

FOOL'S GOLD

The rise and demise of Second Life Finance

ATMs promise "More than Expected" in A Lose-Lose proposition

by Pollywog Gardenvale

Of the many stories unfolding in the wake of the Second Life banking crisis, the rise and fall of the Arbitrage Wise financial empire will be one for the books—or for Hollywood, if he's lucky. At the height of his success, Arbitrage Wise oversaw an assortment of companies under the Wise Metaverse umbrella that included the SL Capital Exchange, JT Financial, Wise Metaverse Ad Network (located on all ATMs), and the recently acquired SL Reports, along with additional companies in development.

In a fascinating and candid post entitled, "[Why I Quit Second Life](#)," the founder of SL Reports, avatar Xavier Mohr, describes his own evolution from a "half-ass virtual land dealer who spent much more money than he earned" to CEO of the virtual corporation, SLReports.net, an in-world financial newspaper.

Mohr completed a successful IPO and raised nearly \$5,000 USD for his company, eventually taking a management position with SL Capital Exchange. However, by this time, the world of virtual business had lost its luster. He

describes seeing at least "three virtual banks close their doors, escaping with Linden Dollar amounts which equate to hundreds of thousands of dollars." Looking for a way out, Mohr found a savior in Arbitrage Wise, who offered to buy his company.

In May 2007, Mohr sold his remaining interest in SLReports.net to Arbitrage Wise. As a result, SL Reports became a sister company and mouthpiece for JT Financial, operating under the umbrella company, "Wise Metaverse, LLC." At the time, JT Financial was one of the largest banks in Second Life, with over L\$82 million of investors' money on deposit. At the current exchange rate of \$L265 to \$1 USD, that has a value of approximately \$309,443.00 USD.

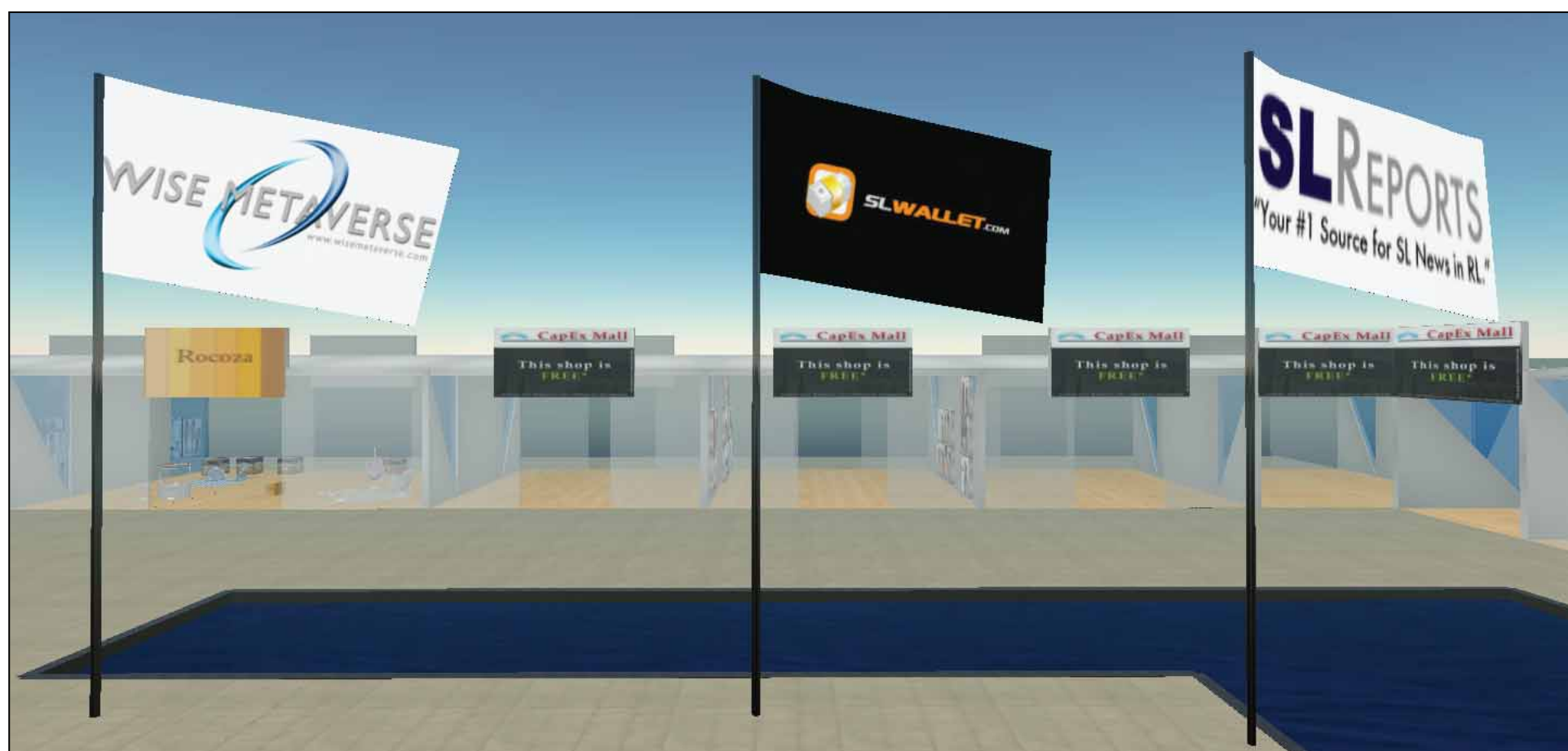
In November—and with uncanny good timing—Mohr announced his resignation from the company he had founded, as well as from Second Life. Only six weeks later, Linden Lab announced a change in policy for financial institutions operating in Second Life:

"As of January 22, 2008, it will be prohibited to offer interest or any direct



return on an investment (whether in L\$ or other currency) from any object, such as an ATM, located in Second Life, without proof of an applicable government registration statement or financial institution charter. We're implementing this policy after reviewing Resident complaints, banking activities, and the law, and we're doing it to protect our Residents and the integrity of our economy."

Arbitrage Wise immediately submitted his proof of registration for Wise Metaverse LLC (as a limited liability corporation operating in the state of Texas) to Linden Lab, hoping to gain accreditation as an authorized in-world bank. Linden Lab, however, denied the request. In a philosophical tone, Wise described his predicament in an interview with Nobody Fugazi of



Flags fly over a deserted mall at the Wise Metaverse corporate headquarters.