

# **Exhibit 23**

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE	)	
COMMISSION,	)	
	)	
Plaintiff,	)	
	)	Case No.:
v.	)	20-Civ-10832 (AT) (SN)
	)	
RIPPLE LABS, INC., BRADLEY	)	
GARLINGHOUSE, and CHRISTIAN	)	
LARSEN,	)	
	)	
Defendants.	)	
_____	)	

\*\*HIGHLY CONFIDENTIAL UNDER PROTECTIVE ORDER\*\*

VIDEOTAPED DEPOSITION OF  
PETER DOUGLAS EASTON  
Friday, December 8, 2021

Reported by:  
BRIDGET LOMBARDOZZI,  
CSR, RMR, CRR, CLR  
Job No. 211208BLO

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE	)	
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	)	
RIPPLE LABS, INC., BRADLEY	)	
GARLINGHOUSE, and CHRISTIAN	)	
LARSEN,	)	
	)	
Defendants.	)	
_____	)	

Videotaped deposition of PETER DOUGLAS EASTON taken on behalf of Plaintiff, held at the offices of Debevoise & Plimpton, 919 Third Avenue, New York, New York, commencing at 9:07 a.m. and ending at 4:22 p.m., on Wednesday, December 8, 2021, before Bridget Lombardozzi, CCR, RMR, CRR, CLR, and Notary Public of the States of New York and New Jersey, pursuant to notice.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

1 A P P E A R A N C E S (Via Remote where indicated):

2

3

4 For the Plaintiff:

5

6

7

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

8

NEW YORK REGIONAL OFFICE

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BY: PASCALE GUERRIER, ESQUIRE

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**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

1 A P P E A R A N C E S (Continued):

2

3 For Defendant Ripple Labs Inc. and the Witness:

4

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**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

1 For Defendant Christian A. Larsen:

2

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11

12 ALSO PRESENT:

13

14 STELLA UVAYDOVA, Paralegal, SEC

15 DAVID SHERECK, Videographer  
16 Shereck Video Service

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WITNESS	EXAMINATION
PETER DOUGLAS EASTON	
BY MS. GUERRIER	9

EXHIBITS

SEC NUMBER	DESCRIPTION	PAGE
Exhibit 2	Expert Report of Peter Easton dated 10-4-21 NO BATES, 59 pages	14
Exhibit 3	Expert Rebuttal Report of Peter Easton dated 11-12-21 NO BATES, 21 pages	149

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**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

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9:07 a.m.  
December 8, 2021  
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09:06:46  
  
  
  
09:07:00  
  
  
  
09:07:14  
  
  
  
09:07:24  
  
  
  
09:07:36

THE VIDEOGRAPHER: Okay.  
We're on the record. The time is  
approximately 9:07 a.m. Today's date  
is Wednesday, December 9th (sic),  
2021. This is the video deposition  
of Peter Easton in the matter of the  
Securities and Exchange Commission  
versus Ripple Labs, et al. Case  
number is 20-civ-10832 in the United  
States District Court, Southern  
District of New York.  
My name is David Shereck,  
certified legal videographer with Shereck  
Video in association with Gradillas Court  
Reporting of Glendale, California. We're  
located today at the office of Debevoise  
& Plimpton -- Plimpton located at 919  
Third Avenue, New York, New York.  
All counsels present will be  
noted on the stenographic record.  
The court reporter today is

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:07:37 1 Bridget Lombardozzi, also with Gradillas.  
2 And please swear in the witness.

3 P E T E R D. E A S T O N,  
4 having been duly sworn, was examined and  
09:07:42 5 testified as follows:

6 THE REPORTER: Thank you.

7 You may proceed.

8 MS. JONES: Counsel, before  
9 we begin, can we quickly --

09:07:57 10 MS. LINSENMAYER: Can  
11 someone please unmute the conference  
12 room?

13 MS. JONES: Can we quickly  
14 put on the record an objection by one  
09:08:08 15 counsel is an objection for all  
16 defendants' counsel?

17 MS. GUERRIER: Sure.

18 EXAMINATION

19 BY MS. GUERRIER:

09:08:22 20 Q. Okay. Good morning. Could you please  
21 state your name for the record?

22 A. Peter Douglas Easton.

23 Q. Are you represented by counsel today?

24 A. No, I am not.

09:08:30 25 Q. Okay. My name is Pascal Guerrier. I'll

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:08:32 1 be asking you questions on behalf of the SEC.  
2 With me is my colleague, Mark Sylvester, and we  
3 have other SEC attorneys on the Zoom call.

4 A. Okay.

09:08:46 5 Q. Have you had your deposition taken  
6 before?

7 A. Yes.

8 Q. When?

9 A. Many times.

09:08:50 10 Q. Many times?

11 Do you recall the last time you had your  
12 deposition taken?

13 A. About a month ago.

14 Q. Okay. Do you recall the case that you  
09:09:01 15 were involved in where you had your deposition  
16 taken?

17 A. Yes. I refer to it as the Adeptus case.  
18 Adeptus is a health care company.

19 Q. I'm sorry?

09:09:17 20 A. I refer to it as the Adeptus case. I  
21 don't recall other details that I could quote  
22 right now.

23 Q. Do you recall the name of the party that  
24 you were retained to --

09:09:27 25 A. Yes. Adeptus, A-D-E-P-T-U-S.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:09:36 1 Q. And what were you asked to do in that  
2 case?

3 MS. JONES: Objection to  
4 form.

09:09:46 5 A. I was asked to understand and report on  
6 the accounting for emergency rooms in the health  
7 care industry.

8 Q. Were you retained as an expert in that  
9 case?

09:10:10 10 A. Yes.

11 Q. And did you provide your expert opinion  
12 for the plaintiff or the defendant?

13 A. For the defendant.

14 Q. Just to give you the rules of the road  
09:10:31 15 for today.

16 As the court reporter swore you in, so  
17 do you understand that your testimony is under  
18 oath today?

19 A. Yes.

09:10:41 20 Q. Okay. Is there anything that will  
21 prevent you from testifying truthfully and  
22 accurately today?

23 A. No.

24 Q. Okay. If you could please allow me to  
09:10:50 25 finish my question before you answer so that we

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:10:52 1 can have a clear record. Do you understand?

2 A. Yes.

3 Q. And if you need a break, let me know and  
4 I will accommodate you.

09:11:01 5 A. Okay.

6 Q. If there's a question that you don't  
7 understand, also let me know and I'll rephrase it  
8 or ask it so that you can understand it.

9 A. Okay.

09:11:12 10 Q. Also, please respond verbally to my  
11 questions because the court reporter cannot take  
12 nonverbal responses down.

13 A. Okay.

14 Q. Do you recall when you were -- do you  
09:11:30 15 recall when you last testified as an expert?

16 A. In that deposition.

17 Q. Do you recall what month? what year?

18 A. It was about a month ago. I'm not sure  
19 exactly the date.

09:11:48 20 MS. JONES: Counsel, I'm  
21 sorry to interrupt your questioning.

22 Can we just put on the record that we  
23 have a hard stop at 6 p.m. and that  
24 we're willing to work with you on the

09:11:56 25 length of breaks, but we have a hard

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:11:59 1 stop at 6 p.m.?

2 MS. GUERRIER: Okay.

3 That -- that's fine. And we do know  
4 that under the rules, the deposition

09:12:04 5 is a seven-hour deposition. We hope  
6 to be done. Obviously we will

7 accommodate the witness, but if we  
8 have to carry it over again, we will

9 just have to do that so that we can

09:12:14 10 comply and finish our deposition.

11 MS. JONES: Thank you.

12 MS. GUERRIER: Uh-huh.

13 THE WITNESS: Thank you.

14 MS. JONES: Are one of these

09:12:48 15 for Bridget?

16 MS. GUERRIER: Yes.

17 THE REPORTER: Thank you.

18 BY MS. GUERRIER:

19 Q. Mr. Easton, I've handed you what's been

09:13:11 20 premarked as Exhibit 2.

21 Do you recognize the document that I  
22 just handed you?

23 A. Yes, I do.

24 Q. What is this document?

09:13:18 25 A. It is my expert -- expert report in this

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:13:20 1

case.

2

Q. Do you recall when you finalized the report that's before you?

3

4

MS. JONES: Objection to

09:13:27 5

form.

6

A. October 4th this year.

7

Q. Have you prepared any written expert reports in this case other than the one that I've handed you?

8

9

09:13:42 10

A. Yes.

11

Q. What reports have you prepared?

12

A. I also prepared a rebuttal report.

13

Q. Other than the original report that I've handed you and the rebuttal report, have you prepared any other reports in the case?

14

09:13:54 15

16

A. No, I have not.

17

MS. GUERRIER: If you could

18

please mark the exhibit.

19

THE REPORTER: Exhibit 2.

09:14:06 20

21

(Whereupon, exhibit is

presented and marked SEC Easton

22

Deposition Exhibit 2 for identification.)

23

BY MS. GUERRIER:

24

Q. Have you finished all of the work that

09:14:09 25

you were asked to do in this case?

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:14:10 1 MS. JONES: Objection to  
2 form.

3 A. I have completed the work given the  
4 information that I have to date.

09:14:23 5 Q. Are you planning on providing any  
6 supplemental to your report?

7 A. I might if new information comes to  
8 light.

9 Q. Have -- has any information come to you  
09:14:39 10 since you've signed this report that has affected  
11 your opinion contained in the report?

12 A. No.

13 MS. JONES: And I'm --

14 THE WITNESS: I'm sorry.

09:14:46 15 MS. JONES: -- I'm just  
16 going to instruct the witness not to  
17 disclose any communications with  
18 counsel.

19 BY MS. GUERRIER:

09:14:55 20 Q. Are you prepared to testify about the  
21 opinions that are contained in the report that's  
22 been premarked as Exhibit 2?

23 A. Yes.

24 Q. Do you recall who retained you to  
09:15:13 25 provide expert services in this case?



**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:15:17 1 A. Yes.

2 Q. Who retained you to provide expert  
3 services in this case?

4 A. The law firm Kellogg.

09:15:35 5 Q. Do you know which defendant you're  
6 providing the expert testimony about?

7 MS. JONES: Objection to the  
8 form.

9 A. I'm sorry, I don't understand that  
09:15:45 10 question.

11 Q. Okay. So do you know which defendant  
12 retained you to provide expert testimony in this  
13 case?

14 A. No.

09:16:04 15 Q. Do you know if you're providing  
16 expert -- expert testimony on behalf of Ripple in  
17 this case?

18 MS. JONES: And, Peter, if  
19 you want to look at the report, go  
09:16:12 20 ahead.

21 A. Oh. Yes.

22 Q. Are you providing expert testimony on  
23 behalf of any other defendant in this case?

24 A. I believe I have listed that in the  
09:16:30 25 report. I'd have to look and find it. And I note

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:16:47 1 in paragraph 8 Ripple Labs and two senior  
2 executives.

3 Q. And who are the two senior executives?

4 A. As I sit here now, I can't -- cannot  
09:17:05 5 name those two senior executives.

6 Q. Did you have any arrangements with the  
7 defendants that retained you to provide expert  
8 testimony concerning the fees that you would be  
9 charging in this case?

09:17:16 10 MS. JONES: And I'm just  
11 going to instruct you to not disclose  
12 any communications or understandings  
13 that you derived from counsel. If  
14 you can answer that question without  
09:17:25 15 disclosing communications with  
16 counsel, go ahead.

17 THE WITNESS: Okay.

18 A. I really don't understand the question.  
19 I'm sorry.

09:17:37 20 Q. How much are you charging for your  
21 services in this case?

22 A. Oh. \$1,100 per hour.

23 Q. How much have you billed so far in this  
24 case?

09:17:55 25 A. I don't know.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:17:58 1 Q. Do you keep records of the -- the  
2 billings that you have in this case?

3 A. Yes.

4 Q. Okay. Where are those records?

09:18:02 5 MS. JONES: Objection to  
6 form.

7 A. On my computer.

8 Q. Do you know how much you've been paid so  
9 far in this case?

09:18:11 10 A. No, I do not.

11 Q. Do you know if you had a budget that was  
12 set out for you in this case?

13 MS. JONES: Objection to  
14 form.

09:18:29 15 And, again, do not disclose  
16 communications with counsel.

17 A. I know of no budget.

18 Q. Do you know how much time you've spent  
19 for the amount that you've billed to the  
09:18:50 20 defendants in this case?

21 A. No, I do not.

22 Q. Do you have records of the billing that  
23 you've sent to the defendants in this case?

24 A. Yes, I do.

09:19:01 25 Q. And where are those records?

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:19:03 1 A. On my computer.

2 MS. JONES: Object to form.

3 THE WITNESS: Sorry.

4 Q. Do you recall the last time you were  
09:19:07 5 paid in this case by the defendants?

6 A. A few weeks ago.

7 Q. Do you recall how much you were paid a  
8 few weeks ago by the defendants?

9 MS. JONES: And objection to  
09:19:18 10 the form.

11 A. I think in the vicinity of \$20,000.

12 Q. Do you know what the \$20,000 payment was  
13 for specifically?

14 MS. JONES: Objection to  
09:19:33 15 form.

16 A. It was hours spent with -- regarding the  
17 case.

18 Q. And do you recall the hours spent, what  
19 you spent the hours on?

09:19:48 20 MS. JONES: Objection to  
21 form.

22 And I'm going to instruct you  
23 not to get into any of the content or  
24 substance of the drafting of the report.

09:19:55 25 THE WITNESS: Okay.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:20:01 1 A. No. As I sit here now, I don't recall  
2 the detail.

3 Q. Do you keep notes of the billing that  
4 you've sent out to the defendants in this case?

09:20:08 5 A. Yes.

6 Q. Do you keep details of the work that  
7 you've done in this case with regards to the  
8 amounts that you're billing for your work?

9 MS. JONES: Objection to  
09:20:13 10 form. Asked and answered several  
11 times.

12 A. I don't really know what you mean by  
13 "details." I -- I do keep records.

14 Q. Well, what -- what do you keep records  
09:20:27 15 of when it comes to your billing in this case?

16 MS. JONES: Objection to  
17 form.

18 A. The -- the key component is the time  
19 spent. That's my focus.

09:20:41 20 Q. Well, do you keep track of what you  
21 spent your time on in your records?

22 MS. JONES: Objection to  
23 form.

24 A. Yes.

09:20:55 25 Q. Okay. And are those records in your

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

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09:21:50 20  
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09:21:59 25

possession?  
A. Yes.  
Q. Did you have a prior relationship with any of the defendants prior to this case?  
A. No.  
MS. JONES: Objection to form.  
Peter, just remember to give me a couple of seconds.  
THE WITNESS: I'm sorry.  
Q. Do you advertise yourself as an expert?  
MS. JONES: Objection to form.  
A. No.  
Q. Do you know how the defendants were able to determine who you were to retain your services?  
MS. JONES: I'm going to instruct you not to disclose any communications or any understandings you learned from -- only from counsel in answering that question.  
THE WITNESS: Okay.  
A. Yes.  
Q. Can you tell me how they learned of your existence for -- to retain you as an expert?

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:22:01 1 MS. JONES: Same

2 instruction.

3 A. I understand that Kellogg had previously  
4 been working with Compass Lexecon and asked

09:22:20 5 Compass Lexecon to suggest an accounting expert to  
6 work on this case. Compass Lexecon suggested me.

7 Q. What is Compass Lexecon?

8 A. Compass Lexecon is a litigation  
9 consulting firm.

09:22:45 10 Q. Are you employed by Compass Lexecon?

11 A. No.

12 Q. How did they know to refer you in this  
13 case?

14 MS. JONES: Objection to  
09:22:52 15 form.

16 A. I had worked with Compass Lexecon in the  
17 past and so I'm known to the firm.

18 Q. How much time have you spent working as  
19 an expert witness?

09:23:10 20 MS. JONES: Objection to  
21 form.

22 A. It's hard to quantify that.

23 MS. JONES: Counsel, do you  
24 mean in this case or in general?

09:23:25 25 MS. GUERRIER: In general.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:23:27 1 A. I'm sorry?

2 Q. In general.

3 A. Probably a day a week.

4 Q. Do you know what percentage of your

09:23:39 5 income from -- comes from your expert witness work

6 in general?

7 A. No.

8 Q. Do you mainly work with defendants?

9 MS. JONES: Objection to

09:23:55 10 form.

11 A. Yes.

12 Q. Do you have a set charge for a

13 particular type of expert service?

14 A. I have the same charge for all expert

09:24:18 15 services.

16 Q. Was the amount you charge always the

17 same amount for you as your --

18 THE REPORTER: As your?

19 Q. -- as your expert service billing rate?

09:24:35 20 A. No.

21 Q. When did you have this amount that you

22 are charging the defendants in this case?

23 MS. JONES: Objection to

24 form.

09:24:49 25 A. Could you restate the question, please?



**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:24:54 1 Q. Sure.

2 When did you have the amount that you're  
3 charging the defendants in this case? When did  
4 you set that amount?

09:24:58 5 MS. JONES: Same objection.

6 A. I'd say two years ago.

7 Q. Do you recall what your billing rate was  
8 prior to two years ago?

9 A. Not for sure. I think 950.

09:25:31 10 Q. Do you have any financial relationship  
11 with any of the defendants in this case?

12 MS. JONES: Objection to  
13 form.

14 A. No, I do not.

09:25:41 15 Q. Are you familiar with XRP?

16 A. Yes.

17 Q. What is XRP?

18 A. XRP is a digital asset, encrypted ledger  
19 formed into blocks connected via chains. Block  
09:26:18 20 chains.

21 THE REPORTER: I'm not  
22 getting the word. Connected flocks?

23 MS. GUERRIER: Blocks.

24 THE WITNESS: Via blocks,

09:26:22 25 I'm sorry, in a chain.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:26:24 1 BY MS. GUERRIER:

2 Q. What is the basis for your definition of  
3 XRP?

4 A. Say -- say again?

09:26:32 5 Q. What is the basis of your definition of  
6 XRP?

7 A. Reading, understanding the various  
8 documents that describe XRP.

9 Q. Can you recall -- tell me what type of  
09:26:50 10 documents that you read that described XRP?

11 A. I can't point to particular documents.  
12 You know, XRP is at the center of this case and,  
13 therefore, whatever I'm reading is talking about  
14 XRP indirectly or directly.

09:27:15 15 Q. Were you aware of XRP prior to being  
16 retained in this case?

17 A. Yes, I was.

18 Q. And how were you aware of XRP prior to  
19 being retained in this case?

09:27:35 20 A. As an interested -- interested person in  
21 finance.

22 Q. Do you own any XRP?

23 A. No.

24 Q. Have you ever bought any XRP?

09:27:46 25 A. No.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

09:27:46 1 Q. Have you ever sold any XRP?

2 A. No.

3 Q. Have you received any compensation from  
4 any of the defendants in this case in the form of  
09:27:56 5 XRP?

6 A. No.

7 MS. JONES: Objection to  
8 form.

9 Q. Are there any plans for you to receive  
09:28:04 10 any compensation for your services in the form of  
11 XRP?

12 A. No.

13 Q. Do you recall when you were first con --  
14 contacted by the defendants in this case?

09:28:20 15 MS. JONES: Objection to  
16 form. Assumes facts not in evidence.

17 A. No, not -- not really. Probably a year  
18 ago. I'm not sure.

19 Q. Do you recall who initiated the contact?

09:28:37 20 MS. JONES: Objection to  
21 form.

22 A. The contact was via a person from  
23 Compass Lexecon.

24 Q. Okay. Did anyone from the defendants'  
09:28:58 25 side contact you directly in the beginning stages

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09:29:04 1 of your relationship with the defendants?

2 MS. JONES: Objection to  
3 form.

4 A. No.

09:29:10 5 Q. Did you speak to any of the defendants'  
6 attorneys in the early stage of your relationship  
7 with the defendants?

8 MS. JONES: I'm going to  
9 instruct you to answer that question  
09:29:20 10 yes or no.

11 A. Yes.

12 Q. Do you recall who you spoke with?

13 A. Yes.

14 Q. Who?

09:29:30 15 A. Reid Figel.

16 Q. Do you recall when you first spoke to  
17 Mr. Figel?

18 A. No.

19 Q. Did you meet -- I'm sorry. Let me -- do  
09:29:48 20 you recall your first meeting with any of the  
21 defendants in this case?

22 MS. JONES: And, Peter, you  
23 can answer that question yes or no,  
24 but I'm going to remind you not to  
09:29:58 25 testify to the -- the contents of any

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09:29:59 1                   communications with counsel.

2                   A.    Would you re -- state the question  
3 again, please?

4                   Q.    Do you recall your first meeting with  
09:30:07 5 any of the defendants in this case?

6                   A.    I haven't met with any of the defendants  
7 in this case.

8                   Q.    Okay. Do you recall your first meeting  
9 with any of the attorneys who represent the  
09:30:21 10 defendants in this case?

11   MS. JONES: Again, I'm going  
12 to instruct you to answer that yes or  
13 no.

14                   A.    Yes.

09:30:25 15                   Q.    When was your first meeting with the  
16 attorneys?

17                   A.    I don't -- I can't tell you the date.

18                   Q.    Was it a year ago?

19                   A.    Probably.

09:30:34 20                   Q.    How many meetings in person have you had  
21 with the defendants' counsel in this case?

22                   A.    One.

23                   Q.    When was that meeting?

24                   A.    Yesterday.

09:30:51 25                   Q.    How many other meetings have you had

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09:30:53 1 with the defendants' counsel in this case?

2 MS. JONES: Objection to  
3 form.

4 A. Three or four probably. Two maybe.

09:31:10 5 Q. I'm sorry?

6 A. Three or four Zoom meetings.

7 Q. Do you recall the last Zoom meeting you  
8 had with the defendants' counsel in this case?

9 MS. JONES: Objection to

09:31:18 10 form. Do you mean the -- the date of  
11 that meeting?

12 MS. GUERRIER: My question  
13 stands.

14 Q. Do you recall the last meeting you had  
09:31:32 15 with the defendants' counsel in this case?

16 A. No --

17 MS. JONES: Okay. I'm going  
18 to instruct you not to get into the  
19 contents of any communications that  
09:31:39 20 were discussed in that meeting.

21 A. I'm not sure I even recall it.

22 Q. You're not sure if you recall -- I'm  
23 sorry, what?

24 A. I'm not sure that I even recall the  
09:31:49 25 meeting.

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09:32:03 1 Q. Okay. Do you recall if you were  
2 provided with any documents at any of the meetings  
3 that you had with the defendants' counsel prior to  
4 yesterday?

09:32:13 5 MS. JONES: I'm going to  
6 instruct you to answer that yes or  
7 no.

8 A. Repeat the question, please.

9 Q. Do you recall if you were provided with  
09:32:25 10 any documents at any of the meetings that you had  
11 with the defendants' counsel prior to yesterday?

12 A. I do recall.

13 Q. Okay. What documents were you  
14 provided --

09:32:40 15 A. I wasn't provided with any.

16 Q. Were you shown any documents at any  
17 meeting prior to yesterday --

18 MS. JONES: And, Counsel --

19 Q. -- by the defendants' counsel?

09:32:50 20 MS. JONES: And you can  
21 testify as to what facts or  
22 assumptions you were provided, but do  
23 not disclose anything in addition to  
24 that.

09:32:59 25 A. Would you repeat the question, please?

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09:33:01 1 Q. Do you recall what documents you were  
2 provided with at any of the meetings that you had  
3 with the defendants' counsel prior to yesterday?

4 A. I wasn't provided with documents at  
09:33:11 5 those meetings.

6 Q. Okay. Were you shown documents at any  
7 of the meetings that you had with defendants'  
8 counsel prior to yesterday?

9 MS. JONES: I'm going to  
09:33:19 10 instruct you to answer that yes or  
11 no.

12 A. No.

13 Q. I'm sorry, your answer is?

14 A. No.

09:33:29 15 Q. Were you shown any documents when you  
16 met with counsel yesterday?

17 MS. JONES: Same  
18 instruction. I'm going to ask you --  
19 direct you to answer that yes or no.

09:33:39 20 A. Yes.

21 Q. What documents were you shown?

22 MS. JONES: I'm going to  
23 instruct the witness not to answer  
24 that question. The -- the documents  
09:33:44 25 that we've selected to show him are



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09:33:46 1 work product.

2 BY MS. GUERRIER:

3 Q. Okay. Were you shown any documents that  
4 you considered in writing your report?

09:33:54 5 MS. JONES: You can answer  
6 that question yes or no.

7 A. At what time?

8 Q. When you met with defendants' counsel  
9 yesterday.

09:34:05 10 A. Yes.

11 Q. What documents were you shown that you  
12 considered when writing your report?

13 MS. JONES: I'm going to  
14 object and instruct the witness not  
09:34:10 15 to answer. The documents that we've  
16 chosen to show him during the prep  
17 sessions are work product.

18 MS. GUERRIER: Well, not the  
19 documents that he considered for --  
09:34:20 20 that he considered in writing his  
21 report.

22 MS. JONES: You can ask him  
23 what documents he -- what he  
24 considered. You cannot ask him what  
09:34:27 25 documents we showed him during his

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09:34:28 1 prep session.

2 BY MS. GUERRIER:

3 Q. Were you shown any documents that you  
4 considered in writing your report?

09:34:36 5 MS. JONES: Objection; form.  
6 Counsel, you're, again, asking what  
7 documents he was shown by counsel --

8 MS. GUERRIER: Make your  
9 objection on the record. You don't  
09:34:43 10 have to, you know -- there's nothing  
11 more for you to do than make your  
12 objection.

13 MS. JONES: Okay. I'm --  
14 I'm going to direct you not to answer  
09:34:49 15 that question.

16 MS. GUERRIER: All right.  
17 Well, you're -- I'm going to move on  
18 from this point.

19 BY MS. GUERRIER:

09:35:08 20 Q. When you met with counsel yesterday,  
21 were you provided with any facts that you  
22 considered in writing your report?

23 MS. JONES: And, Peter, I'm  
24 going to direct you that you can  
09:35:21 25 answer as to facts that you were

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09:35:22 1 provided by counsel, but do not  
2 disclose anything beyond that.

3 A. Repeat the question, please.

4 Q. When you met with counsel yesterday,  
09:35:36 5 were you provided with any facts that you  
6 considered in writing your report?

7 A. Yes.

8 Q. When did you receive -- well, when did  
9 you receive the records for this case?

09:35:59 10 MS. JONES: Objection to  
11 form.

12 A. Again, I'm sorry, I don't understand  
13 that question. What do you mean by "records for  
14 this case"?

09:36:13 15 Q. Did you receive any data from the  
16 defendants in this case?

17 MS. JONES: Objection to  
18 form.

19 A. I'm -- I'm sorry. I don't mean to be  
09:36:24 20 dumb here, but what do you mean by "data"?

21 Q. Did you receive any documents from the  
22 defendants in this case?

23 A. Yes.

24 Q. When did you first receive documents  
09:36:35 25 from the defendants in the case?

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09:36:37 1 A. Excuse me. I did not receive documents  
2 from the defendant. I received documents from  
3 Kellogg.

4 Q. Okay. Well, from -- from defendants'  
09:36:47 5 counsel.

6 When did you receive the documents from  
7 defendants' counsel?

8 A. I'm guessing about 12 months ago.

9 Q. Okay. When did you first form your  
09:37:09 10 opinion in -- regarding the original report that  
11 you submitted in this case?

12 MS. JONES: Objection to  
13 form.

14 A. I don't believe I can answer that  
09:37:23 15 question.

16 Q. Why not?

17 A. An opinion is formed over a period of  
18 time as one understands the material better.

19 Q. Well, the -- the opinions contained in  
09:37:37 20 your report, do you recall when you finalized  
21 them?

22 A. October 4th --

23 MS. JONES: Objection to  
24 form. Asked and answered.

09:37:46 25 A. -- 2021.

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09:37:49 1 Q. Prior to October 4th, 2021, had you  
2 finalized any of the opinions contained in your  
3 report?

4 MS. JONES: Objection to  
09:37:53 5 form.

6 A. I really don't know the answer to that  
7 question.

8 Q. Why not?

9 A. I formed a final opinion on October 4th.  
09:38:06 10 That's all I can say.

11 Q. Did you do anything to prepare for your  
12 deposition?

13 A. Yes.

14 Q. What did you do to prepare for your  
09:38:20 15 deposition?

16 MS. JONES: And, Counsel --  
17 Mr. Easton, please remember not to  
18 disclose any communications that you  
19 had with counsel in answering that  
09:38:27 20 question.

21 A. I went back and reviewed my reports and  
22 the documents referred to in my reports.

23 Q. Do you recall what specific documents  
24 you reviewed in preparing for the deposition?

09:38:48 25 MS. JONES: And I'm going to

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09:38:50 1           instruct you not to testify as to  
2           the -- the documents that you were  
3           shown by counsel.

4           A.    I reviewed the documents that are  
09:38:59 5 referred to in my report.  I think I reviewed them  
6 all.

7           Q.    When you say "the documents that are  
8 referred to in" your report, are you referring to  
9 all the documents listed in your exhibit to the  
09:39:15 10 report?

11          A.    Yes.

12          Q.    Okay.

13          A.    I may not have reviewed them all, but I  
14 reviewed most of them.

09:39:23 15          Q.    Okay.  Were you prepared by counsel for  
16 the deposition today?

17                               MS. JONES:  And you can  
18 answer that question yes or no.

19          A.    Yes.

09:39:36 20          Q.    Okay.  Which counsel prepared you for  
21 the deposition?

22          A.    Mr. Figel and Bethan, sitting to my  
23 left.

24          Q.    Did you speak with anyone other than  
09:39:47 25 counsel about this case?

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09:39:54 1 A. Yes.

2 Q. Who did you speak with about this case  
3 other than counsel?

4 A. Jennifer Milliron from Compass Lexecon.

09:40:01 5 Q. And who is Jennifer Milliron?

6 A. She is a exec -- executive manager at  
7 Compass Lexecon.

8 Q. Are you an employee of Compass Lexecon?

9 A. No.

09:40:29 10 Q. So what did you speak with Jennifer  
11 Milliron about?

12 A. She --

13 MS. JONES: And do not  
14 disclose any communications that you  
09:40:40 15 had with Jennifer that were in the  
16 presence of counsel or at the  
17 direction of counsel.

18 A. Jennifer is a expert at Compass Lexecon  
19 on accounting matters and she worked under my  
09:41:02 20 direction in preparing this report. And during  
21 the deposition, we talked a little to refresh my  
22 memory.

23 Q. Do you recall when you and Ms. Milliron  
24 spoke?

09:41:24 25 MS. JONES: Objection to

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09:41:24 1 form.

2 A. With respect to what?

3 Q. Well, you testified that you met with  
4 her and you talked to refresh your memory.

09:41:41 5 A. Okay.

6 Q. So do you recall when you spoke with  
7 her?

8 A. Over the last week or so.

9 Q. Other than Ms. Milliron, did you speak  
09:41:53 10 with anyone else about the case?

11 MS. JONES: Objection to  
12 form.

13 A. No.

14 Q. Did anyone help you write the report  
09:42:15 15 that's been submitted as Exhibit 2?

16 A. Jennifer helped me write it under my  
17 direction.

18 Q. Did counsel help you write the report  
19 that you -- that's been submitted as Exhibit 2?

09:42:31 20 MS. JONES: Objection to  
21 form.

22 You can answer that yes or no.

23 A. No.

24 Q. Does Appendix A to your report include  
09:43:14 25 your risumi?



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09:43:23 1 A. I believe it is my risumi.  
2 Q. Is this a complete and accurate risumi?  
3 MS. JONES: Objection to  
4 form.  
09:43:33 5 A. It is accurate.  
6 Q. Okay. Is there anything missing from  
7 the risumi that should be there?  
8 A. I guess there's tons of detail.  
9 Q. Is there anything missing from the  
09:43:42 10 risumi?  
11 MS. JONES: Objection to  
12 form.  
13 A. I believe I answered the question.  
14 Q. What was your answer, sir?  
09:43:53 15 A. "There's tons of detail."  
16 Q. Okay. So is there anything that you  
17 kept out of this final Appendix A that you  
18 submitted with your report?  
19 MS. JONES: Objection to  
09:44:06 20 form.  
21 A. That I deliberately omitted? Is that  
22 what you said?  
23 Q. Yes.  
24 A. No.  
09:44:10 25 Q. Okay. When did you create this risumi?

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09:44:18 1 A. I -- I'm guessing it was in September or  
2 October. Probably September of this year.

3 Q. Did you have a prior version of your  
4 risumi that was prior to the September/October  
09:44:34 5 timeline that you just described?

6 A. Yes.

7 Q. And is there anything different from the  
8 current risumi that's attached as Appendix A to  
9 your report to the one that was prior to the  
09:44:49 10 September/October deadline?

11 A. Would you like me to look through and  
12 see what things have changed?

13 Q. If you could please do that.

14 A. Okay. Sure.

09:45:14 15 If you look at "Research Papers," the  
16 first paper was a tip of the publication and,  
17 therefore, that's updated. "Who Pays Attention to  
18 SEC Form 8-K?"

19 If you look at "Journal Editorial  
09:45:33 20 Activities," I became editor in chief of the  
21 Journal of Accounting for Sustainability and  
22 Responsible Investing" and in turn stepped down as  
23 editor of Review of Accounting Studies. These all  
24 occurred in September or October and, therefore,  
09:45:52 25 result in changes to my risumi.

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09:45:57 1 If you look at "Invited Presentations,"  
2 I was a speaker at the Sustainable Investment  
3 Forum. So that has changed. I think that's it.

4 Q. Okay. When were you a speaker at the  
09:46:19 5 Sustainable Investment Forum?

6 A. September -- September 22 and September  
7 29, 2021.

8 Q. Other than the education listed on your  
9 Appendix A, have you had any additional education  
09:47:11 10 since your last degree?

11 A. Since my Ph.D.?

12 Q. Yes.

13 A. No.

14 Q. What did you obtain a Ph.D. in in 1984?

09:47:27 15 A. Officially business administration,  
16 majoring in accounting and finance.

17 Q. And what was the degree that you  
18 obtained in 1980 from the University of New  
19 England?

09:47:45 20 A. It was a diploma of financial  
21 management.

22 Q. What was the degree that you obtained in  
23 1978 from the University of South Australia?

24 A. This is a degree in teaching adults.

09:48:16 25 Q. And you obtained a degree in 1978 from

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09:48:18 1 the University of Adelaide.

2 What was that degree?

3 A. Bachelor of economics degree, majoring  
4 in accounting.

09:48:30 5 Q. And what was the degree that you  
6 obtained from the University of Adelaide in 1973?

7 A. Bachelor of agricultural science,  
8 majoring in agricultural economics.

9 Q. Did you write any thesis for your Ph.D.  
09:48:46 10 in --

11 A. Yes.

12 Q. What was the subject matter of your  
13 thesis?

14 A. The subject matter was valuation of  
09:48:56 15 listed securities based on expected dividends and  
16 expected earnings.

17 Q. Any other thesis that you've written?

18 A. Any other thesis? Not -- well, for  
19 formal education thesis, yes. At the University  
09:49:22 20 of New England, I wrote a thesis on nonequity  
21 investments.

22 Q. Have you had any additional training in  
23 your field post-Ph.D.?

24 A. Yes.

09:49:50 25 Q. Can you start with the most recent

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09:49:52 1 training that you have?

2 A. It's just been continuous. Attendance  
3 at seminars.

4 Q. Is this part of a continuing education  
09:50:03 5 requirement?

6 A. No. Well, it would be hard to be an  
7 academic without doing it. Impossible.

8 Q. Do you recall the last educational  
9 training that you had postgraduate?

09:50:21 10 A. Sorry, state the question again.

11 Q. Do you recall the last post-educational  
12 training that you had?

13 A. The last seminar I attended was last  
14 Friday.

09:50:32 15 Q. What was the seminar about?

16 A. The seminar was on accounting for  
17 environmental, social and governments --  
18 governments.

19 Q. Where was this seminar?

09:50:50 20 A. University of Miami.

21 Q. Are you currently employed?

22 A. Yes.

23 Q. Where are you currently employed?

24 A. At the University of Notre Dame.

09:51:20 25 Q. What is your role at the University of

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09:51:23 1 Notre Dame?

2 A. I'm a -- excuse me. I'm a chaired  
3 professor. I teach accounting. And I run -- I'm  
4 the director of the center called the Center for  
09:51:41 5 Accounting Research and Education.

6 Q. How long have you worked at the  
7 University of Notre Dame?

8 A. I began my employment there in 2003.

9 Q. Where did you work prior to 2003?

09:52:01 10 A. At the Ohio State University.

11 Q. What was your role at Ohio State  
12 University?

13 A. There I was also a chaired professor of  
14 accounting.

09:52:14 15 Q. What year did you work at Ohio State  
16 University?

17 A. Excuse me. I'll just look at my data.  
18 So, why can't I see it? Can't be that hard. Oh,  
19 it's the John J. Gerlach Professor of Accounting  
09:52:45 20 from '95 to 2003.

21 Q. And prior to Ohio State University,  
22 where did you work?

23 A. There I was a chaired professor at  
24 Macquarie University in Australia. I was there  
09:53:04 25 from 1988 to 1985.

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09:53:17 1 Q. Prior to the University of Adelaide,  
2 where did you work?

3 A. I think you said University of Adelaide.  
4 I was at Macquarie University in Australia.

09:53:30 5 Q. I'm sorry. Macquarie University in  
6 Australia?

7 A. Right.

8 Q. Where did you work prior to Macquarie  
9 University?

09:53:37 10 A. Prior to that, I was an assistant  
11 professor at the University of Chicago.

12 Q. Do you recall the time frame where you  
13 worked --

14 A. 1983 to 1988.

09:53:56 15 Q. And prior to the University of Chicago,  
16 where did you work?

17 A. I was a teaching association -- a  
18 teaching associate at the University of California  
19 Berkeley. I was a teaching associate whilst I was  
09:54:09 20 doing my Ph.D.

21 Q. Uh-huh. And what year were you --

22 A. 1979 to '83.

23 Q. Okay. I'm sorry, if you could just let  
24 me finish my question so that --

09:54:17 25 A. Okay. Sorry.

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09:54:18 1 Q. -- the court reporter can have a clear  
2 record.

3 A. I'm sorry.

4 Q. Did you say 1979 to 1983?

09:54:24 5 A. Yes.

6 Q. Do you have any professional employment  
7 that's not listed on your risumi?

8 A. No.

9 Q. Now, at the University of Notre Dame  
09:54:52 10 where you currently work, what courses do you  
11 teach?

12 A. I teach financial statement analysis and  
13 valuation.

14 Q. Have you taught any other subjects other  
09:55:14 15 than financial statement analysis and valuation?

16 MS. JONES: Object to form.

17 A. Yes.

18 Q. What other topics have you taught?

19 A. I've taught introductory accounting.  
09:55:30 20 I've taught management accounting. I've taught  
21 several Ph.D. classes.

22 Q. Any other accounting topics that you've  
23 taught at the University of Notre Dame?

24 A. I didn't teach those classes at the  
09:55:55 25 University of Notre Dame. I thought your question



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09:55:57 1 was had I taught any other classes.

2 Q. I meant at the -- I'm sorry if I -- at  
3 the University of Notre Dame.

4 A. I have taught financial statement  
09:56:05 5 analysis and valuation at the University of Notre  
6 Dame.

7 Q. Have you taught any other subjects at  
8 the University of Notre Dame?

9 A. No, I have not.

09:56:12 10 Q. At the Ohio State University, what  
11 courses have you taught?

12 A. I taught managerial accounting, Ph.D.  
13 courses in financial statement analysis, and I  
14 taught managerial accounting to MBAs.

09:56:34 15 Q. What types of Ph.D. courses have you  
16 taught at Ohio State University?

17 A. The Ph.D. courses were courses  
18 associated with research in what is called in the  
19 literature capital markets.

09:56:54 20 Q. At the University of Adelaide, what kind  
21 of courses did you teach there?

22 A. I didn't teach at the University of  
23 Adelaide.

24 Q. Okay. Did you teach when you were an  
09:57:07 25 assistant professor at the University of Chicago?

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09:57:10 1 A. Yes.

2 Q. What courses did you teach --

3 A. I taught managerial --

4 Q. -- as an assistant professor --

09:57:16 5 A. I'm sorry.

6 Q. -- at the University of Chicago?

7 A. I'm sorry. I taught managerial

8 accounting.

9 Q. Anything else?

09:57:21 10 A. No.

11 Q. Do you have an area of expertise?

12 MS. JONES: Objection to

13 form.

14 A. Yes.

09:57:54 15 Q. What is your area of expertise?

16 A. My expertise is two areas of expertise:

17 Accounting and valuation.

18 Q. What is valuation?

19 A. Valuation is determining the intrinsic

09:58:17 20 worth of an entity.

21 Q. Do you consider yourself an expert in

22 the accounting of digital assets?

23 A. No.

24 Q. Have you ever taught a course, an

09:59:00 25 accounting course, about digital assets?

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09:59:02 1

A. No.

2

Q. Are all the professional organizations that you belong to listed in your Appendix A?

3

4

A. Yes.

09:59:27 5

Q. Okay. Do you know if any of these organizations have any relationships with the defendants in this case?

6

7

8

MS. JONES: Objection to

9

form.

09:59:47 10

A. No.

11

Q. Are any of the memberships in the organizations that you listed voluntary?

12

13

A. Could you point me to this list, please?

14

I'm -- I'm not aware of what you're talking about.

10:00:04 15

Q. Okay. So on Appendix A, I believe you list under "Academic and Professional Experience" --

16

17

18

A. Yes.

19

Q. -- "Member, Scientific Council, Center."

10:00:25 20

A. These are not professional organizations.

21

22

Q. Okay.

23

A. They're both advisory boards.

24

Q. Do you belong to any professional

10:00:31 25

organizations?

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10:00:32 1 A. No.

2 Q. What's the Scientific Council, Center?

3 A. This is the council that runs the  
4 economics, econometrics, finance, and accounting  
10:00:49 5 at Tilburg University in the Netherlands.

6 THE REPORTER: At the  
7 University of?

8 THE WITNESS: Tilburg  
9 University in the Netherlands.

10:01:08 10 Q. Okay. And what is your role as a member  
11 of the Scientific Council, Center?

12 A. I advise on major issues: Development  
13 of Ph.D. program, staffing, allocation of funds  
14 across the various departments, downsizing where  
10:01:35 15 that's necessary.

16 Q. Okay. What is the Northern Trust Global  
17 Investments entity that you've listed on your  
18 Appendix A?

19 A. This is a large institutional investor  
10:01:53 20 based in Chicago.

21 Q. And what is your role as a member of the  
22 Northern Trust Global Investments advisory board?

23 A. I advise them on complex accounting  
24 matters.

10:02:22 25 Q. Have you ever provided any advice

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10:02:24 1 regarding digital assets to any of the -- these  
2 entities that we just discussed?

3 MS. JONES: Objection to  
4 form.

10:02:36 5 A. No.

6 Q. Have you provided any advice  
7 regarding -- professional advice regarding  
8 digital -- the accounting for digital assets to  
9 any of the entities that you've listed on your  
10 Appendix A?

11 A. No.

12 Q. Do you have any professional licenses?

13 A. No.

14 Q. Okay. Have you listed all of the  
10:03:38 15 testimony that you have provided in the past four  
16 years in your report?

17 A. Yes.

18 Q. Have you ever testified about the  
19 accounting of digital assets?

10:04:03 20 A. No.

21 Q. Have you ever conducted any seminars  
22 regarding the accounting for digital assets?

23 A. No.

24 Q. Have you listed all of your publications  
10:04:28 25 in the last ten years in the appendix to your

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10:04:31 1 report?

2 A. Yes.

3 Q. Are there any articles listed in the  
4 appendix to your report concerning the accounting  
10:04:45 5 for any digital assets?

6 A. No.

7 Q. Have you listed the books that you are  
8 -- that you published in the appendix to your  
9 report?

10:04:59 10 A. Yes.

11 Q. Are there any books that you've listed  
12 concerning the accounting for digital assets?

13 A. No.

14 Q. So is there anything in the appendices  
10:05:21 15 to your report that concern the accounting for  
16 digital assets?

17 MS. JONES: Objection to  
18 form.

19 A. Not specifically, no.

10:05:53 20 Q. Okay. With regard to the invited  
21 presentations that you've listed in the appendix  
22 to your report, has any of these presentations --  
23 or have any of these presentations concerned the  
24 accounting for digital assets?

10:06:10 25 A. No.

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10:06:19 1 Q. Have you ever submitted any writings  
2 that were not accepted for publication?

3 A. Yes.

4 Q. Can you tell me which writings that you  
10:06:29 5 submitted that were not accepted for publication?

6 A. It would be all of those listed on my  
7 vitae that don't have a journal associated with  
8 them.

9 Q. Have you provided any trial testimony in  
10:06:59 10 the past four years regarding digital assets?

11 A. No.

12 Q. Have you provided any trial testimony  
13 prior to the past four years regarding digital  
14 assets?

10:07:11 15 A. No.

16 Q. Have you provided any deposition  
17 testimony in the past four years regarding digital  
18 assets?

19 A. No.

10:07:19 20 Q. Have you provided any deposition  
21 testimony prior to the past four years regarding  
22 digital assets?

23 A. No.

24 Q. Can you tell me the scope of your  
10:07:50 25 assignment with regards to the opening report that

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10:07:52 1 you submitted in this case?

2 MS. JONES: Objection to  
3 form. And we've been going about an  
4 hour.

10:07:59 5 Peter, are you -- do you want  
6 to break or do you want to go a little  
7 bit --

8 THE WITNESS: Let's take a  
9 break.

10:08:04 10 MS. JONES: All right.  
11 Well, after the question and then  
12 we'll --

13 MS. GUERRIER: Let me --  
14 once he answers --

10:08:06 15 THE WITNESS: I beg your  
16 pardon.

17 MS. GUERRIER: No, no, not  
18 at all. Once you answer the question  
19 --

10:08:10 20 THE WITNESS: Please ask  
21 your question again.

22 MS. GUERRIER: Okay. Sure.

23 BY MS. GUERRIER:

24 Q. So can you tell me the scope of your  
10:08:14 25 assignment with regards to the opinion -- opening



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10:08:17 1 report that you submitted in the case?

2 MS. JONES: And objection to  
3 the form.

4 A. I believe it's clearly stated in  
10:08:25 5 paragraph 9.

6 Q. Okay. Can you tell us for the record  
7 what the scope of your assignment was?

8 A. Should -- should I read paragraph 9?

9 Q. If you would like to tell me the scope  
10:08:36 10 of the assignment.

11 A. Okay. "I've been retained by Kellogg,  
12 Hansen, Todd, Figel & Frederick, P.L.L.C, Counsel  
13 for the defendant Ripple ('Counsel'), to provide  
14 expert testimony in connection with this  
10:08:49 15 litigation, based on my expertise as an accounting  
16 professor and leading author of accounting  
17 treatises, as well as my review of the record  
18 evidence and other publicly available information,  
19 regarding the following topics:

10:09:05 20 "How would a hypothetical purchaser or  
21 holder of XRP understand the proper accounting for  
22 XRP transactions based on the applicable  
23 accounting guidance?

24 "Did Ripple account for the offer and  
10:09:18 25 sales of XRP, as alleged in the complaint, in

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10:09:22 1 accordance with the applicable accounting  
2 guidance?  
3 "Could Ripple," consistence with --  
4 "consistent with the applicable accounting  
10:09:30 5 guidance, properly account for transactions in XRP  
6 as securities transactions?"

7 Q. Okay. Thank you.

8 MS. GUERRIER: We can take a  
9 break now. How about --

10:09:41 10 THE WITNESS: Thank you.

11 MS. GUERRIER: -- what do --

12 MS. JONES: How long do you  
13 want? Five or ten minutes?

14 THE WITNESS: Five or ten  
10:09:44 15 minutes, yeah.

16 THE VIDEOGRAPHER: Going off  
17 the record at 10:10.

18 (Whereupon, a recess is taken.)

19 THE VIDEOGRAPHER: Okay.

10:24:38 20 Back on the record at 10:24.

21 BY MS. GUERRIER:

22 Q. Professor Easton -- may I call you  
23 professor?

24 A. Sure.

10:24:53 25 Q. Okay. Does paragraph 9 contain the

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10:24:56 1 scope of your assignment in this case?

2 A. Yes.

3 Q. Okay. Did you review the complaint in  
4 this case?

10:25:06 5 A. Yes.

6 Q. Are you familiar with what this case is  
7 about?

8 A. Yes.

9 Q. What is this case about?

10:25:17 10 A. This is an action, the SEC against  
11 Ripple Labs and others, regarding the -- whether  
12 or not XRP conforms with the legal definition of a  
13 security and, therefore, might fall under the SEC  
14 act.

10:25:58 15 Q. Okay. Are you providing any opinion on  
16 whether or not XRP is a security under the federal  
17 securities laws?

18 A. No.

19 Q. Do you know whether this case involves  
10:26:19 20 the treatment of XRP -- the account -- I'm sorry.

21 Do you know whether this case involves  
22 the accounting treatment of XRP?

23 MS. JONES: Object to form.

24 A. Could you restate the question, please?

10:26:39 25 Q. Do you know whether the accounting

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10:26:40 1 treatment of XRP is an issue before the Court in  
2 this case?

3 MS. JONES: Object to form.

4 A. I really don't understand the question.  
10:26:58 5 I'm sorry.

6 Q. Do you know whether this case involves  
7 the accounting treatment of XRP under GAAP?

8 MS. JONES: Object to form.

9 A. I still don't understand the question.  
10:27:11 10 I'm sorry.

11 Q. Okay. When you read the complaint in  
12 this case, did you see any allegations in the  
13 complaint about the -- what -- the accounting  
14 treatment of XRP under GAAP?

10:27:29 15 A. No.

16 Q. Are all of the opinions submitted in  
17 your -- the opening report are those that you'll  
18 be testifying to today?

19 A. Yes.

10:27:50 20 MS. JONES: Object to form.

21 Q. Can you please tell us the opinions you  
22 formulated in this case?

23 A. They are in paragraph 10. Shall I read  
24 paragraph 10?

10:28:05 25 Q. Could you please read your opinions for

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10:28:06 1 the record?

2 A. Okay. "Based on my analysis and review  
3 of the record evidence and relevant accounting  
4 guidance, I have concluded the following:

10:28:18 5 "Ripple, and other companies holding  
6 cryptocurrencies (including XRP), account for  
7 those holdings as indefinite-lived intangible  
8 assets ('Intangible Assets'). Ripple accounts for  
9 monetary and nonmonetary sales of XRP as revenues.

10:28:39 10 MoneyGram International, Incorporated  
11 ('MoneyGram'), a publicly traded holder of XRP,  
12 accounts for its receipt of XRP in exchange for  
13 providing services to Ripple as a reduction in the  
14 cost of providing those services.

10:28:57 15 "While there currently is no  
16 authoritative U.S. Generally Accepted Accounting  
17 Principles ('U.S. GAAP') directly applicable to  
18 the accounting for cryptocurrencies, the available  
19 guidance, analogous U.S. GAAP, and the practices

10:29:17 20 of other publicly traded companies holding  
21 cryptocurrencies are all consistent with the  
22 manner in which Ripple accounts for XRP on its  
23 balance sheet (that is, as an intangible asset),  
24 and are inconsistent with the notion that those

10:29:38 25 cryptocurrencies (including XRP) are securities

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10:29:41 1 under U.S. GAAP.

2 "Based on my understanding of the offer  
3 and sales of XRP as alleged in the complaint, it  
4 would be improper for Ripple to account for sales  
10:29:53 5 and transactions involving XRP as the offer and  
6 sale of securities under U.S. GAAP. In contrast,  
7 Ripple's accounting for sales of XRP as  
8 revenues - and not as the issuance of debt or  
9 equity securities - is consistent with U.S. GAAP's  
10:30:14 10 guidance for the accounting for consideration  
11 received in return for a company delivering goods,  
12 or providing or receiving services, as part of its  
13 ongoing operations."

14 Q. Thank you.

10:30:31 15 Going back to your paragraph 9(i), you  
16 used the term "hypothetical purchaser."

17 What do you mean by "hypothetical  
18 purchaser"?

19 A. I mean a purchaser who is considering --  
10:30:58 20 purchaser of a holding considering the purchase or  
21 continuing to hold XRP using the accounting --

22 THE REPORTER: I'm sorry,  
23 repeat, please.

24 A. Okay. I'm -- I'm considering the  
10:31:16 25 hypothetical purchaser as an individual -- as an

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10:31:20 1 entity understanding the proper accounting for XRP  
2 based on the accounting guidance that applies in  
3 the case of an asset such as XRP.

4 Q. Okay. Why did you use the term  
10:31:45 5 "hypothetical purchaser"?

6 A. I'm not considering any particular  
7 entity.

8 Q. What is the standard that you're using  
9 for defining hypothetical purchaser?

10:32:04 10 MS. JONES: Object to form.

11 A. I'm sorry, I'm just not understanding  
12 the question.

13 Q. Where did you obtain the definition of  
14 hypothetical purchaser?

10:32:15 15 MS. JONES: Object to form.

16 A. I did not look to a source to get that  
17 definition.

18 Q. Do you know if this is a depo -- is this  
19 a definition under any accounting guidance?

10:32:33 20 A. Hypothetical purchaser?

21 Q. Yes.

22 A. It may be. I can't quote to a  
23 particular guidance right now.

24 Q. What do you mean by "cryptocurrencies"  
10:32:49 25 in your opinion?

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10:32:54 1 A. I mean a currency that exists on -- in  
2 digital form on an encrypted ledger.

3 Q. What is the basis for your definition of  
4 cryptocurrency?

10:33:14 5 A. Again, I -- I struggle with the  
6 question. I -- that's how I would define it.

7 Q. Is the definition based on any personal  
8 knowledge?

9 MS. JONES: Objection to  
10 form.

10:33:29 10  
11 A. Probably.

12 THE REPORTER: I'm sorry?

13 A. Probably.

14 Q. Are you making an assumption that XRP is  
10:33:43 15 a cryptocurrency?

16 MS. JONES: Objection to  
17 form.

18 A. No.

19 Q. Are you giving an opinion that XRP is a  
10:33:53 20 cryptocurrency?

21 A. I believe it is a cryptocurrency.

22 Q. Is this an opinion that you formulated?

23 MS. JONES: Objection to  
24 form.

10:34:04 25 A. I believe it is a cryptocurrency. You



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10:34:06 1 could call it an opinion, I suppose.

2 Q. Is this an expert opinion that you're  
3 providing regarding the status of XRP as a  
4 cryptocurrency?

10:34:23 5 A. My expertise is -- is in accounting.  
6 And an expert -- as an expert in accounting, I  
7 understand the attributes of the asset that I'm  
8 valuing. It's from that perspective that I've  
9 defined cryptocurrency.

10:34:39 10 Q. What is the basis for your opinion that  
11 XRP is a cryptocurrency?

12 MS. JONES: Objection.

13 A. I don't understand the question.

14 Q. What are you relying on in support of  
10:34:55 15 your opinion that XRP is a cryptocurrency?

16 MS. JONES: Objection to  
17 form.

18 A. Reading about XRP.

19 Q. Where -- what materials did you read  
10:35:16 20 about XRP that support your opinion that XRP is a  
21 cryptocurrency?

22 MS. JONES: Objection to  
23 form. Counsel, he's not offering an  
24 opinion. He --

10:35:26 25 MS. GUERRIER: I'm sorry, he

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10:35:27 1 just said that he's offering an  
2 opinion. So please do not --

3 MS. JONES: That's your  
4 opinion that he's offering in this  
10:35:31 5 case.

6 MS. GUERRIER: No, he's --  
7 no, he just stated that he's offering  
8 an opinion that XRP is a  
9 cryptocurrency. And I would ask you  
10:35:37 10 to just state your objection on the  
11 record and not speaking objections.  
12 Thank you.

13 BY MS. GUERRIER:

14 Q. So what --

10:35:43 15 A. Would you read back to me, please, where  
16 I offered that opinion?

17 "Q. Is this an expert opinion  
18 that you're providing regarding the  
19 status of XRP as a cryptocurrency?

10:36:04 20 "A. [As read] My expertise is  
21 in accounting and as an expert in  
22 accounting, I understand attributes  
23 of the asset that I'm" evaluating --  
24 "that I'm valuing. It's from that  
10:36:16 25 perspective that I define

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10:36:19 1 cryptocurrency."

2 And earlier I asked you: "Are you  
3 giving an opinion that XRP is a cryptocurrency?"

4 You answered "I believe it is a  
10:36:33 5 cryptocurrency."

6 I asked, "Is this an opinion that you  
7 formulated?"

8 And you answered "I believe it is a  
9 cryptocurrency. You could call it an opinion, I  
10:36:42 10 suppose."

11 So let's clarify.

12 Are you providing an expert opinion on  
13 whether or not XRP is a cryptocurrency?

14 A. No.

10:37:01 15 Q. Okay. Are you making an assumption that  
16 XRP is a cryptocurrency?

17 MS. JONES: Object to form.

18 A. Certain assumption is not necessary for  
19 my report.

10:37:12 20 Q. So did -- did you make that assumption  
21 that XRP is a cryptocurrency?

22 MS. JONES: Objection to  
23 form. Asked and answered.

24 A. I considered the attributes of the asset  
10:37:26 25 XRP. And my opinion is based on those attributes.

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10:37:31 1 Q. Okay. So just to clarify, you're not  
2 providing --

3 A. May I complete my answer, please?

4 Q. I'm sorry. Sure.

10:37:36 5 A. The label "cryptocurrency" is not  
6 necessary for that opinion.

7 Q. So could you use the term "digital  
8 asset" to describe XRP as well?

9 MS. JONES: Object to form.

10:37:51 10 A. It is a digital asset.

11 Q. Okay. So could you use that term to  
12 describe it?

13 MS. JONES: "It" being XRP?

14 A. Possibly. It's the attributes of XRP  
10:38:05 15 that matters. It's not the label that matters.

16 Q. Going back to your opinion, you used the  
17 term "securities."

18 Can you provide a definition of  
19 securities in your opinion?

10:38:30 20 A. Point me to exactly where I used it.

21 Q. Well, in paragraph --

22 A. Okay.

23 Q. So Opinion 10(ii).

24 A. Yes.

10:38:47 25 Q. You state that -- in the last part of

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10:38:57 1 your opinion in that sentence, you use the term  
2 "securities."

3 A. Yes.

4 Q. Okay. Can you explain what you mean by  
10:39:03 5 "securities" in that opinion?

6 A. Yes. My -- my opinion is based on  
7 United States Generally Accepted Accounting  
8 Principles.

9 Q. And how are -- I'm sorry, were you done?

10:39:15 10 A. And my definition -- definition of  
11 securities and the attributes of securities is all  
12 based on Generally Accepted U.S. Accounting  
13 Principles.

14 Q. Are you done with your answer?

10:39:34 15 A. Yes.

16 Q. So how are securities defined under  
17 Generally Accepted Accounting Principles?

18 MS. JONES: And, Peter, if  
19 you want to go to a -- if it would be  
10:39:46 20 helpful to go to the paragraph in  
21 your report --

22 THE WITNESS: Yeah, I think  
23 it would be best to go to the  
24 paragraph in my report.

10:40:07 25 In fact, it's a section in my

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10:40:09 1 report, Section C.

2 Q. What page are you on?

3 A. Seventeen.

4 Q. Thank you.

10:40:18 5 So could you define securities under  
6 that, please?

7 A. Does it say -- in paragraph 36: "The  
8 Financial Accounting Standards Board provides two  
9 definitions of a security. Under the first  
10:40:37 10 definition, a security is defined as: 'The  
11 evidence of debt or ownership or a related right.  
12 It includes options and warrants as well as debt  
13 and stock.'"

14 Paragraph 37: "Under the second  
10:40:57 15 definition, the FASB defines a security as a  
16 share, participation, or other interest in  
17 property or in an entity of the insurer (sic) or  
18 an obligation of the issuer that has all of the  
19 following characteristics:

10:41:16 20 "A. It is either represented by an  
21 instrument issued in bearer or registered form or,  
22 if not represented by an instrument, is registered  
23 in books maintained to record transfers by or on  
24 behalf of the issuer.

10:41:33 25 "B. It is of the type commonly dealt on

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10:41:38 1 securities exchanges or markets or, when  
2 represented by an instrument, is commonly  
3 recognized in any area in which it is issued or  
4 dealt in as a medium for investment.

10:41:49 5 "C. It either is one of a class or  
6 series or by its terms is divisible into a class  
7 or series of shares, participations, interests, or  
8 obligations."

9 And then I go on to elaborate.

10:42:11 10 Q. Okay. Thank you.

11 Going back to the first opinion in your  
12 paragraph 10(i), is this the complete opinion that  
13 you formed in response to paragraph -- the  
14 question that you posed in paragraph 9(i)?

10:42:43 15 MS. JONES: Objection to  
16 form.

17 A. No.

18 Q. What is your complete opinion that -- in  
19 response to paragraph 9(i)?

10:43:08 20 MS. JONES: Object to the  
21 form.

22 A. The responses in paragraph 10 jointly  
23 respond to the questions as raised in 9.

24 Q. Okay. Did anyone assist you in  
10:43:23 25 formulating this opinion? And when I say "this

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10:43:26 1 opinion," I'm referring to the opinion in  
2 paragraph 10(i).

3 MS. JONES: And you can  
4 answer that question yes or no, but  
10:43:31 5 I'm going to direct you not to  
6 disclose any communications that you  
7 had with counsel.

8 A. Yes.

9 Q. Who assisted you in formulating this  
10:43:48 10 opinion?

11 A. Jennifer Milliron.

12 Q. Did counsel assist you in formulating  
13 the opinion in 10(i)?

14 MS. JONES: You can answer  
10:43:59 15 that question yes or no.

16 A. No.

17 Q. Okay. What is the basis for the opinion  
18 in 10(i)?

19 A. 10(i) is a statement of facts.

10:44:29 20 Q. Okay. So what is the -- where is --  
21 what is the opinion that you're giving in response  
22 to 9(i), whether a hypothetical purchaser or  
23 holder of XRP understands the proper accounting  
24 for XRP transactions based on the applicable  
10:44:47 25 accounting guidance?



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10:44:48 1 MS. JONES: Objection to  
2 form.

3 A. They would understand, as I've stated, a  
4 holding of cryptocurrencies as indefinite-lived  
10:45:05 5 intangible assets. They would understand the  
6 accounting for the monetary and nonmonetary  
7 transactions.

8 Q. Are there any facts that support the  
9 opinion that you formulated in response to the  
10:45:29 10 question in 9(i)?

11 MS. JONES: Objection to  
12 form.

13 A. Yes.

14 Q. What are the facts that support your  
10:45:39 15 opinion in response to question 9(i)?

16 MS. JONES: Objection to  
17 form.

18 A. So those facts are stated in 10(i).

19 Q. What are the specific facts?

10:45:51 20 A. "Ripple and other companies holding  
21 cryptocurrencies (including XRP), account for  
22 those holdings as indefinite-lived intangible  
23 assets. Ripple accounts for monetary and  
24 nonmonetary sales of XRP as revenues. MoneyGram  
10:46:07 25 International, a publicly traded holder of XRP,

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10:46:10 1 accounts for its receipt of XRP in exchange for  
2 providing services to Ripple as a reduction in the  
3 cost of providing those services."

4 Q. Where did you obtain the facts in  
10:46:25 5 support of -- the facts that state that Ripple and  
6 other companies holding XRP account for these  
7 indefinite-lived -- lived intangible assets?

8 MS. JONES: Objection to  
9 form.

10:46:44 10 A. From the annual reports.

11 Q. Do you recall what specific annual  
12 reports that support this statement in your  
13 opinion?

14 A. Ripple's annual reports, Tesla's annual  
10:46:59 15 reports, Microstrategy annual reports, MoneyGram's  
16 annual reports, which I've already said that, and  
17 Coinbase.

18 Q. And what in those annual reports support  
19 that statement?

10:47:14 20 MS. JONES: Objection to  
21 form.

22 A. A line item on the reported balance  
23 sheet that says "indefinite-lived intangible  
24 assets." And in many case, a footnote referring  
10:47:33 25 to the fact that those indefinite-lived intangible

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10:47:37 1 assets are cryptocurrencies.

2 Q. Okay. Do any of these entities that you  
3 cited report XRP specifically on -- in their  
4 financial records?

10:47:49 5 A. Yes.

6 Q. Which ones?

7 A. XRP and MoneyGram.

8 MS. JONES: You said XRP.

9 Do you mean Ripple?

10:48:01 10 THE WITNESS: I -- I mean --  
11 excuse me. Ripple and MoneyGram.

12 Q. And where did you obtain the facts in  
13 support of the statement -- the second sentence in  
14 your paragraph 10(i)?

10:48:19 15 MS. JONES: Objection to  
16 form.

17 A. I read the annual reports of Ripple and  
18 the annual reports of MoneyGram International.

19 Q. Now, you state in paragraph 10(i) that  
10:48:39 20 "MoneyGram accounts for its receipt of XRP in  
21 exchange for providing services to Ripple as a  
22 reduction in the cost of providing those  
23 services."

24 What specifically are you -- what  
10:48:57 25 specific facts are you relying on in support of

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10:49:00 1 this statement?

2 A. They report a contra expense.

3 Q. I'm sorry?

4 A. They report a contra expense.

10:49:08 5 Q. Where do they report that expense?

6 A. On their annual report. In the 10-K.

7 Q. What -- what year is the 10-K for?

8 A. I have cited it at some point.

9 The question is what year? I'm sorry.

10:50:02 10 Q. Yes.

11 A. 2020.

12 Q. Okay. Now, in your Question 9(i), you

13 were asking whether a hypothetical purchaser or

14 holder of XRP, how they would understand the

10:50:18 15 proper accounting for XRP.

16 So are you considering Ripple and

17 MoneyGram as hypothetical purchasers and holders

18 of XRP?

19 A. No.

10:50:31 20 Q. So who are the hypothetical purchasers

21 or holders of XRP in your opinion in response to

22 the question in 9(i)?

23 MS. JONES: Objection to

24 form. Asked and answered.

10:50:47 25 A. A hypothetical purchaser is an entity

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10:50:51 1 who uses the accounting as a source of information  
2 in informing their purchase or holding decision.

3 Q. Did you answer that question that you  
4 posed in 9(i) with respect to the hypothetical  
10:51:15 5 purchaser in your opinion?

6 A. Yes.

7 MS. JONES: Objection to  
8 form.

9 THE WITNESS: I'm sorry.

10:51:21 10 MS. JONES: That's okay.

11 Q. So are you considering MoneyGram an  
12 actual holder of XRP or a hypothetical holder of  
13 XRP?

14 MS. JONES: Objection to  
10:51:32 15 form. Asked and answered.

16 A. MoneyGram is an actual holder of XRP, or  
17 has been.

18 Q. Okay. So how would the hypothetical  
19 purchaser or holder of XRP account for XRP?

10:51:55 20 THE REPORTER: Account for?  
21 I can't hear you.

22 Q. Account for XRP.

23 A. I don't think purchasers do the  
24 accounting.

10:52:04 25 Q. Who would do the accounting for a

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10:52:06 1 purchaser?

2 A. The accounting -- the accountant would  
3 do it and the purchaser would read the  
4 accounting --

10:52:09 5 Q. Okay.

6 A. -- in an attempt to understand it.

7 Q. Would a purchase -- can a purchaser do  
8 his or her own accounting?

9 A. If the entity is trained as an  
10:52:18 10 accountant, yes.

11 Q. So does one have to be trained as an  
12 accountant to perform accounting for one's self?

13 A. One has to under -- my opinion is based  
14 on U.S. GAAP. One would have to understand U.S.  
10:52:36 15 GAAP.

16 Q. So does -- your hypothetical purchaser  
17 or holder of XRP is one that understands U.S.  
18 GAAP?

19 MS. JONES: Objection to

10:52:44 20 form.

21 A. The hypothetical purchaser needs to be  
22 sufficiently informed to use the accounting in the  
23 entity's decision.

24 Q. So is there any accounting guidance for  
10:53:06 25 the treatment, the accounting treatment, for

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10:53:10 1 digital assets?

2 A. Yes.

3 Q. Is there any authoritative accounting  
4 guidance for the accounting treatment of digital  
10:53:19 5 assets?

6 MS. JONES: Object to form.

7 A. Yes.

8 Q. What is the authoritative guidance for  
9 the accounting treatment of digital assets?

10:53:32 10 A. I have pages of discussion of it here.

11 Q. I'm sorry?

12 A. I have pages of discussion starting  
13 Section IV on page 5.

14 Q. Okay. Can you list the author --

10:54:19 15 authoritative guidance for digital asset  
16 treatment?

17 A. Can I list it?

18 Q. Yes. Could you tell us what the  
19 authoritative guidance is for a digital asset?

10:54:30 20 MS. JONES: Object to the  
21 form.

22 A. If you'd like me to read all of Section  
23 V?

24 Q. No. But you can -- can you provide,  
10:54:41 25 like, a summary of what the authoritative guidance

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10:54:44 1 is for a digital asset as treatment for  
2 accounting?

3 MS. JONES: Objection to  
4 form.

10:54:53 5 A. I can summarize, but I am paraphrasing,  
6 so I very likely will state something incorrectly.

7 There is as yet no authoritative  
8 guidance from either the Financial Accounting  
9 Standards Board or the Securities and Exchange  
10 Commission.

10:55:12 10  
11 There is authoritative guidance from the  
12 International Accounting Standards Board which has  
13 accounting principles that are sometimes similar  
14 to those of U.S. GAAP, sometimes quite different,  
10:55:32 15 but it does inform U.S. GAAP.

16 In the absence of guidance from the  
17 Financial Accounting Standards Board, the American  
18 Institute of Chartered Public Accountants has  
19 issued guidance, which is generally considered to  
10:55:50 20 be authoritative. And each of the Big 4  
21 accounting firms, which supervise and employ  
22 millions of accountants worldwide, have issued  
23 guidance.

24 Q. Okay. What is the Financial Accounting  
10:56:32 25 Standards Board -- is that known as FASB?



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10:56:35 1 A. Yes.

2 Q. Okay. What is the guidance from FASB  
3 regarding the accounting treatment of digital  
4 assets?

10:56:42 5 MS. JONES: Objection to  
6 form. Asked and answered.

7 A. I believe I have answered that question.  
8 I -- I said FASB has not provided any  
9 authoritative guidance.

10:56:57 10 Q. Okay. What is the guidance from the  
11 International Accounting Standards Board regarding  
12 the accounting treatment of digital assets?

13 A. "The International Accounting Standards  
14 Board publishes accounting standards (referred to  
10:57:20 15 as International Financial Reporting Standards)  
16 which are the accounting principles adopted by  
17 many countries throughout the world. In May 2019,  
18 the IFRS Interpretations Committee provided  
19 accounting guidance for cryptocurrencies having  
10:57:37 20 all of the following characteristics:

21 "A. A cryptocurrency that is a digital  
22 or virtual currency recorded on a distributed  
23 ledger and uses cryptography for security.

24 "A cryptocurrency that is not issued by  
10:57:57 25 a jurisdictional authority or other party.

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10:57:59 1 "A holding of a cryptocurrency that does  
2 not give rise to a contract between the holder and  
3 another party.

4 "In particular, the IFRS guidance  
10:58:12 5 provides two options for the accounting treatment  
6 of a company's holdings of cryptocurrency: The  
7 Committee concluded that IAS 2 inventories applies  
8 to the cryptocurrencies when they are held for  
9 sale in the ordinary course of business. If IAS 2  
10:58:31 10 is not applicable, an entity applies IAS 38  
11 Intangible Assets to holdings of  
12 cryptocurrencies."

13 Q. What is the guidance from the AICPA  
14 regarding the accounting for digital assets?

10:59:22 15 A. Would you like me to read from paragraph  
16 24 and 25?

17 Q. Can you summarize what the guidance is  
18 for the accounting treatment of digital assets by  
19 the AICPA?

10:59:43 20 A. Yes. It's very similar to the  
21 International Accounting Standards Board. It  
22 differs inasmuch as the AICPA concludes that under  
23 U.S. GAAP, cryptocurrencies cannot be traded as  
24 inventory.

11:00:05 25 Q. Okay. You also mentioned the Big 4

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11:00:07 1 accounting firms.

2 A. Yes.

3 Q. Do they have authoritative guidance over  
4 the accounting treatment of a digital asset?

11:00:20 5 A. That depends on the interpretation of  
6 authoritative. It is certainly the case that if  
7 the Big 4 offer an opinion, the accounting world  
8 pays a lot of attention. And I would say it does  
9 become authoritative if all four accounting firms  
11:00:41 10 offer essentially the same opinion and it is  
11 concordant with the AICPA opinion.

12 Q. Okay. How does it become authoritative  
13 after the Big 4 issue similar opinions about a  
14 particular topic?

11:01:03 15 THE REPORTER: About?

16 MS. GUERRIER: A particular  
17 topic.

18 MS. JONES: Objection to  
19 form.

11:01:12 20 A. Could you elaborate on the question,  
21 please?

22 Q. Yeah.

23 So you stated -- let me -- you stated  
24 that if the Big 4 offer an opinion, the

11:01:28 25 accounting world pays a lot of attention and that

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11:01:31 1 it does become authoritative if all four  
2 accounting firms offer essentially the same  
3 opinion and it is concordant with the AICPA.

4 So how does this process work?

11:01:45 5 A. Well, the Big 4, given that they are  
6 responsible for a massive amount of accounting  
7 practice in the world, provide an opinion as, I  
8 would say, an authority. Therefore, it's an  
9 authoritative opinion.

11:02:11 10 Q. What happens if a -- an entity does not  
11 follow an opinion that's been issued by the Big 4?

12 A. If the company is an audited company, I  
13 expect that the auditor would question that  
14 classification of the asset.

11:02:35 15 THE REPORTER: That  
16 classification?

17 THE WITNESS: Of the asset.  
18 I'm sorry.

19 Q. Does not following an opinion by the Big  
11:02:41 20 4 equal a violation of Generally Accepted  
21 Accounting Principles?

22 MS. JONES: Objection to  
23 form.

24 A. I don't think so.

11:03:16 25 Q. Okay. Well, is it fair to say that the

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11:03:18 1 Big 4 accounting firms are not on equal footing  
2 with GAAP?

3 A. I don't understand that question at all.

4 Q. Let me rephrase that.

11:03:29 5 The Big 4 accounting firms, in terms of  
6 authority over the accounting treatment of  
7 something, are they on equal footing with FASB  
8 authoritative guidance?

9 MS. JONES: Objection to

11:03:41 10 form.

11 A. No. In this case, there is no FASB  
12 guidance, however.

13 Q. Okay. Going back to your opinion in  
14 response to Question 9(i), did you rely on any  
11:04:17 15 documents in support of that opinion?

16 MS. JONES: Objection to

17 form.

18 A. Forgive me, but I believe I answered  
19 that question. Yes.

11:04:31 20 Q. Okay. So the documents that you  
21 identified earlier, are these the universe of  
22 documents that you relied on in support of that  
23 opinion?

24 MS. JONES: Objection to

11:04:37 25 form.

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11:04:45 1 A. I'm not sure.

2 Q. Were there any documents that you  
3 considered that are -- you did not previously  
4 describe?

11:04:56 5 A. Possibly. There are -- there are no  
6 documents that I haven't listed as documents that  
7 I relied upon in writing the report.

8 Q. How about documents that you considered  
9 in writing the report?

11:05:09 10 A. Not that --

11 MS. JONES: Objection to  
12 form.

13 A. Not that I recall as I sit here now.

14 Q. Did counsel provide you with any  
11:05:18 15 documents that you considered in writing the  
16 opinion in response to Question 9(i)?

17 MS. JONES: You can answer  
18 that question yes or no.

19 A. Yes.

11:05:29 20 Q. What specific documents did counsel  
21 provide you with regarding your response to  
22 Question 9(i)?

23 MS. JONES: I'm just going  
24 to instruct you, you can answer as to  
11:05:40 25 the -- the facts that counsel gave

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11:05:41 1 you, but don't disclose any  
2 communications beyond the facts that  
3 counsel gave you or the documents.

4 A. My recollection is that the annual  
11:05:54 5 reports of Ripple were more than likely provided  
6 by counsel.

7 Q. Do you have a specific recollection of  
8 whether the annual reports -- Ripple's annual  
9 reports were provided by counsel to you?

11:06:06 10 A. No.

11 Q. Any other documents that counsel  
12 provided to you that were considered in support of  
13 your response to Question 9(i)?

14 A. No.

11:06:22 15 Q. Were there any assumptions that you made  
16 in formulating your opinion in response to  
17 Question 9(i)?

18 MS. JONES: And same  
19 instruction. Don't disclose any  
11:06:36 20 communications that you've had with  
21 counsel.

22 A. There -- there were no assumptions,  
23 period.

24 Q. Okay. Did you conduct an analysis in  
11:06:49 25 support of your opinion in response to question

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11:06:52 1  
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11:06:54 5  
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11:07:22 10  
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11:07:49 15  
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11:08:28 20  
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11:08:58 25

9(i)?  
A. Yes.  
Q. What is the --  
MS. JONES: Objection to  
form. Sorry.  
Q. What is the analysis that you conducted?  
A. I carefully considered the existing  
guidance for accounting for assets under U.S. GAAP  
and for the accounting for the sale of those  
assets under U.S. GAAP.  
And based on very clear definitions of  
assets in that guidance, I considered what XRP was  
and what XRP was not.  
Q. Can you elaborate? When you state that  
you "considered what XRP was," what do you mean?  
A. Could we look at page 8?  
Q. Okay. Yes.  
A. Page 8 provides definitions as  
established by the Financial Accounting Standards  
Board of various types of assets.  
Q. Uh-huh.  
A. I carefully considered each of those  
types of assets and determined why XRP was not any  
other category than intangible long-lived assets.  
Q. So are all of the categories of assets



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11:09:04 1 that XRP does not fall into listed in paragraph 17  
2 of your report?

3 MS. JONES: Objection to  
4 form.

11:09:22 5 A. Could you say the question again,  
6 please?

7 Q. Yes. Are all of the categories of  
8 assets that XRP does not fall into listed in  
9 paragraph 17 of your report?

11:09:40 10 MS. JONES: Do you mean 18?

11 MS. GUERRIER: Is it 18?

12 A. It's both, 17 and 18. And 19.

13 Q. Okay. So is the answer yes?

14 A. The answer is no. This is 18 and 19.

11:10:07 15 Q. Okay. So are -- those three paragraphs  
16 include all of the categories of assets that XRP  
17 does not fall under?

18 MS. JONES: Objection to  
19 form.

11:10:24 20 A. I can't think of any others as I sit  
21 here now. These are rather all encompassing.

22 Q. Okay. So can you show me in your report  
23 where your analysis in support of the opinion that  
24 you formed in response to Question 9(i) is  
11:10:53 25 located?

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11:11:00 1 A. I think it's pages and pages and pages  
2 here. It's a large part of the report.

3 Q. So in response to the question of  
4 whether a hypothetical purchaser or holder of XRP  
11:11:13 5 would understand the proper accounting for XRP, so  
6 I -- you walked me through the paragraph where the  
7 assets that XRP does not fall under are located.

8 So is there anything else in support of  
9 your analysis that you can point to in your  
11:11:42 10 report?

11 A. Yes.

12 Q. What else?

13 MS. JONES: Objection to  
14 form to the prior question.

11:11:47 15 A. It's all of these paragraphs --

16 Q. What --

17 A. -- that discuss what the AICPA's  
18 guidance is, what PWC, EY, et cetera's --

19 THE REPORTER: What the AICPA's  
11:12:04 20 guidance is what? The what?

21 THE WITNESS: PWC, EY, et  
22 cetera's, guidance is.

23 BY MS. GUERRIER:

24 Q. Okay. Can you summarize the analysis  
11:12:08 25 that you've conducted in support of your opinion

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11:12:10 1 in 9 -- in response to Question 9(i)?

2 MS. JONES: Objection to  
3 form. Asked and answered.

4 A. The analysis is I've done it myself.  
11:12:24 5 I've referred to analysis done by the Big 4. I  
6 referred to guidance from the AICPA, all of which  
7 essentially look at the same asset categories as I  
8 looked at. They're all listed on page -- whatever  
9 the page is -- 8 and discuss why they form the  
11:12:49 10 conclusion that under United States GAAP, XRP  
11 should be recorded as an intangible long-lived  
12 asset.

13 Q. Okay. So can you tell me why XRP should  
14 be reported as an intangible asset?

11:13:15 15 A. Yes. XRP are not cash or cash  
16 equivalents because they do not represent fiat  
17 currency or short-term high-liquidity investments.  
18 They represent insignificant risk of change in  
19 value.

11:13:27 20 They are not debt securities because  
21 they do not represent a creditor relationship  
22 between issuer and holder.

23 They are not equity securities because  
24 they do not provide the holder with an ownership  
11:13:44 25 interest in an entity or the right to acquire or

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11:13:46 1 dispose of an ownership interest.

2 They are not investment contracts  
3 because they are not investments linked to  
4 insurance policies.

11:13:58 5 They are not inventory or property,  
6 plant, and equipment because they do not represent  
7 tangible property.

8 They do appear to meet the definition of  
9 intangible assets given that they lack physical  
11:14:14 10 substance and they are not a financial asset.

11 Q. Is this particular analysis one that is  
12 conducted by your peers in determining whether  
13 something is categorized as a digital asset or  
14 not?

11:14:37 15 MS. JONES: Object to form.

16 A. This is accounting 101 inasmuch as if  
17 we're accounting for a sweater or a barrel of oil  
18 or a bushel of cotton or whatever, we would go  
19 through this analysis.

11:15:00 20 Q. Okay. Do you know if there are any  
21 dissenting views regarding whether or not a  
22 digital asset such as XRP would be considered an  
23 intangible asset?

24 MS. JONES: Objection to  
11:15:10 25 form.

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11:15:21 1 A. I'm -- I'm here to give an opinion on  
2 the classification under U.S. GAAP, not a general  
3 classification.

4 Q. Well, do you know under U.S. GAAP  
11:15:32 5 whether there are dissenting views as to whether  
6 XRP would be considered an intangible asset for  
7 accounting purposes?

8 MS. JONES: Objection to  
9 form again.

11:15:46 10 A. I know of some who argue that  
11 cryptocurrencies could be considered as inventory  
12 under U.S. GAAP, but that view flies in the face  
13 of XRP or cryptocurrencies not having physical  
14 substance. And that very point is made in that  
11:16:19 15 dissenting view.

16 Q. Do you know who those that have the  
17 dissenting view about the character of  
18 cryptocurrencies --

19 A. PWC --

11:16:33 20 MS. JONES: Objection to  
21 form.

22 THE WITNESS: I'm sorry.

23 Q. Anyone else?

24 A. No.

11:17:03 25 Q. Okay. Do you know if there are any

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:17:05 1 views regarding treating a digital asset as an  
2 investment type of asset?

3 MS. JONES: Objection to  
4 form.

11:17:22 5 A. Yes.

6 Q. What are the views regarding treating a  
7 digital asset as an investment asset under -- for  
8 accounting purposes?

9 A. For accounting purposes?

11:17:32 10 Q. Yes.

11 A. Oh, I don't know of any of those views.  
12 You didn't ask that question.

13 Q. Sorry.

14 Specifically with regard to accounting  
11:17:40 15 purposes?

16 A. As -- and the question was as an  
17 investment asset?

18 Q. Yes.

19 A. I don't know what that means.

11:17:51 20 Q. How would you account for a digital  
21 asset that's held for investment and then later  
22 sold?

23 MS. JONES: Objection to  
24 form.

11:18:03 25 A. It would be an intangible long-lived

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:18:05 1

asset.

2

Q. Okay. What would be the accounting entry for the type of asset that's an in -- that you say is an intangible long-lived asset but

11:18:15 5

that's held for investment and then sold?

6

A. The same.

7

Q. What --

8

A. It would be an intangible long-lived asset.

9

11:18:23 10

Q. How --

11

A. Bitcoin being an example on Tesla's balance sheet.

13

THE REPORTER: Repeat.

14

THE WITNESS: Bitcoin being

11:18:35 15

an example on Tesla's balance sheet.

16

THE REPORTER: On Tesla's? I

17

can't --

18

THE WITNESS: Balance sheet.

19

BY MS. GUERRIER:

11:18:43 20

Q. Are you providing any opinion as to whether bitcoin and XRP are similar in characteristics?

21

22

23

A. Yes.

24

Q. What is the opinion that you're

11:18:56 25

providing regarding whether bitcoin and XRP are

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11:19:00 1 similar in characteristics?

2 A. They're both cryptocurrencies.

3 Q. What's the basis for your opinion that  
4 bitcoin and XRP are both cryptocurrency?

11:19:16 5 A. They're both digital assets existing --  
6 existing on an encrypted ledger. They lack  
7 physical substance. And, therefore, they're  
8 intangible assets and recorded as such.

9 MS. JONES: And just to be  
11:19:35 10 clear, Counsel, are you talking about  
11 an expert opinion that Mr. Easton's  
12 offering in this matter when you use  
13 the term "opinion"?

14 MS. GUERRIER: Yes.

11:19:44 15 MS. JONES: Okay.

16 BY MS. GUERRIER:

17 Q. Is that your expert opinion regarding  
18 the characteristics of bitcoin versus XRP?

19 A. Yes.

11:19:57 20 Q. Okay. So what is the basis for the --  
21 the opinion that bitcoin and XRP have similar  
22 characteristics?

23 A. They are both digital assets. They do  
24 exist on an encrypted ledger. They do lack  
11:20:21 25 physical substance.



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11:20:25 1 Q. Are you relying on anything that  
2 supports these statements that you're making right  
3 now regarding the characteristics of bitcoin and  
4 XRP?

11:20:32 5 MS. JONES: Objection to  
6 form.

7 A. I really don't understand the question.  
8 You're saying that they're not --

9 Q. Well, what in your education qualifies  
11:20:45 10 you to give an opinion on the characteristics of  
11 bitcoin versus XRP?

12 MS. JONES: Objection to  
13 form.

14 A. I've spent a heck of a lot of time as an  
11:20:54 15 accountant accounting for assets of many different  
16 kinds.

17 Q. Okay. Did you testi --

18 A. And I think I'm pretty good at  
19 identifying the characteristics of those -- of  
11:21:07 20 those assets for which I'm performing the  
21 accounting.

22 Q. Have you performed accounting for  
23 digital assets?

24 MS. JONES: Objection to  
11:21:14 25 form.

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11:21:19 1 A. Have I done debits and credits do you  
2 mean?

3 Q. Well, I'm using your term. So what  
4 did -- what did you mean when you said that you're  
11:21:34 5 pretty good at identifying the characteristics of  
6 those assets for which you're performing the  
7 accounting?

8 A. And your question?

9 Q. Have you performed accounting for any  
11:21:48 10 digital assets?

11 A. Yes.

12 Q. Which digital assets?

13 A. XRP.

14 Q. When did you perform the accounting for  
11:21:55 15 XRP?

16 A. In the process --

17 MS. JONES: Objection to  
18 form.

19 A. In the process of developing this  
11:22:00 20 report.

21 Q. What type of accounting did you perform  
22 for XRP?

23 MS. JONES: Objection to  
24 form.

11:22:09 25 A. I believe I've answered the question.

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11:22:13 1 So sorry if I haven't answered that question, but  
2 I'll probably give the same answer again.

3 As a professional accountant, when I'm  
4 determining the nature of an asset which I am  
11:22:26 5 going to account for, I consider various  
6 characteristics of those assets and determine what  
7 category of assets they fit in. And then I  
8 account for it accordingly.

9 Q. What are the specific characteristics of  
11:23:05 10 XRP that you've evaluated?

11 MS. JONES: For purposes of  
12 U.S. GAAP do you mean?

13 A. For purposes of U.S. GAAP?

14 Q. Well, in response to your -- in  
11:23:23 15 following up to your answer that you evaluate --  
16 you consider the various characteristics of the  
17 assets.

18 A. Well, is it cash? Is it a short-term  
19 highly liquid investment? Is there any  
11:23:42 20 characteristic that suggests that it represents a  
21 creditor relationship with an entity? Is there a  
22 representation of an ownership interest in an  
23 entity? Is it a long-term-duration contract  
24 involving insurance? Is it tangible property? Is  
11:24:09 25 it property, plant and equipment? Is it an

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11:24:14 1 intangible asset? Is it a financial asset?

2 Q. And what did -- what is -- answer did  
3 you arrive at?

4 A. It is an intangible long-lived asset.

11:24:42 5 Q. Does this intangible long-lived asset  
6 characteristics -- characteristic make XRP a  
7 cryptocurrency in your opinion?

8 MS. JONES: Objection to  
9 form.

11:24:57 10 A. No. Research and development is not a  
11 cryptocurrency, but it is an intangible long-lived  
12 asset.

13 Q. What specific characteristic other than  
14 the ones that you just stated would make XRP a  
11:25:16 15 cryptocurrency?

16 A. I -- I don't understand the question.

17 Q. Did you actually compare bitcoin's  
18 characteristics versus XRP's characteristics?

19 MS. JONES: Objection to

11:25:33 20 form. For purposes of U.S. GAAP you  
21 mean?

22 MS. GUERRIER: That's your  
23 question. That's not my question.

24 MS. JONES: I'm clarifying.

11:25:44 25 MS. GUERRIER: I'll re --

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11:25:44 1 I'll repeat my question.

2 BY MS. GUERRIER:

3 Q. My question is, did you actually compare  
4 bitcoin's characteristics versus XRP's  
11:25:52 5 characteristics?

6 A. I believe that I went through the  
7 categories I just labeled or just discussed for  
8 bitcoin and came to the same conclusion for  
9 bitcoin.

11:26:14 10 Q. Is this a process that is followed in  
11 your field when comparing different digital  
12 assets?

13 MS. JONES: Objection to  
14 form. Asked and answered.

11:26:28 15 A. The question -- I -- I -- I don't  
16 understand the question. I just don't understand  
17 the question.

18 Q. Well, let me go back to...

19 I believe you stated that you look at  
11:26:43 20 specific characteristics that you enumerated when  
21 evaluating a cryptocurrency, is that correct?

22 MS. JONES: Objection to  
23 form. Mischaracterizes the  
24 testimony.

11:26:55 25 A. That is not what I said.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:26:56 1 Q. Could you explain to me what you meant  
2 when you were saying that you looked at specific  
3 characteristics?

4 A. I said when I look at an asset, it could  
11:27:04 5 be this suit.

6 Q. Uh-huh.

7 A. It could be my tie. It could be oil in  
8 the ground. I and my students, any other  
9 professional accountant, would look at the asset  
11:27:19 10 and examine the characteristics within these  
11 parameters, these definitions, provided by the  
12 authority, the Financial Accounting Standards  
13 Board.

14 Once -- once an asset is classified in a  
11:27:38 15 particular area, it's classified into that area.  
16 It doesn't say that an intangible asset is a  
17 cryptocurrency. It says a cryptocurrency is an  
18 intangible asset. Those are two very different  
19 statements.

11:27:55 20 Q. Uh-huh. So do you need to determine the  
21 characteristics of an asset prior to being able to  
22 classify for GAAP purposes?

23 MS. JONES: Objection to  
24 form.

11:28:04 25 A. Yes.

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11:28:11 1 MS. JONES: And we've been  
2 going about another hour, so once you  
3 finish this line of questioning, it  
4 would be a good time for a break.

11:28:36 5 MS. GUERRIER: Give me one  
6 second.

7 MS. JONES: Sorry?

8 MS. GUERRIER: Give me one  
9 second.

11:28:57 10 (Pause)

11 MS. GUERRIER: Okay. I  
12 think we can take a 15-minute break.

13 MS. JONES: How about ten  
14 minutes?

11:29:13 15 MS. GUERRIER: Is this a  
16 lunch break?

17 MS. JONES: It's a little  
18 early --

19 THE VIDEOGRAPHER: Let me  
11:29:16 20 just go off the record.

21 Going off the record at 11:29.

22 (Whereupon, a recess is taken.)

23 THE VIDEOGRAPHER: Okay.

24 Back on the record at 11:41.

11:41:18 25 BY MS. GUERRIER:

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:41:18 1 Q. Professor Easton, to clarify, other than  
2 the accounting for XRP that you did in connection  
3 with this case, have you performed any accounting  
4 for digital assets?

11:41:32 5 MS. JONES: Objection to  
6 form.

7 A. No.

8 Q. Going back to the characteristics that  
9 you described earlier that you reviewed, are all  
11:41:53 10 fiat currencies cash or cash equivalent under  
11 GAAP?

12 A. A holding of fiat currency is cash.

13 THE REPORTER: I'm sorry, I  
14 can't understand you.

11:42:10 15 THE WITNESS: Sorry.

16 A. A holding of cash -- of fiat currency is  
17 cash.

18 Q. What do you mean by "a holding of fiat  
19 currency"?

11:42:20 20 A. Well, a euro is not cash and cash  
21 equivalence in the United States unless it's held  
22 by a U.S. company.

23 Q. So does whether something is cash or  
24 cash equivalent depend on its geographical  
11:42:50 25 location?



**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:42:50 1 MS. JONES: Objection to  
2 form.

3 A. No.

4 Q. What is the element that is required for  
11:42:59 5 a currency to be considered cash or cash  
6 equivalent?

7 A. The company -- company needs to  
8 physically hold the currency.

9 Q. Okay. Is there any cryptocurrency that  
11:43:18 10 you would classify as cash or cash equivalent  
11 under GAAP?

12 A. Not that I'm aware of.

13 Q. Going back to your report, the AICPA  
14 guidance directs that an investment company should  
11:44:05 15 determine whether its holding of digital assets  
16 represent -- I'm sorry. Strike that.

17 So the AICPA's guidance defines crypto  
18 assets as the type of digital asset that functions  
19 as a medium of exchange.

11:44:23 20 You write in Footnote 19 that it is  
21 evident that XRP has characteristics a, b and  
22 b.ii.

23 What facts did you consider in reaching  
24 your opinion that XRP functions as a medium of  
11:44:50 25 exchange?

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:45:01 1 A. It is used as a medium of exchange.

2 Q. Okay. Can you identify the facts that  
3 support this opinion?

4 MS. JONES: Objection to

11:45:08 5 form.

6 A. Payments to MoneyGram -- MoneyGram for  
7 services. Payments to executives. Payments for  
8 software development.

9 Q. Do you know if those facts are reliable?

11:45:45 10 A. Yes.

11 MS. JONES: Objection to

12 form.

13 Q. How do you --

14 A. Yes.

11:45:47 15 Q. -- how do you know that those facts are  
16 reliable?

17 A. Well, some of those things are discussed  
18 in audited financial reports.

19 THE REPORTER: Are discussed

11:45:57 20 in what?

21 THE WITNESS: Audited

22 financial reports.

23 THE REPORTER: Thank you.

24 Q. What specifically is discussed in the  
11:46:00 25 audited financial reports?

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:46:04 1 A. Off the top of my head, I can't point to  
2 them right now.

3 Q. Are they cited in your opinion report?

4 MS. JONES: Objection to

11:46:10 5 form.

6 A. I suspect they are later when I look at  
7 what individual companies do.

8 Q. I'm sorry?

9 A. I suspect they are when later I look at  
11:46:24 10 what particular companies do.

11 Q. Uh-huh. So with regards to MoneyGram,  
12 can you describe specifically what facts support  
13 your statement or opinion that XRP transactions  
14 with MoneyGram constitute a medium of exchange?

11:46:51 15 MS. JONES: Objection to  
16 form.

17 A. Well, MoneyGram provides a service for  
18 which it is paid a medium of exchange in XRP.

19 Q. What service does MoneyGram provide that  
11:47:05 20 you're referring to?

21 A. It maintains or helps facilitate the ODL  
22 platform.

23 Q. What's the ODL platform?

24 A. On-demand liquidity.

11:47:21 25 Q. Do you know what the ODL does?

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11:47:23 1 A. Yes.

2 Q. What does it do?

3 A. It transfers money across international  
4 jurisdictions, converting fiat currency in one  
11:47:36 5 country to XRP, converting it via the ODL  
6 platform -- transmitting it by the ODL platform  
7 and then, at the other jurisdiction, converting it  
8 back to the local currency.

9 Q. And are you providing an expert opinion  
11:48:00 10 that this transaction with XRP constitutes a  
11 medium of exchange?

12 A. For the purposes of this report, I  
13 understand that XRP is being used as a medium of  
14 exchange.

11:48:22 15 Q. When you say you understand, are you  
16 making an assumption about the use of XRP in  
17 connection with its MoneyGram transactions?

18 A. I wouldn't label it an assumption. It's  
19 my understanding.

11:48:39 20 Q. What is your -- the basis for your  
21 understanding?

22 A. From reading the way MoneyGram provides  
23 the service via the ODL platform.

24 Q. Other than reading the way that  
11:48:56 25 MoneyGram provides service via -- through the ODL

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

11:49:01 1 platform, is there anything -- I'm sorry, is there  
2 anything in your professional background that  
3 qualifies you to provide an opinion on whether or  
4 not XRP -- MoneyGram -- whether or not XRP in  
11:49:22 5 MoneyGram's transactions constitute a medium of  
6 exchange?

7 MS. JONES: Objection to  
8 form and that misstates his  
9 testimony.

11:49:32 10 A. Perhaps you could restate the question.

11 Q. Well, let me read this.

12 I asked you what was the basis of your  
13 understanding regarding the XRP MoneyGram  
14 transaction and XRP being a medium of exchange.

11:50:00 15 And you stated it was from reading the  
16 way MoneyGram provides the service via the ODL  
17 platform.

18 Do you -- excuse me.

19 Do you have a specific basis in support  
11:50:12 20 of this statement?

21 A. Yes.

22 Q. What is the basis?

23 A. I understand the economic substance of  
24 the transaction, which is the service was provided  
11:50:24 25 and it was paid for via XRP; hence, it's a medium

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11:50:29 1 of exchange.

2 Q. We'll -- we'll get back to that shortly.

3 A. Okay.

4 Q. Moving on to the opinion you formed in  
11:51:02 5 response to paragraph 9(ii), can you summarize the  
6 response to the question posed in paragraph 9(ii)?

7 A. Yes. The answer is yes.

8 Q. Okay. So what -- what is the opinion  
9 that you formed in response to paragraph 9(ii)?

11:51:36 10 A. Ripple accounted for sales of XRP as  
11 sales of the intangible assets which it had  
12 recorded on its balance sheet. They recorded them  
13 as U.S. GAAP requires, as the sale of an  
14 intangible at the current market value of that  
11:52:14 15 intangible and the associated expense, which is  
16 the amount at which the intangible is recorded on  
17 the balance sheet.

18 Q. Okay. Well, in your opinion on -- in  
19 paragraph 10(ii), you state that the available  
11:52:46 20 guidance, among others, are inconsistent with the  
21 notion that cryptocurrencies such as -- as XRP are  
22 securities under GAAP.

23 Can you provide the basis for this  
24 opinion?

11:53:09 25 A. Yes. Securities under U.S. GAAP have

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11:53:22 1 associated financial obligations whether they're a  
2 debt or an equity security. And those obligations  
3 are -- are provided by the issuer of those debt  
4 or -- and equity securities.

11:53:44 5 This is not the case with XRP.

6 Q. Okay. So how is XRP different, in your  
7 opinion, from the securities that you describe for  
8 GAAP purposes?

9 A. I -- I think I'd have to repeat what I  
11:54:02 10 just said. I could do that if you would like.

11 Q. Okay. So how is XRP different than the  
12 securities that you define under GAAP?

13 A. Securities under GAAP are associated  
14 with rights and obligations associated with or  
11:54:20 15 against the issuing -- issuer of the securities.  
16 That's not the case with XRP.

17 Q. Have digital assets been considered as  
18 securities under GAAP?

19 A. Considered?

11:54:55 20 Q. Yes.

21 A. Yes.

22 Q. How so?

23 A. They've been considered and the  
24 conclusion is they are not.

11:55:04 25 Q. Okay. Can you point me to specifically

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11:55:07 1 where under GAAP that digital assets have --

2 A. They've been considered by the AICPA,  
3 PWC, EY, KPMG and Deloitte.

4 Q. Thank you.

11:55:25 5 Has GAAP promulgated any statement that  
6 states that securities such as digital assets --  
7 I'm sorry. Let me...

8 Have there been any promulgations under  
9 GAAP that digital assets are not securities for  
11:55:46 10 GAAP purposes?

11 MS. JONES: Objection to  
12 form.

13 A. "Promulgation," if I understand that  
14 word, would be done by the Financial Accounting  
11:55:59 15 Standards Board. The Financial Accounting  
16 Standards Board has not weighed in on accounting  
17 for cryptocurrencies.

18 Q. Okay. Did you consider any facts in  
19 support of your opinion that the treating of XRP  
11:56:52 20 as a security under U.S. GAAP would be  
21 inconsistent with the guidance and current  
22 practices?

23 THE REPORTER: And what?

24 MS. GUERRIER: And current  
11:57:04 25 practices.



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11:57:04 1 A. Yes.

2 Q. What facts?

3 A. There are no rights and obligations that  
4 Ripple has to the holder of XRP of the forms such  
11:57:21 5 as payment of interest, payment of principal,  
6 residual claims on equity.

7 Q. Did you consider any documents that  
8 support your opinion regarding XRP's treatment or  
9 lack of treatment as a security under GAAP?

11:57:51 10 MS. JONES: Objection to  
11 form.

12 A. I -- could you ask the question again,  
13 please?

14 Q. Did you consider any documents in  
11:57:59 15 support of your opinion that XRP is not a security  
16 under GAAP?

17 A. Many of the documents that I relied  
18 upon.

19 Q. Which documents?

11:58:16 20 A. I can't point to a particular document  
21 right now.

22 Q. Did counsel provide you with any of the  
23 documents that you considered in support of your  
24 opinion that XRP is not a security under GAAP?

11:58:34 25 MS. JONES: And I'm going to

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11:58:36 1                   instruct you to answer that yes or  
2                   no.

3           A.    Yes.

4           Q.    Can you identify the documents that  
11:58:41 5   counsel provided you --

6                               MS. JONES:  He can answer --

7           Q.    -- that you considered in support of  
8   your opinion that XRP is not a security under  
9   GAAP?

11:58:49 10                               MS. JONES:  I'll -- I'll  
11                               instruct that you can answer and you  
12                               can provide any facts or assumptions  
13                               that counsel provided to you, but do  
14                               not disclose communications that you  
11:58:58 15                               had with counsel.

16           A.    I believe I've answered the question.  
17   My -- my recollection is that the documents  
18   provided by counsel were the Ripple annual  
19   reports.

11:59:11 20           Q.    Anything other than the Ripple annual  
21   reports --

22           A.    That's --

23           Q.    -- provided by counsel?

24           A.    I don't recall any.

11:59:21 25           Q.    Did you make any assumption in support

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11:59:24 1 of your opinion that XRP is not a security under  
2 GAAP?

3 A. No.

4 Q. Did you conduct any analysis in support  
11:59:39 5 of your opinion that XRP is not a security under  
6 GAAP?

7 MS. JONES: Objection to  
8 form.

9 A. Yes. I read and understand the  
11:59:57 10 definitions of securities under U.S. GAAP. And  
11 XRP does not fall within those definitions.

12 Q. Is what you just described, the reading  
13 of the definition of securities under GAAP, is  
14 that your analysis in support of your opinion --

12:00:21 15 MS. JONES: Objection to  
16 form.

17 Q. -- in 10(ii)?

18 A. It's understanding GAAP and  
19 understanding the attributes of XRP.

12:00:35 20 Q. Okay. So moving on to the opinion that  
21 you provided in response to Question 9(iii), can  
22 you summarize the opinion that you provided in  
23 response to the question of whether Ripple  
24 accounted for -- properly accounted for  
12:01:58 25 transactions in XRP as securities transactions?

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12:02:07 1 A. "It would be improper for Ripple to  
2 account for sales and transactions involving XRP  
3 as the offer and sale of securities under U.S.  
4 GAAP."

12:02:14 5 Q. Okay.

6 A. "In contrast, Ripple's accounting for  
7 sales of XRP as revenues and not as the issuance  
8 of debt or equity securities is consistent with  
9 U.S. GAAP's guidance for accounting for  
10 consideration received in return for a company  
11 delivering goods or providing or receiving  
12 services as part of its ongoing operations."

13 Q. In your opinion in response to Question  
14 9(iii), you state that -- are you stating that  
12:02:52 15 your opinion is based on your understanding of the  
16 offer and sales of XRP as alleged in the  
17 complaint?

18 MS. JONES: Objection to  
19 form.

12:03:09 20 A. Yes.

21 Q. What is your understanding of the offer  
22 and sales of XRP as alleged in the complaint?

23 A. XRP is offered and sold to raise funds  
24 to be used in Ripple's operations and to pay for  
12:03:43 25 goods and services provided to Ripple.

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12:03:56 1 Q. Do you have -- did you consider any  
2 facts in support of the statement that you just  
3 described?

4 MS. JONES: Objection to  
12:04:02 5 form.

6 A. I considered facts as described in the  
7 annual reports for sure.

8 Q. Which reports?

9 A. Ripple and MoneyGram.

12:04:17 10 Q. What type of reports did you consider  
11 the facts in?

12 A. Annual reports.

13 Q. Other than the annual reports, was there  
14 any source for the facts that you considered in  
12:04:32 15 support of this statement in your opinion to  
16 Question 9(iii)?

17 MS. JONES: Objection to  
18 form.

19 A. Possibly, but I can't recall them at  
12:04:43 20 this point.

21 Q. Were there any documents that you  
22 considered in support of your opinion in response  
23 to Question 9(iii)?

24 A. Possibly, but I don't recall them right  
12:05:00 25 now.

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12:05:07 1 Q. Did you make any assumptions in support  
2 of your opinion in response to Question 9(iii)?

3 A. I don't believe so.

4 Q. Did you conduct any analysis in support  
12:05:19 5 of your opinion in response to Question 9(iii)?

6 MS. JONES: Objection to  
7 form.

8 A. Yes. I looked closely at the economic  
9 substance of the transactions and determined what  
12:05:40 10 accounting principles would comport with the  
11 substance.

12 Q. Okay. In your opinion, what do you mean  
13 by "debt securities"?

14 MS. JONES: Objection.

12:06:14 15 Asked and answered.

16 A. I believe, in fact, I give the best  
17 definition of a debt security in my rebuttal  
18 report, but for now, a debt -- debt security  
19 represents a creditor relationship between the  
12:06:36 20 debtor and the holder.

21 Q. What do you mean by "equity security" in  
22 your opinion and response to the question in  
23 9(iii)?

24 MS. JONES: Objection.

12:06:50 25 Asked and answered.

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12:06:53 1 A. An equity security involves an ownership  
2 interest in the underlying entity.

3 Q. Are those definitions of debt security  
4 and equity security definitions under GAAP?

12:07:17 5 A. They are consistent with GAAP  
6 definitions, yes.

7 Q. What do you mean, "consistent with GAAP  
8 definitions"?

9 A. Well, we can go back to the definitions  
12:07:25 10 as provided by the AICPA.

11 Q. Okay.

12 A. That's probably what we should do.

13 Q. Does the A -- is the AICPA the  
14 authoritative guidance for the definitions of debt  
12:07:38 15 securities and equity securities?

16 A. Yes, and the definition is -- is on page  
17 8 of my report.

18 Q. The definitions that you just provided,  
19 do they differ from the AICPA's definitions of  
12:07:55 20 those terms?

21 A. They're a paraphrased summary.

22 Q. What do you mean by "economic  
23 substance"?

24 A. I mean -- this is a fundamental U.S.  
12:08:29 25 Financial Accounting Standards Board concept. It

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12:08:33 1 means the basic economics that underlie the asset  
2 or the transaction involving such an asset.

3 Q. So does economic substance have a  
4 technical meaning under GAAP?

12:09:27 5 MS. JONES: Objection to  
6 form.

7 A. Economic substance is the -- defined in  
8 the Statement of Accounting Concepts, I think it's  
9 2. I can't cite the exact definition at this  
10 point.

12:09:47 11 Q. Do you know if the Statement of  
12 Financial Accounting Concept 2 refers to the  
13 economic substance as vague -- a vague idea that  
14 defies precise definition?

12:10:13 15 A. Please state the question again, please.

16 MS. JONES: Counsel, if  
17 there's -- if you're reading  
18 something that you'd like to show  
19 him, that might be --

12:10:24 20 MS. GUERRIER: Thanks.

21 BY MS. GUERRIER:

22 Q. Do you know if the Statement of  
23 Financial Accounting Concept No. 2 that you just  
24 referred to refers to the term "economic  
12:10:33 25 substance" as a vague idea that defies precise



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12:10:36 1 definition?

2 MS. JONES: Objection to  
3 form.

4 A. I wouldn't describe it that way.

12:10:42 5 Q. Do you know if the Financial Accounting  
6 Concept 2 describes economic substance that way?

7 A. No.

8 Q. Is substance over form a mandatory  
9 accounting principle?

12:11:07 10 MS. JONES: Objection to  
11 form.

12 A. I don't -- I don't think the word  
13 "mandatory" is appropriate here. It is a  
14 fundamental account -- accounting principle.

12:11:32 15 Q. What distinction do you make between  
16 mandatory and fundamental in this context of  
17 deter -- describing economic substance for  
18 accounting purposes?

19 A. I do know what fundamental means, and  
12:11:46 20 what fundamental means is that it is the first  
21 principle that an accountant would consider in  
22 determining the attributes of the asset or the  
23 transaction.

24 And given that it's expected to be  
12:12:05 25 followed, you might call it mandatory, but I don't

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12:12:09 1 know of that statement in the law. The concept is  
2 a concept that the Financial Accounting Standards  
3 Board always takes into account when developing  
4 its accounting principles. It's something that  
12:12:22 5 the Board, the six of them, consider all the time.

6 Q. Is there any formal definition for  
7 substance?

8 A. I -- I think somewhere in this report --  
9 I'm not sure where it is. It's in a footnote.  
12:12:43 10 I've been trying to find it but I've yet to find  
11 it. I do define -- take the FASB's concept  
12 standard definition, but I'm not sure where it is  
13 to be honest with you.

14 Q. Okay. Well, do you know if the  
12:13:00 15 Financial Accounting Standards Board or any  
16 authoritative body has provided a formal  
17 definition of substance?

18 A. No.

19 Q. Okay. Do you know if the Financial  
12:13:14 20 Accounting Standards Board or any authoritative  
21 accounting entity has provided a formal def --  
22 definition of economic substance?

23 A. I do not know, but I'd be surprised if  
24 they have not.

12:13:34 25 Q. Okay. Do you know if the economic

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12:13:37 1 substance concept under GAAP governs what  
2 constitutes economic substance under federal  
3 securities laws?

4 A. No.

12:13:48 5 Q. Are you providing any opinion that  
6 economic substance under GAAP has any authority  
7 over economic substance under federal securities  
8 laws?

9 A. No.

12:14:00 10 MS. JONES: Object to form.

11 A. I am a GAAP expert.

12 THE REPORTER: I am not or I  
13 am?

14 THE WITNESS: I am a GAAP  
15 expert.

12:14:09 16 Q. So is the answer no?

17 A. I'm sorry, you will have to repeat the  
18 question.

19 Q. Okay. So are you providing any opinion  
12:14:17 20 that economic substance under GAAP has any  
21 authority over economic substance under federal  
22 securities laws?

23 A. No.

24 Q. Okay. So under GAAP are -- is there  
12:15:01 25 only two -- well, let me rephrase that.

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12:15:04 1 Under GAAP are there only two  
2 classifications for assets: Debt or equity  
3 security?

4 MS. JONES: Objection to  
12:15:11 5 form.

6 A. No.

7 Q. Well, what -- okay.

8 Can a digital asset under GAAP be --  
9 fall under a category other than debt and equity  
10 security --

11 MS. JONES: Objection to --

12 Q. -- for accounting purposes?

13 MS. JONES: Objection to  
14 form.

12:15:46 15 A. I -- I don't understand the question. I  
16 think I just said that it doesn't fall under  
17 either category.

18 Q. I'm -- it doesn't fall under debt or  
19 equity securities?

12:15:54 20 A. Correct.

21 Q. Okay. How would you classify a digital  
22 asset that's considered a capital asset for  
23 accounting purposes?

24 MS. JONES: Objection to  
12:16:15 25 form.

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12:16:19 1 A. What is a capital asset?

2 Q. Do you know, based on your  
3 qualifications, what a capital asset is for  
4 accounting purposes?

12:16:28 5 A. No.

6 Q. Have you ever heard of the term "capital  
7 asset" under GAAP?

8 A. No.

9 Q. Have you heard of the term "capital  
10 assets" for accounting purposes?

11 A. I probably have, but I don't know the  
12 context.

13 Q. Okay. Okay. Can you walk me through  
14 the analysis you conducted in support of your  
15 opinion and -- and response to Question 9(iii)?

16 MS. JONES: Objection to  
17 form. Asked and answered.

18 A. Yes. I went through each of the  
19 categories of assets as defined on page 8 as the  
12:17:49 20 FASB definitions and I determined after ruling out  
21 all other asset forms that XRP was an intangible  
22 asset. And it follows that sales of XRP were  
23 sales of intangible assets under U.S. GAAP and  
24 treated as such by XRP and others.

12:18:28 25 Q. Okay.

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12:18:29 1 A. By Ripple and others. I stand  
2 corrected.

3 Q. If you turn to page 19 of your report.  
4 In the first sentence in paragraph 43, you state  
12:19:09 5 that Ripple provides global financial settlement  
6 solutions based on blockchain technology. And I'm  
7 paraphrasing.

8 What is the basis for this statement?

9 A. Ripple's consolidated financial  
12:19:25 10 statements for the years ended December 31, 2020  
11 and 2019.

12 Q. Okay. In the second sentence, you refer  
13 to payment being utilized and open-source XRP  
14 ledger.

12:19:50 15 What do you mean by "open source"?

16 A. It is accessible by many.

17 Q. What is the basis for your statement  
18 regarding open source?

19 A. Ripple's consolidated financial  
12:20:04 20 statements for the years ended December 31, 2020  
21 and 2019.

22 Q. You also use the term "liquidity" in  
23 that paragraph.

24 What do you mean by "liquidity"?

12:20:19 25 A. An ability to transact.

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12:20:26 1 Q. I'm sorry, an ability?

2 A. To transact.

3 Q. Okay. And what is the basis for your  
4 definition of liquidity?

12:20:35 5 A. Forty years of experience in the finance  
6 industry.

7 Q. Turning to paragraph 45 of your report,  
8 are you providing any opinion regarding Ripple's  
9 use of escrow?

12:21:47 10 MS. JONES: Objection to  
11 form.

12 A. No. Not in this paragraph.

13 Q. Okay. Are you providing any opinion  
14 about Ripple's use of escrow in your opening  
12:21:58 15 report under GAAP?

16 A. I don't believe so.

17 Q. Okay. Would you turn to paragraph 55 of  
18 your report?

19 Can you explain what you consider  
12:23:10 20 monetary XRP transactions?

21 MS. JONES: Objection to  
22 form.

23 A. In this context, it is the sale of XRP  
24 for a monetary consideration.

12:23:35 25 Q. What is the basis for this statement?

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

12:23:49 1 A. Ripple's 2020 annual financial  
2 statement.

3 Q. In the second sentence in paragraph 55,  
4 you -- you state that you understand that XRP  
12:24:02 5 purchase -- I mean, third parties purchase XRP --  
6 and I'm paraphrasing -- to facilitate transactions  
7 across foreign current exchanges using Ripple's  
8 Wallet Send/ODL product.

9 What's the basis for this statement?

12:24:21 10 A. This, I believe, also came from the 2020  
11 annual report.

12 Q. And on the last sentence of paragraph  
13 55, you state that "Ripple's sales of XRP 'serve  
14 as a source of capital to fund the company's  
12:24:51 15 operations' and are made 'for the purpose of  
16 providing liquidity to customers.'"

17 What is the basis for this statement?

18 A. Ripple's 2018 annual financial  
19 statement.

12:25:13 20 Q. Did you independently verify any of the  
21 statements that are contained in paragraph 55 to  
22 determine their reliability?

23 MS. JONES: Objection to  
24 form.

12:25:28 25 A. I saw nothing to lead me to question the



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12:25:31 1 reliability and I observed that these annual  
2 reports are audited by reputable auditing firms.

3 Q. Okay. Can you describe how Ripple  
4 accounts for its sales of XRP?

12:26:08 5 A. Yes. They record the receipt of cash  
6 and the sale.

7 Q. So are these sales connected, in your  
8 opinion, with Ripple's business operations?

9 MS. JONES: Objection to  
10 form.

12:26:24 11 A. The sale is a business operation.

12 Q. Do you know if Ripple has conducted  
13 sales that are not connected with its business  
14 operations?

12:26:38 15 MS. JONES: Objection to  
16 form.

17 A. I don't know what that would mean.

18 Q. Do you know if Ripple sold XRP that were  
19 held for investment purposes?

12:26:51 20 MS. JONES: Objection to  
21 form.

22 A. No. I really don't understand what that  
23 means.

24 Q. Do you know if Ripple only sells XRP  
12:27:24 25 in -- in connection with its business operations?

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12:27:26 1 MS. JONES: Objection to  
2 form.

3 A. I do know that Ripple sold XRP in order  
4 to generate cash which it then used in its  
12:27:49 5 operations.

6 Q. What is the basis for your statement  
7 that Ripple sold XRP in order to generate cash  
8 which was then used in its operations?

9 MS. JONES: Objection to  
12:28:07 10 form. Asked and answered.

11 A. Ripple's 2018 annual financial  
12 statement.

13 Q. What in Ripple's 2018 annual financial  
14 statement support your statement that Ripple sold  
12:28:23 15 XRP in order to generate cash which it used for  
16 its operations?

17 A. In the last sentence of paragraph 55, I  
18 quote from that report, which the quote is that  
19 "Ripple's sales of XRP also serve as a source of  
12:28:43 20 capital to fund the company's operations."

21 Q. In your experience, do you know if  
22 digital assets can be held by a company for  
23 investment purposes?

24 A. Do I know it --

12:28:58 25 Q. In your --

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12:28:58 1 A. -- state the question again.

2 Q. Yeah, I'll repeat the question verbatim.

3 In your experience, do you know if

4 digital assets can be held by a company for

12:29:07 5 investment purposes?

6 A. Companies hold crypto assets for

7 investment purposes, yes.

8 Q. Do you know if Ripple holds any XRP for

9 investment purposes?

12:29:21 10 A. No. I didn't analyze that.

11 Q. Okay. Are you making a distinction

12 between monetary transactions and nonmonetary

13 transactions?

14 A. Yes.

12:29:45 15 Q. What is the distinction that you're

16 making?

17 A. A monetary transaction is the sale of

18 XRP to get cash. A nonmonetary transaction -- and

19 this is an accounting definition of a nonmonetary

12:30:11 20 transaction. It is the use of XRP as payment for

21 a service or a supplier, a good.

22 THE REPORTER: What was the

23 last word?

24 THE WITNESS: A good.

12:30:33 25 Q. Do you know whether XRP had any

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12:30:36 1 nonmonetary transactions in this case?

2 A. Yes.

3 Q. What types of --

4 MS. JONES: I -- you said

12:30:41 5 XRP. I assume you mean Ripple.

6 Q. Ripple -- thank you -- had any  
7 nonmonetary transactions in this case?

8 A. Yes.

9 Q. Okay. What types of nonmonetary  
12:30:51 10 transactions did Ripple have in this case?

11 A. Well, particularly what is described in  
12 the second sentence of paragraph 55.

13 Q. Okay. Can you state what nonmonetary --

14 A. This was -- they -- they paid MoneyGram  
12:31:08 15 in XRP for the provision of services with respect  
16 to their on-demand liquidity platform.

17 Q. Any other nonmonetary transactions by  
18 Ripple?

19 A. Yes. Compensation to employees.

12:31:47 20 Q. Anything else with regard to nonmonetary  
21 transactions?

22 A. I think there are four different types  
23 of transactions that I list in my rebuttal report,  
24 but I can't recall them off the top of my head.

12:32:02 25 Q. Okay. Okay. In general, can you tell

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12:32:07 1 us how Ripple accounts for nonmonetary  
2 transactions?

3 A. Yes. It depends on whether the XRP is  
4 held as purchased XRP or XRP as originally  
12:32:35 5 available from the date of the formation of  
6 Ripple. If we talk about the former, the sale is  
7 recorded at the time of payment in a nonmonetary  
8 transaction. A sale is recorded of the XRP at the  
9 current dollar value of XRP and the corresponding  
12:33:03 10 expense is reported as the associated value of the  
11 asset as recorded as an intangible long-lived  
12 asset.

13 Q. Okay. Do Ripple's sales of XRP  
14 constitute monetary tran -- monetary transactions?

12:33:34 15 MS. JONES: Objection to  
16 form.

17 A. I think both monetary and nonmonetary.

18 Q. Okay. In what context can they be  
19 considered monetary transactions?

12:33:51 20 A. Monetary is sale for cash. Nonmonetary  
21 is sale for products or services.

22 Q. Do the journal entries for monetary  
23 sales of XRP and nonmonetary sales for XRP differ?

24 A. Yes.

12:34:17 25 Q. How do they differ?

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12:34:19 1 A. One recognizes sale and corresponding  
2 cash; the other recommend -- recognizes sale and a  
3 corresponding expense.

4 Q. Do -- does the journal entries for the  
12:34:40 5 nonmonetary sales affect the cash amount for  
6 Ripple on its financial statement?

7 A. Yes.

8 Q. How so?

9 A. The -- there's two transactions.  
12:35:02 10 There's a sale for which there -- cash is  
11 received, recorded, and there's an expense for  
12 which there's a reduction in cash.

13 Q. Is this the nonmonetary transaction  
14 that --

12:35:15 15 A. Right.

16 Q. -- you're describing?

17 A. Right.

18 Q. And how would it differ with regard to  
19 the monetary sale?

12:35:19 20 A. It's just a sale in cash.

21 Q. Sale in cash.

22 So does Ripple maintain an internal  
23 supply of XRP?

24 MS. JONES: Objection to

12:35:58 25 form.

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12:36:04 1 A. They have XRP. Ripple holds XRP, yes.

2 Q. Okay. Is there any document that you  
3 can point to that shows how Ripple holds its  
4 supply of XRPs?

12:36:29 5 MS. JONES: Objection to  
6 form.

7 A. I think it's quite clearly stated in the  
8 annual reports.

9 Q. Do you know how Ripple accounts for the  
12:36:41 10 XRP that it holds?

11 A. Yes. As intangible long-lived assets.

12 Q. Are those intangible long-lived assets  
13 recorded on the balance sheet?

14 A. Yes.

12:36:56 15 Q. How are they recorded on the balance  
16 sheet?

17 A. At the price paid or the impaired value,  
18 whichever is the lower.

19 Q. Is the XRP that is reported as an  
12:37:16 20 intangible long-lived asset characterized as a  
21 capital asset on Ripple's --

22 MS. JONES: Object --

23 Q. -- balance sheet?

24 MS. JONES: Objection to  
12:37:24 25 form.

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12:37:27 1 A. I think I've said before I don't know  
2 what you mean by "capital asset."

3 Q. Okay. I'm sorry.

4 Is it -- is the XRP that is reported as  
12:37:41 5 an intangible long-lived asset characterized on  
6 the balance sheet as an asset held for investment  
7 purposes?

8 MS. JONES: Objection to  
9 form.

12:37:54 10 A. No.

11 Q. Would you be able to tell which portion  
12 of the XRP that's -- that's held by Ripple is  
13 considered XRP that's held for investment  
14 purposes?

12:38:11 15 MS. JONES: Objection to  
16 form.

17 A. U.S. GAAP would require Ripple to be  
18 identified as an investment company under the 1940  
19 Investment Act in order for Ripple to record XRP  
12:38:40 20 on its balance sheet as an asset for investment  
21 purposes.

22 Q. How do entities who hold digital assets  
23 for investment record those assets on their  
24 balance sheets?

12:39:07 25 A. I know three big companies that are



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12:39:09 1 publicly traded -- and, therefore, I can read  
2 their annual reports -- who report them as  
3 long-lived intangible assets.

4 Q. Do you know how a gain on the long-lived  
12:39:25 5 intangible asset, as you just defined, would be  
6 accounted for under GAAP?

7 A. Yes. It would not be accounted for.

8 Q. Why not?

9 A. It's not permitted under U.S. GAAP.  
12:39:38 10 Intangible assets can be written down. They  
11 cannot be written up.

12 Q. Okay. You -- can a digital asset be  
13 considered a nonintangible asset?

14 MS. JONES: Objection to  
12:40:00 15 form.

16 A. I've considered all of the assets as  
17 listed under the FASB definitions and I don't see  
18 how it could be.

19 Q. Okay. Well, is it because the Financial  
12:40:19 20 Accounting Standards Board has not addressed the  
21 issue of whether a digital asset should just be a  
22 regular asset?

23 A. I don't have an opinion --

24 MS. JONES: Objection to  
12:40:32 25 form.

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12:40:34 1 A. -- one way or the other.

2 Q. Okay. If you turn to page 27 of your  
3 report and Section C.

4 What do you mean by "XRP derivative  
12:41:17 5 transactions"?

6 A. "In connection with various contractual  
7 arrangements, the company" -- Ripple -- "gave  
8 rights to third parties to purchase XRP. As of  
9 December 31, 2020, options to purchase [REDACTED]  
12:41:31 10 XRP remained outstanding, with average per XRP  
11 price of less than [REDACTED]. All outstanding  
12 options are vested and exercisable as of December  
13 31, 2020, are included in XRP derivative liability  
14 with an intrinsic value of [REDACTED]."

12:42:00 15 Q. Is there a GAAP definition of derivative  
16 transactions?

17 A. Yes.

18 Q. What is it?

19 A. It's a transaction that is derived based  
12:42:12 20 on some underlying entity.

21 Q. Can you give some examples of derivative  
22 transactions?

23 A. Well, there's one here, of course. We  
24 could have a derivative transaction on almost  
12:42:27 25 anything. It could be an option on whether it was

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12:42:33 1 going to snow in New York tomorrow.

2 Q. What specific derivative transaction  
3 does Ripple have that it's accounted for?

4 MS. JONES: Objection to

12:42:45 5 form.

6 A. I -- I don't know what to say other than  
7 reread what I just read.

8 Q. Is the derivative transaction that  
9 you're referring to in paragraph 64 an option?

12:43:01 10 A. Yes.

11 Q. What is the option for?

12 A. The option is to purchase 186 million,  
13 but -- the option's to purchase XRP of which, at  
14 this point in time, 186 million remained

12:43:20 15 outstanding. It's an option to purchase XRP.

16 Q. How is the derivative transaction that  
17 you described in paragraph 64 accounted for by  
18 Ripple?

19 A. It's accounted for under the accounting  
12:43:39 20 for derivatives, which is a very special  
21 accounting standard --

22 Q. Okay.

23 A. -- that is accounted at the value of the  
24 option, which is calculated as of the date of

12:43:50 25 grounding the option and then vested.

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12:43:57 1 THE REPORTER: And then?

2 THE WITNESS: Vested,

3 V-E-S-T-E-D.

4 Q. Does the -- does -- does Ripple's  
12:44:03 5 accounting for -- let me strike that.

6 Do Ripple's derivative transactions have  
7 any effect on whether or not XRP is a security  
8 under GAAP?

9 A. Absolutely not.

12:44:23 10 Q. Why not?

11 A. The existence of a derivative on an  
12 underlying -- which is the term that's usually  
13 used. The existence of a derivative on an  
14 under -- underlying does not mean -- does not  
15 affect the characteristics of the underlying. The  
16 underlying in this case being XRP.

17 Q. So in paragraph 67, you quote Ripple's  
18 audited financial statements which describe the  
19 accounting treatment for derivatives.

12:45:26 20 So can you explain whether gains  
21 resulting from settling of derivatives to XRP have  
22 any effect on Ripple's financial statements?

23 MS. JONES: Objection to  
24 form.

12:45:46 25 A. Please repeat the question.

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12:45:48 1 Q. Sure.

2 In paragraph 67, you quote Ripple's  
3 audited financial statements which describe the  
4 accounting treatment for derivatives.

12:46:01 5 Can you explain whether gains resulting  
6 from settling of derivatives through XRP have any  
7 effect on Ripple's financial statements?

8 A. I can't explain whether, but they don't  
9 have any effect.

12:46:24 10 Q. Okay. So can you explain the statement  
11 that says "Any gains resulting from settling of  
12 derivatives through delivery of XRP are presented  
13 in realized gains on XRP derivatives"?

14 A. It's all about the derivative. Has  
12:46:41 15 nothing to do with the underlying, which is XRP.

16 Q. Okay. So is there a separate  
17 recognition for the -- for accounting purposes for  
18 the derivatives?

19 A. Yes.

12:46:53 20 Q. Is that separate and distinct from XRP,  
21 the underlying?

22 A. Yes.

23 Q. Okay. Okay. So how are realized gains  
24 accounted for with respect to the derivatives?

12:47:08 25 A. Well, there's a gain on the derivative

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12:47:11 1 which was reported through the income statement as  
2 a gain. Has nothing to do with the underlying.  
3 It's all about the derivative.

4 Q. Okay.

12:47:44 5 MS. JONES: How are you  
6 doing, Peter?

7 THE WITNESS: Let's stick it  
8 out till 1.

9 MS. JONES: Is that okay  
12:47:50 10 with --

11 MS. GUERRIER: What do you  
12 want?

13 MS. JONES: If we go another  
14 ten minutes, is that okay with you?

12:47:55 15 MS. GUERRIER: Sure. Yeah.  
16 That's fine.

17 BY MS. GUERRIER:

18 Q. So when you discuss equity securities in  
19 your opinion in response to Question 9(iii),  
12:48:29 20 you're specifically referring to equity securities  
21 under GAAP as that term is defined?

22 A. Yes.

23 Q. Okay. Can you give some examples of  
24 equity securities?

12:48:54 25 A. Anything that's traded on the New York

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12:48:59 1 stock exchange is an equity security. Any share  
2 of a company, I'm sorry, that's traded on the New  
3 York stock exchange is an equity security.

4 Q. Is a common stock an equity security?

12:49:10 5 A. A common stock in a publicly traded  
6 company is an equity security. And in general,  
7 yes, it's an equity security.

8 Q. If a digital asset were traded on a  
9 public exchange, would that be considered an  
12:49:30 10 equity security?

11 MS. JONES: Objection to  
12 form.

13 A. Under GAAP?

14 Q. Yes, under GAAP.

12:49:38 15 A. No.

16 Q. Why not?

17 A. Because -- we go back to the  
18 definitions. It doesn't fit the definitions. We  
19 can go back to the definitions. Should we do  
12:49:46 20 that?

21 Q. No.

22 But is it possible that the definition  
23 could change to include a digital asset that's  
24 traded on a common exchange?

12:49:53 25 MS. JONES: Objection to

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12:49:53 1

form.

2

A. Anything's possible.

3

Q. Well, the Financial Accounting Standards

4

Board has not addressed whether a digital asset

12:50:11 5

that's traded on a -- an ex -- a public exchange

6

is an equity security?

7

A. The finan --

8

MS. JONES: Objection to

9

form.

12:50:23 10

A. The Financial Accounting Standards Board

11

has explicitly stated that it has not developed a

12

standard on cryptocurrency.

13

Q. Okay. And can you give an example of a

14

debt security?

12:50:44 15

A. Sure. It's any security that involves

16

an obligation by the issuer of that debt to pay

17

the owner of that debt a fixed amount and an

18

associated predetermined interest rate.

19

Q. Under the definition of securities, the

12:51:31 20

GAAP definition of securities that you described

21

earlier, are there only the possibility that FASB

22

has determined to be securities that are

23

considered securities?

24

MS. JONES: Objection to

12:51:53 25

form.



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12:51:57 1 A. I -- I don't understand that.

2 Q. I'll -- I'll -- I'll ask a clearer  
3 question.

4 A. Okay. Thank you.

12:52:06 5 Q. Do you recall where in your report you  
6 define securities under GAAP?

7 A. Yes.

8 Q. Could you please point to that section  
9 of your report?

12:52:14 10 A. Sure. Page 17.

11 Q. So is it possible for FASB to expand the  
12 definition of security to include digital assets?

13 MS. JONES: Objection to  
14 form.

12:52:58 15 A. I don't have an opinion one way or the  
16 other.

17 Q. Why not?

18 A. I haven't considered the possibility of  
19 the FASB's likely promulgation.

12:53:18 20 Q. With regards to digital assets?

21 A. Correct.

22 Q. Okay. Can you please turn to page 33 of  
23 your report?

24 A. Okay.

12:54:17 25 Q. In paragraph 82, you state that "Ripple

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12:54:20 1 generates revenue from the sales of XRP to  
2 facilitate cross-border payments."

3 What is the basis for this statement?

4 A. I -- I believe it's information that's  
12:54:42 5 provided in the annual financial statements.

6 Q. Do you know -- do you have an  
7 understanding of what "cross-border payments"  
8 means?

9 A. Yes.

12:54:54 10 Q. What does it mean?

11 A. It means payment across international  
12 boundaries that generally involves a change in  
13 currency.

14 Q. Is this a term that's used under GAAP?

12:55:09 15 MS. JONES: The term being  
16 "cross-border payments"?

17 MS. GUERRIER: Yes.

18 A. Possibly. I don't know one way or the  
19 other.

12:55:28 20 Q. Where did you obtain your definition of  
21 cross-border payments?

22 A. I don't believe I did obtain a  
23 definition.

24 Q. Okay. You also state that Ripple  
12:55:46 25 generates monetary revenue from XRP transactions

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12:55:53 1 in which the company pays for services with XRP?

2 A. Yes.

3 Q. Are these the only types of transactions  
4 that you're aware of that Ripple conducts?

12:56:05 5 MS. JONES: I'm sorry, this  
6 is the transcript. It's nonmonetary.

7 MS. GUERRIER: Nonmonetary  
8 revenue. Thank you.

9 A. Yes. I think they fall under one  
12:56:18 10 category or the other.

11 Q. Okay. What is the basis for your  
12 statement that Ripple's sales for under the  
13 categor -- the two categories described in  
14 paragraph 82 of your report?

12:56:30 15 A. The descriptions in the annual report.

16 Q. In paragraph 85 on -- of your report,  
17 you state that you're not aware of any accounting  
18 standards or guidance that would provide support  
19 for treating Ripple as an investment company.

12:57:25 20 Is that an accurate statement?

21 MS. JONES: Sorry, where is  
22 that? Oh, it's on the next page.

23 THE WITNESS: Okay.

24 MS. GUERRIER: Paragraph 85.

12:57:40 25 At the beginning of -- at the top --

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12:57:42 1 A. That is an accurate statement, yes.

2 Q. Yes. What's the basis for this  
3 statement?

4 A. I know what I'm aware of and what I'm  
12:57:49 5 not aware of.

6 Q. Okay. And how are you aware of -- how  
7 are you not aware of any accounting standard that  
8 would provide support for treating Ripple as an  
9 investment company?

12:58:09 10 THE REPORTER: For? I  
11 didn't hear that. For?

12 MS. GUERRIER: As an  
13 investment company?

14 MS. JONES: Objection to  
12:58:12 15 form.

16 A. I -- I'm really sorry. I don't know how  
17 to answer that question. I can't really describe  
18 why I'm aware or not.

19 Q. Okay.

12:58:21 20 A. And as a scholar, I'm a scholar, I read  
21 a lot.

22 Q. What type of literature do you read that  
23 you think support this statement?

24 MS. JONES: Objection to  
12:58:33 25 form.

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12:58:39 1 A. I feel as if I know the accounting  
2 standards pretty well.

3 Q. Okay.

4 A. I write -- I write the most used  
12:58:54 5 textbook.

6 THE REPORTER: I'm sorry, I  
7 can't under -- write the what?

8 THE WITNESS: Most used  
9 textbook.

12:59:05 10 Q. Are all of the opinions in your report  
11 limited to the accounting -- limited to the  
12 accounting treatment of XRP under GAAP?

13 MS. JONES: The opening  
14 report?

12:59:22 15 MS. GUERRIER: The report  
16 that we've been talking about for  
17 several hours.

18 A. Yes.

19 MS. GUERRIER: Okay. I  
12:59:29 20 think we can take a break now.

21 THE WITNESS: Okay.

22 MS. GUERRIER: Okay.

23 THE VIDEOGRAPHER: Okay.

24 Going off the record at 12:59.

12:59:37 25 (Whereupon, a recess is taken.)

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12:59:37 1 THE VIDEOGRAPHER: Okay.  
2 We're back on the record at 1:33.  
3 BY MS. GUERRIER:  
4 Q. Professor, do you know why  
13:33:47 5 cryptocurrencies are not considered cash or cash  
6 equivalents under GAAP?  
7 A. Yes.  
8 MS. JONES: Objection.  
9 Asked and answered.  
13:33:54 10 Q. Why not?  
11 A. Because they're not readily converted to  
12 fiat currency.  
13 Q. What do you mean by "fiat currency"?  
14 A. I can best describe that by means of an  
13:34:09 15 example. The U.S. dollar, the euro, the British  
16 pound, Swiss franc.  
17 Q. Okay.  
18 (Whereupon, exhibit is presented  
19 and marked SEC Easton Deposition  
13:34:50 20 Exhibit 3 for identification.)  
21 THE WITNESS: Thank you.  
22 NS. JONES: This is 3?  
23 MS. GUERRIER: Yes.  
24 BY MS. GUERRIER:  
13:35:30 25 Q. Professor, I've handed you a document

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13:35:31 1 that's been premarked as Exhibit 3.

2 Do you recognize that document?

3 A. Yes, I do.

4 Q. What is the document?

13:35:38 5 A. It is the expert rebuttal report put  
6 forward by myself.

7 Q. Okay. When did you finalize the  
8 rebuttal report that's been premarked as Exhibit  
9 3?

13:35:58 10 MS. JONES: Objection to  
11 form.

12 A. November 12, 2021.

13 Q. Okay. Has anything changed from  
14 November 12th, 2021, until today that would change  
13:36:10 15 any of your opinions in the rebuttal that you've  
16 submitted?

17 A. Not that I'm aware of.

18 Q. Could you please state what specific  
19 subject matters you are rebutting?

13:36:33 20 MS. JONES: And objection to  
21 form.

22 A. Yes. First, "Do Ripple's transfers and  
23 sales of XRP in order to, among other things,  
24 finance operations or generate funds for share  
13:36:53 25 repurchases support the determination, under U.S.

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13:36:57 1 GAAP, that the economic substance of those  
2 transactions are sales of stock as Professor  
3 ██████████ opines?"

4 Second, arguing -- "Assuming, arguendo,  
13:37:14 5 as set forth in the SEC's expert reports, that  
6 'Ripple used XRP in a similar manner as companies  
7 use stock' by, for example, compensating  
8 executives with XRP and engaging in actions to  
9 limit the supply or otherwise support the market  
13:37:29 10 price of XRP (e.g., through lock-up provisions,  
11 Ripple's escrow and limited release of not more  
12 than 1 billion XRP per month, and XRP purchases),  
13 does this" determine -- "does this require a  
14 determination under U.S. GAAP that Ripple's  
13:37:49 15 transfers and sales of XRP were sales of equity or  
16 debt securities?"

17 Third, "Does the fact that Ripple paid  
18 certain business partners and vendors for services  
19 in XRP rather than fiat currency require a  
13:38:06 20 determination under U.S. GAAP that Ripple's  
21 transfers and sales of XRP were sales of equity or  
22 debt securities?"

23 Fourth, "Do MoneyGram's disclosures" in  
24 the SEC filings -- "in its SEC filings with  
13:38:22 25 respect to the XRP it received from Ripple for



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13:38:25 1 facilitating international foreign exchange  
2 transactions on Ripple's ODL platform reflect a  
3 determination that, under U.S. GAAP, Ripple's  
4 transfers and sales of XRP to MoneyGram  
13:38:36 5 constituted sales of equity or debt securities?"

6 Q. Thank you.

7 Does paragraph 2 contain all of the  
8 subject matters that you have submitted your  
9 rebuttal report about?

13:38:56 10 A. Yes.

11 Q. What experts do you disagree with in  
12 your rebuttal report?

13 MS. JONES: Objection to  
14 form.

13:39:21 15 A. What experts?

16 Q. Do you disagree with in your rebuttal  
17 report?

18 MS. JONES: Same objection.

19 A. I -- I rebut Professor [REDACTED] and Mr.  
13:39:32 20 [REDACTED]. I'm not sure whether that answers the  
21 question.

22 Q. Does Professor [REDACTED] provide any  
23 opinion in his report about the accounting  
24 treatment of XRP under GAAP?

13:39:52 25 A. No.

**HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**

13:39:58 1 Q. Does Mr. [REDACTED] provide any opinion in  
2 his report about the accounting treatment of XRP  
3 under GAAP?

4 A. No.

13:40:26 5 Q. Why are you rebutting Professor  
6 [REDACTED] report?

7 MS. JONES: Objection to  
8 form.

9 A. I was asked to write a rebuttal and I  
13:40:45 10 disagreed with points that had been made.

11 Q. Okay. And why did you submit a rebuttal  
12 regarding [REDACTED] report?

13 MS. JONES: And I'll just  
14 instruct you not to disclose any  
13:41:03 15 substantive communications that you  
16 had with counsel.

17 A. I -- I really don't understand the  
18 difference between that question and the question  
19 that I just answered. The answer's the same.

13:41:13 20 Q. I'm sorry?

21 A. I really do not understand -- I  
22 apologize -- the difference between the question  
23 you just asked and the previous question, and so  
24 the answer remains the same.

13:41:22 25 Q. Yeah. So my first question was about

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13:41:25 1 Professor ██████████ and my second question is about  
2 ██████████

3 A. I apologize. I thought you mentioned  
4 both in the first question, but the answer's the  
13:41:33 5 same for ██████████

6 Q. Okay. Have -- are all of the opinions  
7 that you formulated regarding your rebuttal to  
8 Mr. ██████████ and Mr. ██████████ contained in the  
9 rebuttal report that you submitted?

13:41:57 10 A. Yes.

11 Q. Okay. Going to your -- the first  
12 question that you're answering, what is the  
13 opinion in response to your question in paragraph  
14 2(i)?

13:42:46 15 MS. JONES: Objection to  
16 form.

17 A. The opinion is no.

18 Q. Can you elaborate, please?

19 A. "Ripple's transfers and sales of XRP in  
13:43:07 20 order to, among other things, finance operations  
21 or generate funds for share repurchases do not  
22 support the determination under U.S. GAAP that the  
23 economic substance of those transactions are sales  
24 of stock as Professor ██████████ opines."

13:43:25 25 Q. Are you using the term "economic

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13:43:26 1 substance" in a similar manner that you used it  
2 when we discussed your original report?

3 A. Yes.

4 Q. Did anyone assist you in formulating  
13:43:47 5 this opinion?

6 MS. JONES: And I'll  
7 instruct you, again, not to disclose  
8 any communications you had with  
9 counsel in responding to that  
13:43:56 10 question.

11 A. This is my opinion. In forming this  
12 opinion, I worked with Jennifer Milliron who  
13 worked through all of the relevant documents with  
14 me under my supervision.

13:44:14 15 Q. Who wrote the rebuttal report?

16 A. I did.

17 Q. What is the basis for your opinion that  
18 Professor [REDACTED] opinion incorrectly conflates  
19 the economic substance of Ripple's sales of XRP  
13:44:44 20 with Ripple's subsequent use of the proceeds from  
21 those sales?

22 A. The economic substance that -- of what  
23 Professor [REDACTED] discusses is two transactions.  
24 One is the sale. That sale yields funds. That's  
13:45:13 25 one event, one transaction.

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13:45:16 1           There's a separate transaction, which is  
2 the use of those funds in operations. That one is  
3 used for the other does not help in the  
4 identification of the sale as a security or  
13:45:40 5 whatever.

6           Q.    Does Professor ██████ provide an  
7 opinion on the economic substance of Ripple's  
8 sales of XRP?

9   MS. JONES:  Objection to  
13:45:57 10           form.

11           A.   Per se, no.

12           Q.    What is your -- the basis in support of  
13 your opinion that even if XRP were used in a  
14 similar manner as companies use stock, this would  
13:46:31 15 not change the economic substance of the  
16 transaction under GAAP for accounting purposes?  
17 And I'm paraphrasing your opinion.

18           A.    I think I just answered that question,  
19 but to provide some color, firms fund their  
13:46:50 20 operations from various sources. It can be out of  
21 operations or it can be any financing activity.  
22 But the form of the funding that's used for  
23 operations cannot be used to define the form of  
24 the funding. They're two separate transactions  
13:47:16 25 that are clearly not only separate, but separable.

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13:47:22 1 Q. Is your analysis that you just provided  
2 based upon general accounting principles?

3 A. I couldn't think of any accountant that  
4 wouldn't analyze two transactions quite separately  
13:47:36 5 and recognize that they have independent economic  
6 substance.

7 Q. Do you know whether the analysis that  
8 you've conducted with respect to economic  
9 substance and GAAP is similar to any analysis that  
13:48:01 10 Professor ██████████ would be conducting in regards  
11 to the federal securities laws?

12 MS. JONES: Objection to  
13 form.

14 A. I don't know what Professor ██████████ is  
13:48:10 15 or is not doing.

16 Q. Okay. Well, do you know whether  
17 Professor ██████████ is examining the economic  
18 substance of XRP transactions under GAAP in his  
19 report?

13:48:36 20 A. In his report?

21 Q. Yes.

22 A. He doesn't mention GAAP.

23 Q. Okay. In your opinion, in response to  
24 the question in paragraph 2(i), you state that  
13:49:06 25 even if Ripple used the proceeds from sales of XRP

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13:49:10 1 to fund operations and compensate or incentivize  
2 users, this would not change your conclusion under  
3 GAAP that those transactions are not sales of --  
4 of equity or debt securities --

13:49:25 5 A. I'm sorry, where are you reading from?

6 Q. This is your -- your paragraph 3(i).

7 A. 3(i)?

8 Q. Yes.

9 A. The fact that Ripple may have paid? Is  
13:49:53 10 that the paragraph?

11 Q. Yes.

12 A. And, I'm sorry, what was the question?

13 Q. Well, what -- what's the basis in  
14 support of your second sentence in paragraph 3(i)?

13:50:14 15 A. It's the same as I have answered before.  
16 The source of the funds used to pay business  
17 partners or vendors for services is quite separate  
18 from and independent upon the use of those funds.  
19 They're two separate transactions. They should

13:50:34 20 not be conflated. It doesn't mean anything to  
21 conflate them. Or I should say it's meaningless.

22 Q. Does Professor [REDACTED] conflate the  
23 source or use of funds by Ripple in connection  
24 with any accounting treatment of XRP?

13:51:04 25 MS. JONES: Objection to

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13:51:04 1

form.

2

A. Professor ████████ doesn't discuss  
accounting treatment.

3

4

Q. Okay. Did you conduct any analysis in  
support of your opinion in paragraph 3(i)?

13:51:37 5

6

MS. JONES: Objection to

7

form.

8

A. I -- you know, 40 years of experience  
tells me that this fact does not mean under U.S.

9

13:52:10 10

GAAP that economic substance of these transactions  
were sales of equity or debt securities --

11

12

THE REPORTER: I'm sorry,

13

I'm not -- you need to speak up, sir.

14

"Does not mean under U.S. GAAP"?

13:52:16 15

A. The economic substance of those  
transactions were sales of equity or debt  
securities. I'm sorry.

16

17

18

Q. And if you could turn to paragraph 7 of  
your report, you discuss the compensation of  
executives using XRP.

19

13:53:20 20

21

A. You're looking at 8, paragraph 8?

22

Q. Actually I'm -- I'm still on paragraph

23

7.

24

A. Okay.

13:53:34 25

Q. So can you --



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13:53:35 1 A. Oh, I beg your pardon.

2 Q. Yes.

3 Can you please describe how Ripple uses  
4 XRP to pay executives and how that affects GAAP?

13:53:50 5 MS. JONES: Objection to  
6 form.

7 A. The payment itself has no effect on  
8 GAAP. The payment is recorded under GAAP as a  
9 sale of X -- XRP and an associated expense.

13:54:12 10 Q. So can you explain what you disagree  
11 with in [REDACTED] report with respect to the  
12 similarities between XR -- how Ripple utilizes XRP  
13 and how companies utilize common stock for -- for  
14 GAAP purposes?

13:54:38 15 A. Can you restate the question, please? I  
16 don't think I understand.

17 Q. Okay. Can you explain what you disagree  
18 with in [REDACTED] report with re -- with respect  
19 to the similarities between how you -- Ripple

13:54:52 20 utilizes XRP and how companies utilize common  
21 stock for GAAP purposes?

22 MS. JONES: Objection to  
23 form.

24 A. I don't disagree with the purported  
13:55:06 25 similarities. I disagree with the implication

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13:55:12 1 that the source of -- a source of funds to fund  
2 operations could be use of common stock or it  
3 could be XRP. And, therefore, there's something  
4 that suggests that XRP may have characteristics  
13:55:44 5 that are those of common stock.

6 The company could similarly fund its  
7 compensation of employees via funds generated from  
8 its operating activities. But that wouldn't make  
9 those funds common stock.

13:56:03 10 Q. Okay. When you say that you don't  
11 disagree with the similarities, what do you mean?

12 A. They are similar inasmuch as you can  
13 fund operations or firms can fund operations via  
14 many means and these are two such means. Two of  
13:56:27 15 many such means.

16 Q. How -- under GAAP, how do employees  
17 record compensation in stock?

18 A. How do employees record it?

19 Q. Yes.

13:57:01 20 A. They don't.

21 Q. They don't? So how --

22 A. They pay taxes on it, but...

23 Q. Okay. So an employee who receives stock  
24 as compensation --

13:57:13 25 A. I presume they put it in a note on their

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13:57:16 1 desk somewhere.

2 Q. I'm sorry, I -- I just want to ask my  
3 question so that it's clear --

4 A. Okay. Thank you.

13:57:21 5 Q. -- for the record. And I apologize if I  
6 cut you off, but...

7 How does a -- an employee who receives  
8 stock from -- for compensation account for that  
9 stock that it receives?

13:57:47 10 A. Depending on the form of that stock,  
11 they would record that as income on their annual  
12 income tax, personal annual income tax return.

13 Q. Okay.

14 A. Or they would not record it at all if  
13:58:04 15 the company has already paid the tax on the stock.

16 Q. Is compensation in stock to an employee  
17 considered wages?

18 A. No.

19 Q. Do you know how an employee who received  
13:58:27 20 XRP would account -- as wage -- as wage payment  
21 would account for the XRP that he or she received?

22 MS. JONES: Objection to  
23 form.

24 A. No.

13:58:41 25 Q. Why don't you know how to account for

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13:58:43 1 XRP received as wages --

2 A. I'm not a tax accountant.

3 MS. JONES: Objection to  
4 form.

13:58:49 5 THE WITNESS: I'm sorry.

6 Q. Does GAAP not cover how to account for  
7 payments to employees in compensation and digital  
8 assets?

9 A. Could you re --

13:59:06 10 MS. JONES: Object to form.

11 A. Could you restate that question without  
12 the double negative, please?

13 Q. Sure.

14 Does GAAP account for payment to

13:59:14 15 employees in digital assets?

16 MS. JONES: Same objection.

17 A. Can that -- I -- I don't understand the  
18 question.

19 Q. Is there any guidance from GAAP as to  
13:59:31 20 how to account for receipt of digital assets as  
21 compensation?

22 A. So far as I'm aware, GAAP doesn't tell  
23 me as an individual, Peter Easton, who may be paid  
24 in the form of compensation some way how to

13:59:53 25 account for that. GAAP doesn't apply to an

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13:59:57 1 individual.

2 Q. Okay. Thanks for clarifying.

3 Does GAAP apply to an entity that  
4 provides compensation in digital assets?

14:00:05 5 A. Yes.

6 Q. And how does an entity account for  
7 payment of compensation in digital -- payment of  
8 compensation in digital assets?

9 A. There's a sale of the digital asset with  
14:00:19 10 the associated expense.

11 Q. Is the transaction you've just described  
12 the FASB guidance for treating compensation to  
13 employees in digital assets?

14 MS. JONES: Objection to  
14:00:42 15 form.

16 A. It's an implication of the FASB  
17 guidance, yes.

18 Q. What do you mean by "implication of the  
19 FASB guidance"?

14:00:54 20 A. As I believe I've described many times,  
21 the guidance tells me the characteristics of  
22 various assets that are used in various ways. And  
23 that FASB guidance would lead me to conclude,  
24 clearly, that the transaction should be treated as  
14:01:13 25 a sale and the associated expense.

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14:01:18 1 Q. Do other accountants in your field agree  
2 with your views on how to treat -- your -- with  
3 your interpretation of how to treat compensation  
4 in digital assets?

14:01:30 5 MS. JONES: Objection to  
6 form.

7 A. The informed accountants would read the  
8 same guidance as I do and I think they would come  
9 to the same conclusion.

14:01:48 10 Q. Okay. What specific guidance are you  
11 referring to?

12 A. All of the guidance we talked about this  
13 morning.

14 Q. Do they speak to payment of compensation  
14:01:57 15 in digital assets specifically?

16 A. No.

17 Q. Okay. So are -- are you making an  
18 interpretation of the guidance regarding digital  
19 assets in general?

14:02:08 20 MS. JONES: Object to form.

21 A. In light of the characteristics of the  
22 transaction that is occurring and the assets that  
23 are used in that transaction, yes.

24 Q. Okay. Do you know if anyone else in  
14:02:30 25 your field has actually transacted for

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14:02:36 1 compensation of employee wages in the way that you  
2 described?

3 MS. JONES: Objection to the  
4 form.

14:02:45 5 A. I know of no accountants that have  
6 transacted in XRP.

7 Q. Do you know -- well, you...

8 Okay. Do you know if anyone in your

9 field has actually accounted for compensation of  
14:03:07 10 employees in digital -- payments in digital assets  
11 in the way that you described?

12 MS. JONES: Objection to  
13 form.

14 A. The people in my field, which I would  
14:03:16 15 describe as accounting, would follow the same  
16 guidance as I followed.

17 Q. Okay.

18 A. And I don't understand how they would  
19 come to any different conclusion.

14:03:26 20 Q. But do you know of anyone in particular  
21 who has actually followed that type of guidance  
22 with respect to the treatment of compensation of  
23 -- by digital asset payment?

24 MS. JONES: Object to form.

14:03:41 25 Asked and answered.

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14:03:45 1 A. So it's -- I -- I have not spoken with  
2 another accountant about the accounting for XRP.  
3 This is my opinion.

4 Q. Okay. Well, I -- I was referring to  
14:04:02 5 digital assets in general, not XRP specifically.

6 Is -- does your answer stand with regard  
7 to just digital assets?

8 A. Yes.

9 Q. Okay. If you could please turn to  
14:04:25 10 paragraph 11 of your report.

11 Can you explain what specifically in  
12 Professor [REDACTED] opinion that you are  
13 rebutting in this paragraph?

14 A. I'm making an observation that the  
14:05:09 15 manner in which early stage companies fund their  
16 operations sometimes via equity issuances is not  
17 helpful because companies have to fund their  
18 operations some way and this is just one form of  
19 funding operations.

14:05:56 20 Q. So if you could please go to paragraph  
21 12 of the report.

22 Can you explain what in Professor  
23 [REDACTED] report or [REDACTED] report that  
24 you're rebutting in this paragraph?

14:06:45 25 A. Yes. What I'm pointing to is the



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14:06:54 1 incorrect conflation of the economic substance of  
2 two independent transactions.

3 Q. What specific independent transactions  
4 are you referring to?

14:07:21 5 A. The sale of XRP and the subsequent use  
6 of the funds obtained from sale of XRP.

7 Q. Does Professor [REDACTED] provide any  
8 opinion about the sale of XRP under GAAP?

9 MS. JONES: Objection to

14:07:45 10 form. Asked and answered.

11 A. Professor [REDACTED] does not mention U.S.  
12 GAAP.

13 Q. Does [REDACTED] provide any opinion about  
14 the sale of XRP under GAAP?

14:08:00 15 MS. JONES: Objection to  
16 form. Asked and answered.

17 A. Mr. [REDACTED] says nothing about U.S. GAAP.

18 Q. Okay. And in paragraph 12 of your  
19 report, what is the basis for the statement that

14:08:34 20 XRP is integral to services that Ripple provides  
21 to its customers?

22 A. I'm sorry, I didn't hear that. Can you  
23 point to my statement, please?

24 Q. Sure. I'm pointing you to paragraph 12.

14:09:00 25 A. Yes.

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14:09:01 1 MS. JONES: On the other  
2 page.

3 Q. It starts with "Given that XRP is  
4 integral to services that Ripple provides its  
14:09:10 5 customers, and is used to fund operations..."

6 Did you find that?

7 A. I found the sentence, yes.

8 Q. Okay. What is the basis for your  
9 statement that XRP is integral to services that  
14:09:52 10 given -- that Ripple provides its customers?

11 A. Well, this means -- this means that  
12 under GAAP, that the use of XRP to pay suppliers  
13 should be accounted for as a sale with associated  
14 expenses, yet in no way suggests that XRP is a  
14:10:28 15 debt or equity security.

16 THE REPORTER: That XRP is?

17 THE WITNESS: A debt or  
18 equity security.

19 Q. Does Professor [REDACTED] provide any  
14:10:36 20 opinion that XRP is a debt security under GAAP?

21 MS. JONES: Objection to  
22 form. Asked and answered.

23 A. Professor [REDACTED] never mentions U.S.  
24 GAAP.

14:10:54 25 Q. Okay. And the same question for

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14:10:56 1 Mr. [REDACTED]. Is there any opinion that XRP is a  
2 debt or equity security under GAAP in his report?

3 MS. JONES: Same objection.

4 A. Same answer.

14:11:09 5 MS. JONES: Asked and  
6 answered.

7 Q. What do you mean by the term "integral"  
8 to services that Ripple provides its customers in  
9 paragraph 12?

14:11:26 10 A. It's an absolutely key central part.

11 Q. Are there any facts in support of that  
12 statement that you considered?

13 A. Yes.

14 MS. JONES: Objection to

14:11:40 15 form.

16 A. It is the payment mechanism.

17 Q. Where did you obtain the facts in  
18 support of this statement?

19 A. I presume in the annual report.

14:11:50 20 Q. Do you recall specifically or are you  
21 guessing?

22 A. I'm prepared to say I would have learned  
23 that from the annual report.

24 Q. I'm sorry, can I just ask you to just

14:12:06 25 repeat your last answer? I didn't quite hear

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14:12:09 1

that.

2

A. I'm prepared to say that I would have learned that from the annual report.

3

4

Q. Okay. If you go to your paragraph 20.

14:13:00 5

MS. JONES: Sorry, did you

6

say 20?

7

MS. GUERRIER: Twenty.

8

Q. Just what in Professor [REDACTED] report

9

is contrary to the point that you're making in

14:13:40 10

paragraph 20 regarding the funding by Ripple and

11

Ripple sales under GAAP?

12

MS. JONES: Objection to

13

form.

14

A. I'm sorry, what?

14:14:08 15

Q. What in Professor [REDACTED] report is

16

contrary to the point that you're making in

17

paragraph 20 regarding the funding by Ripple and

18

Ripple sales under GAAP?

19

A. "The fact that Ripple funded its

14:14:23 20

operations, in part, with sales of XRP does not

21

mean XRP sales are security issuances."

22

Q. When you say "XRP sales are security

23

issuances," do you mean under GAAP?

24

A. Yes.

14:14:42 25

Q. Okay. Does Professor [REDACTED] report

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14:14:44 1 contain any opinion regarding Ripple's sales of  
2 XRP being accounted for as the issuance of a debt  
3 or equity security under GAAP?

4 MS. JONES: Objection.

14:15:00 5 Counsel, you've asked that time --  
6 that same question several times now.

7 MS. GUERRIER: Well, we're  
8 talking about a different opinion  
9 statement, so this is a separate  
10 question.

14:15:07 10

11 BY MS. GUERRIER:

12 Q. So if you could please answer my  
13 question.

14 A. Professor ████████ does not mention U.S.  
15 GAAP.

14:15:16 15

16 Q. Okay. If you could please go back to  
17 the opinions that are in paragraph 3 of your  
18 rebuttal.

19 A. Okay.

14:16:17 20

21 Q. What is the question that you're  
22 answering in paragraph 3(ii) of your opinion?

23 A. "Does the fact that Ripple may have paid  
24 business partners and vendors for services in XRP  
25 rather than fiat currency mean that under U.S.  
GAAP the economic substance of those transactions

14:16:40 25

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14:16:42 1 were sales of equity or debt securities?"

2 Q. Is there a difference between the  
3 question in 2(i) and the question in paragraph  
4 2(ii)?

14:16:57 5 MS. JONES: Objection.

6 A. Would you repeat the question, please?

7 Q. Sure.

8 Is there a difference between the  
9 question in paragraph 2(i) and the question in  
10 paragraph 2(ii)?

11 A. Yes.

12 Q. What is the difference?

13 A. I would characterize 3(ii) as a summary,  
14 more succinct statement, of the question in 2(ii).

14:18:02 15 Q. Okay. So what is the opinion that  
16 you're providing in paragraph 2 -- 3 -- I'm sorry,  
17 in paragraph 3(ii)?

18 A. "The fact that Ripple may have paid  
19 business partners and vendors for services in XRP  
14:18:15 20 rather than fiat currency does not mean that,  
21 under U.S. GAAP, the economic substance of those  
22 transactions were sales of equity or debt  
23 securities."

24 Q. What in Professor [REDACTED] re -- report  
14:18:28 25 are you rebutting in your re -- opinion in

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14:18:32 1 paragraph 3(ii)?

2 MS. JONES: Objection to

3 form. Assumes facts not in evidence.

4 A. I am rebutting the characterization of  
14:18:55 5 the observation that operations could be funded  
6 via issuance of securities or issuance of XRP or  
7 various other sources as a basis for supporting  
8 the suggestion that XRP is a security.

9 Q. And do you mean XRP is a security under  
14:19:26 10 GAAP in your report?

11 A. Yes.

12 Q. Okay. So does Professor [REDACTED]  
13 report provide any opinion on the characterization  
14 of the observation that operations could be run --  
14:19:54 15 funded by issuance of securities or issuance of  
16 XRP or various other sources as a basis for  
17 supporting the suggestion that XRP is a security  
18 under GAAP?

19 MS. JONES: Objection to

14:20:08 20 form.

21 A. He doesn't provide that opinion as  
22 you've stated it.

23 Q. You also cite to Mr. [REDACTED] report in  
24 your opinion in paragraph 3(ii).

14:20:36 25 What specifically in Mr. [REDACTED] report

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14:20:39 1 are you rebutting?

2 A. In 3(ii)?

3 Q. Yes.

4 A. Say the question again, please.

14:20:53 5 Q. You also cite to Mr. [REDACTED] report in  
6 your opinion in paragraph 3(ii).

7 What specifically in Mr. [REDACTED] report  
8 are you rebutting?

9 A. This is a similar point that the way  
14:21:39 10 that Ripple uses XRP in order to obtain funds for  
11 its operations has nothing to do with whether XRP  
12 are a security under U.S. GAAP.

13 Q. Does Mr. [REDACTED] provide any opinion in  
14 his report regarding Ripple's use of XRP in order  
14:22:17 15 to obtain funds for its operations as being a  
16 security under U.S. GAAP?

17 MS. JONES: Objection to  
18 form.

19 A. No.

14:22:33 20 Q. Okay. If you go to paragraph 21 of your  
21 report, please.

22 Are you offering any opinion on whether  
23 Ripple engaged in actions to increase the price  
24 of XRP in the market?

14:23:49 25 A. No.



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14:23:50 1 Q. Okay. Can you explain what you mean  
2 under GAAP that even if Ripple -- and I'm  
3 paraphrasing -- engaged in actions to restrict the  
4 supply of XRP and to otherwise support the market  
14:24:12 5 price of XRP, that this would not result in XRP  
6 being treated as transactions in equity or debt  
7 securities under GAAP?

8 A. I don't know how to explain a negative.  
9 Could you ask the question as a  
14:24:41 10 positive?

11 Q. Sure.  
12 Why don't I point you to your report.  
13 If you look at paragraph 21, the third line down  
14 where you start with "I discuss the reasons  
14:24:51 15 why..."

16 So my question was --

17 A. I'm sorry, third line down did you say?

18 Q. Yes. In paragraph --

19 A. "To provide price support" --

14:25:02 20 Q. -- 21 at the top.

21 A. Okay. Okay.

22 Q. So if you could explain what you mean by  
23 this paragraph in your report.

24 A. I -- I see no connection between  
14:25:19 25 restricting the supply of a product and it being a

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14:25:27 1 security. An oil and gas producer restricts their  
2 supply of oil and gas, but that doesn't make it a  
3 security.

4 Q. When you say "security," are you  
14:25:39 5 referring to a security under GAAP?

6 A. Yes.

7 Q. Okay. So in the next sentence, you also  
8 address -- well, you also state your disagreement  
9 with Mr. [REDACTED] and Mr. [REDACTED] observations  
14:26:00 10 about Ripple's efforts to provide market price  
11 support for XRP?

12 A. Yes.

13 Q. Why does this not affect your opinion  
14 that sales of XRP are intangible assets not  
14:26:25 15 involving securities?

16 A. If it's to effect the price of an asset,  
17 be it tangible or intangible, it does not suggest  
18 in any way that that asset becomes a security  
19 under U.S. GAAP.

14:27:05 20 Q. Okay. In paragraph 22 of your report,  
21 can you describe what specifically in  
22 Mr. [REDACTED] report you're rebutting?

23 A. In paragraph 22 I simply describe the  
24 escrow feature which -- to which Professor [REDACTED]  
14:27:42 25 refers.

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14:27:46 1 Q. Okay. Does Professor [REDACTED] provide  
2 any opinion regarding the escrow feature of XRP  
3 and any accounting effect under GAAP?

4 A. No, he does not.

14:28:00 5 Q. Does Mr. [REDACTED] provide any opinion  
6 regarding the escrow feature of XRP and any  
7 accounting effects under GAAP?

8 A. No.

9 Q. If you could please go to your paragraph  
14:28:45 10 24.

11 Can you describe what in Mr. [REDACTED]  
12 report you're rebutting in this paragraph?

13 MS. JONES: Objection to  
14 form. Assumes facts not in evidence.

14:29:21 15 A. I'm, again, rebutting the conflation of  
16 two transactions into one.

17 Q. In paragraph 25 of your report, can you  
18 please describe what you're rebutting?

19 A. Paragraph 25 is a statement of what  
14:30:08 20 Professor [REDACTED] says. The rebuttal is in  
21 paragraph 26.

22 Q. Okay. So what exactly are you rebutting  
23 in paragraph 26?

24 A. Again, it's the conflation. The use of  
14:30:26 25 a feature that is described under the same term as

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14:30:32 1 features are sometimes described in the issue of  
2 securities conflates the economic substance as a  
3 source of the funds and the use of the funds in  
4 operations. It does not imply that the sale of  
14:30:51 5 XRP and the support of the price of XRP suggests  
6 in any way that XRP is a security that should  
7 be -- that should be accounted for as a security  
8 under GAAP.

9 Q. What specific feature are you referring  
14:31:08 10 to?

11 MS. JONES: Objection to  
12 form.

13 A. I don't understand the question. You  
14 mean the escrow feature?

14:31:17 15 Q. I'm asking you to please describe the  
16 feature that you're referring to in your response.

17 A. The escrow feature.

18 Q. The escrow feature.

19 In paragraph 25 you refer to use of  
14:31:44 20 lock-up provisions.

21 Does Professor [REDACTED] provide any  
22 opinion about the use of lock-up provisions and  
23 accounting effect under GAAP in his report?

24 A. Professor [REDACTED] never mentions U.S.  
14:32:01 25 GAAP.

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14:32:06 1 MS. JONES: Again, we've --  
2 we've been going another hour, if  
3 there's a good stopping point for  
4 you.

14:32:12 5 MS. GUERRIER: Let me finish  
6 with this, please.

7 BY MS. GUERRIER:

8 Q. If you could please go to paragraph 27  
9 of your report.

14:32:21 10 Could you please tell me what you're  
11 rebutting in paragraph 27 of your report?

12 A. I'm making the observation that contrary  
13 to Professor ██████████ suggestion that XRP should  
14 be treated as a security, the way XRP is treated  
15 in Ripple's financial statements, which is not a  
16 security, is entirely correct under U.S. GAAP.

14:33:00 17 Q. So in paragraph 27 of your report, when  
18 you say that you're making an observation about  
19 Professor ██████████ suggestion that XRP should be  
14:33:35 20 treated as a security, does Professor ██████████ make  
21 any observations about how XRP should be treated  
22 as a security under GAAP?

23 A. No.

24 MS. JONES: Objection to  
14:33:49 25 form. Asked and answered.

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14:33:50 1 Q. So what do you mean when you say that  
2 you're making an observation that contrary to  
3 Professor ██████████ suggestion that XRP should be  
4 treated as a security...?"

14:34:04 5 MS. JONES: Objection to  
6 form.

7 Q. What do you mean by "security" in that  
8 sentence?

9 A. Security as defined under U.S. GAAP.

14:34:10 10 Q. Okay.

11 MS. GUERRIER: All right. I  
12 think we can take a break now.

13 THE VIDEOGRAPHER: Okay.

14 Going off the record at 2:34.

14:34:31 15 (Whereupon, a recess is taken.)

16 THE VIDEOGRAPHER: Okay.

17 Back on the record, 2:49.

18 BY MS. GUERRIER:

19 Q. Professor Easton, if we can please go  
14:49:28 20 back to your opinion in paragraph 3?

21 A. Three?

22 Q. Yes, please.

23 A. The rebuttal opinion?

24 Q. Yes, so the rebuttal report.

14:49:47 25 Can you describe the question that

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14:49:48 1 you're answering in paragraph 3(ii) of your  
2 opinion?

3 A. "Does the fact that Ripple may have paid  
4 business partners and vendors for services in XRP  
14:49:59 5 rather than fiat currency mean that, under U.S.  
6 GAAP, the economic substance of those transactions  
7 were sales of equity or debt securities?"

8 Q. And what is the opinion that you  
9 formulated in response to that question?

14:50:19 10 A. "The fact that Ripple may have paid  
11 business partners and vendors for services in XRP  
12 rather than fiat currency does not mean that under  
13 U.S. GAAP the economic substance of those  
14 transactions were sales of equity or debt  
14:50:32 15 securities."

16 Q. Okay. Could you please describe what  
17 specifically in the [REDACTED] report that you're  
18 rebutting in your opinion in paragraph 3(iii)?

19 A. Yes. The conflation of the payment and  
14:50:56 20 the -- no. That's -- it's that there's a  
21 characteristic of XRP that makes it look like a  
22 security because they paid business partners and  
23 vendors for services.

24 Q. Are you rebutting any opinion in  
14:51:27 25 Mr. [REDACTED] report in your Opinion 3(iii)?

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14:51:42 1 A. Not specifically. I don't think so.

2 Q. Okay. When you refer to "security" in  
3 your -- in the answer that you just stated  
4 regarding the conflation of the payments and the  
14:52:01 5 charac -- characteristics of XRP, do you mean  
6 security under GAAP?

7 A. Yes.

8 Q. Okay. Does Professor [REDACTED] provide  
9 any opinion that there's a characteristic of the  
14:52:19 10 XRP that makes it look like a security under GAAP  
11 because they paid business partners and vendors  
12 for services?

13 A. You have repeatedly asked this question  
14 under GAAP. The fact of the matter is GAAP is the  
14:52:41 15 language of finance. So to the extent the  
16 professor gives an opinion, the consistency with  
17 the language of GAAP must be considered.

18 Q. Does Professor [REDACTED] use the term  
19 "GAAP" in -- in the context of the conflation of  
14:53:07 20 payment and the characteristics of XRP that makes  
21 it look like a security because they paid business  
22 partners and vendors for services?

23 MS. JONES: Objection to  
24 form.

14:53:26 25 A. I don't recall Professor [REDACTED] ever



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14:53:27 1 using the term "U.S. GAAP."

2 Q. Does Professor [REDACTED] provide any  
3 opinion regarding the accounting treatment of XRP  
4 in the context of payments to business partners  
14:53:45 5 and vendors for services under GAAP?

6 A. No, but the accounting treatment  
7 matters.

8 Q. Okay. Is your answer, no, he does not  
9 provide such an opinion?

14:54:00 10 A. No, he does not --

11 MS. JONES: Objection to  
12 form. Asked and answered.

13 A. He does not provide such an opinion, but  
14 the accounting treatment matters.

14:54:07 15 Q. Okay. What's the basis for your opinion  
16 that -- in support -- that supports your opinion  
17 in paragraph 3(iii)?

18 MS. JONES: Objection to  
19 form.

14:54:40 20 MS. GUERRIER: Let me ask  
21 that again.

22 Q. What is the basis for your -- the  
23 opinion you formulated in paragraph 3(iii)?

24 A. The payment to business partners and  
14:54:55 25 vendors, the form of that payment does not affect

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14:55:02 1 the conclusion as to whether XRP is a security  
2 under U.S. GAAP.

3 Q. Is that the basis for the opinion?

4 A. There is no connection between the two,  
14:55:20 5 yes.

6 Q. Okay. So what are you relying on to  
7 support that statement that there is no connection  
8 between the two?

9 A. A deep understanding of U.S. GAAP.

14:55:36 10 Q. Anything else?

11 A. That's a lot.

12 Q. Did you conduct any analysis in support  
13 of your opinion in 3(iii)?

14 A. Yes.

14:55:46 15 MS. JONES: Objection to  
16 form.

17 Q. What is the analysis that you conducted?

18 A. I considered the definitions and  
19 descriptions of assets provided by the Financial  
14:56:04 20 Accounting Standards Board and listed on page 7 of  
21 my original report. After careful consideration  
22 of every one of those asset types and the use of  
23 every one of those asset types, I concluded that  
24 sales of XRP are not sales of equity or debt  
14:56:25 25 securities.

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14:56:28 1 Q. And when you say "sales of XRP are not  
2 sales of equity or debt securities," you mean  
3 under GAAP?

4 A. I did the analysis under U.S. GAAP.

14:56:38 5 Q. Okay. Did you make any assumption in  
6 support of your opinion in paragraph 3(iii)?

7 MS. JONES: Objection to  
8 form.

9 A. No.

14:56:57 10 Q. Okay. Are there any documents that you  
11 considered in support of your opinion in 3(iii)?

12 A. The documents referred to in this  
13 rebuttal report and in the original Easton report.

14 Q. Okay.

14:57:15 15 THE REPORTER: In the original  
16 what report?

17 THE WITNESS: Easton report.

18 Q. Do you have an idea of what specific  
19 documents that you're referring to?

14:57:22 20 A. In particular, the annual reports of  
21 Ripple.

22 Q. Could you please turn to paragraph 30 of  
23 your report?

24 Can you describe what specifically in  
14:58:04 25 Mr. ████████ report that you're rebutting in this

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14:58:07 1 paragraph?  
2 A. No.  
3 Q. Why not?  
4 A. There's no rebuttal in this paragraph.

14:58:23 5 This is a statement of what the [REDACTED] report  
6 opinion is.

7 Q. Okay. So are you rebutting anything  
8 from Mr. [REDACTED] report in paragraph 31 of your  
9 report?

14:59:06 10 A. Yes.

11 Q. What specifically are you rebutting from  
12 Mr. [REDACTED] report in paragraph 31 of your report?

13 A. Mr. [REDACTED] opinion is that "Ripple's  
14 distributions of XRP to business partners were  
15 another mechanism by which Ripple effectively sold  
16 XRP into the broader XRP ecosystem."

17 Q. And what -- what is your rebuttal of  
18 Mr. [REDACTED] opinion?

19 A. Paragraph 31.

15:00:19 20 Q. What specifically is the rebuttal with  
21 respect to the point that you described from  
22 Mr. [REDACTED] report?

23 A. The accounting by MoneyGram for this  
24 transaction accounts for the transaction as a  
15:00:40 25 payment in XRP for services rendered by MoneyGram.

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15:00:56 1 Q. Does Mr. [REDACTED] provide any opinion  
2 regarding the accounting by MoneyGram for the  
3 transaction accounts that you've described?

4 A. No, but that does not mean that the  
15:01:08 5 accounting is not relevant.

6 Q. Does Mr. [REDACTED] provide any opinion about  
7 the accounting for MoneyGram in his report under  
8 GAAP?

9 A. No, but that does not mean that the  
15:01:19 10 accounting is not relevant.

11 Q. What is the accounting relevant to?

12 A. Reporting the financial transaction, the  
13 finance of the transaction.

14 Q. Does Mr. [REDACTED] provide any opinion about  
15:01:38 15 the finance of the MoneyGram transaction under  
16 GAAP in his report?

17 A. No.

18 Q. If you could please turn to page 15 and  
19 Section A.

15:02:34 20 Can you please describe what you're  
21 rebutting in this section of your report?

22 A. The suggestion that payments to service  
23 providers in -- using XRP are not sales of a  
24 security under U.S. GAAP.

15:03:04 25 THE REPORTER: Are not what

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15:03:05 1 of a security?

2 THE WITNESS: I'm sorry.

3 Sales of a security under U.S. GAAP.

4 Q. So does Mr. [REDACTED] provide any opinion  
15:03:27 5 regarding whether payments to service providers  
6 using XRP are not sales of a security under U.S.  
7 GAAP?

8 MS. JONES: Objection to  
9 form. Asked and answered now several  
15:03:35 10 times.

11 A. Could you repeat? Professor [REDACTED]  
12 opinion with respect to what?

13 Q. Yes. I'll repeat the question.

14 Does Professor [REDACTED] provide any  
15:03:47 15 opinion regarding the suggestion that payments to  
16 service providers using XRP are not sales of a  
17 security under U.S. GAAP?

18 MS. JONES: Objection to  
19 form.

15:04:03 20 A. Professor [REDACTED] never mentions U.S.  
21 GAAP.

22 Q. Does Mr. [REDACTED] provide any opinion  
23 regarding whether payments to service providers  
24 using XRP are not sales of a security under U.S.  
15:04:17 25 GAAP?

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15:04:17 1 MS. JONES: Objection to  
2 form. Asked and answered.  
3 A. Mr. [REDACTED] never considers U.S. GAAP.  
4 Q. If you could please turn to paragraph 34  
15:04:50 5 of your rebuttal.  
6 Could you please describe what you're  
7 rebutting in paragraph 34?  
8 A. Yes. The conflation of the cash from  
9 the sales and the use of that cash from the sales.  
15:05:22 10 Q. Okay. And what specifically in  
11 Mr. [REDACTED] report are you rebutting in regards  
12 to paragraph 34?  
13 A. The -- the observation by Professor  
14 [REDACTED] that -- the observation that sales of XRP  
15:05:58 15 were used to generate cash which is subsequently  
16 used to pay business partners and services  
17 rendered and the notion that sales of securities  
18 by other firms are used for similar purposes in no  
19 way suggests that XRP should be considered a  
15:06:36 20 security.  
21 Q. Do you mean a security under GAAP?  
22 A. And a security under GAAP is -- that's  
23 the way security sales are recorded in the United  
24 States. So it's more than just an irrelevant  
15:06:54 25 aside.

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15:06:54 1 Q. Okay. Are you just -- your -- is your  
2 opinion confined to securities under GAAP?

3 MS. JONES: Objection.

4 Asked and answered.

15:07:11 5 A. Yes, but that's a very broad opinion  
6 because GAAP is the mechanism by which security  
7 sales are recorded in the United States.

8 Q. In paragraph 34, are you providing any  
9 opinion regarding securities under federal  
10 securities laws?

11 A. No.

12 Q. Is there any subject matter in  
13 Mr. [REDACTED] report that you're rebutting in  
14 paragraph 34?

15:07:57 15 MS. JONES: Objection to  
16 form.

17 A. Yes.

18 Q. What specifically from Mr. [REDACTED]  
19 report are you rebutting?

15:08:10 20 A. The conflation --

21 MS. JONES: Sorry.

22 Mr. [REDACTED] or Mr. [REDACTED]? I just  
23 want to --

24 MS. GUERRIER: [REDACTED].

15:08:16 25 MS. JONES: Okay.



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15:08:18 1 A. Oh. I -- I misunderstood that, too. I  
2 beg your pardon.

3 No, I don't think so.

4 Q. Okay. Did Professor [REDACTED] provide any  
15:08:39 5 opinion regarding, that you observed, observation  
6 that sales of XRP were used to generate cash which  
7 is subsequently used to pay business partners and  
8 services rendered with respect to XRP's accounting  
9 treatment under GAAP?

15:08:58 10 MS. JONES: Objection.

11 Asked and answered.

12 A. Professor [REDACTED] never at any time in  
13 his report mentioned U.S. GAAP.

14 Q. If we could please go back to paragraph  
15:09:35 15 31 of your report.

16 So in the last sentence of paragraph 31  
17 regarding MoneyGram disclosures that -- could you  
18 please describe the basis for your statement in  
19 that sentence?

15:10:25 20 A. This is -- the sentence beginning  
21 "MoneyGram made disclosures...".

22 Q. Yes, please.

23 A. This is disclosed in MoneyGram's annual  
24 report.

15:10:44 25 Q. When you use the term "security" in that

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15:10:46 1 paragraph, are you referring to -- I'm sorry, in  
2 that last sentence, what do you mean by "security"  
3 in -- in the sentence?

4 A. This is an equity security. That was  
15:11:04 5 the securities purchase agreement.

6 Q. Okay. Do you mean an equity security  
7 under GAAP?

8 A. I mean, it's a listed security, yes,  
9 under GAAP.

15:12:27 10 Q. Okay. So going to page 16 of your  
11 report -- actually, let's strike that.

12 Why don't we go back to your opinion in  
13 paragraph 3.

14 A. I'm sorry, I didn't get that.

15:12:59 15 Q. We're going back to your opinions in  
16 paragraph 3.

17 A. The original opinion?

18 Q. Yes, the rebuttal. Page 2.

19 A. Okay.

15:13:08 20 Q. Actually, page 2 and 3.

21 Can you please describe what question  
22 you're answering in paragraph 3(iv), or 4, Roman  
23 numeral iv, of your opinion?

24 A. Yes. "Do MoneyGram's disclosures in its  
15:13:51 25 SEC filings, with respect to the XRP it received

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15:13:54 1 from Ripple for facilitating international foreign  
2 exchange transactions on Ripple's ODL platform,  
3 reflect a determination that, under U.S. GAAP,  
4 Ripple's transfers and sales of XRP to MoneyGram  
15:14:07 5 constituted sales of equity or debt securities?"

6 Q. And what opinion did you formulate in  
7 response to the question in paragraph 3(iv), Roman  
8 numeral IV?

9 A. MoneyGram's disclosures in its SEC  
15:14:26 10 filings with respect to the XRP it received from  
11 Ripple for facilitating international foreign  
12 exchange transactions on Ripple's ODL platform do  
13 not reflect a determination that, under U.S. GAAP,  
14 Ripple's transfer and sales of XRP to MoneyGram  
15:14:41 15 constituted sales of equity or debt securities.

16 Q. Could you explain what specifically  
17 you're rebutting and your opinion in Roman numeral  
18 iv?

19 A. I'm rebutting the suggestions in the  
15:15:25 20 [REDACTED] report, and apparently it's on pages 38 to  
21 40, that these activities between Ripple and  
22 MoneyGram may suggest that XRP are a security.

23 Q. Do you mean a security under U.S. GAAP?

24 A. Yes.

15:16:08 25 Q. Does the [REDACTED] report provide any

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15:16:10 1 opinion that the activities that you described in  
2 your opinion in Roman numeral iv between Ripple  
3 and MoneyGram suggest that XRP is a security under  
4 U.S. GAAP?

15:16:24 5 MS. JONES: Objection to  
6 form.

7 A. Mr. [REDACTED] does not mention U.S. GAAP.

8 Q. What is the basis for your opinion in  
9 Roman numeral iv?

15:16:47 10 A. I looked at the nature of the  
11 transactions between Ripple and MoneyGram and  
12 MoneyGram and Ripple and examined the  
13 characteristics of these transactions, considering  
14 the ways that transactions can be categorized  
15:17:09 15 under U.S. GAAP, and came to the conclusion that  
16 these transactions cannot be -- that is, the sales  
17 of XRP cannot be construed as constituting sales  
18 of equity or debt securities.

19 Q. Did you consider any facts in support of  
15:17:37 20 this opinion in Roman numeral iv?

21 A. Only those --

22 MS. JONES: Objection to  
23 form.

24 A. -- that I just mentioned.

15:17:43 25 Q. Okay. Were there any documents that you

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15:17:46 1 considered in support of your opinion in Roman  
2 numeral iv?

3 A. Yes.

4 Q. What documents did you consider in  
15:17:53 5 support of your opinion?

6 A. Mostly the annual reports, particularly  
7 those of MoneyGram.

8 Q. Is there anything specifically from the  
9 annual reports that you considered in support of  
15:18:14 10 the opinion in Roman numeral iv?

11 A. There's a description of a material  
12 commercial transaction and a securities purchase  
13 agreement.

14 Q. And how do these documents support your  
15:18:33 15 opinion in Roman numeral iv?

16 A. Well, they lead -- lead to the  
17 conclusion that, first of all, XRP was used as a  
18 payment mechanism; second, the transfer of an XRP  
19 did not lead to a claim on Ripple.

15:19:12 20 Q. What specifically did you consider that  
21 led you to the conclusion that XRP was used as a  
22 payment mechanism?

23 A. I suspect those words were pretty much  
24 as used in the 10-K.

15:19:28 25 Q. Okay.

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15:19:29 1 A. MoneyGram's 10-K.

2 Q. Excuse me.

3 And what specifically did you consider  
4 that led to the conclusion that the transfer of an  
15:19:40 5 XRP did not lead to a claim on Ripple?

6 MS. JONES: Objection to  
7 form.

8 A. Just no evidence. Nothing about the  
9 payment in an XRP that leads to a claim against  
15:19:58 10 Ripple. The payment's already been made.

11 Q. Did you make any assumption in support  
12 of your opinion in Roman numeral iv?

13 MS. JONES: Objection to  
14 form.

15:20:14 15 A. No.

16 Q. Did you conduct any analysis in support  
17 of your opinion in Roman numeral iv?

18 MS. JONES: Objection to  
19 form.

15:20:28 20 A. Yes. I carefully analyzed the  
21 definitions and descriptions of assets of various  
22 types, including equity and debt securities, and  
23 came to the conclusion that XRP -- sales of XRP  
24 cannot be constituted as sales of equity or debt  
15:21:01 25 securities given the definitions of sales of

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15:21:05 1 equity and debt securities.

2 Q. And is your opinion based under GAAP  
3 principles?

4 A. I'm sorry?

15:21:18 5 Q. Is your opinion based -- that you just  
6 described based upon GAAP principles?

7 A. I examined the GAAP documents and came  
8 to the conclusion.

9 Q. If you could please turn to paragraph 36  
15:22:21 10 of your report.

11 Are you rebutting any opinion from  
12 Mr. [REDACTED] report in paragraph 36 of your  
13 report?

14 A. Yes. The implicit suggestion that the  
15:22:58 15 payment to MoneyGram in the form of XRP is an  
16 investment in debt or equity securities.

17 Q. When you say is an investment in debt  
18 and equity securities, do you mean under GAAP?

19 A. Yes.

15:23:27 20 Q. So does Professor [REDACTED] provide any  
21 opinion that payments to MoneyGram in the claimed  
22 form of XRP is an investment in debt or equity  
23 securities under GAAP in his report?

24 A. Professor [REDACTED] does not mention GAAP.  
15:23:57 25 His opinion would be much more informed if he did.

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15:24:05 1 Q. Okay. So if we go to paragraph 37 of  
2 your report, is there anything that you're  
3 rebutting in paragraph 37 in your report?

4 A. I'm saying what MoneyGram actually did  
15:24:27 5 in its accounting. I'm pointing out, contrary to  
6 the suggestion by Mr. [REDACTED], the accounting  
7 clearly indicates that the accounting for the XRP  
8 transaction is not accounting for a securities  
9 transaction, nor should it be.

15:24:53 10 Q. And when you say that the accounting  
11 indicates that the accounting for the XRP  
12 transaction is not an accounting for a securities  
13 transaction, are you referring to an accounting  
14 for securities transaction under GAAP?

15:25:17 15 A. Please answer the -- ask the question  
16 again.

17 Q. Sure.

18 When you state that the accounting  
19 indicates that the accounting for the XRP  
15:25:28 20 transaction is not an accounting for a securities  
21 transaction, are you referring to an accounting  
22 for a securities transaction under GAAP?

23 A. Yes.

24 Q. Did Professor -- I'm sorry.

15:25:50 25 Did Mr. [REDACTED] provide any opinion



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15:25:55 1 regarding MoneyGram's accounting under GAAP?

2 A. No.

3 Q. Did Mr. [REDACTED] provide any opinion  
4 regarding MoneyGram's accounting for its XRP?

15:26:07 5 MS. JONES: Object to form.

6 A. No.

7 Q. Okay. How did MoneyGram account for  
8 XRP?

9 A. As a contra expense.

15:26:50 10 Q. Does MoneyGram's accounting for XRP have  
11 any bearing on whether or not XRP is a security  
12 for federal -- under federal securities laws?

13 MS. JONES: Objection.

14 Calls for a legal conclusion.

15:27:03 15 A. I don't know the answer to that  
16 question.

17 Q. Does MoneyGram's accounting for XRP have  
18 any bearing on whether or not XRP is a security  
19 under GAAP?

15:27:19 20 MS. JONES: Objection to  
21 form.

22 A. The accounting reflects the nature of  
23 the transaction and the transaction itself was not  
24 a sale of a security under GAAP.

15:28:01 25 Q. If you could please go to paragraph 38

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15:28:03 1 of your report.

2 A. Thirty-eight?

3 Q. Yes, please.

4 A. Okay.

15:28:13 5 Q. Do you know what the securities purchase  
6 agreements are that you're referring to in this  
7 paragraph?

8 MS. JONES: Objection to  
9 form.

15:28:24 10 A. Yes.

11 Q. What are they?

12 A. There's an agreement for Ripple to  
13 purchase securities in MoneyGram.

14 Q. What type of securities does this refer  
15 to?

15:28:35 16 A. Equity.

17 Q. And how are securities purchase  
18 agreements accounted for under GAAP?

19 MS. JONES: Objection to  
20 form.

15:28:45 21 A. Additional paid-in capital.

22 Q. What is additional paid-in capital under  
23 GAAP?

24 THE REPORTER: I'm sorry?

15:28:56 25 Q. What is additional paid-in capital under

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15:28:58 1 GAAP?

2 A. It's the capital that's paid in as a  
3 contribution to the firm in return for equity  
4 ownership.

15:29:19 5 Q. Is there anything in Mr. [REDACTED]  
6 report that you are rebutting in paragraph 38 of  
7 your report?

8 A. What I'm doing in paragraph 38 is  
9 clarifying the nature of the transaction, the two  
10 transactions, between XRP and MoneyGram.

11 Q. Did you actually analyze the  
12 transactions between MoneyGram and XRP?

13 MS. JONES: Objection to  
14 form.

15:30:09 15 A. Yes.

16 Q. How did you conduct your analysis of the  
17 transactions between MoneyGram and XRP?

18 A. I looked at the accounting guidance,  
19 particularly the FASB, with respect to accounting  
15:30:28 20 for assets in general, and concluded that there  
21 were two forms of transactions: One was the sale  
22 of an asset, XRP, in return for services; the  
23 other was the purchase of common stock.

24 Q. Are you providing any opinion on whether  
15:31:06 25 the transactions that you just described are

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15:31:12 1 securities under GAAP?

2 A. Absolutely.

3 Q. What is your opinion?

4 A. The securities purchase agreement  
15:31:23 5 absolutely considered the purchase of an equity  
6 security under GAAP.

7 Q. Are you providing any opinion that the  
8 transactions that you described in paragraph 38  
9 constitute security transactions under the federal  
15:31:48 10 securities laws?

11 MS. JONES: Objection to  
12 form.

13 A. No, but I'd be shocked if they didn't.

14 Q. Okay. What's the basis for your  
15:31:59 15 statement that you'd be shocked if they -- that  
16 these transactions that you described in paragraph  
17 38 constitute --

18 A. Well, that they --

19 Q. -- securities under federal securities  
15:32:10 20 laws?

21 A. It would be just like Ripple purchasing  
22 an IBM stock and that would be covered by federal  
23 securities laws --

24 Q. Okay. So are you saying that --

15:32:20 25 A. -- as a security.

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15:32:21 1 Q. Okay. So are you saying these  
2 transactions would be securities under federal  
3 securities laws?

4 A. I believe so, yes.

15:32:27 5 Q. Okay. If you could please turn to  
6 paragraph 40 of your report.

7 What types of disclosures are you  
8 referring to in paragraph 40 of your report?

9 MS. JONES: And just to  
15:33:43 10 clarify, do you mean in the sentence  
11 "To the extent that Mr. [REDACTED]  
12 intended to infer as much,  
13 MoneyGram's disclosures..."

14 MS. GUERRIER: I'm just  
15:33:55 15 asking in general what he's --

16 A. So --

17 Q. So if I can repeat my question. It was  
18 what types of disclosures are you referring to in  
19 paragraph 40 of your report?

15:34:08 20 A. Disclosures regarding the compensation  
21 received from Ripple, the nature of the commercial  
22 agreements, discussion of the company's operating  
23 results and significant accounting policies,  
24 likely due to the materiality of the commercial  
15:34:30 25 agreement, discussion of market -- market

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15:34:35 1 development fees, for example.

2 Q. What are you rebutting from Mr. [REDACTED]  
3 report with regards to the disclosures that you've  
4 described in paragraph 40?

15:35:01 5 A. Mr. [REDACTED] noted that MoneyGram regularly  
6 updated its investment in public filings to the  
7 U.S. Securities and Exchange Commission about  
8 compensation it received from Ripple. I'm not  
9 sure what Mr. [REDACTED] meant by that. But to the

15:35:18 10 extent that he intended to infer as much,  
11 MoneyGram's disclosures of its commercial  
12 agreement with Ripple in its SEC filings do not  
13 mean the receipt of XRP represent the receipt of a  
14 security and subsequent sale of the security to  
15:35:35 15 the market.

16 Q. Okay. And you're referring to security  
17 under GAAP in your paragraph 40?

18 A. Yes, although here I'm not readily sure  
19 that this distinction bears a relevant  
15:36:02 20 distinction. I'm not sure it's relevant anyway.

21 Q. Can you explain what you mean by the  
22 distinction not being relevant?

23 A. Because the discussion is about public  
24 filings with the U.S. Securities and Exchange  
15:36:18 25 Commission, suggesting -- suggesting, therefore,

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15:36:25 1 that it is a security.

2 Q. So do you take issue with any opinion in  
3 Mr. [REDACTED] report regarding the characteristics  
4 of XRP as a security in relation to the MoneyGram  
15:36:51 5 disclosures?

6 MS. JONES: Objection to  
7 form.

8 A. Yes, to the extent that Mr. [REDACTED]  
9 intended to infer that the disclosures of this  
15:37:08 10 commercial agreement suggested that XRP was a  
11 security.

12 Q. So -- and when you say "XRP was a  
13 security," do you mean a security under GAAP or  
14 under federal securities law?

15:37:21 15 A. This is where I feel that this  
16 distinction that you repeatedly make is not at all  
17 clear to me. A security under GAAP really just  
18 means to me is the way that the security is  
19 reported in the United States.

15:37:35 20 Q. Well, are you an expert on securities  
21 under federal securities laws?

22 A. No.

23 MS. JONES: Objection to  
24 form.

15:37:41 25 Q. So are you -- is your opinion based on

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15:37:44 1

GAAP?

2

A. My opinion is based on an understanding of U.S. GAAP and the law of U.S. GAAP.

4

Q. Okay.

15:38:04 5

MS. GUERRIER: Okay. I'm

6

going to take a 10-minute break.

7

THE VIDEOGRAPHER: Going off

8

the record at 3:38.

9

(Whereupon, a recess is taken.)

15:50:15 10

THE VIDEOGRAPHER: Okay.

11

Back on the record, 3:55.

12

BY MS. GUERRIER:

13

Q. Okay. Professor, assume that there's a

14

legal ruling in this case that Ripple's sales

15:55:35 15

of XRP are sales of investment contract.

16

Would Ripple have to make any changes

17

or -- as to how it accounts for its sales of XRP?

18

MS. JONES: Objection to

19

form.

15:55:48 20

A. And what is the ruling? I'm sorry, I

21

don't think I caught that.

22

Q. Assume that the Court rules that XRP

23

sales are securities, sales of securities under

24

federal securities laws. Would Ripple have to

15:56:02 25

make any changes to how it accounts for XRP?



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15:56:06 1 MS. JONES: Objection to  
2 form.

3 A. My understanding of the accounting  
4 guidance as the accountant understands is that the  
15:56:17 5 only difference it would make is that we would  
6 have a label on the intangible asset XRP. It  
7 would be called investment contract. But it would  
8 still not have the characteristics of a security  
9 under GAAP.

15:56:35 10 Q. Okay. So if there is a ruling that  
11 Ripple's sales of XRP are sales of investment  
12 contracts under federal securities laws, is it  
13 possible that there would be a different  
14 interpretation of those sales under GAAP?

15:56:59 15 MS. JONES: Objection to  
16 form.

17 A. I really don't know how to answer the  
18 question because anything's possible. I can  
19 answer the question under the current accounting  
15:57:12 20 guidelines --

21 Q. Okay.

22 A. -- which I've done.

23 Q. So would Ripple look to -- I'm sorry,  
24 what specific accounting guidance would Ripple  
15:57:19 25 look to if the Court were to determine that sales

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15:57:24 1 of XRP are sales of securities under federal  
2 securities laws?

3 MS. JONES: Objection to  
4 form.

15:57:32 5 A. The guidance would be the guidance which  
6 I have referenced throughout the entire  
7 deposition.

8 Q. So since there's no FASB guidance for  
9 the treatment of digital assets under GAAP, what  
10 specifically would Ripple have to look to to  
11 determine how to account for sales of XRP if those  
12 sales are considered securities under federal  
13 securities law?

14 MS. JONES: Objection to  
15 form. Asked and answered.

16 A. I believe I did just answer that  
17 question but I'll give more detail. The AICPA  
18 guidance. The opinions and guidance provided by  
19 the Big 4. That's the guidance we currently have.  
15:58:27 20 Unless the guidance -- there's some new  
21 promulgation, we would stick with that.

22 Q. Did you state that Ripple would account  
23 for its sales of XRP as investment contract if the  
24 Court were to determine that those sales are  
15:58:47 25 investment contracts under federal securities law?

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15:58:49 1 MS. JONES: Objection to  
2 form.

3 A. If the Court decided that they were  
4 investment contracts, then the accountant would  
15:58:59 5 call them an investment contract.

6 Q. Okay.

7 A. But they would account them -- not  
8 account for them as investment contracts under  
9 current guidance. An investment contract under  
15:59:10 10 current accounting guidance is a contract  
11 associated with an insurance policy.

12 Q. Okay. Does the AICPA guidance direct  
13 that an investment company should determine  
14 whether its holdings of digital assets represents  
15:59:45 15 a debt security, equity security, or other  
16 investment, and apply the relevant FASB guidance  
17 for those instruments?

18 MS. JONES: Objection to  
19 form.

15:59:58 20 A. It does for an investment company, yes.

21 Q. If an investment company determines that  
22 its holdings of digital assets represent a debt  
23 security, should the investment company apply the  
24 guidance -- the FASB guidance for debt security  
16:00:20 25 when determining how to account for transactions

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16:00:23 1 in those digital assets?

2 MS. JONES: Objection to  
3 form.

4 A. There was a lot in that question.

16:00:27 5 Would you repeat it --

6 Q. Sure.

7 A. -- so I make sure I get it all?

8 Q. So if an investment company determines  
9 that its holding of digital assets represent a

16:00:37 10 debt security, should the investment company apply  
11 the guidance -- I'm sorry, the FASB guidance for  
12 debt securities when determining how to account  
13 for transactions in those digital assets?

14 A. They should follow AIC 946.

16:00:57 15 Q. What is AIC 946?

16 A. It's the accounting for equity and debt  
17 securities for an investment company.

18 Q. If an investment company determines that  
19 its holdings of digital assets represent an other

16:01:20 20 investment, what FASB guidance should apply when  
21 determining how to account for transactions in  
22 those digital assets?

23 MS. JONES: Object to form.

24 Q. Did you want me to repeat that?

16:01:33 25 A. Yes, please.

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16:01:37 1 Q. If an investment company determines that  
2 its holdings of digital assets represent an other  
3 investment, what FASB guidance should apply when  
4 determining how to account for transactions in  
16:01:50 5 those digital assets?

6 A. It --

7 MS. JONES: Same objection.

8 A. It would be the same reference to AIC,  
9 same as AIC, but it would depend upon the form of  
16:02:04 10 the other investment.

11 Q. Can you elaborate what you mean by "it  
12 would depend on the form of the other investment"?

13 A. Yes. If it's not a debt or equity  
14 security, then this means that there is no claim  
16:02:26 15 on the underlying company against which that debt  
16 or equity security is issued. Another investment,  
17 other investments, or anything else. Could be  
18 gold, for example.

19 Q. Okay. Going back to your original  
16:02:57 20 report --

21 A. Okay.

22 Q. -- in paragraph 82, you state that  
23 "Ripple generates revenue from the sales of XRP to  
24 customers to facilitate cross-border payments."  
16:03:37 25 What is the basis for this statement?

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16:03:38 1 A. Ripple's 2020 --

2 THE REPORTER: Ripple's?

3 A. Ripple's 2020 annual financial  
4 statement.

16:03:54 5 Q. So do the 2020 annual financial  
6 statements specifically state that Ripple  
7 generates revenues from sales of XRP to facilitate  
8 cross-border payments?

9 MS. JONES: Objection to  
10 form.

16:04:09 11 A. I can't tell you as I sit here now  
12 whether this is a direct quote or not.

13 Q. Do you know whether Ripple sells XRP to  
14 customers who use the XRP for purposes other than  
16:04:25 15 to facilitate cross-border payments?

16 MS. JONES: Object to form.

17 A. I believe so, but I can't cite a  
18 particular example right now.

19 Q. In your review of the records in this  
16:04:44 20 case, did you analyze whether Ripple had any sales  
21 of XRP for other than cross-border payments?

22 MS. JONES: Object to form.

23 A. Well, they have sales of XRP for  
24 executive compensation, for example.

16:05:17 25 Q. Anything else?

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16:05:20 1 A. All of the things I've mentioned in my  
2 report. I -- I could find them. Do you want me  
3 to do that?

4 Q. Sure.

16:05:29 5 A. Okay. It's getting late in the day. It  
6 will take me a while to find it. Bear with me  
7 while I get there.

8 So in paragraph 58 and 59, I talk about  
9 the sales of XRP in nonmonetary transactions,  
16:06:16 10 payment of expenses, the R & D, selling,  
11 marketing, general and administrative.

12 Q. Do you know how much of Ripple's  
13 revenues are derived from sales of XRP for  
14 cross-border payments versus sales for other  
16:06:46 15 purposes --

16 MS. JONES: Object --

17 Q. -- historically?

18 MS. JONES: Object to form.

19 A. Off of the top of my head, no.

16:07:20 20 Q. Do you know whether Ripple sale -- sells  
21 XRP to persons who don't use the XRP for  
22 cross-border transactions?

23 MS. JONES: Objection to  
24 form.

16:07:35 25 A. Yes.

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16:07:38 1 Q. Can you elaborate?

2 A. Well, there's the sales of XRP in return  
3 for services provided. That's not a cross-border  
4 transaction.

16:07:48 5 Q. Other than services provided, is  
6 there -- is there any other type of transactions  
7 that Ripple uses XRP for in its sales?

8 MS. JONES: Object to form.

9 A. R & D, general administrative.

16:08:24 10 Q. Do you know if Ripple has sold XRP to  
11 purchasers who bought the XRP for investment  
12 purposes?

13 MS. JONES: Object to form.

14 A. I don't know one way or the other.

16:08:43 15 Q. Did you -- did you see any transactions  
16 with Ripple and XRP purchasers who bought the XRP  
17 for investment purposes in your review of the  
18 financial statements?

19 A. I believe --

16:08:56 20 MS. JONES: Object to form.

21 A. I believe I have.

22 THE REPORTER: I believe?

23 THE WITNESS: I -- I believe

24 I may have seen some discussion of

16:09:06 25 that, yes.



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16:09:07 1 Q. Okay. Do you recall specifically what  
2 the discussions were with regard to Ripple's sales  
3 for XR -- of XRP to purchasers who bought them for  
4 investment purposes?

16:09:18 5 A. No.

6 Q. Assume that Ripple has sold XRP to  
7 purchasers for investment purposes.

8 Would that change any of your opinions  
9 in this case?

16:09:34 10 MS. JONES: Object to form.

11 A. No.

12 Q. Why not?

13 A. It's still a sale of an intangible asset  
14 for whatever reason it's used.

16:10:05 15 Q. I believe you testified that you  
16 reviewed the complaint in this case, is that  
17 correct?

18 A. Yes, I did.

19 Q. Okay. Do you understand that the  
16:10:15 20 complaint alleges that Ripple sold billions of  
21 dollars' worth of XRP to purchasers who bought the  
22 XRP with the expectation of profit?

23 MS. JONES: Object to form.

24 A. I -- I don't remember the specifics of  
16:10:31 25 the complaint.

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16:10:32 1 Q. Is there any portion of your report,  
2 your opening report, that addresses Ripple's sales  
3 of XRP to purchasers who bought the XRP for  
4 investment purposes?

16:10:44 5 MS. JONES: Objection to  
6 form.

7 A. No, because that doesn't affect the  
8 accounting.

9 Q. Are you offering any opinion that XRP  
16:11:03 10 purchasers who bought XRP for investment purposes  
11 also would understand that they acquired an  
12 intangible asset and not an investment contract or  
13 a security?

14 MS. JONES: Objection to  
16:11:18 15 form.

16 A. Well, I can point to three examples in  
17 my report where that's their understanding.

18 Q. I'm sorry?

19 A. I can point to three examples in my  
16:11:27 20 report where that is the understanding of the  
21 purchaser of the asset.

22 Q. Are you saying that's the understanding  
23 of the purchaser who bought XRP for investment  
24 purposes?

16:11:39 25 A. Yes.

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16:11:40 1 Q. Okay. Can you point to the three  
2 examples in your report?

3 A. Yes. The three examples are in  
4 paragraphs 69 through 76.

16:12:18 5 Q. So are you referring to the publicly  
6 traded companies that you describe in paragraphs  
7 69 through 76 in your report?

8 A. Yes.

9 Q. So other than the examples of the  
16:12:48 10 publicly traded entities that purchased XRP for  
11 investment purposes, why did you not address  
12 Ripple's sales of XRP for investment purposes in  
13 your report?

14 MS. JONES: Objection to

16:13:03 15 form.

16 A. I addressed the accounting by these  
17 three highly visible holders, publicly traded  
18 holders of cryptocurrency, to provide examples of  
19 how large, highly visible companies that are  
16:13:35 20 audited by very reputable accounting firms account  
21 for cryptocurrency.

22 Q. Okay. So just to clarify, are you  
23 stating that Telsa (sic) holds XRP on its balance  
24 sheets?

16:13:50 25 A. I'm not saying anything about Telsa

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16:13:53 1

(sic).

2

Q. Okay. So when I asked you whether --

3

I'm sorry.

4

When you stated that you could provide

16:14:00 5

examples in paragraph 69 of -- through 76 of

6

purchasers who bought XRP for investment

7

purposes, any of the entities that are listed in

8

paragraphs 69 through 76 specifically bought XRP

9

for investment purposes?

16:14:20 10

A. No.

11

MS. JONES: Objection to

12

form.

13

THE WITNESS: I'm sorry.

14

A. No.

16:14:29 15

Q. So is your report, your opinion, limited

16

to Ripple's sales of XRP to ODL customers?

17

MS. JONES: Objection to

18

form. Mischaracterizes the

19

testimony.

16:14:42 20

A. No. This -- a large part of the first

21

document, the original report, is about accounting

22

for cryptocurrencies, of which XRP is one.

23

Q. Right.

24

But your re -- does your report

16:14:58 25

specifically address the accounting for

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16:15:01 1 cryptocurrencies -- actually, let me rephrase  
2 that.

3 Does your report specifically address  
4 the accounting for XRP that is purchased for  
16:15:14 5 investment purposes?

6 MS. JONES: Objection to  
7 form.

8 A. I did not -- I did not analyze the  
9 accounting for XRP that is purchased for  
16:15:34 10 investment purposes.

11 Q. Is your report about the appropriate  
12 classification of Ripple's transactions in XRP  
13 under GAAP?

14 MS. JONES: Objection to  
16:15:56 15 form. Asked and answered.

16 THE REPORTER: What was the  
17 last part?

18 MS. JONES: Asked and  
19 answered.

16:16:05 20 THE REPORTER: Thank you.

21 A. Yes.

22 Q. Are there any other bases for your  
23 opinions regarding the classification of Ripple's  
24 transactions and XRP under GAAP that are not  
16:16:15 25 stated in this opening report that you submitted?

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16:16:17 1 MS. JONES: Objection to  
2 form.  
3 A. Possibly what's in the rebuttal report.  
4 Q. Okay. Just specifically with regard to  
16:16:29 5 the report that's dated October 4th, 2021.  
6 A. Would you repeat the question, please?  
7 Q. Sure.  
8 Are there any other bases for your  
9 opinions regarding the classification of Ripple's  
16:16:50 10 transactions and XRP under GAAP that are not  
11 stated in this opening report that you submitted?  
12 A. Yes.  
13 MS. JONES: Same objection.  
14 A. Yes.  
16:17:04 15 Q. And what are these?  
16 A. Represented in the rebuttal report.  
17 Q. Okay. So could you please specifically  
18 identify the basis that you're referring to?  
19 A. It's the entire report. No, I can't.  
16:17:43 20 It's the entire report.  
21 Q. What do you mean, "it's the entire  
22 report"?  
23 A. Well, you say what is the -- would you  
24 repeat the question, please?  
16:17:54 25 Q. Sure.

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16:17:57 1 Are there any other bases for your  
2 opinions regarding the classification of Ripple's  
3 transactions in XRP under GAAP that are not stated  
4 in this opening report?

16:18:09 5 A. Oh, I -- yes.

6 Q. Okay. What are the bases that are not  
7 stated in this opening report?

8 A. Those in the rebuttal report.

9 Q. And can you summarize specifically the  
16:18:23 10 bases in the reportal -- rebuttal report that are  
11 not stated in your opening report that concern the  
12 classification of Ripple's transactions in XRP  
13 under GAAP?

14 A. Yes.

16:18:48 15 Q. So would you like to summarize them,  
16 please?

17 A. Sure. "Ripple's transfers and sales of  
18 XRP in order to, among other things, finance  
19 operations or generate funds for share repurchases  
16:19:01 20 do not support the determination under U.S. GAAP  
21 that the economic substance of those transactions  
22 are sales of stock as Professor [REDACTED] opines.

23 "Assuming, arguendo, as set forth in the  
24 SEC expert's reports, that Ripple used XRP in a  
16:19:19 25 similar manner as companies use stock by, for

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16:19:21 1 example, compensating executives with XRP and  
2 engaging in actions to limit the supply or  
3 otherwise support the market price of XRP (e.g.,  
4 through lock-up provisions, Ripple's escrow and  
16:19:35 5 limited release of not more than 1 billion XRP per  
6 month, and XRPs purchases), do not require the  
7 determination under U.S. GAAP that Ripple's  
8 transfers and sales of XRP were sales of equity or  
9 debt securities.

16:19:52 10 "The fact that Ripple paid certain  
11 business partners and vendors for services in XRP  
12 rather than fiat currency does not require the  
13 determination under U.S. GAAP that Ripple's  
14 transfers and sales of XRP were sales of equity or  
16:20:07 15 debt securities.

16 "MoneyGram's disclosures in its SEC  
17 filings with respect to XRP it received from  
18 Ripple for facilitating international" currency  
19 -- "foreign currency transactions on Ripple's ODL  
16:20:25 20 platform do not reflect a determination that,  
21 under U.S. GAAP, Ripple's transfers and sales of  
22 XRP to MoneyGram constituted sales of equity or  
23 debt securities."

24 Q. Is there any reason why you didn't  
16:20:41 25 include the bases that are included in your



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16:20:46 1 rebuttal report in your opening report?

2 MS. JONES: Objection to  
3 form.

4 A. Yes.

16:20:59 5 Q. What is the reason?

6 A. I feel that Professor [REDACTED] and  
7 Mr. [REDACTED] reports required a rebuttal that  
8 clarified and expanded upon my original report.

9 Q. Thank you.

16:21:34 10 MS. GUERRIER: I have no  
11 further questions.

12 MS. JONES: Counsel for  
13 Ripple has no questions for the  
14 witness. Do the individual  
15 defendants' counsel -- no.

16 MS. GUERRIER: Thank you,  
17 Professor, for your patience and your  
18 time.

19 THE WITNESS: You're  
16:21:47 20 welcome.

21 THE VIDEOGRAPHER: This  
22 concludes the video deposition of  
23 Peter Easton. The time is 4:21.  
24 Going off the record.

16:22:14 25 (Off video record.)

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MS. JONES: At this time,  
I'd just like to designate the  
transcript highly confidential under  
the protective order.

THE REPORTER: Okay. We're  
off the record.

(Whereupon, the deposition  
concluded at 4:22 p.m.)

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1 STATE OF NEW YORK )

2 ) ss:

3 COUNTY OF NEW YORK )

4 I hereby certify that the witness in the  
5 foregoing deposition, PETER DOUGLAS EASTON was by me duly  
6 sworn to testify to the truth, the whole truth and  
7 nothing but the truth, in the within-entitled cause; that  
8 said deposition was taken at the time and place herein  
9 named; and that the deposition is a true record of the  
10 witness's testimony as reported by me, a duly certified  
11 shorthand reporter and a disinterested person, and was  
12 thereafter transcribed into typewriting by computer.

13 I further certify that I am not interested in  
14 the outcome of the said action, nor connected with nor  
15 related to any of the parties in said action, nor to  
16 their respective counsel.

17 IN WITNESS WHEREOF, I have hereunto set my hand  
18 this 7th day of December, 2021.

19 Reading and Signing was:

20 \_\_\_ requested \_\_\_ waived  X  not requested.

21  
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23  
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BRIDGET LOMBARDOZZI, CSR, RMR, CRR