort of leads into this other**
18 **attitude where people act as though there is some sort of other**
19 **obligation that doesn’t necessarily exist with these structures. And I**
20 **think that’s very poisonous because investors, accredited investors act a**
21 **certain way, and they take certain precautions. And that’s not**
22 **something everyone has learned.**

23 *Calacanis Interview* at 37:40.

24 ¹¹ Fintech Podcast, Episode 138: Interview with Kathleen Breitman, CEO of Tezos, (June 16, 2017),
25 at 13:40 <https://www.youtube.com/watch?v=cDIgGYI5krA&feature=youtu.be>

26 ¹² *E759: Tezos Kathleen Breitman raises \$232m top ICO for new self-governing smart contract*
27 *blockchain* (Sept 1, 2017), <https://www.youtube.com/watch?v=rdRSUJkvmxM>

1 57. Defendants actively promoted the Tezos ICO by stoking investors'
2 expectations of profits.

3 58. Tim Draper capitalized on bitcoin and ethereum hitting all time highs
4 when on May 5, 2017, he announced his investment in the Tezos project. Reuters and
5 CNBC rightly observed that “[i]nterest in these deals has been stoked by the run-away
6 performance of the original cyber currency, bitcoin.”^{13 14}

7 59. Investor enthusiasm for the Tezos project exploded after Draper’s
8 investment was announced. On May 6, 2017, dozens of articles appeared promoting
9 the Tezos project and extolling the value of Mr. Draper’s financial backing.

10 60. Bitcoinist.com observed that “[w]ith Draper as a backer, the community
11 will no doubt be eager to get on board this latest offering.”¹⁵

12 61. *Bitcoin News* reported that:

13 **Draper rightly believes that by participating in the ICO, he will be**
14 **setting an example for rest of the investor community** to follow the
15 new age of fundraising. These ICOs, also known as crowdsales are
16 increasingly being used by the cryptocurrency platforms as a form of
17 crowd fundraising **where any interested party can buy the tokens in**
18 **return for the investment made into the platform and reap benefits**
19 **from its success. Draper’s participation in the ICO will not only**
20 **encourage others to take part in it**, but it will also increase the chances
21 of successful completion of many crowdsales. Investors can also
22 diversify their risk, keeping it to a minimum while having the tokens as
23 collateral.¹⁶

22 ¹³ <http://www.reuters.com/article/us-tezos-blockchain-draper/exclusive-billionaire-investor-draper-to-participate-in-blockchain-token-sale-for-first-time-idUSKBN181250>

24 ¹⁴ <https://www.cnbc.com/2017/05/05/billionaire-investor-tim-draper-backs-new-cryptocurrency.html>

25 ¹⁵ <https://bitcoinist.com/cheers-tim-world-improving-tezos-ico-gets-draper-backing/>

26 ¹⁶ <http://www.newsbtc.com/2017/05/06/tim-draper-tezos-ico/>

1 62. Shortly after the Draper deal was announced, Arthur Breitman
2 commented in a reddit.com posting: “The Tim Draper deal certainly is behind a lot of
3 this hype.”¹⁷ In sum, Draper’s participation in the Tezos ICO contributed greatly to
4 Plaintiff and the Class’s reasonable expectation of profits.

5 63. In an interview with Alice Lloyd George conducted during the Tezos
6 ICO, Kathleen Breitman acknowledged that investors were responding to Defendant’s
7 marketing of the ICO, and were contributing money to the project with an expectation
8 of future gain:

9 [ALG]: **In this case a lot of your crowd may be speculators....** Do you
10 worry about who the token holders are and whether their incentives are
11 aligned with Tezos? [KB]: Yeah its tough. **We didn’t do much**
12 **marketing in general outside of the U.S.** Well, rather, Arthur and I are
13 based in the U.S. ... But yeah, **certainly there are a lot of people who**
14 **are interested in the more speculative aspects of it. I think there’s a**
15 **lot of fervor and a lot of froth in the marketplace right now... there’s**
16 **a lot of people who are just profit seeking....**¹⁸

17 64. Kathleen Breitman again admitted as much in the Calacanis Interview.
18 When asked why investors contributed \$232 million (at July 2017 valuations), Mrs.
19 Breitman stated: “Bear in mind that a lot of things changed with the price of bitcoin
20 going up so high... so the price of bitcoin skyrocketing over the past 6 to 8 months
21 has basically changed a lot of the conversations.” *Calacanis Interview* at 25:00. She
22 stated that “the narrative and what we saw with ethereum [skyrocketing in price]
23 helped out with the pitch” to investors. *Id.* at 28:30.

24
25 ¹⁷ https://www.reddit.com/r/tezos/comments/6df26x/why_is_tezos_so_hyped_up/

26 ¹⁸ *Kathleen Breitman - Tezos Unleashed* (July 13, 2017),
27 https://www.youtube.com/watch?v=MjW_93sWACs

1 65. According to Kathleen Breitman, “When we released the Tezos
2 whitepaper in 2014, no one gave a damn... and we’re very fortunate that the market
3 timing worked out.” *Calacanis Interview* at 40:30.

4 66. In addition, investor inquiries concerning the Tezos ICO focused on
5 potential meteoric price increases similar to bitcoin and ethereum and whether these
6 tokens will be traded on an exchange. Prior to the ICO, for example, a potential
7 investor posed this question in a reddit.com forum: “Can you please let us know when
8 the network will go active and which exchanges you have been discussing with?”
9 Arthur Breitman responded that “[w]e have no indications of when or if the coins will
10 be listed. We've been talking to Poloniex and we have had a few events at the
11 Coinbase office in San Francisco, but this is the extent of our contact with exchanges
12 so far. There are no timelines or commitments from any exchange to list tezzies.”¹⁹

13 67. During the Calacanis Interview, Jason Calacanis asked a question sent in
14 by a listener: “How will people who have Tezos ... be able to liquidate them and get
15 cash if they want to.” Kathleen Breitman responded: “exchanges typically list these
16 tokens, and there are many pairings.” *Calacanis Interview* at 42:30. She noted “these
17 things [Tezos tokens] are digital bearer assets.” *Id.* at 43:40.

18 68. Kathleen Breitman confirmed that Plaintiff and the Class purchased
19 valuable Tezos tokens for valuable consideration. “[JC]: I’m an investor, when we
20 give \$2 million or \$200,000 or \$232 million for a company, it goes into the company,
21 the company then deploys it to increase the product’s value in the world, then
22 hopefully raise the stock price. [As to Tezos] ... [i]s it worth a dollar each one or are
23 they worth a hundred dollars each or a penny each? [KB]: So basically the way we set
24 the rate, it was denominated in Bitcoin, so it was 5000 tokens per Bitcoin, and of

25
26
27 ¹⁹https://www.reddit.com/r/tezos/comments/6b5bxw/questions_to_the_founders_regarding_the_crowdsale/

1 course Bitcoin as we mentioned earlier is quite volatile. So it depended when you
2 contributed how much each thing is worth.” *Calacanis Interview* at 19:00.

3 **C. THE TEZOS PROJECT CANNOT SUCCEED WITHOUT THE**
4 **EFFORTS OF DEFENDANTS**

5 69. Defendants, particularly the Breitmans, have held themselves out to
6 Plaintiff and the Class as experts in blockchain technology and Tezos.

7 70. Plaintiff and the Class reasonably expected Defendants to provide
8 significant managerial efforts, to develop the Tezos blockchain, to develop and sustain
9 a supportive network after its launch, and to secure an exchange through which the
10 tokens can be traded or liquidated. Through their conduct and marketing materials,
11 Defendants led Plaintiff and the Class to believe that they could be relied upon to
12 provide the significant managerial efforts required to make Tezos a success.

13 71. Defendants’ expertise will be critical to developing the Tezos network,
14 monitoring operation of the network, providing network security, promoting the
15 network, safeguarding investor funds, and developing Tezos software.

16 72. Plaintiff and the Class have little choice but to rely on Defendants’
17 expertise. At that time of the ICO, Defendants had predetermined the Tezos
18 blockchain protocol, including the amount of control that could be exercised by
19 Defendants themselves. DLS and DLS’s shareholders set up the Foundation, chose the
20 Foundation’s directors, and all persons critical to Tezos’s success.

21 73. In July 2017, Arthur Breitman posted on reddit.com that no development
22 had been done on the Tezos blockchain because “the fundraiser application took us
23 two months of work.” This demonstrates that without the coding acumen and vision of
24 Arthur Breitman, the Tezos product could not succeed.

25 74. In an October 18, 2017 article on medium.com, Arthur Breitman
26 admitted that his personal efforts are critical to the success of the project:
27

1 **The momentum we had prior to the fundraiser has slowed despite the**
2 **resources now available for supporting the project.** Some development
3 has continued and we have **personally been working** to create strong
4 relationships with successful entrepreneurs looking to build with Tezos.
5 Unfortunately, **other aspects have fallen behind, such as:**

- 6 • Creating online resources for contributors and developers to learn
7 more about Tezos.
- 8 • **Scaling up the development team.**
- 9 • Articulating our vision for the project more clearly through a series
10 of explanatory blog posts, as we used to produce.
- 11 • Engaging with the community of Tezos contributors and makers,
12 and helping them in their endeavors. (emphasis added).²⁰

13 75. Efforts by the Foundation are also critical to the success of Tezos.
14 According to Mr. Breitman, after the ICO, “the Tezos foundation took over the
15 responsibility of financing the development of the Tezos ecosystem.” However, due to
16 conflicts between the Breitmans and the Foundation’s governing board, “getting
17 anything done proved difficult. Recruiting came to a standstill and communications to
18 the community languished waiting for approval.” *Id.*

19 **V. CLASS ALLEGATIONS**

20 76. Plaintiff brings this action as a class action pursuant to Federal Rule of
21 Civil Procedure 23(a) and(b)(3) for the following Class of persons:

22 “All United States persons and entities who contributed bitcoin and/or
23 ethereum to the Tezos Initial Coin Offering from a computer within the
24 United States.”

25 Excluded from the Class are all persons and entities that contributed fiat currency to
26 the Tezos ICO through Bitcoin Suisse. Also excluded from the Class are Defendants
27 herein and any person, firm, trust, corporation, or other entity related to or affiliated
28 with any defendant, as well as any judge, justice or judicial officer presiding over this
29 matter and members of their immediate families and judicial staff.

30 ²⁰ <https://medium.com/@arthurb/the-path-forward-eb2e6f63be67>

1 77. Plaintiff reserves the right to amend the Class definition if further
 2 investigation and/or discovery indicate that the Class definition should be narrowed,
 3 expanded, or otherwise modified.

4 78. While the exact number of Class members is unknown to Plaintiff at this
 5 time, and will be ascertained through appropriate discovery, Plaintiff is informed and
 6 believes that there are tens of thousands of members in the proposed Class. The
 7 number of individuals and entities who comprise the Class are so numerous that
 8 joinder of all such persons is impracticable and the disposition of their claims in a
 9 class action, rather than in individual actions, will benefit both the parties and the
 10 courts. Class members may be identified from records maintained by Defendants, and
 11 may be notified of the pendency of this action by electronic mail using the form of
 12 notice similar to that customarily used in securities class actions.

13 79. Plaintiff’s claims are typical of the claims of the other members of the
 14 Class. All members of the Class have been and/or continue to be similarly affected by
 15 Defendants’ wrongful conduct as complained of herein, in violation of federal law.
 16 Plaintiff is unaware of any interests that conflict with or are antagonistic to the
 17 interests of the Class.

18 80. Plaintiff will fairly and adequately protect the Class members’ interests
 19 and have retained counsel competent and experienced in securities class actions and
 20 complex litigation. Plaintiff and its counsel will adequately and vigorously litigate this
 21 class action, and Plaintiff is aware of its duties and responsibilities to the Class.

22 81. Defendants have acted with respect to the Class in a manner generally
 23 applicable to each Class member. Common questions of law and fact exist as to all
 24 Class members and predominate over any questions wholly affecting individual Class
 25 members. There is a well-defined community of interest in the questions of law and
 26 fact involved in the action, which affect all Class members. Among the questions of
 27 law and fact common to the Class are, *inter alia*:

- 1 a) Whether the Tezos tokens are “securities”;
- 2 b) Whether Defendants offered or sold Tezos securities through the ICO;
- 3 c) Whether Defendants are “issuers”, “underwriters” and/or “necessary
- 4 participants” in the Tezos securities offering;
- 5 d) Whether Defendants Arthur Breitman and/or Kathleen Breitman are
- 6 “control persons” under the 1933 Act;
- 7 e) Whether Defendants were required to file a registration statement for the
- 8 Tezos ICO;
- 9 f) Whether the federal securities laws were violated by Defendants’ acts
- 10 and omissions as alleged herein; and
- 11 g) Whether Plaintiff and the Class are entitled to rescission, damages, or
- 12 restitution and the proper calculation and amount of those damages.

13 82. A class action is superior to all other available methods for the fair and
14 efficient adjudication of this controversy since joinder of all Class members is
15 impracticable. Furthermore, as the injury and/or damages suffered by individual Class
16 members may be relatively small, the expense and burden of individual litigation
17 makes it impossible as a practical matter for Class members to individually redress the
18 wrongs done to them. There will be no difficulty in managing this action as a class
19 action.

20 83. Defendants have acted on grounds generally applicable to the entire Class
21 with respect to the matters complained of herein, thereby making appropriate the relief
22 sought herein with respect to the Class as a whole.

23 ///

24 ///

FIRST COUNT

**VIOLATION OF SECTIONS 5 and 12(a)(1) OF THE 1933 ACT
(Against Defendants Arthur Breitman, Kathleen Breitman,
DLS and the Foundation)**

84. Plaintiff hereby incorporates by reference the allegations contained in the preceding paragraphs of this Complaint, except any allegation of fraud, recklessness or intentional misconduct.

85. This Count is brought pursuant to Sections 5 and 12(a)(1) of the 1933 Act, 15 U.S.C. §§ 77e and 77l(a)(1), on behalf of the Class, against defendants Arthur Breitman, Kathleen Breitman, DLS, and the Foundation.

86. Tezos tokens are securities within the meaning of 15 U.S.C. § 77b(a)(1).

87. Defendants, and each of them, promoted, offered and/or sold securities through the Tezos ICO.

88. Defendants, and each of them, are issuers, underwriters, and/or necessary participants of the Tezos ICO.

89. No Defendant or other person registered the Tezos securities, or the Tezos ICO, with the SEC.

90. Defendants, and each of them, used the instrumentalities of interstate commerce in connection with the offer and sale of Tezos securities.

SECOND COUNT

**VIOLATION OF SECTION 15 OF THE 1933 ACT
(Against Arthur Breitman and Kathleen Breitman)**

91. Plaintiff hereby incorporates by reference the allegations contained in the preceding paragraphs of this Complaint, except any allegation of fraud, recklessness or intentional misconduct.

92. This Count is asserted against Defendants Arthur Breitman and Kathleen Breitman based on Section 15 of the 1933 Act, 15 U.S.C. § 77(o).

1 93. Defendants Arthur Breitman, and/or Kathleen Breitman, by virtue of
2 their offices, stock ownership, agency, and specific acts were, at the time of the
3 wrongs alleged herein, and as set forth herein, controlling person primary violators
4 within the meaning of Section 15 of the 1933 Act. Defendants, and each of them, had
5 the power and influence and exercised the same to cause the unlawful offer and sale of
6 Tezos securities as described herein.

7 94. Defendants Arthur Breitman and/or Kathleen Breitman, separately or
8 together, possess, directly or indirectly, the power to direct or cause the direction of
9 the management and policies of DLS and/or the Foundation, through the ownership of
10 voting securities, by contract, subscription agreement, or otherwise.

11 95. Defendants Arthur Breitman and/or Kathleen Breitman, separately or
12 together, have sufficient influence to have caused DLS or the Foundation to submit a
13 registration statement.

14 96. Defendants Arthur Breitman and/or Kathleen Breitman, separately or
15 together, jointly participated, and/or aided and abetted DLS and/or the Foundation's
16 failure to register the Tezos ICO.

17 97. By virtue of the conduct alleged herein, Defendants Arthur Breitman, and
18 Kathleen Breitman are liable for the wrongful conduct complained of herein and are
19 liable to Plaintiff and the Class for rescission and/or damages suffered.

20 **VI. PRAYER FOR RELIEF**

21 WHEREFORE, Plaintiff and the Class pray for relief and judgment as follows:

22 A. For an order declaring that this action is properly maintained as a class
23 action pursuant to Federal Rule of Civil Procedure 23, and certifying Plaintiff as the
24 Class representative;

25 B. For an order awarding Plaintiff and the members of the Class the remedy
26 of rescission of their investment to the Tezos ICO including appreciation of the
27 contributed bitcoin and ethereum, and/or awarding compensatory damages in favor of

1 Plaintiff and the Class against all Defendants, jointly and severally, for all damages
2 sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial,
3 including interest thereon;

4 C. Awarding Plaintiff and the Class their reasonable costs and expenses
5 incurred in this action, including counsel fees, expert fees, witness fees and electronic
6 discovery fees as permitted by law;

7 D. Granting such other and further relief as this Court may deem just and
8 proper.

9 **VII. JURY TRIAL DEMAND**

10 Plaintiff demands a trial by jury for all of the claims asserted in this Complaint
11 so triable.

12 Dated November 26, 2017

Respectfully submitted,
THE RESTIS LAW FIRM, P.C.

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ATTORNEYS FOR PLAINTIFF

**CERTIFICATION OF REPRESENTATIVE PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS**


I, Brian R. Beeman, as managing member and authorized representative of GGCC, LLC, an Illinois Limited Liability Company (“Plaintiff”), declares that:

1. I have reviewed the Complaint against Dynamic Ledger Solutions, Inc., Tezos Stiftung, Kathleen Breitman, and Arthur Breitman, alleging violations of federal securities laws and authorized its filing.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff’s counsel or in order to participate in this private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff’s transactions in Tezos securities that are the subject of this action during the Class Period set forth in the Complaint are as follows:

See, attached Schedule “A”

5. Plaintiff has not sought to serve as a representative party for a class action filed under the Securities Exchange Act of 1934 or Securities Act of 1933 within the last three years.
6. Plaintiff, either directly or indirectly, will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff’s *pro rata* share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct. Executed this 26th day of November, 2017 at Springfield, Illinois.



Brian R. Beeman

Managing Member and Authorized
Representative of GGCC, LLC

Schedule "A"

Tezos Securities Transactions

GGCC, LLC	Contribution	Trade Date	Amount of Tezos Promised	Price Per Tezos Token
Tezos Initial Coin Offering	11 Ether	07/17/17	5823.65	.00187553/Eth

BIB