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January 4, 2023

**Via ECF**

The Honorable Analisa Torres  
United States District Judge  
Southern District of New York  
500 Pearl Street  
New York, New York 10017

Re: *SEC v. Ripple Labs, Inc.*, No. 20 Civ. 10832, Letter Motion to Redact  
Declaration PX 447 in Support of SEC's Motion for Summary Judgment

Dear Judge Torres:

We write on behalf of non-party Investment Banker Declarant<sup>1</sup> with respect to the above-referenced matter. Pursuant to Section IV.A.ii of Your Honor's Individual Practices in Civil Cases, Investment Banker Declarant respectfully submits this letter motion to redact additional portions of his declaration submitted in support of Plaintiff SEC's Motion for Summary Judgment (ECF No. 627-45, PX 447). The SEC has informed us that it does not oppose this letter motion. Defendant Ripple Labs, Inc. has informed us that it does not oppose redaction of the email addresses described below, but does not consent to Investment Banker Declarant's other proposed redactions. Defendants Bradley Garlinghouse and Christian A. Larsen have informed us that they oppose this letter motion.

Investment Banker Declarant submitted his declaration, on behalf of his employer, to facilitate the SEC's investigation of Defendants. As the Court is aware, a prior non-party declarant in this matter experienced extensive threats and harassment after his name was publicly disclosed. *See, e.g.*, ECF No. 745 at 1. Accordingly, in order to protect Investment Banker Declarant's privacy interests as a non-party declarant, the SEC moved to redact certain individually identifying portions of Investment Banker Declarant's declaration. *See id.* In light of the significant threats already levied against non-party declarants, however, Investment Banker Declarant seeks

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<sup>1</sup> In conformity with Section IV.A.ii of Your Honor's Individual Practices in Civil Cases, this letter motion refers to our client—the signatory of Declaration PX 447 (ECF No. 627-45)—as “Investment Banker Declarant” so as to avoid revealing the confidential information that this letter motion seeks to redact.

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additional redactions, including of his own identity on Exhibit A to his declaration, and of the identities and email addresses of his co-workers—other non-parties who are not even present in this action to defend their interests. These redactions are necessary in order to protect these non-parties’ privacy and safety interests, which are substantially at risk. Investment Banker Declarant also moves to redact the identity of his employer, which serves similar privacy interests and is irrelevant to any factual or legal issue at stake in this matter.

The Second Circuit has articulated a three-step process for determining whether sealing is appropriate. *Lugosch v. Pyramid Co. of Onondaga*, 435 F.3d 110, 119–20 (2d Cir. 2006). First, a court must determine whether a presumption of access attaches. *Id.* at 119. Here, because Investment Banker Declarant’s declaration was submitted in connection with the SEC’s summary judgment motion, it is a judicial document and a presumption of access applies. *Id.* at 121. Second, the court must determine the weight of the presumption of access based on how central the material is to the litigation. *Id.* at 119. Here, only the substance of Investment Banker Declarant’s declaration is relevant for purposes of evaluating the SEC’s summary judgment motion. There is therefore a low presumption of access to identifying information contained in Investment Banker Declarant’s declaration. *See SEC v. Ripple Labs, Inc.*, 2022 WL 17751466, at \*4 (S.D.N.Y. Dec. 19, 2022) (granting redaction of third party identifying information in this matter where that information “ha[d] minimal relevance to the Court’s decision[ ]”).

Finally, and critically, after determining the weight of the presumption of access, the court must “balance competing considerations against it.” *Lugosch*, 435 F.3d at 120. As this Court and other courts have already held, “[T]he privacy interests of innocent third parties . . . should weigh heavily in a court’s balancing equation’ when deciding whether to seal certain materials.” *Ripple Labs*, 2022 WL 17751466, at \*4 (quoting *Mirlis v. Greer*, 952 F.3d 51, 61 (2d Cir. 2020)); *see also, e.g., SEC v. Telegram Grp., Inc.*, 2020 WL 3264264, at \*3 (S.D.N.Y. June 17, 2020) (granting motion to seal identity of third party investors based on countervailing privacy interests); *Royal Park Invs. SA/NV v. Deutsch Bank Nat’l Tr. Co.*, 2017 WL 1331288, at \*11 (S.D.N.Y. Apr. 4, 2017) (holding that non-parties’ privacy interests can be sufficient to overcome the presumption of access where the requested sealing and proposed redactions are limited in scope and “narrowly tail[or]ed to serve [such] interest[s]”).

Disclosure of Investment Banker Declarant’s identity, that of his employer, and that of his fellow employees and his and their email addresses would create a risk of harassment of precisely the kind that justifies sealing. *Kleftogiannis v. Inline Plastics Corp.*, 411 F. Supp. 3d 216, 232–33 (D. Conn. 2019) (noting the “significant and weighty interest” of a non-party employer in “ensuring that its employees do not fear reprisal or retaliation . . . as a result of their participation” in an investigation); *Doe v. City of N.Y.*, 2019 WL 4392533, at \*2 (S.D.N.Y. Sept. 13, 2019) (holding that where non-redaction “could expose the identities of those who cooperated” and “deter future cooperation,” “[t]hese concerns are legitimate and the Court will err on the side of caution to protect the interests of innocent third parties”); *see also Cardwell v. Davis Polk &*

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*Wardwell LLP*, 2022 WL 17175759, at \*2 (S.D.N.Y. Nov. 23, 2022) (granting motion to seal as to “third-party names and identifying information” in light of “the privacy interests of the innocent third parties [that] substantially counsel against disclosure of the information”). Further, the identity of Investment Banker Declarant’s employer is irrelevant to any issue in the case; the only relevant fact is that Ripple considered seeking investment banking services in connection with a possible IPO, not the identity of the institutions from which it sought these services. *See generally* ECF No. 627-45.

For these reasons, Investment Banker Declarant believes that his identifying information as a witness and the identities of his coworkers and employer should be redacted. Pursuant to the Court’s Individual Practices in Civil Cases, copies of the relevant document with proposed redactions to effectuate this request are attached.<sup>2</sup> We thank the Court for its attention to this request.

Respectfully submitted,

/s/ Alyssa M. Hasbrouck

Alyssa M. Hasbrouck

Enclosure

cc: Counsel of Record (via ECF)  
W. Hardy Callcott, Sidley Austin LLP, hcallcott@sidley.com

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<sup>2</sup> Investment Banker Declarant’s proposed redactions are highlighted in bright yellow. The SEC’s existing proposed redactions (*see generally* ECF No. 745) are highlighted in a slightly more orange color. For the avoidance of doubt, Investment Banker Declarant seeks redaction of all of the highlighted text.

**PX 447**



of comparable companies, and their years of expertise in valuing companies, in order to create a valuation framework.

6. The document attached hereto as Exhibit A is a true and correct copy of a December 17, 2019 email from [REDACTED] employees to Ripple employees (on which I was copied), attaching a presentation. The presentation, also dated December 17, 2019, was prepared by [REDACTED] staff during the course of its discussions with Ripple and prepared in the matter described above.

7. Exhibit A, both the email and the attached presentation, are records kept in the course of [REDACTED]'s regularly conducted business activity. The presentation is the type of document made by [REDACTED] as a regular practice when engaging with potential IPO clients. I was aware that [REDACTED] staff drafted the presentation at the time it was made.

8. Because this declaration is submitted for a limited purpose, it does not necessarily contain all the facts known to me relating to this matter.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on September 8th, 2022 in [REDACTED].

[REDACTED]  
[REDACTED]



## **EXHIBIT A**

**To:** Monica Long[ml@ripple.com]; Jon Bilich[jon@ripple.com]; Lori Owen[lowen@ripple.com]; Kiersten Hollars[khollars@ripple.com]; jon@ripple.com[jon@ripple.com]; khollars@ripple.com[khollars@ripple.com]; lowen@ripple.com[lowen@ripple.com]; ml@ripple.com[ml@ripple.com]; rwill@ripple.com[rwill@ripple.com]; rwill@ripple.com[rwill@ripple.com]; Monica Long[ml@ripple.com]; Jon Bilich[jon@ripple.com]; Lori Owen[lowen@ripple.com]; Kiersten Hollars[khollars@ripple.com]

**Cc:** [REDACTED]

**From:** [REDACTED]

**Sent:** 2019-12-17T11:38:10-05:00

**Importance:** Normal

**Subject:** [REDACTED] Ripple 12/17 Discussion Materials

**Received:** 2019-12-17T11:38:10-05:00

[12.17.19 Ripple \[REDACTED\] Discussion Materials.pdf](#)

Ripple Team,

Please find attached materials ahead of our call. We look forward to the discussion.

Thank you,

[REDACTED] / [REDACTED] Team





## Discussion Materials

December 17, 2019

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## Milestones and Roadmap to IPO



- 1**  **Investment Thesis for Public Investors**
- 2**  **Customers, Metrics and Model to Support Thesis**
- 3**  **Valuation Narrative / Framework**
- 4**  **IPO Timeline and Process**

1

## Characteristics That Resonate With Public Investors



**Sustainable and Durable Growth** – One of the single most important factors impacting valuation



**Large and Justifiable TAM** – Continued correlation between justifiable size and valuation achieved



**Unique, Thematic** – Investors want access to companies that play on a macro trend or particular theme (Digital Transformation, Disruptive Tech, SaaS, ML/AI)



**Market Leadership / Competitive Moats** – Solidifies business significance and speaks to overall traction



**Secular Growth Drivers** – Further validates the opportunity ahead and increases confidence in continued momentum

1

## Ripple's Investment Thesis for Public Investors



### Disruptor Leading a Paradigm Shift

- Category leader for blockchain based digital payments
- Massive enablement *proposition* for digital payments



### Large and Expanding Market Opportunity (TAM)

- Solving a \$10 trillion payments problem today
- Opportunity to expand market size and opportunity



### Delivering Strong ROI to 300+ Customers

- Dismantling the archaic payments infrastructure
- ROI: Global reach, fast, zero failure rates and 50%+ reduction in costs
- Unlocks trapped liquidity for working capital



### Payments Focus and Network Effects Creating a Strong Moat

- XRP purpose-built for payments vs. other digital assets
- Synergistic model that leverages RippleNet and XRP for liquidity



### Strong Growth Levers

- Existing customers have 60+M potential RippleNet transactions
- Disruptive technology platform to drive additional use-cases





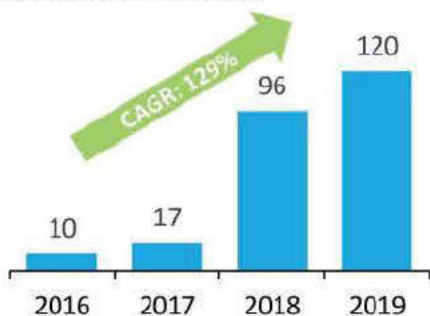
2

## Ripple's Story Supported with Key Business Metrics



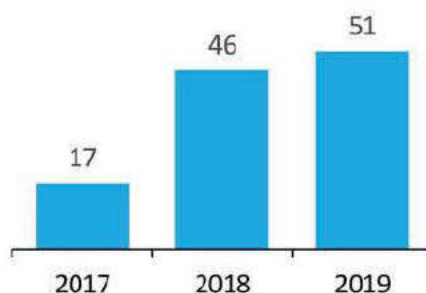
### Growing Customer Base...

New RippleNet Customer Wins



### ...Across the Globe...

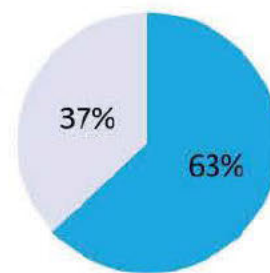
Cumulative Countries with Customers



### ...Creating Strong Network Effects...

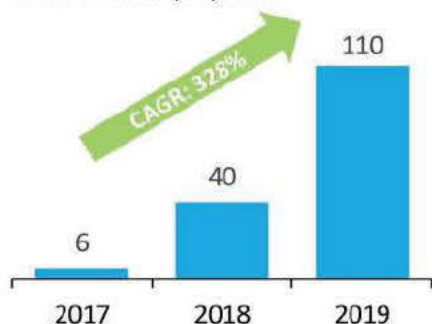
Customers Increasing Connections

Customers sending volume already have 2+ connections

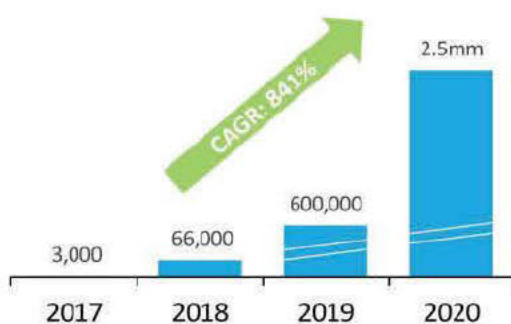


### ...with Growing Pairings...

Cumulative Counterparty Pairs



### ...Driving Hyper Growth in Transaction Volume...



### ...with Significant Room for Growth...



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Source: Company presentation.

2

## Ripple's Unique and Attractive Financial Model



RippleNet	Xpring	XRP		
Ripple Financials				
(\$ '000)	2017A	2018A	2019E	2020E
XRP Revenue	\$186,079	\$534,858	\$648,722	\$641,296
Y-o-Y growth		187.4%	21.3%	(1.1%)
Software, Services & Other	4,822	22,697	11,942	14,278
Y-o-Y growth		370.7%	(47.4%)	19.6%
Total Revenue	190,901	557,555	660,664	655,574
COGS	5,304	9,478	21,837	29,090
% of total revenue	2.8%	1.7%	3.3%	4.4%
Gross Profit	185,597	548,077	638,827	626,484
Gross Margin	97.2%	98.3%	96.7%	95.6%
Sales & Marketing	27,627	46,589	104,982	88,655
% of total revenue	14.5%	8.4%	15.9%	13.5%
Research & Development	16,326	27,822	42,678	53,354
% of total revenue	8.6%	5.0%	6.5%	8.1%
General & Adminisitrative	53,581	194,538	97,888	90,321
% of total revenue	28.1%	34.9%	14.8%	13.8%
Total Operating Expenses	97,534	268,949	245,548	232,330
Total Operating Income	88,063	279,128	393,279	394,154
Operating margin	46.1%	50.1%	59.5%	60.1%
Net Income/ (Loss)	64,460	222,816	298,797	282,660
Net Income margin	33.8%	40.0%	45.2%	43.1%

### Observations

- Large scale and high margins driven by XRP revenue
- Unique business model: Increasing adoption of RippleNet and Xpring drive value for XRP
  - Will require continued investor education
- Inherent volatility in model and lack of visibility given current market speculation of XRP
- Software, services model still evolving
- Company's XRP holdings allows the company to fund the business to drive adoption of RippleNet

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Source: Company presentation.



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## Ripple's Preliminary Valuation Framework



### Preliminary Valuation Methodologies

A

Value of XRP  
(Premium or Discount)

B

Present Value of XRP Monetization

C

Sum of the Parts (SOTP)

### Considerations



Ripple drives value of XRP



Unique and Measurable  
Approach to Valuation



Investors will look for a long-term  
target model from management

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## Preliminary Valuation Framework: A Value of XRP



*Investors view Ripple as a proxy for the broader space, could be viewed as more of a speculative asset which could lead to higher discount rates*

- **Public company discount:** XRP value today ~\$12bn<sup>(1)</sup>; various discount levels (e.g. 20, 30%, for illustrative purposes) for a public company with holdings of an asset
- **Examples:** Naspers / Tencent and Mail.ru; Yahoo / Alibaba and Yahoo Japan; Expedia / Trivago all traded at a discount from their respective equity holdings ~15% to ~30%
- Naspers average discount 23% for the past two years, Yahoo / Alibaba and Yahoo Japan ~25% based on street analyst SOTP, Expedia/Trivago current discount ~25% based on street analyst SOTP

XRP value today ~\$12bn based on Dec 12, 2019 <sup>(1)</sup>

Illustrative Value (\$bn)	Illustrative Discount
\$12	0%
\$11	10%
\$10	20%
\$9	25%
\$8	35%

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## Preliminary Valuation Framework: B PV of XRP Monetization

*Investors value Ripple based on present value of XRP Monetization*

### Preliminary Assumptions

- Assumes various revenue growth and discount rates
- Illustrative value = PV of XRP cash flows from 2020-2030, steady state reached in 2030 no further monetization of XRP; terminal value assumed to be 1.5x value of XRP in 2030
- FCF margin assumption of 60%

### Illustrative Valuation

#### XRP Revenue Growth

		(5%)	0%	5%	10%	15%	20%
Illustrative Discount Rate	35%	\$ 1,339	1,722	2,282	3,097	4,277	5,969
	30%	1,666	2,215	3,028	4,223	5,963	8,471
	25%	2,146	2,953	4,160	5,947	8,565	12,358
	20%	2,872	4,088	5,921	8,654	12,678	18,527
	15%	4,005	5,883	8,735	13,011	19,333	28,550
	10%	5,831	8,808	13,359	20,211	30,376	45,236

### Illustrative '20 Revenue Multiple

#### XRP Revenue Growth

		XRP Revenue Growth					
		(5%)	0%	5%	10%	15%	20%
Illustrative Discount Rate	35%	2.1x	2.7x	3.6x	4.8x	6.7x	9.3x
	30%	2.6x	3.5x	4.7x	6.6x	9.3x	13.2x
	25%	3.3x	4.6x	6.5x	9.3x	13.4x	19.3x
	20%	4.5x	6.4x	9.2x	13.5x	19.8x	28.9x
	15%	6.2x	9.2x	13.6x	20.3x	30.1x	44.5x
	10%	9.1x	13.7x	20.8x	31.5x	47.4x	70.5x

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Note: Dollars in millions.



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## Preliminary Valuation Framework: **c** Sum-of-the-Parts



*Investors believe in long-term vision of XRP as the universal asset for liquidity in Internet of Value (IoV)*

- Potential Sum-of-the-Parts (SOTP) Valuation: **RippleNet + Xpring + XRP**
- **RippleNet and Xpring:** Multiple Method Applied to LT view and DCF approach



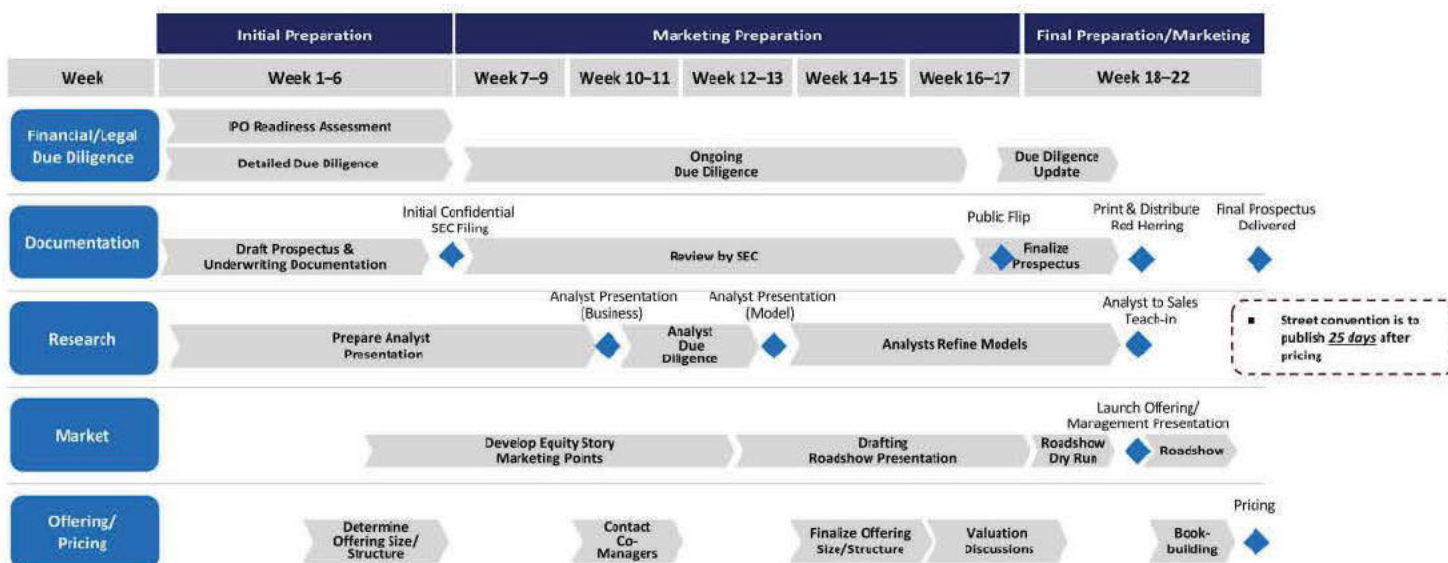
- **XRP: Public company discount and PV of XRP Monetization**
- **Public company discount:** XRP value today ~\$12bn<sup>(1)</sup>; various discount levels (e.g. 30% for illustrative purposes) for a public company with holdings of an asset
- **PV of XRP Monetization:** Illustrative value = PV of XRP cash flows from 2020-2030, steady state reached in 2030 no further monetization of XRP; terminal value assumed to be 1.5x value of XRP in 2030

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## Illustrative IPO Timeline



The IPO process typically lasts 4–6 months, but depends largely from overall company preparedness, as well as market dynamics. Non-Deal Roadshows can begin several months ahead of planned IPO, in order to familiarize the market with Ripple



### Flexibility Is Key



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## Building Out Your Infrastructure for the IPO



### Key Internal Preparation Items

Legal / Other	<ul style="list-style-type: none"> <li>■ Engaged counsel: company representative throughout the IPO preparation and execution processes               <ul style="list-style-type: none"> <li>■ Provide legal opinion to underwriters</li> </ul> </li> <li>■ Begin preparing for SOX compliance and other public responsibilities               <ul style="list-style-type: none"> <li>■ Specific corporate governance requirements, some of which contain phase-ins for IPOs</li> <li>■ No loans to directors or executive officers</li> <li>■ Corporate conduct &amp; ethics policy</li> <li>■ Internal controls for CEO &amp; CFO certifications</li> </ul> </li> </ul>
Financial / Audit	<ul style="list-style-type: none"> <li>■ Integral to the preparation of financial statements and with respect to internal controls               <ul style="list-style-type: none"> <li>■ Annual and Interim periods are required in the prospectus</li> <li>■ Provide comfort letter to underwriters</li> </ul> </li> <li>■ Develop financial projections (annual / quarterly) and long-term model</li> <li>■ Develop Sarbanes-Oxley compliance plan</li> <li>■ Ensure proper reporting systems and controls are in place</li> <li>■ Track relevant KPIs</li> </ul>
Obtain D&O Insurance	<ul style="list-style-type: none"> <li>■ Protects the executive team and company in the case of a lawsuit brought against the company or its executives</li> </ul>
Determine Exec. Comp. Plans	<ul style="list-style-type: none"> <li>■ Establish compensation / retention plans for key management and directors (options plans, grants, etc.)</li> </ul>
Establish Investor Relations Team	<ul style="list-style-type: none"> <li>■ Can be internal function or hired third-party advisors</li> <li>■ Can start as an external function as the company builds its own in-house group</li> </ul>

*Companies must prepare internal infrastructure to meet public company standards as well as meet regulatory requirements per Sarbanes-Oxley and other SEC / exchange rules*