

Exhibit 6

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3

4 SECURITIES AND EXCHANGE)
COMMISSION,)
5)
Plaintiff,)
6) Case No.:
v.) 20-Civ-10832 (AT) (SN)
7)
RIPPLE LABS, INC., BRADLEY)
8 GARLINGHOUSE, and CHRISTIAN)
LARSEN,)
9)
Defendants.)
10 _____)
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12

13 **HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER**
14

15 VIDEOTAPED DEPOSITION OF
16 PHILLIP RAPOPORT
17 Thursday, July 22, 2021
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24 Reported by:
BRIDGET LOMBARDOZZI,
CSR, RMR, CRR, CLR
25 Job No. 210722BLO

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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

Videotaped deposition of PHILLIP RAPOPORT taken
on behalf of Plaintiff, held at the offices of Debevoise
& Plimpton, 919 Third Avenue, New York, New York,
commencing at 9:03 a.m. and ending at 5:47 p.m., on
Thursday, July 22, 2021, before Bridget Lombardozzi,
CCR, RMR, CRR, CLR, and Notary Public of the States of
New York and New Jersey, pursuant to notice.

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18 LYRIC GUPTA, Cleary Gottlieb

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20 DAVID SHERECK, Videographer
21 Shereck Video Service

22

23

24


25

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9:03 a.m.

July 22, 2021

- - -

THE VIDEOGRAPHER: Okay. We're on the record. The time is approximately 9:03 a.m. Today's date is Thursday, July 22nd, 2021. This is the video deposition of Phillip Rapoport in the matter of the SEC versus Ripple Labs, et al. Index No. is 20-civ-10832 in the United States District -- District Court in the 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 offices of Debevoise & Plimpton, located at 919 Third Avenue, New York, New York.

All counsel that are present will be noted on the stenographic record.

The court reporter today is Bridget Lombardozzi, also with Gradillas, and will you please swear in the witness?

09:04:42 1 P H I L L I P R A P O P O R T ,
2 having been duly sworn, was examined and
3 testified as follows:

4 THE REPORTER: Thank you.
09:04:54 5 You may proceed.

6 DIRECT-EXAMINATION

7 BY MS. STEWART:

8 Q. Good morning, Mr. Rapoport.

9 A. Good morning.

09:04:59 10 Q. Can you please state and spell your name
11 for the record?

12 A. Phillip Rapoport. P-H-I-L-L-I-P
13 R-A-P-O-P-O-R-T.

14 Q. Thank you.

09:05:08 15 MR. GULAY: Just before we begin,
16 just to note two things. One, an
17 objection by one counsel is an objection
18 for all counsel. And, then, two, we are
19 designating the transcript and videotape
09:05:18 20 of this deposition as confidential under
21 the protective order.

22 MS. STEWART: Okay. Thank you.

23 BY MS. STEWART:

24 Q. Mr. Rapoport, are you represented by
09:05:25 25 counsel today?

09:05:26 1 A. Yes.

2 MR. GERTZMAN: I apologize, all,
3 for interrupting from the Zoom audience
4 here, but is it possible to have the Zoom
09:05:32 5 camera positioned so that we can see the
6 witness?

7 MR. TENREIRO: Yeah. Good point.
8 Can you see him?

9 MR. GERTZMAN: Yes. Thank you.

09:05:44 10 MR. TENREIRO: Okay.

11 BY MS. STEWART:

12 Q. Okay. I'll try this again.

13 Are you represented by counsel today?

14 A. Yes.

09:05:51 15 Q. Okay. Who is your counsel?

16 A. Kaplan Hecker.

17 Q. Okay. I'm Ladan Stewart. I'll be
18 asking questions here on behalf of the SEC. With
19 me is my colleague Jorge Tenreiro. Some of my
09:06:02 20 other colleagues are participating via Zoom.

21 Mr. Rapoport, have you ever testified
22 before?

23 A. No.

24 Q. Okay. So let's run through some sort of
09:06:10 25 rules of the road just to make sure that we get a

09:06:13 1 clean record today.

2 So the first is that we have a court
3 reporter here who's transcribing everything that
4 we say to each other. And to try to make her life
09:06:21 5 easier, please try not to speak over me and I'll
6 try not to speak over you. So if you can wait for
7 me to finish my question before you answer, and
8 I'll do my best to, you know, let you finish your
9 answer before I ask my next question. It's kind
09:06:32 10 of hard to do, but it helps to get us a clean
11 record.

12 Okay?

13 A. Yes.

14 Q. And in the same vein, it's important
09:06:39 15 that you give audible verbal answers to my
16 questions. So shakes of the head or nods of the
17 head, that's not easy to transcribe into the
18 record. So if you could answer yes or no and
19 things like that. Okay?

09:06:52 20 A. Understood.

21 Q. If I ask you a question that you don't
22 understand, just let me know and I'll try to
23 rephrase it.

24 Any time you want a break, just ask me
09:07:00 25 and I'm happy to accommodate you. I would only

09:07:03 1 ask that if there's a question pending, you answer
2 that question before we -- we break. Okay?

3 A. Yes.

4 Q. Okay. Any -- any questions before we
09:07:13 5 start?

6 A. No.

7 Q. Okay. Great.

8 Is there any reason that you can't
9 testify truthfully or accurately today?

09:07:18 10 A. No.

11 Q. Okay. Did you take any steps to prepare
12 for today's deposition?

13 A. Yes.

14 Q. What did you do?

09:07:25 15 A. I spent approximately a half day in --
16 in this office with [REDACTED] and -- and a couple
17 hours on the phone.

18 THE REPORTER: And? I can't
19 hear you, sir.

09:07:33 20 THE WITNESS: I'm sorry.

21 A. I spent a couple -- a couple hours on
22 the phone and approximately a half day in this
23 office preparing.

24 Q. And who was present during your
09:07:41 25 preparation session?

09:07:43 1 A. Kaplan Hecker and Debevoise's
2 representatives.

3 Q. Okay. And were there people in this
4 room or other people?

09:07:50 5 A. Yes. Mainly the people in this room
6 were present.

7 Q. Okay. Was anybody on the phone?

8 A. Yes, a number of participants were on
9 the phone.

09:08:03 10 Q. Okay. And you said you had a -- a half
11 day session and then a separate phone call?

12 A. That's correct.

13 Q. Okay. Did you review any documents
14 during either of those sessions?

09:08:08 15 A. Yes, we reviewed some documents.

16 Q. Did any of the documents refresh your
17 recollection about any of the events?

18 A. To some extent, yes.

19 Q. And what were the documents that
09:08:16 20 refreshed your recollection?

21 MR. GULAY: Objection. I just
22 want to pause to instruct Mr. Rapoport to
23 answer without disclosing the substance of
24 any privileged communications with
09:08:27 25 counsel.

09:08:29 1 Q. Go ahead.

2 A. Rereading e-mails, my own e-mails, you
3 know, refreshed my memory on certain things; but,
4 you know, generally speaking, it was a number of
09:08:40 5 years ago and -- and it's difficult to remember,
6 you know, seven -- or eight to -- six -- six to
7 eight years ago.

8 Q. I understand.
9 Do you recall any of the e-mails that
09:08:51 10 refreshed your recollection?

11 A. Some I recall clearly and some I have no
12 recollection of.

13 Q. Okay. So which e-mails do you recall
14 clearly?

09:09:00 15 MR. HORTON: Objection.

16 A. I generally --

17 MR. GULAY: You can answer.

18 Q. Okay. You can answer.

19 A. That's a general comment. Even from
09:09:09 20 yesterday, it's hard to think about specific
21 e-mails.

22 Q. Okay. Do you currently reside in the
23 United States?

24 A. I do.

09:09:22 25 Q. Where do you reside?

09:09:23 1 A. I live in [REDACTED].
2 Q. Did you graduate from college?
3 A. I did not.
4 Q. Okay. Did you attend college?
09:09:31 5 A. I did.
6 Q. And where did you go?
7 A. I went to [REDACTED].
8 Q. Okay. But -- but you -- you didn't
9 officially graduate?
09:09:37 10 A. No.
11 Q. Okay. When did you attend Columbia?
12 A. 2001 to 2005.
13 Q. I take it you don't have any
14 postgraduate degrees?
09:09:48 15 A. No.
16 Q. Can you take me through your employment
17 post your time at [REDACTED]?
18 A. Sure. I spent approximately two years
19 at [REDACTED], approximately two years at
09:10:00 20 [REDACTED], approximately four years at [REDACTED]
21 [REDACTED], which is a broker-dealer, at which
22 point I went to Ripple in 2013 for approximately
23 two years. Then I spent four years, four and a
24 half years or so, at a firm called [REDACTED]
09:10:15 25 [REDACTED] firm, and since then I've been

09:10:19 1 self-employed working on a real estate project.

2 Q. Okay. And what did you do at [REDACTED]

3 [REDACTED]?

4 A. I was an institutional salesperson in
09:10:34 5 equity derivatives, trading desk.

6 Q. So you were a trader?

7 A. I was a sales trader.

8 Q. And what was your role at [REDACTED]?

9 A. I was an institutional salesperson on
09:10:51 10 the cross asset sales desk.

11 Q. And why did you leave [REDACTED]

12 for [REDACTED]?

13 A. I perceived it to be a stronger firm
14 with better opportunity.

09:11:10 15 Q. Okay. And why did you leave [REDACTED] for
16 [REDACTED]?

17 A. I wanted a more entrepreneurial business
18 environment in short.

19 Q. Okay. And what was your position at
09:11:24 20 [REDACTED]?

21 A. I was a principal and part of the
22 founding team of a small firm.

23 Q. And what is [REDACTED]?

24 A. We were a broker-dealer that published
09:11:38 25 market strategy reports and executed trades on

09:11:40 1 behalf of institutional investors like hedge
2 funds.

3 Q. And during your time at [REDACTED],
4 [REDACTED], or [REDACTED] did you have any
09:11:55 5 involvement with digital assets?

6 MR. GULAY: Objection to form.

7 A. None of those firms at the time formally
8 did anything with digital assets. I did write --
9 publish some of my own commentary while at [REDACTED]
09:12:10 10 [REDACTED] about digital assets.

11 Q. Okay. And what kind of commentary did
12 you publish?

13 A. Very introductory primers to familiarize
14 institutional investors with what was then a
09:12:24 15 nascent space.

16 Q. Okay. Can you give me any more
17 information about what was included in your
18 commentary?

19 A. The time period was pre-2013, so it was
09:12:39 20 an explanation of how bitcoin worked, what the
21 market dynamics were, and, you know, some guesses
22 about what the future may hold for bitcoin
23 specifically.

24 Q. Okay. I want to come back to your time
09:12:56 25 at Ripple, but -- but moving forward a little bit,

09:13:00 1 after Ripple, you said you went to [REDACTED], is
2 that right?

3 A. That's correct.

4 Q. And you were there for four and a half
09:13:04 5 years?

6 A. Approximately, yes.

7 Q. Okay. And then you said that -- that
8 after [REDACTED], you became
9 self-employed?

09:13:11 10 A. That's correct.

11 Q. Okay. And so what is it that -- that
12 you do now as part of your self-employment?

13 A. I pursued the entitlement and -- and
14 pursuing the construction of a real estate
09:13:23 15 project.

16 Q. What is [REDACTED]?

17 A. [REDACTED] is the -- is -- is the d/b/a
18 name for the company that is -- they're doing
19 construction on a -- on our real estate project.

09:13:46 20 Q. And what kind of real estate is it?

21 A. It's a hotel project.

22 Q. Okay. When did you start work at
23 Ripple?

24 A. In 2013.

09:14:03 25 Q. Do you remember what month?

09:14:07 1 A. I was initially a consultant in
2 approximately the summer of 2013 and I believe my
3 full-time employment began around fall of 2013
4 after several months of being a consultant.

09:14:21 5 Q. How did you come to be a consultant for
6 Ripple?

7 A. I was interested in working in the
8 digital asset space broadly and a friend
9 introduced me to Patrick Griffin and we discussed
09:14:34 10 ways that I might be helpful to the company.

11 Q. Okay. Did you know Patrick Griffin
12 before you were introduced to him?

13 A. No.

14 Q. And you said you were interested in the
09:14:44 15 digital asset space?

16 A. Correct.

17 Q. Why were you interested in the digital
18 asset -- asset space?

19 A. I believed the technology was very
09:14:53 20 interesting and I thought that there was a
21 potential future where the market grew in size and
22 relevance.

23 Q. Okay. And who was the friend who
24 introduced you to Mr. Griffin?

09:15:06 25 A. A person named [REDACTED].

09:15:08 1 Q. And who is he?

2 A. He's a mutual friend.

3 Q. Does he have a connection with Ripple?

4 A. No.

09:15:19 5 Q. So you said that -- that you met with
6 Mr. Griffin sometime in the summer of 2013?

7 A. I don't recall exactly when we met, but
8 it was sometime around then, yes.

9 Q. Okay. And before you started to work as
09:15:32 10 a consultant for Ripple in the summer of 2013, did
11 you meet with anyone else other than Mr. Griffin
12 from Ripple?

13 A. I don't recall.

14 Q. Okay. And what do you recall about your
09:15:45 15 initial conversation or conversations with
16 Mr. Griffin before you became a consultant?

17 A. They were focused on explanations of how
18 the technology worked, broadly how the Ripple
19 technology worked.

09:15:58 20 Q. Okay. And what did Mr. Griffin tell
21 you?

22 A. I'm sorry, by "Ripple technology," I
23 mean the -- the Ripple Ledger.

24 Q. Okay.

09:16:06 25 A. He explained the consensus mechanism

09:16:10 1 that the Ripple Ledger uses, the decentralized
2 exchange and other -- other aspects, which at the
3 time were -- were not really recorded clearly for
4 a nontechnical person to read.

09:16:21 5 Q. Okay. And then at some point you agreed
6 to work as a consultant for Ripple?

7 A. That's correct.

8 Q. And what were you doing in your role as
9 a consultant for Ripple?

09:16:36 10 A. Generally speaking, making introductions
11 to many of the hedge funds with whom I had
12 existing relationships to act as a general
13 evangelist for the Ripple Ledger technology.

14 Q. And when you say "general evangelist,"
09:16:57 15 what do you mean?

16 A. At the time there was a budding interest
17 in digital assets broadly, but there wasn't much
18 understanding and there wasn't much awareness of
19 anything beyond bitcoin as a digital asset. And
09:17:12 20 so there was, I think, value in having feedback
21 and awareness of the fact that the Ripple
22 technology -- Ripple Consensus Ledger technology
23 existed and hearing feedback from experienced
24 people in the financial market.

09:17:29 25 Q. Okay. And is this something that you

09:17:31 1 proposed to Mr. Griffin or that Mr. Griff --
2 Griffin proposed to you?

3 MR. GULAY: Objection.

4 A. I don't remember the genesis of it.

09:17:41 5 Q. Was it an idea that you had before you
6 went to meet with Mr. Griffin, that it would be
7 good to introduce the technology to -- to hedge
8 funds?

9 MR. GULAY: Objection.

09:17:48 10 MR. HORTON: Objection to form.

11 A. It would likely have been my idea
12 because I was actively seeking a -- a job and
13 try -- in the digital asset space and trying to
14 find where my skills would be most useful and
09:18:00 15 where I could, you know, find a job that I was
16 excited about.

17 Q. Okay. And at the time that you were
18 acting as a consultant for Ripple, were you still
19 employed by [REDACTED]?

09:18:15 20 A. I beli -- there may have been some
21 dovetailing, but generally speaking, it was after
22 I left [REDACTED], when I was on a
23 noncompete with [REDACTED].

24 Q. Got it. Okay.

09:18:29 25 And so during that summer in 2013 when

09:18:31 1 you were still in your consultant role, what is it
2 that you did on behalf of Ripple?

3 A. That was a long time ago, so I don't
4 remember everything that I may have done, but
09:18:44 5 generally speaking, I was arranging meetings
6 and -- and bringing Patrick to meetings and the
7 two -- either he or the two of us were explaining
8 the Ripple Ledger technology to people in the
9 market.

09:18:57 10 Q. And are these hedge funds that you're
11 meeting with or other types of institutions as
12 well?

13 A. It's --

14 MS. BUNTING: Objection.

09:19:07 15 MR. GULAY: Objection.

16 A. It's difficult to remember exactly who
17 we met with, but certainly there were hedge funds
18 amongst the group.

19 Q. Okay. And in those meetings, did the --
09:19:17 20 the institutions that you were meeting with
21 express interest?

22 MR. HECKER: Objection to form.

23 MS. BUNTING: Objection.

24 A. Yes.

09:19:28 25 Q. Okay. What did they express interest

09:19:30 1 in?

2 A. There was a broad but nascent interest
3 in digital assets broadly and this was an
4 innovative iteration of that and arguably the
09:19:43 5 first kind of major iteration beyond bitcoin and I
6 think people found that interesting.

7 Q. So were -- were people expressing
8 interest to you in the digital asset itself or in
9 the technology or both?

09:19:54 10 MR. HORTON: Objection.

11 MS. BUNTING: Objection.

12 MR. GULAY: Objection.

13 A. We generally were explaining the
14 technology broadly and explicitly not focusing on
09:20:05 15 the digital asset itself, which is ancillary to
16 technology.

17 Q. Other than the meetings that you just
18 described, do you remember anything else about
19 your work as a consultant in the summer of 2013
09:20:25 20 for Ripple?

21 A. It's difficult to remember other
22 specifics given how long ago it was.

23 Q. Okay. How many meetings did you have in
24 that time, in the summer of 2013?

09:20:39 25 MR. GULAY: Objection.

09:20:39 1 A. It's difficult to say for certain.

2 Q. Can you ballpark it at all?

3 A. I would be guessing, I think.

4 Q. Would you say more than a dozen?

09:20:51 5 MR. GULAY: Objection.

6 A. Somewhere between 10 and 30 if I had to
7 guess.

8 Q. Okay. And then at some point you became
9 a full-time employee of Ripple?

09:21:03 10 A. That's correct.

11 Q. And when did that happen?

12 A. It was around the fall of 2013.

13 Q. And how -- how did that come to be, that
14 you went from a consultant to a full-time
09:21:11 15 employee?

16 A. I was fascinated by the technology and
17 found it to be incredibly innovative and decided
18 that I wanted to pursue this as my full-time use
19 of my time.

09:21:26 20 Q. Before you became a full-time employee,
21 did you meet with others at Ripple to discuss your
22 employment?

23 A. I believe just Chris Larsen.

24 Q. And did you have a meeting with

09:21:37 25 Mr. Larsen?

09:21:38 1 A. I believe we met in person as well as
2 had phone conversations.

3 Q. Okay. And what was the nature of those
4 conversations?

09:21:46 5 MS. BUNTING: Objection.

6 A. It's difficult to remember what was
7 discussed beyond the fact that they were
8 introductory, getting-to-know-you conversations
9 typical of, you know, an interview and new
09:21:58 10 employment.

11 Q. Were you expressing to Mr. Larsen your
12 ideas for how you could contribute to Ripple doing
13 business?

14 MR. HORTON: Objection to form.

09:22:06 15 MS. BUNTING: Objection.

16 A. It's difficult to remember.

17 Q. What did Mr. Larsen tell you, if
18 anything, about Ripple?

19 MR. GULAY: Objection.

09:22:18 20 A. Again, it's very difficult to remember
21 the specifics of a conversation from 2013 at this
22 point.

23 Q. I understand that. And I'm not
24 necessarily looking for specifics, but do you have
09:22:26 25 a general memory of what it is that you and he

09:22:29 1 discussed?

2 MS. BUNTING: Objection.

3 MR. HORTON: Objection. Asked

4 and answered.

09:22:35 5 A. I think I was selling him on my
6 abilities and he was selling me on the prospects
7 of the company as is typical of -- you know, in an
8 interview situation.

9 Q. Okay. And when you say your
09:22:43 10 "abilities," your abilities to do what?

11 A. At the time I felt that I would be the
12 most -- the person with the most markets
13 experience to join the company, which was
14 primarily developers and -- and other start-up
09:23:01 15 entrepreneurs that didn't come from specifically a
16 trading background and so I thought that would be
17 valuable to the company.

18 Q. Okay. Why would markets -- markets
19 experience be valuable to the company?

09:23:15 20 A. A major component of the Ripple Ledger
21 technology is a decentralized exchange and
22 understanding market conventions is valuable in
23 creating a software that will adhere to those
24 conventions for the -- for the financial world and
09:23:35 25 not reinvent the wheel in a bizarre way that --

09:23:39 1 that is nonstandard for -- for financial
2 professionals.

3 Q. Okay. What was your title when you
4 started at Ripple?

09:23:49 5 A. Director of markets and trading.

6 Q. And did that title change at any point
7 during your employment with Ripple?

8 A. At some point I became the head of
9 markets and trading.

09:23:58 10 Q. Did your responsibilities change along
11 with the title change?

12 A. My responsibilities were largely the
13 same throughout, though when I received the head
14 of markets and trading title, I also joined the
09:24:17 15 management committee of the firm.

16 Q. And when was that?

17 A. I don't recall without researching it.

18 Q. Do you recall if it was near the
19 beginning or near the end of your tenure?

09:24:27 20 A. It wasn't near the beginning so it was
21 near the middle or the end, but the specific date
22 I don't recall.

23 Q. Okay. When you first started as
24 director of markets and tradings, who did you --
09:24:39 25 trading, who did you report to?

09:24:41 1 A. I reported to Patrick Griffin throughout
2 my tenure at the firm.

3 Q. So even when you were the head of
4 markets and trading, you continued to report to
09:24:52 5 Mr. Griffin?

6 A. That's correct.

7 Q. Okay. Did anyone report to you during
8 your time at Ripple?

9 A. I had one report towards the latter half
09:24:58 10 of my time there.

11 Q. And who was that?

12 A. [REDACTED].

13 Q. And is that when you were head of
14 market -- markets and trading or it was -- it
09:25:08 15 started before that?

16 MR. GULAY: Objection.

17 A. I'm not sure exactly how those two dates
18 relate to one another.

19 Q. Okay. How many people were at Ripple
09:25:23 20 when you started in -- when you started as a
21 consultant in the summer of 2013?

22 A. Less than 20, I believe. Maybe 15.

23 Q. And when you started as the director of
24 markets and trading, what did you understand that
09:25:42 25 your responsibilities would be in that role?

09:25:45 1 A. My primary responsibility was to recruit
2 and onboard market-making firms, which is a type
3 of trading firm, to participate in -- on the
4 Ripple Ledger as market makers. My secondary
09:26:06 5 responsibility was educational in nature.

6 Generally providing explanations and general
7 evangelism of the technology within the -- the
8 financial market world.

9 Q. And both of these -- these primary and
09:26:37 10 secondary responsibilities are things that you
11 discussed with Mr. Larsen before you began as
12 director of markets and trading?

13 MS. BUNTING: Objection.

14 MR. HORTON: Objection to form.

09:26:47 15 A. They're things I discussed with Patrick
16 Griffin. They may or may not have been discussed
17 with Chris Larsen. I don't recall me discussing
18 directly or not.

19 Q. Okay. And did the nature of your
09:27:04 20 responsibility change over time during your tenure
21 at Ripple?

22 A. No.

23 Q. Did you have an annual salary while at
24 Ripple?

09:27:17 25 A. Yes.

09:27:18 1 Q. What was your salary?

2 A. It was approximately [REDACTED] a year.

3 Q. And did you receive a bonus?

4 A. I received equity-based compensation and
09:27:33 5 I received incentive-based compensation in XRP for
6 meeting performance goals.

7 Q. What was your equity-based compensation?

8 A. I believe it was [REDACTED] in the
9 company over a four-year vesting period, but my
09:27:52 10 recollection is fuzzy without looking at the
11 numbers again.

12 Q. Do you still have equity in Ripple?

13 A. I do still have my employee equity
14 compensation, yes.

09:28:12 15 Q. The full amount of equity?

16 A. I believe so, yes.

17 Q. And do you know how much you have in
18 equity currently?

19 A. It's difficult to say since it's a
09:28:27 20 private company and there's no visible market for
21 it.

22 Q. Do you have a ballpark?

23 A. I would be guessing.

24 Q. Do you have a sense if it's in the
09:28:44 25 millions of dollars, in the tens of millions of

09:28:46 1 dollars, or something else?

2 MR. HORTON: Objection.

3 A. If I wagered a guess, I would say it's
4 about [REDACTED]; but, again, the -- I think the --
09:28:52 5 the prices even on a given day can vary by a
6 hundred percent depending on where the transaction
7 happens and who -- who transacts.

8 Q. Okay. And you're -- and you said you
9 had incentive-based compensation that was paid out
09:29:05 10 in XRP?

11 A. Correct.

12 Q. Okay. And what was your incentive-based
13 compensation?

14 A. I received -- my memory on the exact
09:29:14 15 number is fuzzy, but I believe a total of [REDACTED]
16 [REDACTED] XRP.

17 Q. And this is in total during your time at
18 Ripple?

19 A. Correct.

09:29:21 20 Q. Okay. And what was this compensation
21 based on?

22 MR. HORTON: Objection to form.

23 A. It was a performance bonus in exchange
24 for signing up a specific number of market-making
09:29:42 25 firms during my time there.

09:29:47 1 Q. And what was the specific number?

2 MR. GULAY: Objection.

3 A. I believe it was five, but the specifics
4 are hazy without researching it.

09:30:00 5 Q. So when did you get this incentive-based
6 compensation?

7 A. It would have been towards the end of my
8 time at Ripple.

9 Q. Do you still own XRP?

09:30:20 10 A. Not any material amount. I'm sure
11 accounts that I control still have a de minimis
12 amount, like in the tens of dollars, but it's
13 accidental. There's no material amount that I
14 currently hold.

09:30:35 15 THE REPORTER: "There's no
16 material amount that"?

17 A. I don't cur -- there's no material
18 amount that I currently hold.

19 Q. So you sold the [REDACTED] or so
09:30:49 20 XRP?

21 A. That's correct.

22 Q. Okay. When did you sell it?

23 A. It was over a period of several months.
24 The exact time I don't recall, but it would have
09:31:02 25 been around 2014, 2015.

09:31:09 1 Q. Was it while you were still at Ripple?

2 A. I don't recall whether my transactions
3 began while I was still at Ripple or immediately
4 after.

09:31:25 5 Q. And how did you sell your XRP?

6 A. Through -- through exchanges on the
7 Ripple Ledger. I don't remember if that was
8 exclusively the way I did it given how much time
9 has passed, but that was predominantly how it was
09:31:46 10 done.

11 Q. Which exchanges?

12 A. I recall that Bitstamp was one of the
13 exchanges with significant liquidity at the time
14 that I used, but I don't recall if that was
09:32:02 15 exclusively what I used given how much time has
16 passed. I -- I'm sure that I used others, but I
17 don't recall which.

18 Q. And who did you sell it to?

19 A. I don't know.

09:32:13 20 Q. How much did you sell it for?

21 A. Approximately a [REDACTED] in
22 total, but the exact total I would have to check
23 to be certain of.

24 Q. Other than that [REDACTED] XRP,

09:32:29 25 have you at any point bought other XRP?

09:32:36 1 A. I regularly --

2 MS. BUNTING: Objection.

3 A. I regularly bought -- I regularly
4 transacted on the network because I felt it was
09:32:43 5 important to use the product to understand it
6 better. So I -- I made transactions regularly,
7 not necessarily with a -- with an economic goal of
8 any type.

9 Q. Well, what kinds of transactions?

09:33:05 10 A. I thought it was important to make a
11 breadth of transactions given my role as head of
12 markets and trading to understand the system. So
13 I would try and make all types of transactions to
14 understand things are working correctly and
09:33:17 15 understand if things can be improved.

16 Q. Can you give me some examples of the
17 types of transactions you -- you made?

18 A. Generally speaking, transactions on
19 Ripple, on the Ripple Ledger, are exchanging one
09:33:29 20 type of asset for another type of asset. And so I
21 frequently transacted all types of assets for all
22 other types of assets to test the system, demo the
23 system, et cetera.

24 Q. And were you doing this with your own
09:33:45 25 funds or with Ripple's funds?

09:33:48 1 MR. GULAY: Objection.

2 MS. BUNTING: Objection.

3 A. Both my own funds and Ripple's funds.

4 Q. When you held your [REDACTED] XRP
09:34:03 5 before you sold it, did you want the price of --
6 of XRP to go up while you held it?

7 MR. GULAY: Objection.

8 MS. BUNTING: Objection.

9 A. I certainly preferred it to go up than
09:34:12 10 down.

11 Q. Okay. And when did you leave Ripple?

12 A. Mid to late 2015.

13 Q. And why did you leave Ripple?

14 A. General sense of burnout after working
09:34:32 15 very long hours for two years, as well as from a
16 risk management perspective, feeling like the
17 outcome of Ripple, like I viewed all technology
18 start-ups, early stage start-ups, to have a fairly
19 binary outcome of success or failure over time.

09:34:54 20 And from a risk management perspective, once you
21 have the trade on, so to speak, it often makes
22 sense to diversify and do something else rather
23 than devoting ten years of your life to a binary
24 outcome.

09:35:10 25 Q. Are you still in touch with your former

09:35:11 1 Rip -- Ripple colleague?

2 A. Yes, I am.

3 MS. BUNTING: Objection.

4 Q. Who --

09:35:14 5 MS. STEWART: What was the
6 objection there?

7 MS. BUNTING: You said "Are you
8 still in touch" --

9 THE REPORTER: I can't hear you.

09:35:20 10 MS. BUNTING: She said "Are you
11 still in touch?" What does that mean?

12 MS. STEWART: Okay.

13 MS. BUNTING: Can you -- I think
14 that's ambiguous. So you can rephrase it.

09:35:25 15 BY MS. STEWART:

16 Q. Okay. If you understand what that
17 means, please answer.

18 A. Yes, I am.

19 Q. Okay. Who are you in touch with?

09:35:37 20 A. Primarily Patrick Griffin and [REDACTED]
21 [REDACTED], though I have sporadic conversations with
22 a large number of people from the firm.

23 Q. Okay. How often do you speak with
24 Patrick Griffin?

09:35:55 25 A. At least once a month.

09:36:01 1 Q. Do you consider any of your former
2 Ripple colleagues to be friends?

3 A. Yes.

4 Q. Who?

09:36:06 5 A. Patrick Griffin and [REDACTED], the
6 two that I mentioned that I'm in touch with
7 regularly.

8 Q. Are you in touch with Chris Larsen?

9 MS. BUNTING: Objection.

09:36:14 10 A. Not regularly.

11 Q. Okay. When was the last time you spoke
12 with Mr. Larsen?

13 A. Over a year ago. The exact date I'm
14 not -- I'm not sure of.

09:36:30 15 Q. What did you speak with him about over a
16 year ago?

17 A. I solicited him for investment in my
18 real estate project and he did not want to invest
19 in it.

09:36:48 20 Q. Do you know Brad Garlinghouse?

21 A. I do.

22 Q. How do you know him?

23 A. Through my time at Ripple as an
24 employee.

09:36:56 25 Q. So did you and Mr. Garlinghouse overlap

09:36:58 1 at Ripple?

2 A. We did.

3 Q. Okay. Are you in touch with him?

4 A. I have not spoken to him for a very long
09:37:06 5 time.

6 Q. Okay. I want to make sure that we're
7 using the right terminology here as we talk -- as
8 we talk here today.

9 So when -- when you first joined Ripple,
09:37:24 10 was there something called the Ripple network?

11 A. There was a technology which people
12 referred to as "Ripple," which may also -- you
13 know, I think that's what you're referring to when
14 you say "the Ripple network." People today often
09:37:44 15 call it the Ripple Consensus Ledger --

16 Q. Okay.

17 A. -- so yes.

18 Q. So -- so Ripple network in your mind is
19 what today is called the Consensus Ledger or the
09:37:54 20 XRP Ledger?

21 MR. GULAY: Objection.

22 MR. HORTON: Objection.

23 A. I don't recall Ripple network being a
24 common term, but people referred Ripple as a
09:38:01 25 technology and I think that's what you mean by

09:38:04 1 "Ripple network."

2 Q. Okay. Well, as we go through some of
3 the documents, as we see these terms, then maybe
4 I'll ask you in the context of the documents what
09:38:11 5 they mean.

6 A. Yes. Understood.

7 Q. Okay. And was there something called
8 the Ripple protocol in 2013?

9 A. Yes.

09:38:23 10 Q. Okay. And what is the Ripple protocol?

11 MR. GULAY: Objection. Do you
12 mean in 2013 --

13 MS. STEWART: Yes.

14 MR. GULAY: -- or now?

09:38:32 15 MS. STEWART: Yes, in 2013.

16 A. I'm not sure if you're using these terms
17 in a very nuanced way, but Ripple protocol I think
18 of as code, software. And maybe you're referring
19 to Ripple network as the network of computers
09:38:51 20 employing the code? But in some ways those are
21 synonymous terms, Ripple network and Ripple
22 protocol.

23 Q. Okay. I was trying to cause less
24 confusion, but I think I caused more. So as we go
09:39:02 25 through the documents, I'll ask you -- I'll ask

09:39:04 1 you the question.

2 Do you understand that one of the issues
3 in this case is whether XRP is a security and
4 subject to SEC regulation?

09:39:17 5 A. That is my understanding.

6 Q. Okay. Did anyone at the SEC ever tell
7 you that XRP is not a security?

8 A. No.

9 Q. Are you aware of anyone at the SEC ever
09:39:31 10 telling anyone at Ripple that XRP is not a
11 security?

12 MR. HORTON: Objection to form.

13 A. I'm not aware of any conversations that
14 Ripple did or did not have with the SEC.

09:39:51 15 Q. Okay. So you -- you mentioned that your
16 sort of primary responsibility at -- at Ripple was
17 to recruit and onboard market-making firms to
18 participate on the Ripple Ledger as market makers.

19 Do I have that right?

09:40:05 20 A. Correct.

21 MR. GULAY: Objection.

22 Q. Was one of your responsibilities also to
23 sell XRP?

24 A. No.

09:40:12 25 Q. That was never part of your job

09:40:13 1 function?

2 A. No.

3 MR. HORTON: Objection to form.

4 Q. Did you, in fact, sell XRP on behalf of
09:40:17 5 Ripple?

6 A. I don't recall if I effected a
7 transaction. I may have, but certainly I did not
8 frequently effect transactions in XRP.

9 Q. When you started at --

09:40:41 10 A. I'm sorry. I should say with third
11 parties over the counter. I did trade in the
12 network, as I said, which is effecting
13 transactions.

14 Q. Okay. Understood. Thank you for that
09:40:52 15 clarification.

16 When you started at Ripple, was there a
17 market for buying and selling XRP?

18 MR. HORTON: Objection to form.

19 A. There was a nascent illiquid market.

09:41:10 20 Q. At that time when you started at Ripple,
21 how much volume of XRP was -- was traded daily?

22 MR. GULAY: Objection.

23 MS. BUNTING: Objection.

24 A. I don't recall without looking it up. A
09:41:22 25 very small amount.

09:41:23 1 Q. Something in the range of, you know, in
2 the hundreds or thousands of dollars?

3 MR. HORTON: Objection to form.

4 MR. GULAY: Objection.

09:41:33 5 A. I don't recall, but a very small amount.
6 I would say a de minimis amount.

7 Q. And what was XRP's price at that time
8 when you started?

9 MR. HORTON: Objection to form.

09:41:41 10 MR. GULAY: Objection.

11 A. I don't recall without checking the
12 chart exactly.

13 Q. Do you recall if it was fractions of a
14 penny?

09:41:54 15 A. It was fractions of a penny.

16 Q. And how much XRP at that time was in
17 circulation, meaning not with Ripple or Ripple's
18 founders?

19 MR. HORTON: Objection to form.

09:42:05 20 MR. GULAY: Objection.

21 MS. STEWART: What's the
22 objection?

23 MR. HORTON: I don't know what
24 you mean by "at that time."

09:42:09 25 Q. At the time that you started at Ripple.

09:42:14 1 A. I think that's publicly available, but I
2 don't recall without looking it up.

3 Q. Did Ripple take steps during your tenure
4 to increase trading in the XRP market?

09:42:35 5 MS. BUNTING: Objection.

6 A. The firm had an interest in increasing
7 liquidity and developing a liquid market for all
8 assets on the Ripple Ledger, including XRP.

9 Q. And why did the firm have an interest in
09:43:02 10 increasing liquidity for XRP specifically?

11 MR. HORTON: Objection to form.

12 MR. GULAY: Objection.

13 MS. BUNTING: Objection.

14 A. I think the firm would have viewed it as
09:43:15 15 a success if the Ripple network, Ripple Ledger,
16 developed liquidity for other assets excluding
17 XRP. I still think that would have been viewed as
18 a success state. But certainly, just like I
19 preferred the price of XRP to go up rather than
09:43:34 20 down, the firm would have benefited from the price
21 of XRP growing up rather than down.

22 Q. Did the firm take steps to increase the
23 liquidity of assets other than XRP on the --

24 A. Yes.

09:43:46 25 Q. -- on the Ripple Ledger?

09:43:48 1 MR. GULAY: Objection.

2 A. Yes.

3 Q. Which assets?

4 A. A variety of assets.

09:43:55 5 Q. Can you give me some examples?

6 A. Sure. We had a number of business
7 development efforts to increase the liquidity of
8 bitcoin against dollars on the network. We also
9 had a number of business development ex -- efforts
09:44:11 10 to develop a market for gold against dollars on
11 the network. And there were many other examples.
12 Those are two that I can recall easily.

13 Q. And what steps did the firm take to
14 increase liquidity of XRP?

09:44:34 15 MR. GULAY: Objection;
16 foundation.

17 A. The firm took similar steps to increase
18 liquidity of those assets that I just mentioned
19 and XRP. I don't -- I don't think that we treated
09:45:00 20 them particularly differently. We were interested
21 in developing a liquid market broadly speaking.
22 And as I mentioned, if that liquid market
23 developed outside of XRP, I think the firm viewed
24 that equally to be a success.

09:45:16 25 Q. Okay. But can you think of any steps

09:45:18 1 that the firm took with respect to XRP in
2 particular to -- to develop a more liquid market?

3 MR. GULAY: Objection.

4 A. Sure. So this is not unique to XRP but
09:45:30 5 it did apply to XRP. The market-making firms that
6 I onboarded had received compensation in exchange
7 for providing quotes to buy and sell XRP against
8 dollars as well as bitcoin against dollars and --
9 and other assets.

09:45:52 10 Q. Okay. Any other steps that you recall?

11 A. Not that I can easily recall, no.

12 Q. When you started at Ripple, did Ripple
13 have a strategy for distributing XRP?

14 MR. GULAY: Objection.

09:46:18 15 A. When I started at Ripple, generally
16 speaking, there was a -- there was a -- a desire
17 to give away the XRP, to distribute it by giving
18 it away.

19 Q. Did this desire to -- to distribute XRP
09:46:35 20 by giving it away, did that change over time
21 during your time at Ripple?

22 MR. HORTON: Objection to form.

23 A. Over time, yes, the giveaways slowed and
24 increasingly Ripple was distributing XRP by
09:47:02 25 selling it or granting it in business development

09:47:05 1 deals, which are forms of giveaways, but different
2 form than -- than when I started at the company.

3 THE REPORTER: "When I
4 started..."?

09:47:12 5 A. When I started at the company.

6 Q. And when did the shift happen to --
7 strike that.

8 When did the shift happen from giveaways
9 to sales of XRP?

09:47:24 10 MR. HORTON: Objection to form.

11 MR. GULAY: Objection.

12 MS. BUNTING: Objection.

13 A. I don't think there was a discrete
14 change, but at the beginning of my time with the
09:47:34 15 firm, it clearly seemed different from at the end
16 of my time with the firm.

17 Q. Okay. And why -- why did Ripple begin
18 to -- to sell XRP as a means of distributing it?

19 A. I don't know. I -- I didn't make the
09:47:55 20 decision -- I believe Ripple sold XRP prior to my
21 arriving at the firm and I wasn't the person
22 deciding how and when or why Ripple sold XRP.

23 Q. But fair to say that at some point
24 during your tenure, there -- there was a movement
09:48:16 25 from sort of focusing on giveaways to focusing

09:48:18 1 more on sales of XRP?

2 MR. HORTON: Objection to form.

3 MR. GULAY: Objection.

4 A. I think give a -- both -- both things
09:48:33 5 were happening throughout my tenure at the firm.
6 I think the nature of the giveaways shifted from
7 broadly giving it away to anyone to strategically
8 striking business development deals.

9 Q. And when did Ripple start striking
09:48:56 10 business development deals?

11 A. Prior to my arrival at the firm and
12 throughout my time there.

13 Q. Were you involved in -- in those
14 business development deals?

09:49:10 15 A. In some situations, yes.

16 Q. Was there a team that was in charge of
17 those business development deals?

18 MS. BUNTING: Objection.

19 A. There was a business development team.

09:49:30 20 Q. Okay. And who was on that team?

21 A. Patrick Griffin was the senior vice
22 president of business development and there was a
23 team of -- of people reporting to him. I was -- I
24 was also on that team as someone reporting to the
09:49:45 25 senior vice president of business development.

09:49:48 1 Q. But was there somebody else at your
2 level who -- who was tasked with the business
3 development deals?

4 MS. BUNTING: Objection.

09:50:00 5 A. There was a team of people who had a
6 title of business development director who
7 reported to Patrick Griffin, the senior vice
8 president of business development.

9 Q. And who was that person with that title?

09:50:09 10 A. There were several people at various
11 times, but [REDACTED]
12 [REDACTED] are three that I can easily name, easily
13 recall.

14 Q. When Ripple sold XRP, did it place
09:50:53 15 restrictions on the resale of the XRP?

16 MR. HECKER: Objection to form.

17 MR. GULAY: Objection;
18 foundation.

19 A. I believe --

09:51:11 20 MR. GULAY: In fact, what time
21 period are we talking about here?

22 Q. Well, I'll ask the question first more
23 generally during your entire -- the entire time
24 period that you were at Ripple.

09:51:23 25 A. I recall at times the company's desire

09:51:29 1 to have, quote/unquote, lock-ups restricting sale.
2 I'm not aware of how those were structured or
3 enforced.

4 Q. Are you aware of Ripple placing
09:51:45 5 restrictions on who the XRP recipient could sell
6 the XRP to?

7 A. I don't recall any situation like that.

8 Q. So broadly speaking, whether it was
9 through giveaways or the business development
09:52:08 10 deals we've talked about or otherwise, why did
11 Ripple take steps to distribute XRP?

12 MR. GULAY: Objection to form.

13 MR. HORTON: Objection.

14 A. The technology is -- is not -- the
09:52:32 15 Ripple Consensus Ledger, Ripple protocol
16 technology, is designed in a way that in order for
17 a user to use the network, a small amount of XRP
18 is required. The user is required to hold a small
19 amount of XRP. And so given that the firm had an
09:52:51 20 interest in seeing a growth in the number of users
21 using the protocol, it was important for XRP to be
22 broadly distributed in the hands of people
23 globally, people and entities globally.

24 Q. Any other reasons for Ripple to
09:53:11 25 distribute XRP?

09:53:19 1 A. I view that as the primary interest
2 Ripple had in distributing XRP.

3 Q. Did Ripple distribute XRP in order to
4 increase XRP's liquidity?

09:53:33 5 MR. GULAY: Objection to form.

6 A. One form of distribution was
7 compensation to market makers. So in that sense
8 Ripple sought to engage market makers to improve
9 liquidity of XRP and other assets and compensated
09:54:00 10 them with XRP. So in that light, I think the
11 answer to your question is yes.

12 Q. Any other way in which Ripple sought to
13 increase liquidity through distributions other
14 than through market makers?

09:54:15 15 MR. GULAY: Objection; asked and
16 answered.

17 A. I can't immediately think of other ways,
18 no.

19 Q. When Ripple was selling XRP or giving
09:54:32 20 away XRP, was there a thought that the recipient
21 of the XRP would then do additional trades, thus
22 increasing the volume --

23 MR. GULAY: Objection.

24 Q. -- in the market?

09:54:41 25 MR. HORTON: Objection to form.

09:54:50 1 A. I wasn't aware of an assumption one way
2 or another, that the person would do more trades
3 or not do more trades.

4 Q. Okay. Did Ripple sell XRP to raise
09:55:02 5 money for its business operations?

6 MR. GULAY: Objection to form.

7 A. I did not have visibility into the
8 firm's finances and whether the venture capital
9 funding was sufficient to meet the firm's needs or
09:55:20 10 not at various points in time.

11 Q. So you're not aware one way or -- or the
12 other as to whether Ripple sold XRP in order to
13 fund its business operations?

14 A. I'm aware --

09:55:30 15 MR. HECKER: Objection.

16 A. -- that the firm took in dollars in
17 exchange for selling XRP and I'm aware that that
18 improved the firm's balance sheet. I'm not aware
19 of whether that was required capital to fund the
09:55:43 20 firm's operations or not.

21 Q. Okay. And what is the -- the venture
22 capital funding that you spoke about a moment ago?

23 A. Ripple Labs, Inc., in my understanding,
24 began with seed funding from venture capitalists
09:55:59 25 and over time received additional rounds of

09:56:02 1 funding from venture capitalists in exchange for
2 equity in the company.

3 MS. STEWART: Okay. I'm going to
4 start with our first document. That's
09:56:28 5 Exhibit 2.

6 (Whereupon, exhibit is presented
7 and marked SEC Rapoport Exhibit PR-2 for
8 identification.)

9 MR. TENREIRO: I'll give one to
09:56:44 10 Bridget and if that's not enough on this
11 side...

12 I think that's enough, though.

13 MR. GULAY: And, Jorge, you're
14 e-mailing it to Leyla?

09:56:57 15 MR. TENREIRO: Yes. Nicole is
16 usually e-mailing it.

17 MR. GULAY: Nicole is, okay.
18 Thank you.

19 BY MS. STEWART:

09:57:04 20 Q. Okay. So, Mr. Griffin (sic), I've
21 handed you what we've marked PR-2. That's Bates
22 number RPLI_SEC 0320652 through 663. Take a
23 moment, please, to look at it and let me know when
24 you're ready.

09:59:38 25 (Pause)

10:00:24 1 A. Okay. I've reviewed it.

2 Q. Okay. Great.

3 So what is this document?

4 A. This is a primer to explain the very
10:00:36 5 basic concepts of the Ripple technology to a
6 new -- a new reader.

7 Q. Okay. And did you put this document
8 together?

9 A. I did.

10:00:49 10 Q. Why did you put it together?

11 A. At the time my recollection was that
12 there was primarily technical documents for a
13 technical audience and there was not a simplified
14 document for a -- a nontechnical person to
10:01:05 15 familiarize themselves with the technology.

16 Q. And -- and is the audience that you're
17 referring to the -- the hedge funds and other
18 institutions that we had talked about earlier?

19 MR. GULAY: Objection to form.

10:01:21 20 MR. HORTON: Objection.

21 A. I think this document can be broadly
22 read by anybody, but, in general, Ripple had an
23 interest in financial institutions of all type.
24 That was the -- the market that we were generally
10:01:34 25 speaking to at the time.

10:01:37 1 Q. Did someone ask you to put this document
2 together?

3 A. I don't recall.

4 Q. Did Mr. Griffin send you comments on
10:01:52 5 this document after you sent him this -- this
6 version that's in PR-2?

7 A. I don't recall whether he iterated on
8 this or not.

9 Q. Do you recall if anyone else commented
10:02:06 10 on it?

11 A. I really don't. It -- it was so long
12 ago. I don't recall. I'm sorry.

13 Q. And did you ultimately finalize this
14 document?

10:02:17 15 A. Yes, we did.

16 MS. STEWART: Nicole, we're on
17 PR-5 now.

18 (Whereupon, exhibit is presented
19 and marked SEC Rapoport Exhibit PR-5 for
10:02:25 20 identification.)

21 MS. STEWART: So for the record,
22 PR-5 -- for the record, PR-5 is Bates
23 numbered RPLI_SEC 0328413 through 8432.

24 BY MS. STEWART:

10:02:40 25 Q. And, once again, take however long you

10:02:45 1 need to look at the document and let me know when
2 you're ready.

3 (Pause)

4 A. Okay. I've reviewed it.

10:06:04 5 Q. Okay. So what is this document?

6 A. This is a later version of the document
7 we just looked at, which, as I said, it's a primer
8 for someone looking to familiarize themselves with
9 the basics of Ripple.

10:06:18 10 Q. Okay. And you're sending this later
11 version to Mr. Larsen in this e-mail?

12 A. I see that from the e-mail header, but I
13 don't recall this interaction specifically.

14 Q. Okay. Do -- do you recall why you sent
10:06:31 15 the -- the draft to Mr. Larsen?

16 A. I don't recall this -- sending this
17 e-mail, but I see the -- in the header that I sent
18 it to him.

19 Q. Okay. Do you recall if Mr. Larsen had
10:06:40 20 any comments on the primer before it was
21 finalized?

22 MS. BUNTING: Objection.

23 A. I don't recall.

24 Q. Do you recall any discussions with
10:06:53 25 Mr. Larsen about the primer?

10:06:58 1 MS. BUNTING: Objection.

2 A. No, I don't.

3 Q. And do you recall any discussions with
4 Mr. Griffin about the primer?

10:07:08 5 A. I'm sure we discussed it, but I don't
6 recall the specifics of any discussion.

7 Q. Did you send the primer to anyone else
8 at Ripple before it was finalized?

9 A. I may have, but I -- I just don't recall
10:07:21 10 given how long ago it was.

11 Q. Okay.

12 MS. STEWART: Okay. Nicole,
13 we're -- we're looking at PR-6 now.

14 (Whereupon, exhibit is presented
10:07:31 15 and marked SEC Rapoport Exhibit PR-6 for
16 identification.)

17 MS. STEWART: So for the record,
18 PR-6 is Bates numbered RPLI_SEC 0337822
19 through 7842.

10:07:54 20 BY MS. STEWART:

21 Q. And, once again, please take whatever
22 time you need to -- to review the document and let
23 me know when you're ready.

24 (Pause)

10:09:03 25 A. Okay. I've reviewed this.

10:09:04 1 Q. Okay. Great.

2 So what -- what is this document, the
3 cover e-mail and then the attachment?

4 A. The attachment appears to be the same
10:09:16 5 attachment, at least I didn't spot any differences
6 from PR-5's attachment. The cover e-mail appears
7 to be me sending this primer to [REDACTED], who is
8 a friend of Chris Larsen's, who I believe had been
9 a seed investor in the firm, but I'm not sure of
10:09:39 10 that fact.

11 Q. So is it fair to say that the -- the
12 version of the primer that's attached to this
13 document, PR-5, is the final version of the
14 primer?

10:09:50 15 MR. GULAY: Objection.

16 A. Since this was sent externally, I think
17 it's clearly a live version, but I think there may
18 have been other iterations. I just don't recall.

19 Q. Okay. But given that it was sent
10:10:06 20 externally, it's -- you know, it was a final
21 version --

22 A. It was --

23 Q. -- at the time?

24 A. I'm sorry for talking over you.

10:10:11 25 It was in use.

10:10:13 1 Q. Okay. Got it.

2 And why were you sending this primer to
3 Mr. [REDACTED]?

4 A. I recall spending a lot of time on the
10:10:24 5 language used in the primer; and I don't remember
6 sending this specific e-mail, but I say in the
7 e-mail that it runs through a narrative in a nice
8 way that avoids an emphasis on the new currency.

9 THE REPORTER: I can't hear you.

10:10:40 10 A. It -- I say in the e-mail I think it
11 runs through the narrative in a nice way that
12 avoids an emphasis on the new currency.

13 Q. Do you recall if -- if Ripple was
14 soliciting an investment from Mr. [REDACTED] --

10:11:01 15 MR. GULAY: Objection.

16 Q. -- at this time?

17 A. I do not believe Ripple was soliciting
18 investment from Mr. [REDACTED] at this time.

19 Q. Okay. And you don't remember one way or
10:11:15 20 the other why you sent him this document in
21 October of 2013?

22 A. I don't remember sending this e-mail.
23 Even though I'm looking at it, I obviously sent
24 it, but I don't recall the specifics around why I
10:11:30 25 sent this e-mail.

10:11:31 1 Q. Okay. After you finalized the primer,
2 did you send it to financial institutions?

3 A. In my recollection, this primer was the
4 main nontechnical explanation that was in use to
10:11:54 5 share a written version of -- of the narrative
6 of -- explaining Ripple.

7 Q. Okay. So did you send the primer to
8 financial institutions as part of -- of your work
9 to -- to market XRP?

10:12:14 10 MR. HORTON: Objection to form.

11 MR. GULAY: Objection.

12 MS. BUNTING: Objection.

13 A. My recollection is that we sent this
14 document to explain the Ripple technology to
10:12:23 15 interested parties.

16 Q. Okay. What types of interested parties?

17 A. Really all types from nonfinancial
18 corporates, interested in individuals like [REDACTED]
19 [REDACTED], hedge funds and financial institutions,
10:12:44 20 and other -- other types.

21 Q. And did that include individuals or
22 institutions who were interested in buying XRP?

23 A. I don't -- I wouldn't necessarily know
24 what someone's interest in buying it was or was
10:13:08 25 not. In general, our goal and our messaging was

10:13:14 1 focused around explaining the technology and not
2 on XRP. And we specifically sought to
3 de-emphasize XRP in our -- in the narrative we
4 used as this -- as this e-mail indicates.

10:13:28 5 Q. Okay. But my question is, to the extent
6 that you were trying to get individuals or
7 institutions to buy XRP, did you send them this
8 primer?

9 MR. HORTON: Objection.

10:13:43 10 MR. GULAY: Objection to form.

11 MS. BUNTING: Objection.

12 A. I did not try and get individuals or
13 institutions to buy XRP. And in meetings, the
14 narrative we used very specifically tried to focus
10:13:57 15 only on the technology and de-emphasize any
16 discussions of XRP and digital assets.

17 Q. And why is that? Why did you want to
18 de-emphasize discussions of digital assets?

19 A. Because our primary objective was to
10:14:16 20 develop a liquid market for any asset. I think
21 the company viewed it as a -- as a win
22 strategically if a liquid market developed for
23 bitcoin against dollars or gold against dollars or
24 Euros against dollars. And we largely felt that
10:14:33 25 the focus on digital assets was a distraction from

10:14:40 1 what we viewed to be applicable use cases in the
2 real world.

3 MR. HECKER: Counsel, we've been
4 going for about 75 minutes. Can we take a
10:14:57 5 short break?

6 MS. STEWART: Well, I have more
7 questions on this document, but -- but we
8 can come back to it if you'd prefer.

9 MR. HORTON: Thanks.

10:15:03 10 MS. STEWART: That's fine. We
11 can go off the record.

12 THE VIDEOGRAPHER: Okay. Going
13 off the record at 10:15.

14 (Whereupon, a recess is taken.)

10:30:53 15 THE VIDEOGRAPHER: Okay. Back on
16 the record at 10:30.

17 Go ahead.

18 BY MS. STEWART:

19 Q. Okay. Mr. Rapoport, still looking at
10:31:01 20 Exhibit PR-6, I want to now go through the
21 attachment to this document, the -- the Ripple
22 primer. Okay?

23 A. Yes.

24 Q. So let's first look at page 17 of the
10:31:16 25 document, which is Bates numbered 37841 on the

10:31:26 1 bottom.

2 A. Yes.

3 Q. Okay. So looking at the top of this
4 document, the first sentence says "Ripple Labs is
10:31:34 5 the creator of Ripple."

6 Do you see that?

7 A. Yes.

8 Q. Okay. Did you write that statement?

9 A. Yes.

10:31:39 10 Q. And is it accurate?

11 MR. GULAY: Objection. What time
12 period are we talking about?

13 Q. Was it accurate when you wrote it?

14 A. No, it was intentionally inaccurate for
10:31:59 15 the purposes of simplification.

16 Q. Okay. How was it intentionally
17 inaccurate?

18 A. The Ripple network -- the Ripple
19 protocol predated the creation of the -- of Ripple
10:32:13 20 Labs, Inc. as an entity. And so Ripple Labs, Inc.
21 could not have been the creator of Ripple; but for
22 the purposes of an entry-level primer, we
23 thought -- we knowingly thought the simp -- we --
24 we knowingly wrote this inaccurately thinking that
10:32:31 25 the simplification was beneficial and that the

10:32:34 1 actual explanation was needlessly confusing for
2 someone looking for an entry-level primer.

3 Q. Okay. And -- and is it the case that
4 the predecessor company is OpenCoin?

10:32:46 5 A. No. My understanding is that the Ripple
6 protocol predates OpenCoin and Ripple Labs, Inc.

7 Q. Okay. The next sentence says "We
8 developed the protocol and its distributed payment
9 network, and we now work to support and promote
10:33:11 10 its growth."

11 Do you see that?

12 A. Yes.

13 Q. Okay. Was that sentence accurate when
14 you wrote it?

10:33:22 15 A. It suffers from the same inaccuracy as
16 the preceding sentence, which is that Ripple Labs,
17 Inc. did not technically develop the protocol; but
18 the second clause, Ripple Labs did work to support
19 and promote the growth of the network. That was
10:33:37 20 accurate.

21 Q. So the "we" in that sentence refers to
22 Ripple Labs, Inc. or to something else?

23 A. Ripple Labs, Inc.

24 MR. GULAY: Objection.

10:33:46 25 Q. Who developed the protocol?

10:34:02 1 A. It's not a straightforward question to
2 answer. My understanding is that there was a --
3 an early predecessor that I believe was called
4 Ripple Pay developed by someone who I believe was
10:34:15 5 called [REDACTED] And his work was further
6 developed by Jeb McCaleb, Arthur Britto, and David
7 Schwartz, who were the primary architects of the
8 consensus -- the method by which the network, the
9 network of computers, reaches consensus about the
10:34:40 10 state of the ledger. And my understanding is that
11 those three people -- Jed McCaleb, Arthur Britto,
12 David Schwartz -- expanded upon the work of [REDACTED]
13 [REDACTED] to improve upon his previous work and
14 develop what became the Ripple protocol.

10:35:09 15 Q. So the "we" in the sentence that we're
16 looking at, does the "we" include Chris -- Chris
17 Larsen?

18 MS. BUNTING: Objection.

19 A. The "we" refers to the Ripple Labs team
10:35:23 20 and Chris Larsen was a member of that team, so,
21 yes.

22 Q. But your testimony is that the first
23 part of the sentence is -- in inaccurate?

24 MR. GULAY: Objection.

10:35:57 25 A. I think the phrase "we developed the

10:35:59 1 protocol," meaning Ripple Labs developed the
2 protocol, can be interpreted a number of ways, but
3 it does not -- it is not accurate that Ripple
4 Labs, Inc. or OpenCoin Inc. created the Ripple
10:36:14 5 protocol as I know it.

6 Q. Okay. And you said earlier about both
7 the first sentence on this page and then the first
8 part of the second sentence, that I think you said
9 that we knowingly made it inaccurate for
10:36:24 10 simplicity or something to that effect. Do I have
11 that right?

12 MR. GULAY: Objection.

13 A. I remember writing this sentence and
14 acknowledging to myself that Ripple Labs is the
10:36:39 15 creator of Ripple is not technically correct, but
16 I thought at the time that it was needlessly
17 confusing to provide the entire history that I
18 just described for the purpose of this primer.

19 Q. Okay. And did you discuss that issue
10:36:51 20 with -- with Mr. Griffin?

21 MR. GULAY: Objection.

22 A. I don't recall whether we did or did not
23 discuss it.

24 Q. Did you discuss it with Mr. Larsen?

10:37:03 25 MS. BUNTING: Objection.

10:37:07 1 A. I would not have -- I don't recall, but,
2 in general, I would not have discussed semantics
3 like that on a document with Chris Larsen.

4 Q. Okay. Looking at the second paragraph,
10:37:16 5 still on page 17, it reads "Ripple Labs hopes to
6 make money from XRP if the world finds the Ripple
7 network useful and broadly adopts the protocol."

8 Do you see that?

9 A. Yes.

10:37:28 10 Q. And did you write that sentence?

11 A. Yes.

12 Q. Okay. Was that sentence accurate when
13 you wrote it?

14 A. Yes.

10:37:39 15 Q. Did it continue to be accurate during
16 your time at Ripple?

17 A. Yes.

18 Q. And as you use it in this sentence, what
19 is the "Ripple network"?

10:37:59 20 A. It's synonymous with the Ripple
21 Consensus Ledger or the Ripple transaction
22 protocol that was used in this paper.

23 Q. And -- and the word "protocol" in this
24 sentence, what -- what does that mean?

10:38:13 25 A. The software. This goes back to the

10:38:18 1 nuance I was referring to earlier, that I think
2 the protocol is the software and the network is a
3 group of computers choosing to use the software.

4 Q. Okay. Then moving on to the -- to the
10:38:32 5 next paragraph, "100 billion XRP was created with
6 the Ripple protocol," was that sentence accurate
7 when you wrote it?

8 A. Yes.

9 Q. Okay. And then "Ripple Labs plans to
10:38:48 10 gift 55 billion XRP to charitable organizations,
11 users, and strategic partners in the ecosystem
12 over time."

13 Was that sentence accurate when you
14 wrote it?

10:38:56 15 A. Yes.

16 Q. Okay. And what does "strategic partners
17 in the ecosystem" refer to?

18 A. If a prominent financial institution
19 were to decide to adopt the Ripple protocol for
10:39:22 20 payments, for example, we were prepared to provide
21 that org -- that financial institution with XRP to
22 help them achieve that goal of -- of implementing
23 the protocol in their business.

24 Q. And when you say "implementing the
10:39:48 25 protocol in their business," what do you mean?

10:39:53 1 A. It could mean a variety of things
2 because the protocol is broadly applicable to a
3 number of different types of financial businesses.
4 But as an example, a bank using Ripple for
10:40:04 5 cross-border payments.

6 Q. The next sentence says "The company will
7 retain a portion with the hope of creating a
8 robust and liquid marketplace in order to monetize
9 its only asset sometime in the future."

10:40:21 10 Do you see that?

11 A. Yes.

12 Q. Was this sentence accurate when you
13 wrote it?

14 A. Yes.

10:40:25 15 Q. And did it continue to be accurate
16 during your time at Ripple?

17 A. Yes.

18 Q. Okay. And -- and when -- when you say
19 in this sentence "its only asset," what are you
10:40:42 20 referring to?

21 A. Looking back, I think that's a little
22 inarticulate because from an accounting
23 perspective, the company had other assets, like
24 desks and chairs and whatnot. But at the
10:41:03 25 inception of the company, I think there was a

10:41:05 1 vision that this technology was interesting and
2 had potential to be adopted. And if the
3 technology was adopted broadly, there may be an
4 increase in the price of XRP, which would benefit
10:41:17 5 the company as a holder of XRP, but there was also
6 an acknowledgment that the technology may be
7 broadly adopted and that thesis may not be
8 correct; that -- that that asset may or may not
9 appreciate in value. And so this sentence I think
10:41:33 10 was deliberately worded saying -- using the word
11 "hope" in multiple places in this -- in this page.

12 Q. So when you say in this sentence
13 "monetize its only asset," you're referring to
14 XRP?

10:41:46 15 A. That's correct.

16 Q. And moving on to the next page, page 18,
17 Bates numbered 7842 on the bottom, the very last
18 sentence says "The Ripple ecosystem needs
19 gateways," mark -- "market makers, developers, and
10:42:10 20 merchants to fulfill its potential."

21 Do you see that?

22 A. Yes.

23 Q. And was that sentence accurate when you
24 wrote it?

10:42:24 25 A. That was my view at the time. Whether

10:42:25 1 or not it's true I think is debatable.

2 Q. Okay. What was your view based on at
3 the time?

4 A. Knowledge of the technology and a lot of
10:42:39 5 hours of thought about the applicability of the
6 technology in the marketplace.

7 Q. And why is it debatable whether or not
8 it's true?

9 A. Well, for example, it references
10:42:51 10 merchants and it is possible for the Ripple net --
11 ecosystem to fulfill its potential without
12 merchants. It's unclear what its potential was.
13 This was an early stage company and, like many
14 early stage companies, there's a lot of
10:43:07 15 trajectories it could have taken.

16 Q. Okay. Were you seeking out merchants at
17 this time for the Ripple ecosystem?

18 A. Yes.

19 Q. What kinds of merchants?

10:43:26 20 A. Merchants involved in the payments flow
21 of transactions. So, for example, businesses,
22 infrastructure, and providers of services around
23 card terminals when you buy something. Like if
24 you buy a Starbucks coffee using a card, that's
10:43:45 25 a -- a merchant and infrastructure surrounding the

10:43:47 1 merchant.

2 Q. Okay. And what's the reference to
3 "gateways" in this sentence?

4 A. Gateways is defined earlier in the
10:43:57 5 document, but the simplified version is on-ramp or
6 off-ramp for currencies other than XRP to the
7 Ripple network.

8 Q. I think you mentioned that -- that
9 Mr. [REDACTED] who's on the cover e-mail of this
10:44:25 10 exhibit, was a seed investor in Ripple, is that
11 right?

12 A. That's my recollection.

13 Q. Okay. Do you know if he also owned XRP?

14 MR. GULAY: Objection.

10:44:42 15 A. I don't know whether he did or did not,
16 but his e-mail implies he does.

17 Q. And when you say your -- his e-mail
18 observed that he does, what do you mean by that?

19 MR. HORTON: Objection. You

10:44:59 20 mis -- you misquoted his testimony, but...

21 Q. Okay. Well -- well, can you see
22 something in his e-mail that suggests that he
23 owned XRP?

24 A. When I read his e-mail at the bottom of
10:45:20 25 this page, 22 --

10:45:24 1 Q. Okay.

2 A. -- my takeaway is that he likely owned
3 XRP.

4 Q. And is that because he says "when my
10:45:31 5 ripples makes me so rich that I can cover myself
6 in gold plating"?

7 A. Yes.

8 Q. Okay. Did you have an understanding at
9 this time in 2013 that certain individuals or
10:45:42 10 firms bought XRP for speculative reasons?

11 MS. BUNTING: Objection.

12 MR. HORTON: Objection to form.

13 A. I do believe that people speculated on
14 the price of XRP.

10:45:59 15 Q. Did Mr. [REDACTED] speculate on the price of
16 XRP?

17 MR. HORTON: Objection to form.

18 A. I don't know anything about Mr. [REDACTED]
19 speculations other than this e-mail.

10:46:10 20 Q. And who is Mr. [REDACTED]?

21 A. He was a high-ranking executive at [REDACTED]
22 [REDACTED] newspaper.

23 Q. And you said he was a friend of
24 Mr. Larsen?

10:46:24 25 A. That's my understanding.

10:46:33 1 Q. Did Ripple seek out investors who were
2 looking to buy XRP for speculative reasons?

3 MR. GULAY: Objection to form.

4 A. I'm not aware of what all employees did
10:46:41 5 at the company. I did not actively seek out
6 investors.

7 Q. Do you know of any Ripple employees who
8 did actively seek out investors who were looking
9 to speculate on XRP?

10:46:53 10 A. I'm not aware of that.

11 MR. GULAY: Objection.

12 MS. STEWART: Nicole, we're on
13 PR-10 now.

14 (Whereupon, exhibit is presented
10:47:11 15 and marked SEC Rapoport Exhibit PR-10 for
16 identification.)

17 MS. STEWART: Okay. PR-10 for
18 the record is Bates numbered RPLI_SEC
19 0843205 through 213.

10:47:34 20 BY MS. STEWART:

21 Q. And, once again, if you can take a
22 moment to look at this document and let me know
23 when you're done.

24 (Pause)

10:53:25 25 A. Okay. I've reviewed this.

10:53:27 1 Q. Okay. So focusing on the cover e-mail
2 of PR-10, what is this document?

3 A. What is the cover e-mail?

4 Q. Yeah.

10:53:39 5 A. This appears to be my sending this
6 document to [REDACTED] and [REDACTED].

7 Q. Okay. Who is [REDACTED]?

8 A. [REDACTED] is an attorney for [REDACTED]
9 [REDACTED]

10:53:56 10 Q. And who is [REDACTED]?

11 A. [REDACTED] is -- was someone who had
12 a -- who I was speaking with about potentially
13 providing market-making services on the Ripple
14 network.

10:54:10 15 THE REPORTER: "On the..."?

16 A. On the Ripple network.

17 Q. And [REDACTED] is at the firm [REDACTED]
18 [REDACTED]?

19 A. My discussions at this time were
10:54:23 20 independent of [REDACTED]; but, yes, he's the
21 founder and CEO of [REDACTED].

22 Q. And what do you mean they're
23 independent -- they "were independent of [REDACTED]
24 [REDACTED]"?

10:54:32 25 A. His investigation of potentially

10:54:33 1 providing market-making services on the Ripple
2 network was independent of [REDACTED] as an
3 entity and was conducted under a separate entity
4 unrelated to [REDACTED].

10:54:53 5 Q. Okay.

6 A. Unaffiliated.

7 Q. Okay. And what was the result of those
8 discussions with Mr. [REDACTED]?

9 A. He ultimately started a -- a new
10:55:03 10 unaffiliated entity and -- which that entity
11 became a market maker on the Ripple network.

12 Q. And which -- what's the entity?

13 A. Its d/b/a name was [REDACTED]. I
14 don't recall the LLC name.

10:55:25 15 Q. And when did [REDACTED] become a
16 market maker on the Ripple network?

17 A. I don't recall the date without
18 researching it.

19 Q. Was it shortly after this e-mail
10:55:36 20 exchange that we're looking at, PR-10?

21 A. I'm sorry, I don't recall how long
22 after -- after this e-mail.

23 Q. Okay. And for how long did [REDACTED]
24 [REDACTED] provide market-making services on the Ripple
10:55:48 25 network?

10:55:54 1 A. I'm not sure of the answer to that.

2 Q. And on what trades did [REDACTED] act
3 as a market maker on the Ripple network?

4 MR. GULAY: Objection.

10:56:11 5 A. Could you clarify what you're asking so
6 I can answer correctly?

7 Q. On what trading pairs? I'll -- I'll
8 reask my question.

9 Did [REDACTED] act as a market maker
10:56:21 10 on trading pairs that included XRP?

11 MR. GULAY: Objection.

12 A. I don't recall the specifics of [REDACTED]
13 [REDACTED] but, generally speaking, the agreements
14 were very similar across market makers and
10:56:37 15 required each market maker to quote XRP pair --
16 pairs against XRP, as well as other pairs, like
17 bitcoin dollar and gold dollar, and gave Ripple
18 the right to grow the list of required pairs over
19 time if I recall correctly.

10:56:56 20 Q. And were the market makers compensated
21 for quoting pairs that did not include XRP?

22 MR. GULAY: Objection.

23 A. Yes.

24 Q. Were they compensated the same amount as
10:57:11 25 they were for quoting pairs that did include XRP?

10:57:14 1 A. They were compensated --

2 MR. GULAY: Objection. Sorry.

3 Objection. And can you just clarify which
4 market makers we're talking about?

10:57:19 5 MS. STEWART: Well, I think his
6 last answer was generally about mark --
7 market makers during his time at Ripple so
8 I'm -- that's what I'm asking about.

9 A. I don't recall the specifics of any
10:57:27 10 particular market-making agreement, but, in
11 general, they were similar. And, in general,
12 they -- the compensation was an exchange for
13 fulfilling the agreement in its totality, not for
14 specific parts of the agreement.

10:57:44 15 Q. Is it fair to say that the focus of the
16 agreement was on trading pairs that included XRP?

17 MR. HORTON: Objection to form.

18 MS. BUNTING: Objection.

19 A. I would disagree with that.

10:57:56 20 Q. And why would you disagree with that?

21 A. Because I don't believe the focus was on
22 pairs that included XRP.

23 Q. Was there a focus?

24 MR. HORTON: Objection to form.

10:58:06 25 MR. GULAY: Objection.

10:58:07 1 MS. BUNTING: Objection.

2 A. No.

3 Q. So going back to PR-10 and looking at
4 the very bottom e-mail, which starts at the bottom
10:58:21 5 of the first page and runs to the second page,
6 which appears to be an e-mail from you to
7 Mr. [REDACTED], do you see that?

8 A. Yes.

9 Q. And you -- you say to Mr. [REDACTED], "As I
10:58:34 10 mentioned, government guidance has been sparse,
11 but here are two bitcoin-centric things that were
12 issued earlier this year."

13 Do you see that?

14 A. Yes.

10:58:44 15 Q. So this -- this suggests that you had an
16 earlier conversation with Mr. [REDACTED], is that
17 right?

18 A. I recall having a number of phone calls
19 with him and this e-mail implies that we had a
10:59:00 20 phone call prior to this e-mail, yes.

21 Q. Okay. And what did you discuss with
22 Mr. [REDACTED] on the -- on the subject of government
23 guidance being sparse?

24 A. I don't recall the specifics of our
10:59:13 25 conversations from 2013 apart from the fact that I

10:59:16 1 was providing a general overview of Ripple.

2 Q. You say in the next sentence "We
3 emphasize that Ripple is different from bitcoin in
4 many ways."

10:59:28 5 Do you see that?

6 A. Yes.

7 Q. Okay. What did you mean by that?

8 MR. GULAY: I just want to pause
9 here and ask Mr. Rapoport to answer
10:59:32 10 without revealing the substance of any
11 privileged communications he may have had
12 with Perkins Coie or other counsel.

13 BY MS. STEWART:

14 Q. And I would add to that the extent you
10:59:44 15 had passed on whatever communications you would --
16 you had had to third parties, like Mr. [REDACTED],
17 then I think your counsel would agree that you can
18 testify about those.

19 MR. GULAY: Well, no, I don't
10:59:52 20 agree with that. I think to the extent
21 your understanding of this language here,
22 that Ripple is different from bitcoin in
23 many ways, is derived from your
24 communications with counsel, then I would
11:00:03 25 instruct you not to testify.

11:00:06 1 BY MS. STEWART:

2 Q. Can you testify without revealing
3 communications with counsel?

4 A. Yes.

11:00:09 5 Q. Okay.

6 A. Can you repeat your question again?

7 Q. I want to know what you meant when you
8 wrote "I'd reemphasize that Ripple is different
9 from bitcoin in many ways."

11:00:43 10 A. I don't recall the specifics of this
11 conversation, but given the context of the e-mail,
12 I believe that this is referring to the fact that
13 bitcoin and XRP share similarities in being a
14 math-based digital asset; but the Ripple network
11:01:00 15 also includes IOUs or balances of iss -- of
16 issuers, which is unique to Ripple and not shared
17 by bitcoin, as well as a decentralized exchange
18 which bitcoin doesn't -- doesn't contain.

19 MR. TENREIRO: Before we move on,
11:01:18 20 I just want to create a record on this
21 because we're having this and we continue
22 to have this. You're instructing him not
23 to answer what counsel told him even if he
24 disclosed that to a third party?

11:01:28 25 MR. GULAY: No. We're talking

11:01:29 1 about the language in the e-mail here and
2 I think the question was what Mr. Rapoport
3 understood when he wrote that language.
4 And I'm -- I'm instructing him not to
11:01:39 5 testify to the extent that his
6 understanding of this language here
7 derives from his communications with
8 counsel.

9 MR. TENREIRO: But if he conveyed
11:01:46 10 his understanding of that language to a
11 third party, he can then testify to it,
12 right? Because he's disclosed it.

13 MR. GULAY: Well, no, I mean,
14 obviously he -- you know, he conveyed this
11:01:54 15 white paper to third parties, and you
16 know, the -- the white paper has been
17 produced and is not privileged. But,
18 like, to give you an example, to the
19 extent he had discussions with counsel
11:02:05 20 about this white paper and the preparation
21 of the white paper, we would assert
22 privilege over that.

23 MR. TENREIRO: Absolutely. But
24 if he disclosed the conversations with
11:02:13 25 counsel in conversations about the white

11:02:14 1 paper with the third party that's copied
2 in the e-mail, that's not privileged.

3 MR. GULAY: I just don't under --
4 I don't understand what that means,
11:02:19 5 though. Like, what's the scope of, you
6 know, the extent of, like, disclosing
7 conversations with counsel? I don't
8 understand.

9 MR. TENREIRO: The guy might have
11:02:27 10 asked him What did you mean by, you know,
11 bitcoin is different from XRP? And he
12 might have answered.

13 MR. GULAY: We're going to
14 instruct him not to answer.

11:02:34 15 MR. TENREIRO: You're going to
16 instruct him not to answer. Okay. We're
17 going to reserve our rights.

18 MR. GULAY: That's fine.

19 MR. TENREIRO: Okay. Go on. And
11:02:43 20 also -- I just want to also point out for
21 the record that there has been a limited
22 waiver on the Perkins Coie memos
23 themselves, so, you know, we should also
24 keep that in mind. But we obviously don't
11:02:54 25 agree with you that if he answered a third

11:02:55 1 party's question, What did you mean by
2 bitcoin is different than XRP? that that
3 conversation cannot be repeated here
4 because it's obviously not privileged.

11:03:02 5 But I -- I have your position. We
6 disagree.

7 MS. ZORNBERG: I'll just add
8 that, you know, we can take it on a
9 case-by-case basis. If you actually lay a
11:03:12 10 proper foundation for there being some
11 discussion between a third party, we're
12 happy to revisit it in the context of a
13 foundation being laid as to a particular
14 conversation. I do think it needs to be
11:03:23 15 done on a case-by-case basis.

16 MR. TENREIRO: That's fair.

17 MS. ZORNBERG: In any event, the
18 witness said that he could answer the
19 question without revealing legal advice
11:03:28 20 that Ms. Stewart put to him and he did.
21 So I don't think there's an issue for this
22 particular instance.

23 MR. TENREIRO: Okay.

24 BY MS. STEWART:

11:03:36 25 Q. Mr. Rapoport, was your statement here

11:03:39 1 that Ripple is different from bitcoin in many ways
2 related to the -- to the issue of government
3 guidance that you seem to be referring to in this
4 paragraph?

11:03:50 5 MR. GULAY: Same instruction
6 about your discussions with counsel.

7 A. I don't recall my intent and whether or
8 not there's a link between those sentences.

9 Q. Okay. I understand your testimony that
11:04:11 10 the technologies of bitcoin and -- and XRP are
11 different; but my question is, did you have an
12 understanding at this time, in 2013, that
13 regulatory guidance was different as to bitcoin
14 and XRP?

11:04:27 15 MS. BUNTING: Objection.

16 MR. GULAY: Same instruction
17 about discussions with counsel.

18 A. That's a very broad question. Because
19 Ripple as a technology includes balances issued by
11:05:00 20 an issuer, as well as a decentralized exchange, my
21 understanding was and is that there are inherently
22 additional considerations as a result of those
23 things from a regulatory perspective that don't
24 apply to bitcoin.

11:05:19 25 Q. And what are those additional

11:05:20 1 considerations?

2 MR. GULAY: Objection; foundation
3 and same instruction about discussions
4 with counsel.

11:05:29 5 A. I'm not a lawyer to really express that,
6 to answer that in a -- in a coherent way I think.

7 Q. Well, but you -- you say that you have
8 an understanding that there are differences.

9 So do you have any general sense of what
11:05:47 10 the differences are?

11 A. Well --

12 MS. BUNTING: Objection.

13 A. I generally understand that exchanges,
14 for example, have -- may have regulatory framework
11:05:58 15 applied to them. And if one technology has a
16 built-in exchange and one doesn't, there may -- I
17 understood that there may be other considerations
18 that would apply. But the specifics of those
19 considerations, I -- I don't profess to
11:06:12 20 understand.

21 Q. Okay. At the end of your -- your e-mail
22 to Mr. [REDACTED], you say "Also, in case it's of
23 interest to you, this law firm has established
24 itself as the early expert in these technologies."

11:06:29 25 And you send a link to the Perkins Coie website.

11:06:33 1 Do you see that?

2 A. Yes.

3 Q. Okay. And why did you send this link to
4 Mr. [REDACTED]?

11:06:49 5 A. Back in 2013 there was a limited number
6 of law firms with domain expertise in the digital
7 asset space. And I think many people would find
8 it pretty daunting to get a friend -- you know, a
9 law firm without domain expertise in that area up
11:07:09 10 to speed to provide legal advice.

11 And so I found it -- I think people
12 found it helpful to be informed about which law
13 firms already had clients in the space and
14 familiarity with the space.

11:07:21 15 Q. So are you suggesting to Mr. [REDACTED]
16 that -- that his client, Mr. [REDACTED], engage
17 Perkins Coie?

18 MR. HECKER: Objection.

19 MR. GULAY: Objection.

11:07:31 20 A. I wasn't making any kind of
21 recommendation or suggestion.

22 Q. Okay. So, again, I'm not sure I
23 understand what the purpose is of -- of sending
24 Mr. [REDACTED] the Perkins Coie website link.

11:07:46 25 MS. BUNTING: Objection.

11:07:46 1 MR. HORTON: Objection to form.

2 MS. BUNTING: What's the
3 question?

4 BY MS. STEWART:

11:07:55 5 Q. I want to know why you sent to
6 Mr. [REDACTED] this link to the Perkins Coie website.

7 MR. HORTON: Objection; asked and
8 answered.

9 MR. GULAY: Objection. He
11:08:04 10 answered that question.

11 A. I believe I answered that question,
12 which is that I believed it helpful for someone
13 new to the space that would likely be seeking
14 legal representation about the space to be aware
11:08:23 15 of law firms that already had domain expertise in
16 the space.

17 Q. At the time you sent this e-mail, was
18 Perkins Coie counsel for Ripple?

19 A. I was not aware of which law firms were
11:08:45 20 officially engaged and not engaged by Ripple and
21 at what times. I was aware of this memo and other
22 similar memos, but that was the extent of my
23 knowledge of Ripple's dealings with Perkins Coie.

24 Q. So -- so fair to say at this time in
11:09:00 25 2013, you understood that Perkins Coie at some

11:09:02 1 point had been counsel to Ripple?

2 MR. HORTON: Objection to form.

3 A. It's -- let me actually correct that
4 because I did have phone calls at times with
11:09:14 5 legal -- with Ripple's outside counsel, but the
6 specifics of which counsel and what time are
7 difficult for me to remember given how much time
8 has passed.

9 Q. Okay. But at the time of -- of this
11:09:27 10 e-mail exchange in PR-10, did you have an
11 understanding that PR Coie -- that -- that Perkins
12 Coie had acted as counsel to Ripple at some point
13 in the past?

14 MR. HORTON: Objection to form.

11:09:37 15 A. Based on this memo, my -- it's a
16 reasonable assumption that -- that that Perkins
17 Coie was engaged by Ripple, and so that would have
18 been my assumption today and at the time.

19 Q. Okay. And -- and I take it that's
11:09:48 20 because the -- the -- the memo says "Perkins Coie"
21 on top?

22 MR. GULAY: Objection.

23 A. Correct, though this is an unusual
24 document that says who can I contact for questions
11:10:06 25 and includes both Patrick Griffin of Ripple Labs

11:10:08 1 and [REDACTED] of Perkins Coie, which isn't
2 typical of a legal memo.

3 Q. Okay. And why were you sending this
4 document entitled "White Paper" to Mr. [REDACTED]?

11:10:28 5 A. I don't recall what my thought process
6 was back in 2013, but I believe that at a minimum,
7 this document would help familiarize someone new
8 to this space with what some of the key questions
9 may be as they begin an investigation into the
11:10:44 10 space.

11 Q. Did Ripple at any point sell XRP to
12 [REDACTED]?

13 A. I don't believe so, but my recollection
14 is too fuzzy to say that definitively.

11:11:18 15 Q. Did Ripple at any point sell XRP to
16 Mr. [REDACTED] or any other company affiliated with
17 him?

18 MS. BUNTING: Objection.

19 MR. HORTON: Objection.

11:11:33 20 MR. GULAY: Objection. Just to
21 clarify, what time period are you talking
22 about?

23 MS. STEWART: At any point during
24 Mr. Rapoport's tenure.

11:11:40 25 MR. GULAY: Okay.

11:11:41 1 A. Same answer, which is I don't believe
2 so, but my recollection is too hazy to say
3 definitively no.

4 MR. TENREIRO: They're not
11:12:13 5 collated correctly.

6 MS. STEWART: Nicole, the -- the
7 next exhibit is PG-5 -- 6, sorry. PG-6.
8 That should be in a separate folder,
9 Nicole.

10:47:11 10 BY MS. STEWART:

11 Q. Okay. So for the record, I've handed
12 you a document that was previously marked as PG-6,
13 and it's Bates numbered RPLI_SEC 0337666 through
14 673.

11:14:50 15 (Pause)

16 A. Okay. I've reviewed this.

17 Q. Okay. What is this document?

18 A. I don't recall this document
19 independently, but based on the cover e-mail, it
11:15:10 20 appears to be a document that Patrick put together
21 to share with [REDACTED].

22 Q. Who is [REDACTED]?

23 A. She's a [REDACTED] professor and [REDACTED]
24 [REDACTED] at [REDACTED] who was an advisor to
11:15:27 25 Ripple at various points in time.

11:15:29 1 Q. Was she an advisor to Ripple in 2013?

2 A. I'm not sure of her official status, but
3 she certainly provided informal advice to us on a
4 number of occasions.

11:15:43 5 Q. Okay. And from -- from Mr. Griffin's
6 cover e-mail to you, it -- it -- it -- it seems
7 that he intends to send this document to
8 Ms. [REDACTED].

9 Is that -- is that your understanding?

11:15:58 10 A. That's my understanding, yes.

11 Q. Okay. And what was the purpose of this
12 document that's attached to Mr. Griffin's e-mail
13 to you?

14 MR. GULAY: Objection;

11:16:05 15 foundation.

16 A. I don't recall the document, but from
17 reading it, it appears that it's a document aimed
18 at discussing distribution of XRP with [REDACTED].

19 Q. Do you remember discussing that issue
11:16:29 20 with Ms. [REDACTED]?

21 A. I have a general recollection of
22 discussing that issue with her, yes.

23 Q. What's your recollection?

24 A. That we viewed her to be a very
11:16:40 25 intelligent thinker about systems and markets and

11:16:45 1 that we viewed her advice on those topics as very
2 valuable.

3 Q. And was this part of your and
4 Mr. Griffin's efforts to develop a distribution
11:17:00 5 strategy --

6 MS. BUNTING: Objection.

7 Q. -- for XRP?

8 A. We were interested in thinking about the
9 most effective ways to get XRP into the world and
11:17:19 10 distribute it.

11 Q. Okay. Was -- is it fair to say that
12 that was a distribution strategy?

13 MR. GULAY: Objection.

14 A. I think an overall strategy was
11:18:01 15 discussed at times that specific tactics were not
16 well defined and the company continued to
17 experiment for most all of my time there.

18 Q. Okay. Is it fair to say that you were
19 developing a distribution framework for XRP as --
11:18:23 20 as seems to be the title of this document?

21 MR. GULAY: Objection.

22 A. This was a discussion document from what
23 I can tell. And, yes, it appears to discuss a --
24 a framework around how the company could
11:18:44 25 distribute its XRP.

11:18:46 1 Q. Okay. Did you provide comments to
2 Mr. Griffin in this document?

3 A. I don't recall whether I provided
4 comments on this document. It's certainly a topic
11:18:57 5 we discussed at times.

6 Q. Okay. Do you remember discussing
7 this -- this deck, a draft of which is attached in
8 PG-6, with Mr. Griffin?

9 A. I don't remember this e-mail or this
11:19:10 10 deck given the amount of time that's passed.

11 Q. Okay.

12 MS. STEWART: Can we look at
13 PR-16 next?

14 (Whereupon, exhibit is presented
11:19:29 15 and marked SEC Rapoport Exhibit PR-16 for
16 identification.)

17 MS. STEWART: PR-16 is Bates
18 numbered RPLI_SEC 0012358.

19 (Pause)

11:20:08 20 A. Okay. I've reviewed this.

21 Q. Okay. Does this document refresh your
22 recollection that you provided comments to
23 Mr. Griffin on the deck that we were just looking
24 at?

11:20:16 25 A. I see the responses and they're clearly

11:20:17 1 from me, but I don't have a specific recollection
2 of -- of this e-mail.

3 Q. Okay. Looking at the top e-mail from
4 you to Mr. Griffin dated 11/30/2013 and looking
11:20:30 5 at, I guess the fourth bullet point, you say "We'd
6 prefer to attract speculators who take a long-term
7 view and believe XRP demand will overwhelm supply
8 as commercial use of the network increases."

9 Do you see that?

11:20:44 10 A. Yes.

11 Q. What did you mean by this sentence?

12 A. I was aware of the fact that some people
13 were speculating on the price of XRP. And given
14 the choice, I would have preferred people who took
11:21:20 15 a long-term view on that.

16 Q. Okay. So let's unpack that a little.

17 How were you aware that some people were
18 speculating on XRP?

19 A. Despite our efforts to focus
11:21:43 20 conversations on the protocol and not the digital
21 asset, as some of the e-mails you've already shown
22 indicate, at times people would e-mail us
23 indicating that they're speculating on the price
24 of XRP or speak to us or -- you know, along that
11:22:06 25 topic.

11:22:07 1 Q. And why is it that you preferred
2 speculators who took a long-term view?

3 A. Parsing this sentence, and I don't
4 recall what my thought process was when I wrote
11:22:39 5 this, but it appears that I'm referring to -- the
6 second sentence here says "If you believe 500
7 million people will eventually use Ripple, then
8 there's far less concern of an XRP supply
9 overhang." And that refers to a concern that was
11:22:56 10 in the marketplace about -- not specific to
11 Ripple, but that applied to Ripple, a concern
12 about one holder holding a large amount of a
13 digital asset.

14 And so I interpret this comment to be
11:23:11 15 that you would not have that concern if you took a
16 very long-term view of the protocol and what may
17 become of the protocol. You would not be
18 concerned about the supply overhang from one large
19 holder -- in this case Ripple -- holding a digital
11:23:26 20 asset.

21 Q. Okay.

22 MS. ZORNBERG: And Ripple there,
23 you're talking about Ripple Labs?

24 THE WITNESS: I'm talking about
11:23:32 25 Ripple Labs, excuse me.

11:23:34 1 BY MS. STEWART:

2 Q. Okay. The next bullet, you say "Good BD
3 giveaways" will resul -- "will result in more
4 demand than supply. The announcement of the
11:23:43 5 giveaway/partnership should generate demand."

6 Do you see that?

7 A. Yes.

8 Q. Okay. What -- what did -- what does "BD
9 giveaways" mean as you use it in the sentence?

11:23:56 10 A. "BD" refers to business development and
11 "giveaway" refers to the business development team
12 making a grant of XRP to somebody or some company.

13 Q. Okay. And when you say "The
14 announcement of the giveaway/partnership should
11:24:14 15 generate demand," are you referring to any
16 particular announcement or to announcements of
17 giveaways and partnerships in general?

18 A. That's a general comment.

19 MR. GULAY: Objection.

11:24:25 20 Q. Okay. So you -- you mentioned that you
21 were aware from e-mails, like some of the ones
22 we've looked at already, that certain people
23 were -- were speculating on XRP.

24 Do you remember that?

11:24:49 25 A. Yes.

11:24:50 1 Q. Okay. Do you recall receiving e-mails
2 or having conversations with -- with particular
3 individuals or firms about them speculating on
4 XRP?

11:24:59 5 MS. BUNTING: Objection.

6 A. I was generally aware -- I recall being
7 generally aware of that fact, but I don't recall
8 specific discussions, you know, from seven years
9 ago about it.

11:25:13 10 Q. Do you recall discussions internally at
11 Ripple about individuals or firms who were
12 speculating on XRP?

13 A. I recall a specific desire to focus our
14 discussions on the technology itself and away from
11:25:27 15 speculation on an XRP.

16 Q. And why is that?

17 A. Because we viewed speculation on XRP to
18 be a distraction from the core technology and the
19 use of the core technology.

11:25:43 20 Q. But is it fair to say that speculation
21 was also helpful in building liquidity for XRP?

22 MR. HORTON: Objection to form.

23 MS. BUNTING: Objection.

24 A. Building liquidity means getting more
11:25:59 25 volume. So anything that gets more volume is

11:26:01 1 helpful to building liquidity. And so speculator
2 trading creates volume, so, yes.

3 Q. Okay.

4 MS. STEWART: Let's look at a
11:26:15 5 document we've previously marked as PG-5.

6 Nicole, that's also in a
7 separate folder.

8 And for the record, PG-5 is
9 Bates numbered RPLI_SEC 0012359 through
11:26:35 10 12368.

11 (Pause)

12 A. Okay. I've reviewed it.

13 Q. Okay. Is it fair to say that the
14 attachment to PG-5 reflects some of the comments
11:28:02 15 you gave Mr. Griffin in the last exhibit we looked
16 at?

17 A. I see some of the same language
18 included, yes.

19 Q. Okay. So do you recall a conversation
11:28:15 20 with Ms. Athey after Mr. Griffin sent her this
21 deck in PG-5?

22 A. I don't -- I -- I generally remember
23 speaking with Ms. [REDACTED] at various points in time,
24 but I don't remember the specific discussion or
11:28:32 25 anything about it.

11:28:32 1 Q. Okay. The cover e-mail in PG-5
2 references "Thank you for your time here. We
3 really value your input. As promised, here is a
4 summary of the themes we touched on during our
11:28:45 5 call on Wednesday."

6 Just to -- just to make sure, do you
7 remember the call that's referenced here with
8 Ms. [REDACTED]?

9 A. I don't.

11:28:53 10 Q. Okay. So looking at the -- at the deck,
11 on page -- on the second page of the -- of the
12 deck, which is Bates numbered on the bottom 12362,
13 where the title is "Goal of Distribution," do you
14 see that?

11:29:10 15 A. Yes.

16 Q. Okay. And there's two bullets under
17 there. The first is "Network growth."

18 Do you see that?

19 A. Yes.

11:29:17 20 Q. And what does that mean?

21 A. This is such a sparse slide that I would
22 be guessing as to the meaning of -- you know, the
23 meaning that Patrick ascribed to this when he
24 wrote it.

11:29:35 25 Q. Well, the -- the second bullet says

11:29:36 1 "Raise funds for Ripple Labs operation."

2 Do you see that?

3 A. Yes.

4 Q. Okay. What does that mean to you?

11:29:41 5 MR. GULAY: Objection;

6 foundation. And just to clarify, what
7 does it mean to him sitting here today or
8 what did it mean to him at the time?

9 BY MS. STEWART:

11:29:55 10 Q. Well, let's start with at the time that
11 you reviewed and commented on it.

12 What -- what did this mean to you?

13 A. This was almost eight years ago and, you
14 know, one month into my tenure at the company.

11:30:16 15 I -- I really don't remember any specifics about
16 this interaction apart from what I'm looking at
17 today that you just showed me.

18 Q. Okay. Do you recall at the time, in
19 2013, having an understanding that one of the
11:30:25 20 goals of distributing XRP was to raise funds for
21 the operations of Ripple Labs?

22 A. I was aware that the company received
23 revenue from the sale of XRP, yes.

24 Q. Okay. But -- but -- but I guess my
11:30:40 25 question is a little bit different.

11:30:42 1 Did you have an understanding that one
2 of the reasons that the company sold XRP was
3 specifically to raise money to fund its
4 operations?

11:30:51 5 MS. BUNTING: Objection.

6 A. I was aware that the company received
7 venture funding and also that the company took in
8 dollars from the sale of XRP. I did not have
9 visibility or I do not recall having visibility
11:31:14 10 into the financial health of the firm and whether
11 this was required to fund operations or for other
12 reasons.

13 Q. Okay. Did you have an understanding in
14 2013 that one of the goals of distributing XRP was
11:31:29 15 to grow the Ripple network?

16 A. Yes.

17 Q. Okay. And is it fair to say that the
18 bullet here "Network growth" refers to growing the
19 Ripple network?

11:31:46 20 A. I think that seems like a reasonable
21 assumption, yes.

22 Q. Okay. Moving on to the next page, which
23 is Bates numbered 363 at the end, and this refers
24 to three phases of Ripple -- of Ripple's long --
11:32:01 25 I'm sorry. Let me start again.

11:32:03 1 The title of this page is "Long-term
2 Stages of Ripple."

3 Do you see that?

4 A. Yes.

11:32:07 5 Q. And three phases are referenced here?

6 A. Yes.

7 Q. Okay. Did you discuss these phases with
8 Mr. Griffin?

9 A. I don't have any recollection of whether
11:32:20 10 we discussed it, but this e-mail implies that I
11 read this document and provided some feedback and
12 that a discussion with Susan was had.

13 Q. Okay. Phase 1, it says here, is titled
14 "Speculatively valuable."

11:32:36 15 Do you see that?

16 A. Yes.

17 Q. And it says "In this stage, XRP is new
18 and few adopters. XRP is valuable among
19 speculators."

11:32:44 20 Do you see that?

21 A. Yes.

22 Q. Okay. In 2013 what phase of these three
23 phases was Ripple in?

24 MR. GULAY: Objection.

11:33:02 25 A. I don't know that I'd characterize these

11:33:03 1 three phases from a discussion document as a
2 necessarily accurate depiction of the trajectory
3 of anything.

4 Q. Okay. Well, let me ask you, looking at
11:33:17 5 these three phases now, are these accurate? Are
6 these accurate descriptions of the trajectory of
7 the Ripple network?

8 MR. GULAY: Objection.

9 A. I would not describe -- use this
11:33:40 10 framework to describe Ripple.

11 MR. GULAY: Just to clarify, are
12 you referring to Ripple Labs or Ripple
13 network?

14 A. I would not use this framework to
11:33:50 15 describe anything.

16 Q. Okay. In this document, when it says
17 "Long-term Stages of Ripple," what does "Ripple"
18 mean?

19 MR. GULAY: Objection;
11:34:00 20 foundation.

21 A. I believe it refers to the network, but
22 it's a bit ambiguous.

23 Q. Okay. So your testimony is that you
24 don't think what's -- the phases that are listed
11:34:08 25 here is an accurate description of the Ripple

11:34:11 1 network?

2 A. I don't view this as a particularly good
3 framework of anything.

4 Q. Okay. Do you agree that in 2013 XRP was
11:34:24 5 new and had few adopters?

6 A. Yes.

7 MS. BUNTING: Objection.

8 Q. And do you agree that in 2013, XRP was
9 valuable among speculators?

11:34:36 10 A. What does "valuable" mean in this
11 context?

12 Q. Well, I'm -- I'm reading the words in
13 the document that you and Mr. Griffin prepared.
14 So in the context --

11:34:46 15 MR. HECKER: Objection.

16 MR. GULAY: Objection. Just to
17 clarify his testimony, he said he did not
18 prepare the presentation.

19 Q. Okay. But you reviewed and commented on
11:34:53 20 the presentation, right?

21 MR. HORTON: Okay. Counsel, I
22 also want to object. The document doesn't
23 say that XRP is valuable among speculators
24 in 2013.

11:34:59 25 MS. STEWART: Well, I'm -- the

11:35:00 1 question I'm trying to understand is I
2 want to know at the time that -- that this
3 document was prepared, what phase did
4 Mr. Griffin and Mr. Rapoport believe that
11:35:12 5 the company -- or that Ripple -- the
6 Ripple network was in.

7 BY MS. STEWART:

8 Q. So you're saying that you don't agree
9 with these phases. So I'm trying to ask the
11:35:20 10 question in a slightly different way and ask you
11 whether in 2013 XRP was valuable among
12 speculators.

13 MR. GULAY: Objection; asked and
14 answered.

11:35:29 15 MS. BUNTING: Objection.

16 MR. HORTON: Objection.

17 You can answer the question.

18 A. If we take a dictionary definition of
19 valuable as something that -- I don't have a
11:35:40 20 dictionary in front of me, but something that
21 people will exchange money for, I think XRP had
22 some value to some people and those people were
23 primarily speculators or people who were -- sought
24 to use the network for other purposes, that they
11:35:55 25 would be required to purchase some XRP in order to

11:35:58 1 use the network. And that would be reasons that
2 someone would ascribe a monetary value to a
3 digital ledger entry.

4 Q. Okay. In 2013 were there people who
11:36:08 5 used the Ripple network?

6 A. Yes.

7 Q. Okay. For what purposes?

8 MR. GULAY: Objection;
9 foundation.

11:36:23 10 A. I'm not a -- I can't say definitively
11 all the purposes, but certainly people used the
12 Ripple network from a technologist experimenting
13 perspective as well as for exchanging one asset
14 for another type of asset. For example,
11:36:38 15 exchanging bitcoins for dollars.

16 Q. Okay. Looking at the next page of this
17 presentation, which is Bates numbered 364, where
18 the header is "Goal of XRP Allocations," do you
19 see that?

11:36:53 20 A. Yes.

21 Q. Okay. And do you see the first bullet
22 that says "Biggest goal is existential"?

23 A. Yes.

24 Q. Okay. What does that mean?

11:37:01 25 MR. GULAY: Objection; vague.

11:37:09 1 A. I'm -- I'm not sure what that means to
2 be honest.

3 Q. The second bullet that says "Reason for
4 doing anything is to grow the network," do you see
11:37:20 5 that?

6 A. Yes.

7 Q. What does that mean?

8 MR. GULAY: Objection.

9 A. I'm -- I'm not really sure what that
11:37:42 10 means specifically. It's a very broad statement
11 that seems poorly crafted.

12 Q. Do you recall when you initially
13 reviewed this presentation asking Mr. Griffin
14 what -- what these bullets meant?

11:37:57 15 A. This appears to be one or two months
16 into my employment reporting to Mr. Griffin, and
17 so the nature of my comments was a subordinate
18 responding to, you know, the person they report
19 to. So I wouldn't necessarily critique the -- you
11:38:08 20 know, parse every single sentence in the way that
21 I think you're suggesting.

22 Q. Okay. The next bullet, it says "Phase
23 1: Striking partnerships for inorganic growth,"
24 and underneath that it says "Distribution is for
11:38:22 25 business development."

11:38:23 1 Do you see that?

2 A. Yes.

3 Q. Okay. What does that mean?

4 MR. GULAY: Objection.

11:38:35 5 A. It seems to generally refer to a
6 strategy of distributing XRP to companies that aid
7 in the business development of -- in the
8 development of the Ripple network.

9 Q. And -- okay.

11:39:02 10 The -- the next bullet says "Any
11 currency strategy should be geared to making Phase
12 2, 3, more successful."

13 Do you see that?

14 A. I do.

11:39:10 15 Q. And what does that refer to?

16 MR. GULAY: Objection.

17 If you know.

18 A. I don't know. And, again, my -- my
19 feedback on this was limited to the nature of
11:39:21 20 feedback a subordinate would give to his new boss.
21 So I didn't pick apart every single bullet even if
22 I didn't fully understand what it meant after two
23 months at the company or however many months in
24 this was.

11:39:37 25 Q. Okay. Going on to two pages later,

11:39:41 1 12366 that says "Current Distributions" on top.

2 A. Yes.

3 Q. The first bullet says "There are ways to
4 increase supply that create a bigger increase in
11:39:53 5 demand." And under it it says "Good BD giveaways
6 will result in more demand than supply. The
7 announcement of the giveaway/partnership should
8 generate demand."

9 Do you see that?

11:40:03 10 A. Yes.

11 Q. Is this the idea that you had given
12 Mr. Griffin in the last exhibit that we looked at?

13 A. Yes, this looks like the same language
14 from my e-mail.

11:40:10 15 Q. Okay. And then moving on to the next
16 page, Bates numbered 2367, that's titled
17 "Speculators."

18 Do you see that?

19 A. Yes.

11:40:23 20 Q. So do you see the first bullet, it says
21 "We'd prefer to attract speculators" who -- "who
22 take a long-term view and believe XRP demand will
23 overwhelm supply as commercial use of the network
24 increases"?

11:40:34 25 A. Yes.

11:40:36 1 Q. Is that also an idea that you had given
2 Mr. Griffin in your comments?

3 A. Yes, it looks like the same language.

4 Q. Okay. And then you see the -- the third
11:40:45 5 bullet, it says "If you are holding XRP, you
6 should not want RL to retain XRP for business
7 development."

8 Do you see that?

9 MR. HECKER: Objection.

11:40:56 10 MR. HORTON: Objection. Counsel,
11 it doesn't say "you should not want."

12 MS. STEWART: Oh, I'm sorry.

13 Thank you. I'll -- I'll rephrase that.

14 BY MS. STEWART:

11:41:02 15 Q. It says "If you are holding XRP, you
16 should want RL to retain XRP for business
17 development."

18 Do you see that?

19 A. Yes.

11:41:08 20 Q. What does this sentence mean?

21 MR. GULAY: Objection.

22 If you know.

23 A. I'm not sure what Patrick meant by this
24 sentence.

11:41:26 25 Q. What about the bullet under that says

11:41:27 1 "Give ourselves six months"? Do you know what
2 that means?

3 A. I'm not sure what that refers to.

4 Q. What about the bullet under that that
11:41:35 5 says "Speculators are speculating on Ripple Labs."
6 Do you know what that means?

7 MR. HORTON: Objection to form.

8 A. I'm not sure what that's referring to.

9 Q. Is it fair to say that someone who buys
11:41:49 10 XRP for speculative reasons is speculating that
11 Ripple Labs will do better and therefore XRP will
12 do better?

13 MS. BUNTING: Objection.

14 MR. GULAY: Objection to form.

11:42:06 15 A. I think somebody buying equity in Ripple
16 Labs, Inc. would be betting that Ripple Labs will
17 do better. I think someone buying XRP may or may
18 not be betting that Ripple Labs will do better.

19 Q. Is it fair to say someone who is buying
11:42:20 20 XRP for speculative reasons is looking to Ripple
21 Labs to take steps to increase the price of XRP?

22 MR. HORTON: Objection to form.

23 MS. BUNTING: Objection.

24 A. No, I don't believe that's true.

11:42:41 25 Q. Okay. In your conversations with the

11:42:48 1 individuals and firms that you were looking for
2 partnerships with, did you have discussions about
3 what steps Ripple Labs would take in increasing
4 XRP's liquidity?

11:43:01 5 MR. HORTON: Objection to form.

6 MS. BUNTING: Objection.

7 A. In a general sense, yes, we discussed
8 the fact that people were aware of the fact that I
9 was having discussions with other firms, similar
11:43:28 10 discussions with other firms, trying to recruit
11 and onboard them to provide liquidity.

12 Q. Okay. And is that something that was --
13 was important to the individuals and firms that
14 you were in discussions with?

11:43:40 15 MR. HORTON: Objection to form.

16 MS. BUNTING: Objection.

17 A. Liquidity overall was important to those
18 firms and at times liquidity was appearing in
19 other places, like Korea, for example, without my
11:43:57 20 efforts or involvement, and -- but certainly they
21 valued my efforts and involvement as well.

22 Q. Is it fair to say that they were looking
23 to Ripple to make those efforts and have that
24 involvement in increasing liquidity in the XRP
11:44:10 25 market?

11:44:10 1 MR. HORTON: Objection to form.

2 MS. BUNTING: Objection.

3 A. I don't think they believed that Ripple
4 exclusively was responsible for building liquidity
11:44:17 5 in the network.

6 Q. Okay. But putting aside whether Ripple
7 was exclusively responsible for that, were they
8 looking to Ripple to provide -- to take steps to
9 provide that liquidity?

11:44:28 10 MR. HORTON: Objection to form.

11 MS. BUNTING: Objection.

12 A. I'm not sure what they were looking for.
13 They were aware that I was doing that.

14 Q. Did they ask you questions about what
11:44:39 15 steps Ripple was taking to provide liquidity?

16 A. I don't recall if they asked me
17 questions about that.

18 Q. Did you provide updates on what steps
19 Ripple was taking to provide liquidity?

11:44:55 20 MR. HORTON: Objection to form.

21 A. I did provide updates on important
22 developments in the marketplace.

23 Q. Including what Ripple was doing to
24 provide liquidity?

11:45:07 25 MR. HORTON: Objection to form.

11:45:11 1 A. When appropriate, those included things
2 that Ripple was doing, yes.

3 Q. And did you provide those updates
4 because you believed that that was information
11:45:17 5 that the individuals and firms you were
6 interacting with would want to know?

7 MR. GULAY: Objection.

8 A. I believe that those individuals and
9 firms were interested in staying apprised of
11:45:37 10 market developments broadly, and so my updates to
11 them would have included relevant things that I
12 viewed as material, whether or not they included
13 Ripple Labs and sometimes they did include Ripple
14 Labs.

11:45:47 15 Q. Okay.

16 MS. STEWART: Nicole, the next
17 exhibit is PR-4.

18 (Whereupon, exhibit is presented
19 and marked SEC Rapoport Exhibit PR-4 for
11:46:17 20 identification.)

21 MS. STEWART: And for the record,
22 PR-4 is Bates numbered RPLI_SEC 0012819
23 through 821.

24 (Pause)

11:48:17 25 A. Okay. I've reviewed this.

11:48:18 1 BY MS. STEWART:

2 Q. Okay. So looking at the -- the bottom
3 e-mail in this chain, which is an e-mail from --
4 from [REDACTED], do you see that?

11:48:29 5 A. Yes.

6 Q. And who is [REDACTED]?

7 A. She was an employee at the company that
8 worked in product.

9 Q. Okay. And -- and do you see her e-mail
11:48:41 10 starts "Hey, Patrick, in the giveaway doc you
11 mentioned the 4 V's we need to track for each of
12 the giveaways - volume, velocity, volatility,
13 valuation." Do you see that?

14 A. Yes.

11:48:54 15 Q. Okay. Do you recall what the "giveaway
16 doc" is?

17 A. I don't recall what that is.

18 Q. Okay. I think we talked about this
19 briefly a little while ago, but did Ripple from
11:49:03 20 time to time give away XRP?

21 A. Yes.

22 Q. Okay. And those were called giveaways?

23 A. Yes.

24 Q. Okay. So what is a giveaway?

11:49:20 25 A. In the sense it was used at Ripple Labs

11:49:22 1 at the time, it was a distribution of XRP from
2 Ripple Labs to a group of market participants,
3 sometimes indiscriminately for anyone signed up,
4 and sometimes as a specific incentive for
11:49:39 5 something, like signing up for a new account or
6 some other goal.

7 Q. Okay. When it was done
8 indiscriminately, as you said, what was the
9 purpose of it?

11:49:57 10 A. To get XRP into the hands of more people
11 and off Ripple's balance sheet.

12 Q. Okay. And what was the benefit to
13 Ripple of getting the XRP into the hands of more
14 people, if any?

11:50:14 15 MR. GULAY: Objection;
16 foundation.

17 A. In my understanding, given that a user
18 needs a small amount of XRP as an anti-spam
19 mechanism to use the network and given that Ripple
11:50:28 20 Labs had a goal of more people using the network
21 for utility, it was necessary for XRP to be
22 distributed into the hands of -- of people other
23 than Ripple Labs.

24 Q. Was one of the goals of the giveaways to
11:50:47 25 increase XRP's liquidity?

11:50:50 1 MR. GULAY: Objection.

2 A. The goal of certain types of giveaways
3 was to increase the liquidity of XR -- the
4 liquidity on the Ripple network, broadly speaking,
11:51:05 5 including XRP.

6 Q. Okay. What types of giveaways were
7 intended to do that?

8 A. It's debatable if this is called a
9 giveaway, but we compensated market makers in
11:51:18 10 exchange for providing quotes on the network and
11 we did that because we wanted to increase the
12 liquidity of the assets on the network.

13 Q. Okay. And why -- why do you say that
14 it's debatable if that's a giveaway?

11:51:34 15 A. I think in colloquial terms at the
16 company that may have been referred to as a
17 giveaway even though that's technically
18 compensation for something, for providing a
19 service, market making.

11:51:43 20 Q. Okay. Other than the compensation to
21 market makers, were there other giveaways that
22 were intended to increase the liquidity of XRP?

23 MR. GULAY: Objection.

24 A. There were a number of different
11:52:00 25 giveaway strategies employed while I was there and

11:52:03 1 I wasn't always party to the goals of what that
2 strategy was; so there were some giveaways that
3 were intended to increase liquidity in the
4 marketplace and there were others with presumably
11:52:17 5 other goals irrespective of liquidity.

6 Q. Okay. Can you recall any giveaways
7 where goals were to increase liquidity of XRP?

8 MR. HORTON: Objection to form.

9 A. Apart from the market maker compensation
11:52:44 10 that I mentioned, I can't recall others.

11 Q. Okay. Going back to the document PR-4,
12 I want to look at your e-mail, which is on the
13 second page of the document, that's dated October
14 13, 2013, where it starts "Hi [REDACTED]."

11:53:04 15 Do you see that?

16 A. Yes.

17 Q. Okay. So you say here, "Generally
18 speaking, I think a successful giveaway will have
19 at least one of two factors: One, the XRP that
11:53:17 20 was given away has high velocity, i.e., it gets
21 traded around between many accounts, presumably
22 getting more users involved in Ripple and also
23 improving network volumetrics."

24 Do you see that?

11:53:30 25 A. Yes.

11:53:31 1 Q. Okay. What did you mean by this?

2 A. I think the sentence is clear. Is there
3 something that should be clarified?

4 Q. Okay. I'll ask a more specific
11:53:55 5 question. That's fine.

6 Was -- was -- was the point that you
7 were making here that the -- the giveaway would
8 increase the volume of XRP on the network?

9 MR. GULAY: Objection.

11:54:19 10 A. I had a view that a successful giveaway
11 would increase the volume or improve liquidity.
12 So the way you phrased the last question, I don't
13 view many of the giveaways as having achieved
14 that -- that goal.

11:54:41 15 Q. You don't view many of -- of Ripple's
16 give -- giveaways as having achieved the goal of
17 increasing liquidity?

18 A. Correct.

19 Q. Okay. And -- and why -- why -- why is
11:54:50 20 that?

21 A. The XRP that was given away did not have
22 high velocity or get traded around between many
23 accounts in my view, my understanding.

24 Q. What does it mean, it "did not have high
11:55:11 25 velocity"?

11:55:18 1 A. If you were to track one unit of XRP
2 that was given away, how much it changed hands
3 after that point in time would be the velocity.

4 Q. So velocity just means how much it gets
11:55:34 5 traded around between accounts?

6 A. Correct. How much volume.

7 Q. And do you have an understanding of why
8 the XRP that was given away did not end up being
9 traded -- traded around between many accounts?

11:55:49 10 MR. GULAY: Objection.

11 A. At this point in time, my recollection
12 is that the XRP was generally given away for
13 nothing. And my assumption was that the people on
14 the receiving end immediately sold it for dollars
11:56:14 15 or bitcoin or something else.

16 Q. Okay.

17 A. But I don't have any way to know what
18 the large number of the people on the other end
19 thought.

11:56:25 20 Q. Was there a limit on the size of the
21 giveaways?

22 MR. GULAY: Objection;
23 foundation.

24 A. This was very early in my time at the
11:56:39 25 company, maybe the first month. And so I wasn't

11:56:42 1 privy to the discussion on the size of the
2 giveaway. I don't recall being part of that
3 discussion.

4 Q. Do you recall if there was a limit one
11:56:50 5 way or the other?

6 MR. HORTON: Objection.

7 A. I remember discrete programs with the
8 earmarks, numbers, attached to them in a large
9 amount of experimentation at that time.

11:57:08 10 Q. Okay. Going down in -- in your e-mail
11 to where -- do you see where the -- the word
12 "volume" is in bold?

13 A. Yes.

14 Q. And it says "Volume equals: One, amount
11:57:21 15 given away; and, two, ensuing trading volume in
16 receiving accounts."

17 Do you see that?

18 A. Yes.

19 Q. Okay. Am I understanding correctly that
11:57:30 20 what you're saying here is that the XRP that's
21 given away, if that is then traded in other
22 accounts, it's -- it's the ensuing trading that
23 contributes to the volume?

24 MR. GULAY: Objection.

11:57:51 25 A. My primary interest and focus was on

11:57:54 1 liquidity as the markets person. And so when a
2 unit of XRP was given away, my focus was on
3 whether that giveaway resulted in increased volume
4 or not, and I viewed it to be more successful of a
11:58:10 5 giveaway if more volume ensued as a result.

6 Q. Okay. And is that why you say here that
7 "the ratio of these would be an interesting metric
8 for us to track"?

9 A. That's correct.

11:58:21 10 Q. Okay. Did Ripple, in fact, track that
11 ratio?

12 A. I don't recall tracking it.

13 Q. Okay. We've talked a lot today about
14 liquidity. What does liquidity mean to you?

11:58:43 15 MR. GULAY: Objection.

16 A. I think the first few paragraphs of this
17 e-mail are a pretty good explanation of that.
18 That you can measure how liquid something is based
19 on how wide the market is, either the bid/ask
11:59:06 20 spread, and by how volume you can trade at those
21 levels.

22 Q. Okay. Is it fair to say that what
23 goes -- the factors that go into liquidity are
24 volume and price?

11:59:14 25 MR. HORTON: Objection to form.

11:59:15 1 A. I would say volume and size. I'm sorry,
2 bid/ask spread and size.

3 Q. Bid/ask spread and size. Is size
4 different than volume?

11:59:29 5 A. I think we're saying the same thing,
6 but -- but how -- how much size is available at a
7 given price or how much volume you can trade at
8 that price.

9 Q. I understand.

11:59:38 10 So what you say here, how much volume
11 you can trade at those levels?

12 A. Correct.

13 Q. Okay. So the sentence here at the top
14 of PR-4, your first sentence, that is an accurate
11:59:48 15 description of liquidity in your mind?

16 A. Yes.

17 Q. And just so it's in the record, it says
18 here "You typically measure how liquid something
19 is by talking about how wide the market is, i.e.,
12:00:03 20 bid/ask spread and how much volume you can trade
21 at those levels," yes?

22 A. Correct.

23 Q. Okay. Was Ripple tracking the liquidity
24 of XRP?

12:00:22 25 MS. BUNTING: Objection.

12:00:31 1 A. At this point in time, there were
2 relatively crude tools to track market activity,
3 including XRP, but not limited to XRP overall, and
4 those tools improved over time.

12:00:46 5 Q. Okay. And did -- did Ripple use those
6 tools to track the liquidity of XRP?

7 MR. GULAY: Objection.

8 A. My recollection is those tools were
9 generally open source and publicly available, and
12:01:03 10 I used those tools to monitor activity in the
11 market, including, but not limited to, XRP's
12 liquidity.

13 Q. What other activity did you monitor
14 while you were at Ripple?

12:01:19 15 THE REPORTER: Repeat.

16 Q. What other activity did you monitor
17 while you were at Ripple?

18 A. I had an interest in all trading
19 activity on the network. At this time bitcoin
12:01:27 20 against the dollar was a prominent trading pair
21 that didn't involve XRP, as one example.

22 Q. Okay.

23 MR. HORTON: Counsel, would now
24 be a good time for a break?

12:01:37 25 MS. STEWART: Sure.

12:01:38 1 THE VIDEOGRAPHER: Going off the
2 record at 12:01.
3 (Whereupon, a luncheon recess is
4 taken.)

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12:01:40 1 A F T E R N O O N S E S S I O N
2 THE VIDEOGRAPHER: Okay. Back on
3 the record at 12:50.
4 Go ahead.

12:50:50 5 BY MS. STEWART:

6 Q. Okay. Mr. Rapoport, do you recall
7 before lunch we -- we looked at the -- the primer
8 that you had drafted and that you had sent to
9 Mr. [REDACTED] that was PR-6?

12:51:02 10 A. Yes.

11 Q. Okay. I think I forgot to ask you about
12 that document, whether there were other
13 individuals or firms that you sent the primer to.

14 A. My recollection of this was broad --
12:51:20 15 this was a broadly used document for nontechnical
16 people that wanted to familiarize themselves with
17 Ripple basics.

18 Q. Okay. When was the last time you spoke
19 with Mr. Griffin?

12:51:37 20 A. In the past month.

21 Q. Okay. Did you speak with him about this
22 litigation?

23 A. No.

24 Q. Did you speak with him about your
12:51:45 25 testimony?

12:51:45 1 A. No.

2 Q. Are you aware of whether Mr. Griffin has
3 been deposed in this matter?

4 A. I was aware that it did happen, yes.

12:51:52 5 Q. Okay. Did Mr. Griffin tell you that he
6 was deposed in this matter?

7 A. I was aware that he was in New York for
8 this matter and that was the extent of our
9 discussions about it.

12:52:03 10 Q. Did you speak with him after his
11 deposition?

12 A. I'm not sure exactly at what time during
13 his time in New York it happened. And so I spoke
14 with him during his time in New York. Whether
12:52:21 15 that was before or after, I'm not sure.

16 Q. Okay. Did you discuss with him at all
17 his testimony?

18 A. No.

19 MR. HORTON: Objection; asked and
12:52:29 20 answered.

21 Q. Okay.

22 MS. STEWART: We'll do 8.

23 Nicole, we're on PR-8.

24 (Whereupon, exhibit is presented

12:52:38 25 and marked SEC Rapoport Exhibit PR-8 for

12:52:38 1 identification.)

2 MS. STEWART: So for the record,
3 PR-8 is Bates numbered RPLI_SEC 0038399 to
4 400.

12:53:08 5 (Pause)

6 A. Okay. I've reviewed this.

7 BY MS. STEWART:

8 Q. Okay. Have you seen this document
9 before?

12:54:31 10 A. No.

11 Q. Okay. Do you have any --

12 A. Excuse me. I saw this -- I clearly saw
13 this back in 2013 because my name is on the
14 e-mail, but I haven't -- I don't remember it and
12:54:41 15 haven't seen it since then.

16 Q. Okay. Do you have any reason to doubt
17 that you had this e-mail exchange with [REDACTED]
18 [REDACTED]?

19 A. No, and I -- no, I don't.

12:54:49 20 Q. Okay. Who is [REDACTED]?

21 A. He is a representative of [REDACTED]
22 [REDACTED], which is a venture capital firm.

23 Q. Okay. And did [REDACTED] have a
24 relationship with Ripple?

12:55:06 25 A. My understanding is that [REDACTED]

12:55:08 1 [REDACTED] was a seed round investor in Ripple.

2 Q. Does that mean that their
3 relationship --

4 A. Sorry, Ripple Labs, I should say.

12:55:18 5 Q. Okay. Thank you.

6 Does that mean that their relationship
7 with Ripple Labs preceded your tenure at Ripple?

8 A. That's correct.

9 Q. And what is it that you and -- and -- is
12:55:32 10 it Mr. [REDACTED]?

11 A. Yes.

12 Q. Okay. What is it that you and Mr. [REDACTED]
13 are discussing in this e-mail?

14 A. Mr. [REDACTED] and Chris Larsen, and it looks
12:55:50 15 like [REDACTED] who's an associate of
16 Mr. [REDACTED], had a discussion without me about a
17 strategy described here to trade in the market
18 with the intent to lose XRP.

19 Q. Okay. And in -- in the top e-mail, your
12:56:09 20 e-mail to Mr. [REDACTED] at the top of the document, you
21 say "Yes, we are all on the same page that this
22 will be a 'distribution' strategy where you are
23 expected to lose XRP to the market, and the loan
24 will be forgiven."

12:56:22 25 Do you see that?

12:56:23 1 A. Yes.

2 Q. Okay. So what did you mean when you
3 wrote "distribution strategy" here?

4 A. I remember the scenario and I remember
12:56:37 5 thinking it was a nonsensical idea at the time and
6 the strategy did not make sense to me to achieve
7 any goal at all. But this was October 2013, when
8 I was relatively new at the company, and so I went
9 along with it largely because it was the CEO of
12:56:55 10 the company, Chris Larsen, encouraging this
11 interaction with two investors. So I didn't think
12 it was my place to voice my -- my disagreement
13 with the strategy.

14 Q. Okay. What is your understanding of
12:57:11 15 what the strategy was supposed to achieve?

16 A. In reading the e-mail, it sounds like
17 [REDACTED] had certain objectives described in
18 the e-mail, which he describes as "creating flow
19 to encourage the fundamental building blocks of
12:57:51 20 any market," or the market in this case. So it
21 appears that he thought this would increase
22 liquidity in the market, this strategy.

23 Q. And did you disagree with that?

24 A. I did disagree with that.

12:58:04 25 Q. And why?

12:58:10 1 A. I actually viewed this as a liquidity
2 destructive action. He describes "sweeping the
3 book back and forth," which what he means by that
4 is removing liquidity from what's posted in the
12:58:31 5 order book by buying and then selling and then
6 buying and then selling. To me, that's the
7 opposite of building liquidity. That's -- that's
8 removing liquidity from the market.

9 Q. Okay. Did you discuss your view with
12:58:45 10 Mr. [REDACTED]?

11 A. As a newly hired employee put in this
12 discussion by the CEO of the company and speaking
13 to an investor, I didn't think it was my place to
14 dispute Mr. [REDACTED]'s views at this time.

12:59:05 15 Q. Did you discuss your views with
16 Mr. Larsen?

17 A. I don't recall if I did or I didn't.

18 Q. Did you discuss your views with
19 Mr. Griffin?

12:59:14 20 A. I don't recall.

21 MR. GULAY: Sorry. Just to
22 clarify, Mr. Rapoport, when you say
23 "speaking to an investor," did you mean an
24 investor in Ripple Labs, Inc.?

12:59:23 25 THE WITNESS: Yes. Mr. [REDACTED] was

12:59:25 1 an investor in Ripple Labs -- [REDACTED]
2 [REDACTED] was an investor in Ripple Labs,
3 Inc.

4 BY MS. STEWART:

12:59:31 5 Q. Okay. And when you say in the sentence
6 that we just read, "we are all in the same page
7 that this will be a distribution strategy," who is
8 the "we" that you're referring to in that
9 sentence?

12:59:41 10 A. I do recall having a conversation with
11 [REDACTED] on the phone that I reference in this
12 e-mail. I'm not certain whether the "we" refers
13 just to me and [REDACTED] or the four people in
14 this e-mail. The others are [REDACTED] and
13:00:01 15 Chris Larsen.

16 Q. Okay. Do you agree with Mr. [REDACTED] that
17 the "fundamental building blocks of any market are
18 speculators"?

19 A. No. I think speculators can play an
13:00:27 20 important role, but natural users of an asset can
21 be equally important as fundamental building
22 blocks of a market.

23 Q. So is it fair to say that you think that
24 there's two fundamental building blocks of a
13:00:40 25 market?

13:00:40 1 MR. HORTON: Objection.

2 MR. GULAY: Objection to form.

3 A. I think the answer to that depends on
4 how we define "speculators," but I think, in
13:00:58 5 general, people transacting in an asset are either
6 speculating in some form, whether short-term or
7 long-term holders, or they have some natural need
8 to purchase or sell the asset. For example, an
9 airline company has to buy jet fuel and the jet
13:01:17 10 fuel market can be speculators and natural users.

11 Q. Okay. So -- so together, the
12 speculators and the natural users would, in your
13 view, be the fundamental building blocks of any
14 market?

13:01:29 15 MR. HORTON: Objection to form.

16 A. Yeah, I think those are the primary
17 market participants of any market, yes.

18 Q. And at the time in 2013, were there more
19 speculators than natural users in the Ripple
13:01:43 20 network?

21 MR. HORTON: Objection to form.

22 A. I don't know that I can answer that. I
23 don't know that I know the answer to that.

24 Q. Well, did you have a sense that more of
13:02:03 25 the -- of the people who were -- who are holding

13:02:06 1 XRP -- let me -- strike that. Let me restart.

2 Did you have a sense that more of the
3 people who are buying XRP were buying it to
4 speculate on XRP as opposed to use XRP?

13:02:20 5 MR. GULAY: Objection to
6 foundation.

7 MS. BUNTING: Objection.

8 A. Any user of the Ripple network needed a
9 small amount of XRP based on the network design of
13:02:31 10 using XRP as an anti-spam mechanism. And I don't
11 think anyone has any way of knowing which users
12 were purchasing XRP for that purpose, for its
13 utility in -- in the network, or speculating on
14 it.

13:02:48 15 Q. That's not something that Ripple
16 tracked?

17 A. I'm not sure that there is a way to
18 track that because it's an open-source network
19 that anyone can participate in and it was --
13:02:59 20 there's, to my knowledge, no way to get that
21 information.

22 Q. Okay. Do you agree with Mr. [REDACTED]
23 statement at the very end of his e-mail that a
24 controlled appreciation of XRP is what Ripple
13:03:21 25 wants?

13:03:24 1 A. No.

2 Q. And why not?

3 A. To my knowledge, Ripple didn't have any
4 goals with respect to what the price of XRP should
13:03:43 5 or shouldn't do and that's what Mr. [REDACTED] seems to
6 be implying here.

7 Q. So Ripple's goal, or at least one of
8 Ripple's goals, was not to take steps to
9 appreciate the price of XRP?

13:04:03 10 MR. HORTON: Objection to form.

11 A. I believe that the company sought to
12 increase usage of the Ripple network and improve
13 liquidity in the market; and it's my belief that
14 those actions could lead to an increase in XRP
13:04:23 15 price, but I don't think that that's a given and
16 that's an ancillary effect that is my belief. And
17 so I don't believe the company had a direct goal
18 to influence the price of XRP.

19 Q. Did the company have a goal to decrease
13:04:38 20 the price of XRP?

21 MR. HORTON: Objection to form.

22 A. No, I don't think the company had any
23 goals with respect to the price of XRP whatsoever.

24 Q. So the company had no goals one way or
13:04:47 25 the other with respect to the price of XRP?

13:04:50 1 A. No. Not that I'm aware.

2 Q. This distribution strategy,
3 quote/unquote, that's referred to in your e-mail
4 with Mr. [REDACTED] did Mr. [REDACTED] firm, in fact,
13:05:16 5 pursue this strategy?

6 A. Yes. A version of this moved forward
7 shortly after these e-mails.

8 Q. Okay. And when you say "a version of
9 this," what do you mean?

13:05:28 10 A. I don't recall the specifics of exactly
11 how it was conducted, but I do remember that XRP
12 was sent to a representative of [REDACTED]
13 and that representative traded in the market. And
14 that's -- that's what I remember about it.

13:05:48 15 Q. That representative of [REDACTED]
16 traded in the market and intentionally lost the
17 XRP?

18 MR. HORTON: Object to form.

19 A. What I remember is that that person
13:05:59 20 removed a lot of liquidity from the order books,
21 meaning that they bought and sold and bought and
22 sold. I didn't have visibility or I don't have
23 recollection as to how much or what they lost
24 trading.

13:06:15 25 Q. How much XRP was given to [REDACTED]

13:06:17 1 [REDACTED] ?

2 A. I don't have any recollection of this,
3 but the e-mail says [REDACTED] XRP.

4 Q. And do you know how much XRP [REDACTED]
13:06:27 5 [REDACTED] lost?

6 MR. GULAY: Objection.

7 A. I don't have any recollection of whether
8 they made or lost money and how much.

9 Q. And where -- where you say here in the
13:06:41 10 top e-mail that "the loan will be forgiven,"
11 what -- what is that a reference to?

12 A. For reasons I don't think I fully
13 understood at the time, the company, when
14 distributing XRP in certain situations, was
13:07:08 15 treating it as a forgivable loan; that the -- XRP
16 would be transferred to somebody and then -- as a
17 loan, and that loan would be forgiven. I'm not
18 sure of the reasoning behind that structure.

19 Q. And did Ripple pursue this kind of
13:07:27 20 strategy with any other individual of the firm?

21 MR. HORTON: Objection to form.

22 A. I'm not aware of this type of trading
23 strategy being conducted again after this one
24 instance.

13:07:42 25 Q. Did you have a concern in 2013 whether

13:07:45 1 this kind of trading strategy could constitute
2 market manipulation?

3 MR. HORTON: Objection to form.

4 MR. GULAY: Objection.

13:07:59 5 A. I found it disruptive to the market. I
6 didn't have concerns about market manipulation at
7 this time.

8 Q. Sitting here today, do you have concerns
9 that this kind of strategy could constitute market
13:08:13 10 manipulation?

11 MR. HORTON: Objection.

12 MR. GULAY: Objection;
13 foundation.

14 A. I don't have enough knowledge of the
13:08:20 15 legal meaning of that to really have an opinion
16 without advice.

17 MS. STEWART: Nicole, the next
18 exhibit is PR-12.

19 And for the record, that's Bates
13:08:45 20 numbered RPLI_SEC 0461857 through 866.

21 (Whereupon, exhibit is presented
22 and marked SEC Rapoport Exhibit PR-12 for
23 identification.)

24 BY MS. STEWART:

13:09:21 25 Q. So, Mr. Rapoport, I plan to ask you

13:09:22 1 about your e-mail which is on the first page of
2 this document, but of course feel free to -- to
3 review the -- the rest of the e-mail chain.

4 (Pause)

13:15:45 5 A. Okay.

6 Q. Okay. Is it -- is it fair to say that
7 this document is an internal discussion at Ripple
8 about the pros and cons of a bond auction as a way
9 to distribute XRP?

13:16:02 10 MR. GULAY: Objection.

11 MR. HORTON: Objection to form.

12 A. I think this document is a general
13 discussion on how to get XRP off of Ripple's books
14 and into the market in various different ways.

13:16:15 15 Q. Okay. And the -- the title -- the "Re"
16 line of the e-mail, which I don't -- I don't think
17 you wrote, but it says "Giveaways versus auction
18 and pump priming."

19 Do you have a sense of what "pump
13:16:32 20 priming" means?

21 A. I'm not sure what that means.

22 Q. Okay. So in the e-mail that you write
23 on the first page of the document, which is
24 November 24th at 9:16 a.m., the -- the second
13:16:46 25 paragraph of your e-mail says "The bond auction

13:16:49 1 structure does seem to cleanly solve our
2 self-imposed goal of getting XRP off our books
3 without immediately flooding the market with XRP
4 supply/price pressure."

13:17:00 5 Do you see that?

6 A. Yes.

7 Q. Okay. And -- and was that -- was that
8 sentence accurate at the time you wrote it?

9 A. I think so, yes.

13:17:11 10 Q. Okay. And where you say "our
11 self-imposed goal," who is -- whose self-imposed
12 goal are you referring to?

13 A. In this e-mail chain, there's a
14 conversation between several senior members of the
13:17:27 15 company. And it's -- I interpret this to reflect
16 a strong desire to distribute XRP into the
17 marketplace and get a significant amount of it off
18 of Ripple Labs' books with some disagreement about
19 what the best strategy is to do that.

13:17:47 20 Q. So your statement in this e-mail is
21 based on the e-mails further down in the -- in the
22 chain of the document we're looking at?

23 A. Based on this e-mail and --

24 MR. HECKER: Objection to form.

13:17:58 25 A. Based on this e-mail and my recollection

13:17:59 1 of the dynamics at the company at the time.

2 Q. Okay. Did you have discussions about
3 this self-imposed goal other than what's reflected
4 in this e-mail with -- with your colleagues at
13:18:18 5 Ripple?

6 A. Yes.

7 Q. And what were those discussions?

8 A. I generally recall having discussions.
9 Given seven years have passed, I don't recall
13:18:28 10 specific discussions clearly.

11 Q. What do you recall generally about the
12 discussions?

13 A. I think this e-mail thread accurately
14 represents the fact that senior members of the
13:18:45 15 company viewed it as important to get XRP off the
16 books and that that was the goal in and of itself.
17 And there was discussion about whether that could
18 be done through a charitable process without the
19 company receiving economic benefit in exchange for
13:19:06 20 selling or giving away the XRP, but that there was
21 concern about harming the marketplace and
22 impacting liquidity in the marketplace if Ripple
23 Labs were to indiscriminately give away or donate
24 all the XRP versus employing other tactics like
13:19:34 25 the ones discussed in -- in this e-mail, including

13:19:41 1 selling XRP.

2 Q. So the reason that Ripple didn't want to
3 give away all the XRP was that it didn't want to
4 negatively impact the liquidity?

13:19:47 5 MR. GULAY: Objection.

6 MR. HORTON: Objection to form.

7 A. From early giveaways, it was evident
8 that the common result of a broad giveaway of XRP
9 was that the recipients immediately sold that XRP
13:20:09 10 and that that harmed market structure and the
11 price of XRP, neither of which were viewed to be
12 good outcomes.

13 Q. Okay. And in the sentence that we just
14 read in your e-mail, you say "XRP supply/price
13:20:28 15 pressure."

16 Do you see that?

17 A. Yes.

18 Q. What do you mean by "price pressure"?

19 A. While Ripple Labs did not, to my
13:20:55 20 knowledge, take actions to impact what the price
21 of XRP was, Ripple Labs certainly had a preference
22 for the price to rise rather than fall given that
23 it was a significant holder. And so in a similar
24 way to how ExxonMobil doesn't want to have its
13:21:11 25 actions collapse the price of oil since it's a

13:21:14 1 significant holder of oil, Ripple Labs was
2 cognizant of the fact that its actions in the
3 marketplace could have adverse consequences for
4 its balance sheet.

13:21:28 5 Q. So you -- you say in the next sentence
6 in your e-mail, "I want to carefully consider all
7 of the other structured products that we can come
8 up with that could accomplish the same goal."

9 Do you see that?

13:21:40 10 A. Yes.

11 Q. Did you and others at Ripple carefully
12 consider other structured products?

13 A. I know that we discussed a variety of
14 ideas. I don't know. We may disagree on what
13:22:06 15 "carefully consider" means.

16 Q. But you discussed other structured
17 products that could accomplish the goal that we
18 were just talking about?

19 A. Yes. We discussed a large number of
13:22:15 20 ideas.

21 Q. Okay. Can you tell me about some of
22 those ideas that you discussed?

23 A. The number of voices and tactics
24 described in this e-mail exchange I think are good
13:22:39 25 examples of the large number of out-of-the-box

13:22:41 1 ideas that were discussed, but given the amount of
2 time that's passed, the specifics of ideas are
3 difficult for me to recall.

4 Q. Did Ripple pursue this bond auction
13:22:51 5 strategy?

6 A. Not to my knowledge.

7 Q. Were there any other structured products
8 that -- that Ripple used to distribute XRP?

9 MR. GULAY: Objection.

13:23:07 10 To the extent you know.

11 A. I'm not aware of Ripple acting as the
12 issuer of a structured product to distribute XRP.

13 Q. You mentioned a moment ago that if
14 Ripple were to give away all of its XRP, that
13:23:28 15 would create liquidity issues.

16 Do I have that right?

17 MR. GULAY: Objection.

18 Q. I'm not trying to mischaracterize what
19 you said, but put it in your own words. I just --
13:23:44 20 I have a follow-up question to that.

21 A. When Ripple conducted straight giveaways
22 of XRP to large numbers of interested people, I
23 observed that to have an adverse impact on market
24 liquidity and price.

13:23:58 25 Q. Okay. Was the same true when Ripple

13:24:00 1 sold XRP?

2 A. At times it was true and at times it was
3 not true.

4 Q. Okay. When was it true?

13:24:21 5 A. When Ripple sold XRP at a discount to
6 market price, the purchaser could then go sell at
7 the market price and -- and make a quick profit.
8 And so that, in my view, had a similar neg --
9 adverse impact on liquidity and price.

13:24:44 10 Q. Okay. And so what were the instances
11 where it did not have a negative impact on
12 liquidity, the sales of XRP?

13 A. Those were the two examples where I
14 thought there was an obvious negative impact and I
13:25:00 15 can't -- I think other instances did not have the
16 same negative impact to my current recollection.

17 Q. So that was when XRP was sold either
18 with -- without a dis -- discount or with a
19 premium?

13:25:15 20 A. Correct.

21 Q. Okay. At the bottom of -- of the first
22 page of this e-mail that we're looking at, you say
23 "We want a sales team that can target -- "that can
24 target funds that specialize in thematic trades
13:25:32 25 with convex payouts."

13:25:34 1 Do you see that?

2 A. Yes.

3 Q. What do you mean by that?

4 A. In my view, digital assets generally,
13:25:52 5 and XRP specifically, are largely binary outcomes,
6 meaning that if we look five or ten years into the
7 future, I think the price of a given digital asset
8 will likely be a lot more today or zero -- a lot
9 more than today or zero. And that's what I mean
13:26:09 10 by a convex payout: Something that is likely to
11 either just go to zero or have an exponential
12 rise.

13 And thematic trade I think is referring
14 to trading on a -- a theme. I'm not quite sure
13:26:41 15 how to explain that.

16 Q. Okay. At this time in 2013, did you
17 think that XRP was going to go to zero or that it
18 would have exponential growth?

19 MR. HORTON: Objection to form.

13:26:52 20 MR. GULAY: Objection.

21 A. Like most early stage technologies, I
22 thought that the higher probability was going to
23 zero and that a small probability of a high price
24 was possible and that that tends to be something
13:27:16 25 that characterized this type of convexity.

13:27:22 1 Q. Okay. And did that view of yours change
2 during your time at Ripple?

3 A. No. I think that was a view I held
4 throughout my time at Ripple.

13:27:35 5 Q. Okay.

6 MS. STEWART: Nicole, we're --
7 we're doing PR-27 next.

8 (Whereupon, exhibit is presented
9 and marked SEC Rapoport Exhibit PR-27 for
13:27:42 10 identification.)

11 MS. STEWART: And PR-27 is Bates
12 numbered RPLI_SEC 425895 through 900.

13 BY MS. STEWART:

14 Q. And, Mr. Rapoport, I'm going to ask you
13:28:04 15 questions on the first page of this document and
16 your -- your e-mail that continues on to the top
17 of page 2, but of course feel free to review the
18 entire document.

19 (Pause)

13:29:34 20 A. Okay. I've read it.

21 Q. Okay. So looking at -- at your e-mail
22 which starts sort of midway through the first page
23 of the document, where you say "Two concerns
24 here."

13:29:49 25 Are you there?

13:29:50 1 A. Yes.

2 Q. Okay. So you say "On a 1 million"
3 dollar -- "1 million XRP transaction, there is
4 plenty of liquidity to easily purchase that amount
13:29:59 5 in the market. When we sell directly to someone,
6 it hurts our goal of achieving critical mass on
7 the exchange because we're detracting from" --
8 we're de -- "we're detracting from market volume."

9 Do you see that?

13:30:10 10 A. Yes.

11 Q. Okay. What do you mean by that? Or
12 what did you mean by that?

13 A. As a person focused on markets and
14 developing liquidity at the company, it was my
13:30:28 15 preference that the company did not sell over the
16 counter bilaterally to interested parties. I
17 thought it benefited the goal of building a liquid
18 market to force all interested buyers or sellers
19 to transact in the market where the volume is
13:30:49 20 publicly visible, accessible to others, and will
21 ultimately encourage the development of a liquid
22 market.

23 Q. So you would rather someone who wanted
24 to buy XRP do it on the exchange as opposed to
13:31:04 25 buying it from Ripple directly?

13:31:06 1 A. Correct. On the Ripple -- on the Ripple
2 Ledger itself at this time.

3 Q. Okay. And then you continue to say in
4 that paragraph, "We are also preventing XRP price
13:31:17 5 from rising, because the demand doesn't go to the
6 market."

7 Do you see that?

8 A. Yes.

9 Q. And what did you mean by that?

13:31:26 10 A. Markets respond -- the price of the
11 market responds to the actions of buyers and
12 sellers. And for a price to rise, there need to
13 be more buyers than sellers in the marketplace, in
14 the public marketplace. And if any interested
13:31:39 15 buyer came and bought directly from Ripple, from
16 Ripple Labs, that was preventing that same
17 buyer -- or -- or substituting that buyer from
18 going into the market and otherwise lifting offers
19 to -- which would typically increase the price.

13:32:02 20 Q. Okay. Is that what you mean by that
21 last sentence of the paragraph, where you say "If
22 everyone can buy from us, the price will never go
23 up"?

24 A. Correct. Theoretically, if -- if every
13:32:15 25 buyer bought directly from Ripple Labs and only

13:32:17 1 the sellers went to the market, the price would
2 only go in one direction: Down.

3 Q. Okay. And so am I understanding
4 correctly that you thought that over-the-counter
13:32:28 5 sales would hurt both volume and price?

6 A. That's correct.

7 Q. And then you go on to say in this
8 e-mail, "I'd question whether we should provide a
9 discount at all, even for large size. It would
13:32:42 10 make more sense to me to offer a 5 percent
11 premium."

12 Do you see that?

13 A. Yes.

14 Q. Did Ripple, in fact, stop at some point
13:32:52 15 offering discounts on these types of XRP sales?

16 MR. GULAY: Objection. I assume
17 you mean during the time of his
18 employment.

19 MS. STEWART: Yes.

13:33:04 20 Q. All of my questions are during the time
21 of your employment.

22 A. I didn't have responsibility for
23 Ripple's transactions with third parties. And so
24 I saw and knew about a limited number of what I
13:33:20 25 believe to be the total number of transactions.

13:33:24 1 What I saw varied a lot over time. I don't think
2 that there was a clear stopping point that I can
3 recall.

4 Q. In -- in the e-mail sort of near the top
13:33:48 5 of the document from Arthur Britto, do you see
6 that, at 12:42 p.m.?

7 A. Yes.

8 Q. So Mr. Britto says "I think we're trying
9 to serve two types of purchasers: One, bulk
13:34:01 10 purchasers for investment; two, bulk purchasers
11 for resale."

12 Do you agree with Mr. Britto's
13 statement?

14 A. I think logically he describes the two
13:34:14 15 things that a person could do after buying an
16 asset: They could hold it or they could sell it.
17 So I think, yes, that's logically true.

18 Q. Okay. But he doesn't mention here
19 people who are buying it to use it, right?

13:34:36 20 A. What do you mean by "use it"?

21 Q. To use it on the -- on the Ledger, on
22 the network.

23 A. His e-mail doesn't explicitly refer to
24 that. Parsing it, I think that there's two types
13:35:17 25 of use: One is the anti-spam functionality and

13:35:20 1 the other is using it as a bridge currency to
2 trade for another asset. Using it as a bridge
3 currency I guess is, in a sense, selling it,
4 but -- I'm a little confused by the question, but
13:35:36 5 this e-mail does not specifically refer to using
6 it, no.

7 Q. Okay. Was there wide use of XRP as a
8 brid -- bridge currency at this time in 2014?

9 MR. HORTON: Objection to form.

13:35:45 10 MS. BUNTING: Objection.

11 A. It was a fairly nascent network and
12 technology at the time. So I think in the global
13 sense, there wasn't broad use of Ripple for
14 anything at the time, but certainly there was some
13:36:03 15 use of XRP as a bridge currency.

16 MR. GULAY: I'm sorry. When you
17 said "broad use of Ripple" --

18 THE WITNESS: Sorry. XRP as a
19 bridge currency.

13:36:13 20 Q. Would you say that -- that though there
21 was some use, it was de minimis?

22 MR. GULAY: Objection to form.

23 MS. BUNTING: Objection.

24 A. There were certain technical features
13:36:26 25 that increased the use of XRP as a bridge currency

13:36:30 1 when implemented. And I don't recall if this is
2 before or after that. So it's difficult for me to
3 answer that question.

4 Q. Well, let's take it back, then, to the
13:36:45 5 beginning of your time at Ripple.

6 Was there a time when the use of XRP as
7 a bridge currency was de minimis?

8 A. Yes.

9 MR. GULAY: Objection.

13:36:55 10 Q. So in -- in this e-mail chain, the
11 e-mail right above, we're still on page 1,
12 Mr. Griffin says "Fully supportive of this view.
13 Adding [REDACTED] and Chris."

14 Do you see that?

13:37:07 15 A. Yes.

16 Q. Do you recall if Mr. Larsen ever
17 expressed a view on this issue?

18 MS. BUNTING: Objection.

19 A. On what issue?

13:37:17 20 Q. On the issue that's being discussed in
21 this e-mail chain.

22 MR. GULAY: Objection to form.

23 A. On the issue of selling at a discount?

24 Q. Yes.

13:37:34 25 A. I don't recall if Mr. Larsen had a

13:37:36 1 strong view one way or another on this issue.

2 Q. Do you remember discussing it with him?

3 A. I do generally remember having
4 discussions about it, yes.

13:37:44 5 Q. Okay. And so you don't recall if he had
6 a strong view.

7 Do you recall what his view was?

8 A. I remember discussing it, but I don't
9 remember the substance of those discussions.

13:38:01 10 Q. These types of -- well, let me take a
11 step back.

12 The -- the kind of sales that we're
13 talking about here, I think they're referred to in
14 the e-mail -- e-mail as "wholesale selling," is
15 that right?

16 A. I see Patrick refers to it as "wholesale
17 selling" in this e-mail.

18 Q. Okay. How did you refer to it during
19 your time at Ripple?

13:38:28 20 A. I would refer to these as
21 over-the-counter transactions --

22 Q. Okay.

23 A. -- or OTC.

24 Q. And was -- was there any kind of
13:38:36 25 limitation in terms of -- of the size of -- of

13:38:38 1 these over-the-counter transactions while you were
2 at Ripple?

3 MR. GULAY: Objection to form.

4 A. I had visibility to a limited number of
13:38:52 5 the transactions that Ripple ultimately engaged in
6 and so I'm not sure of the answer to that --

7 Q. Okay.

8 A. -- companywide.

9 Q. Were -- were these transactions
13:38:59 10 generally large transactions?

11 MS. BUNTING: Objection.

12 A. In this e-mail thread, there's a team of
13 people critical of the fact that a small
14 transaction is being conducted over the counter
13:39:20 15 and preferring them to be large transactions, and
16 that was a view that I held at the time.

17 Q. Okay. So is it fair to say that when
18 Ripple did engage in these types of
19 over-the-counter transactions, it generally
13:39:36 20 wouldn't have been for purposes of -- of currency
21 exchange, meaning small amounts that someone would
22 use on the Ledger?

23 MR. HORTON: Objection to form.

24 A. Could you repeat the question? I just
13:39:51 25 didn't understand exactly what you mean.

13:39:53 1 Q. Sure.

2 Is it fair to say that when Ripple was
3 engaging in these types of over-the-counter
4 transactions, the sales of XRP, there were
13:40:00 5 generally large bulk sales, not the types of
6 small -- small volumes that someone who'd be using
7 XRP as a bridge currency would -- would need?

8 MS. BUNTING: Objection.

9 MR. HORTON: Objection to form.

13:40:20 10 A. Again, I don't feel that I have the
11 information at the time even -- and I certainly
12 don't remember today, but didn't -- at the time
13 did not have enough visibility into the totality
14 of Ripple's transactions to understand that. The
13:40:31 15 limited number of transactions I saw tended to be
16 larger transactions.

17 I wouldn't agree that use of a bridge
18 currency necessarily needs to be a small size. I
19 think that could be a large or small size.

13:40:49 20 Q. What about the -- the transactions for
21 preventing the -- the spam feature that you
22 referred to? Would those be small or large?

23 MR. HORTON: Objection to form.

24 A. Generally speaking, those are very small
13:41:02 25 amounts that are designed to be low value in

13:41:08 1 dollar terms, but then a user of the network --
2 those fees scale to combat abuse. And so an
3 attacker on the network would face escalating fees
4 which could turn out to be very large dollar
13:41:22 5 amounts and -- yeah.

6 MS. STEWART: And, Nicole, the
7 next document is PR-35, which is Bates
8 numbered RPLI_SEC 0842611 through 614.

9 (Whereupon, exhibit is presented
13:41:44 10 and marked SEC Rapoport Exhibit PR-35 for
11 identification.)

12 (Pause)

13 A. Okay. I've reviewed this.

14 BY MS. STEWART:

13:44:17 15 Q. Okay. So I want to look at your e-mail
16 which is on page 1 of the document at 5:52 a.m.

17 Do you see that?

18 A. Yes.

19 Q. And I believe, and -- and please confirm
13:44:30 20 for me that you're responding to -- to some
21 questions in -- in the previous e-mail from

22 [REDACTED]?

23 A. Yes, it appears that way.

24 Q. Okay. And who is Mr. [REDACTED]?

13:44:47 25 A. I don't recall interacting with this

13:44:49 1 person apart from seeing this e-mail. But I see
2 in the e-mail signature that it says he worked for
3 [REDACTED].

4 Q. And do you know what that is?

13:44:58 5 A. It's a venture capital firm.

6 Q. And you -- you here are responding to a
7 question about the qualifications for wholesalers.
8 Do you see that?

9 A. Yes.

13:45:11 10 Q. And as it's used in -- in this e-mail,
11 the word "wholesaler," are you referencing the
12 over-the-counter sales that we talked about a
13 moment ago or something else?

14 A. I don't remember what I was -- my
13:45:31 15 thought process when writing this e-mail, but I
16 see that [REDACTED] used this terminology
17 "wholesale recipients" later in the chain. It's
18 not terminology that I would typically use
19 independently, but I -- I suspect that I used his
13:45:44 20 language to not cause confusion in an e-mail
21 chain.

22 Q. Okay. But the type of transaction
23 you're talking about is an over-the-counter
24 transaction?

13:45:52 25 A. Correct.

13:45:52 1 Q. Okay. So you say in the second
2 paragraph after the number 1, you say "In
3 addition, we occasionally receive inquiries from
4 individual investors looking to purchase large
13:46:02 5 amounts of XRP with no intention to resell to
6 third parties."

7 Do you see that?

8 A. Yes.

9 Q. So how many such inquiries do you recall
13:46:10 10 having received while you were at Ripple?

11 A. Given that six, seven, eight years have
12 passed, it's difficult for me to put a number on
13 it even as an estimate. I'd be guessing. But I
14 do remember that it did occur.

13:46:26 15 Q. Did it happen more than once?

16 A. Yes.

17 Q. Okay. And -- and did these investors
18 express to you that they didn't have an intention
19 to resell to third parties?

13:46:51 20 A. I believe this would be contrasting to
21 someone who's explicitly saying they intend to
22 sent to third -- sell to third parties, but I
23 don't recall having any kind of guarantee or
24 written agreement with somebody that they wouldn't
13:47:03 25 do that.

13:47:04 1 Q. Meaning that there were some investors
2 who specifically told you that they did intend to
3 sell to third parties and there were some who
4 didn't tell you one way or the other?

13:47:12 5 A. In this e-mail thread, it talks about
6 people who were "resellers." And so I believe
7 this sentence is contrasting a purchaser who
8 doesn't intend to resell with someone who is
9 explicitly saying they are going to resell to
13:47:32 10 third parties.

11 Q. Okay. And -- and would you say that
12 most of the -- the individuals and firms you were
13 interacting with expressed to you that they did
14 intend to -- to resell the XRP?

13:47:43 15 MR. HORTON: Objection to form.

16 A. Too difficult for me to remember
17 specifics to really give an accurate answer to
18 that.

19 Q. Did -- did Ripple place any restrictions
13:47:59 20 on the resale of XRP by these individuals and
21 firms that you were interacting with?

22 MR. GULAY: Objection;
23 foundation.

24 A. I recall certain discussions about
13:48:15 25 "lockups," but I was not aware of any mechanism

13:48:20 1 for Ripple Labs to enforce that.

2 Q. Were you aware of instances where the
3 lockup requirement was disregarded by the XRP
4 recipient?

13:48:34 5 MR. HORTON: Objection to form.

6 A. I can't think of any instance like that.

7 Q. Okay. You say in the next paragraph in
8 your e-mail "This wholesale revenue has been a
9 reliable stream of funding for RL."

13:48:46 10 Do you see that?

11 A. Yes, I do see it.

12 Q. Okay. And when you say "RL," you're
13 referring to Ripple Labs?

14 A. Yes.

13:49:06 15 Q. So was -- was Ripple using the -- the
16 revenues from over-the-counter XRP sales to fund
17 its business?

18 A. I did not have visibility into the
19 monthly or even six-month or annual financial
13:49:27 20 situation of the company; but based on this e-mail
21 and some of the others that you've shown me, it
22 seems reasonable to assume that was the case.

23 Q. Well, at the time that you wrote this
24 e-mail, what was your basis for it?

13:49:41 25 A. I don't recall.

13:49:43 1 Q. Okay. Then you say "After a Series A
2 round, we are contemplating to discontinue the
3 wholesale activities, as there will be less
4 short-term funding concerns."

13:49:55 5 Do you see that?

6 A. I do.

7 Q. Okay. What is a Series A round?

8 A. A Series A round is a venture capital
9 funding round that typically follows a seed round.

13:50:08 10 Q. Okay. And was there, at this time in
11 2014, a Series A round?

12 A. A Series A round did occur. I don't
13 recall the timing of that without researching it.

14 Q. And -- and is it -- is it accurate
13:50:23 15 that -- that Ripple was -- was contemplating
16 discontinuing over-the-counter sales after this
17 Series A round as you say here in your e-mail?

18 A. I don't have independent recollection of
19 that, but in PR-27, [REDACTED] says "Post A round
13:50:39 20 I think is the key," and that implies that that
21 was the case.

22 THE REPORTER: I'm sorry. Can
23 you repeat that answer?

24 A. I said I don't have a independent
13:50:44 25 recollection of that, but in Exhibit PR-27, [REDACTED]

13:50:48 1 [REDACTED] says "Post A round I think is the key," and
2 that implies that that's true.

3 Q. And did Ripple, in fact, stop doing
4 over-the-counter sales after the Series A round?

13:50:58 5 MR. HORTON: Objection to form.

6 A. I don't recall and I don't believe I
7 would have had the information available when I
8 was an employee.

9 Q. You go on to say "We think this will
13:51:15 10 have two positive effects." We -- "One, we will
11 push all XRP demand into the market which will
12 have a positive impact on the price, and, two,
13 this will add to market volumes."

14 Do you see that?

13:51:25 15 A. Yes.

16 Q. And is this similar to what we were
17 talking about earlier about -- about increasing
18 both price and volume and therefore increasing
19 liquidity of XRP?

13:51:37 20 A. Yes, this is the same concept we
21 discussed earlier.

22 Q. Okay. And later in this e-mail on this
23 page, sort of the second-to-last paragraph, the
24 last sentence, you say "In order to fix this
13:52:11 25 issue, we have now discontinued the discount. We

13:52:14 1 now sell XRP to wholesalers at the market price."

2 Do you see that?

3 A. Yes.

4 Q. Okay. And was this accurate at this
13:52:21 5 time in August 2014?

6 A. I don't recall. I assume that I
7 believed it to be accurate when I wrote the
8 sentence.

9 MS. STEWART: Okay. The next
13:52:49 10 exhibit is PR-32.

11 (Whereupon, exhibit is presented
12 and marked SEC Rapoport Exhibit PR-32 for
13 identification.)

14 MS. STEWART: And this Exhibit 32
13:53:04 15 is Bates numbered [REDACTED] Ripple 0002422
16 through 428.

17 (Pause)

18 A. Okay. I've reviewed this.

19 BY MS. STEWART:

13:56:58 20 Q. Okay. Who's [REDACTED]?

21 A. [REDACTED] is the founder and I
22 believe the CEO of [REDACTED].

23 Q. And what is [REDACTED]?

24 A. [REDACTED] has a variety of
13:57:17 25 businesses, but I think it's primarily known for

13:57:19 1 being a -- the best venture capital firm these
2 days.

3 Q. Well, did [REDACTED] have a
4 relationship with Ripple Labs?

13:57:29 5 A. My understanding is that [REDACTED]
6 was a seed investor in Ripple Labs.

7 Q. So in the very bottom e-mail in this
8 chain, which is a July 19, 2014 e-mail from
9 Mr. Larsen to Mr. [REDACTED] and you, Mr. Larsen lays
13:57:51 10 out what he calls "the terms we're using now for
11 large blocks of XRP."

12 Do you see that?

13 A. Yes.

14 Q. And he goes on to say "We are in the
13:58:03 15 process of putting together a block purchase for
16 some hedge fund investors with these same terms.
17 Our thinking behind the discount/lockup is to
18 reward investors who share our long-term view."

19 Do you see that?

13:58:16 20 A. Yes.

21 Q. Okay. Do you know what Mr. Larsen is
22 referring to when he says "a block purchase for
23 some hedge fund investors with these same terms"?

24 A. I have a vague and general recollection
13:58:33 25 of discussing a transaction with a group of hedge

13:58:39 1 fund investors, but I don't believe it ever moved
2 forward.

3 Q. And was -- was that -- was that
4 discussion around the same time in 2014?

13:58:47 5 A. It's difficult for me to say the timing
6 with certainty, but I think that makes sense.

7 Q. And was the -- was the purpose of the
8 transactions that you were discussing at that time
9 with hedge fund investors, was the purpose to
13:59:03 10 reward investors who shared Ripple's long-term
11 view?

12 MR. HORTON: Objection to form.

13 A. I think the purpose would have been to
14 provide a vehicle for people to get exposure to
13:59:24 15 the price of XRP.

16 Q. What was Ripple's long-term view in
17 2014?

18 MR. HORTON: Objection to form.

19 A. I don't -- can't speak for the views of
13:59:43 20 all the different individuals at the company; but
21 I shared my personal view, which is that there was
22 a high probability of going to zero and a low
23 probability of an exponentially high outcome.

24 Q. Do you know what Mr. Larsen's view was
13:59:56 25 about -- what Mr. Larsen's long-term view was for

13:59:58 1 Ripple?

2 A. I don't know his view.

3 Q. And when you spoke two answers ago about
4 your personal view of the high probability of
14:00:18 5 going to zero and the low probab -- probability of
6 an exponentially high outcome, you were referring
7 to the price of XRP?

8 MR. HORTON: Object to the form.

9 A. I would -- that view applies to both the
14:00:33 10 price of XRP, Ripple Labs, Inc., and in general
11 any early stage investment where there's potential
12 for high outcomes. I think risk and reward are
13 related. And you don't see 100X potential
14 outcomes without a high probability of going to
14:00:50 15 zero.

16 Q. Okay. Now, the -- the terms that
17 Mr. Larsen is laying out in his e-mail here
18 include a two-year lockup.

19 Do you see that?

14:00:58 20 A. Yes.

21 Q. Okay. And what was the purpose of -- of
22 this lockup?

23 MR. GULAY: Objection;
24 foundation.

14:01:06 25 A. I can't be certain what Chris meant when

14:01:08 1 he wrote this e-mail; but in general, as we
2 discussed earlier, it was problematic to sell XRP
3 at a discount without a lockup because the buyer
4 would be attempted to go and sell at the market
14:01:23 5 price after purchasing at a discount pretty
6 shortly thereafter.

7 Q. So did the lockup allow Ripple to
8 control the liquidity of XRP?

9 MR. HORTON: Objection to form.

14:01:35 10 MR. GULAY: Objection;
11 foundation.

12 MS. BUNTING: Objection.

13 A. My understanding of the purpose of this
14 type of lockup is to prevent the discounted buyer
14:01:46 15 from immediately harming both the liquidity and
16 the price in the market.

17 Q. Okay. Going to your e-mail on the very
18 first page of this document, PR-32, sort of in the
19 middle of the page, you say "This is partially why
14:02:08 20 we're interested in selling a block of XRP to
21 hedge fund investors for future funding (as
22 opposed to selling equity to VC investors)."

23 Do you see that?

24 A. Yes.

14:02:19 25 Q. And then you say "We think the HF

14:02:21 1 investor class will pay closer to market price in
2 exchange for a more defined (two-year) lockup
3 term, while also not diluting RL equity holders."

4 Do you see that?

14:02:33 5 A. Yes.

6 Q. Okay. What did you mean by that
7 sentence?

8 A. If a publicly traded gold company had a
9 market capitalization of a billion dollars but
14:02:48 10 held gold holdings of fifty billion dollars, I
11 think prudent management, if it needed to raise
12 money, would sell the gold assets rather than
13 diluting equity holders. And I viewed the same to
14 be true for Ripple Labs at this point in time
14:03:07 15 based on this e-mail.

16 Q. And your reference in the first sentence
17 to "a block of XRP to hedge fund investors," these
18 are over-the-counter transactions that you're
19 referring to?

14:03:26 20 A. This was a hypothetical transaction
21 which was discussed in various formats, but I
22 don't believe it ever proceeded.

23 Q. And then you go on to say "Side note:
24 If you're contemplating an XRP investment vehicle
14:03:42 25 for outside investors, this is something we'd love

14:03:45 1 to cooperate with you on. We're already in motion
2 here."

3 Do you see that?

4 A. Yes.

14:03:49 5 Q. What did you mean by "We're already in
6 motion here"?

7 A. We had ongoing thought process and
8 discussion around how that might look, but I would
9 describe it as fairly exploratory in early stages
14:04:07 10 based on my recollection and based on the fact
11 that I don't believe it ever proceeded.

12 Q. It never proceeded with Mr. [REDACTED]
13 firm or -- or more generally?

14 A. What I was ref -- referencing in this
14:04:19 15 e-mail never proceeded.

16 Q. Okay. What were you referencing in this
17 e-mail?

18 A. Some form of vehicle which would allow a
19 number of hedge fund investors to get exposure to
14:04:33 20 the price of XRP.

21 Q. And were you in discussions with one or
22 more firms about such vehicle at this time?

23 A. Over the time -- over my tenure at the
24 company, I had discussions with a number of firms
14:04:55 25 about this topic and similar topics. I don't

14:04:58 1 recall at this point in time how many firms or who
2 I was speaking with.

3 Q. Would the purpose of this kind of fund
4 be to speculate on the price of XRP?

14:05:11 5 MR. HORTON: Objection.

6 MR. GULAY: Objection.

7 MS. BUNTING: Objection.

8 A. Any time someone owns an asset that
9 fluctuates in price, I would call that speculating
14:05:30 10 on the price of the asset. So if the purpose of
11 this hypothetical structure was to provide
12 exposure to the price of XRP, then the answer is
13 yes.

14 Q. At the top of this e-mail, in response
14:06:02 15 to a question that I think you had copied over
16 from Mr. [REDACTED], where it says "What has" ribble
17 -- "Ripple Labs communicated publicly about the
18 plans for the 72 billion XRP held by the company?"
19 Do you see that question?

14:06:17 20 A. Yes.

21 Q. And then you copy in a response, a
22 paragraph here that starts with "Distributing
23 value is a powerful way to incentivize certain
24 behaviors."

14:06:25 25 Do you see that?

14:06:25 1 A. Yes.

2 Q. Is it accurate that -- that this
3 statement that you have in your e-mail was -- was
4 communicated publicly by Ripple?

14:06:34 5 A. Yes, I believe this was a copy-paste
6 from the public-facing website.

7 Q. Okay.

8 MR. HORTON: Counsel, can we take
9 a break?

14:06:48 10 MS. STEWART: Sure.

11 THE VIDEOGRAPHER: Going off the
12 record at 2:06.

13 (Whereupon, a recess is taken.)

14 THE VIDEOGRAPHER: We're back on
14:19:00 15 at 2:19.

16 MS. STEWART: Can we go off the
17 record for a second?

18 THE VIDEOGRAPHER: Going off at
19 2:19.

14:19:17 20 (Pause)

21 THE VIDEOGRAPHER: Okay. Back
22 on, 2:19.

23 MS. STEWART: Okay. So we're
24 going to hand out two exhibits, Exhibits
14:19:41 25 PR-36 and PR-37.

14:19:45 1 (Whereupon, exhibit is presented
2 and marked SEC Rapoport Exhibit PR-36 for
3 identification.)

4 (Whereupon, exhibit is presented
14:19:45 5 and marked SEC Rapoport Exhibit PR-37 for
6 identification.)

7 MS. STEWART: And PR-36 is Bates
8 numbered RPLI_SEC 842466 through 467. And
9 PR-37 is Bates numbered RPLI_SEC 539465
14:20:03 10 through 511.

11 (Pause)

12 A. I briefly reviewed it.

13 BY MS. STEWART:

14 Q. I'm sorry?

14:24:45 15 A. I -- I didn't review the whole thing,
16 but I reviewed it generally.

17 Q. Okay. Okay. So looking first at
18 Exhibit 37, can you tell me what this document is?

19 A. This was a more in-depth primer aimed at
14:24:59 20 the finance professionals as the title implies.

21 Q. Okay. And were you an author of this
22 document?

23 A. Yes.

24 Q. What was the purpose of this document?

14:25:17 25 A. In contrast to the prior document, which

14:25:19 1 I think was gener -- the prior primer we looked
2 at, which was generally geared towards any
3 nontechnical person that wanted to learn about
4 Ripple, this was a more in-depth document intended
14:25:32 5 for an audience that is a financial professional,
6 someone that works in financial markets --

7 Q. Okay.

8 A. -- or banking.

9 Q. And whose idea was it to create this
14:25:42 10 document?

11 A. I can't remember whose idea it was
12 initially.

13 Q. Did anyone direct you to create this
14 document?

14:25:58 15 A. I can't remember if it was a purely
16 self-starting idea, but -- I don't remember
17 whether or not I was directed to create it or not.

18 Q. Who actually, you know, wrote the words
19 in the document?

14:26:21 20 A. I was the primary author, but a number
21 of people collaborated on it.

22 Q. Okay. Who is [REDACTED]?

23 A. He was someone I engaged as a consultant
24 that I knew from his role as a research analyst on
14:26:37 25 Wall Street.

14:26:41 1 THE REPORTER: From?

2 THE WITNESS: On Wall Street.

3 Q. And was Mr. [REDACTED] at [REDACTED]?

4 A. Yes.

14:26:46 5 Q. Okay. How did he contribute to this
6 document?

7 A. He wrote pieces of it.

8 Q. Okay. And Patrick Griffin is listed as
9 an author on the last page of the document, on
14:26:56 10 page 47.

11 Do you see that?

12 A. Yes.

13 Q. What was his role in creating this
14 document?

14:27:01 15 A. He provided feedback and input on the
16 document.

17 Q. So before this document was finalized,
18 who at Ripple reviewed the document?

19 A. Patrick certainly did. I don't recall
14:27:23 20 if others did as well.

21 Q. Did everyone listed as an author on the
22 document on page 47 review it?

23 A. Yes.

24 Q. Okay. Did Mr. Larsen review the
14:27:43 25 document before it was finalized?

14:27:44 1 A. I don't --

2 MS. BUNTING: Objection.

3 A. I don't recall whether he did or didn't.

4 Q. Do you -- do you recall discussing the
14:27:51 5 document with Mr. Larsen?

6 A. I don't recall whether I did or didn't.

7 Q. Did you discuss the document with
8 Mr. Griffin?

9 A. Yes.

14:28:01 10 Q. And what did you discuss with
11 Mr. Griffin?

12 A. I discussed the substance and concepts
13 of the document extensively with him. It took
14 a -- a long time to write as you can imagine.

14:28:15 15 Q. How long did it take?

16 A. I can't say exactly, but it's a 45-page
17 document.

18 Q. So several weeks?

19 A. The work continued over the period of
14:28:24 20 several weeks, yes.

21 Q. Okay. And did you distribute this
22 document to -- to potential investors?

23 MR. GULAY: Objection to form.

24 MR. HORTON: Objection.

14:28:36 25 A. The intended audience was people in

14:28:39 1 finance and banking who wanted to learn about the
2 Ripple technology, so we distributed it to that
3 audience and I believe it was also publicly
4 available for people that wanted to download it
14:28:52 5 online.

6 Q. Where was it publicly available?

7 A. If I recall correctly, it was on
8 ripple.com behind the prompts where you have to
9 put your e-mail address in.

14:29:03 10 Q. Okay. And this audience that you're
11 referring to who wanted to learn about the Ripple
12 technology, how large an audience was this?

13 A. Hundreds of people.

14 Q. Did you distribute this document to
14:29:17 15 those hundreds of people?

16 A. People could pull it down from the
17 website proactively and we also actively
18 distributed it to a large number of people.

19 Q. Do you know how large a number you
14:29:32 20 distributed the document to actively?

21 A. I would say over a hundred, but I --
22 that's an estimate given how much time has passed.

23 Q. Did you discuss with Mr. Larsen that
24 this document was being broadly distributed?

14:29:47 25 MS. BUNTING: Objection.

14:29:56 1 A. I don't recall whether I discussed this
2 document with Mr. Larsen.

3 Q. Did you -- did you mention a minute ago
4 that -- that people had to input their e-mail into
14:30:08 5 the Ripple address --

6 A. Yes.

7 Q. -- the Ripple website to pull this
8 document?

9 A. Yes.

14:30:12 10 Q. Did Ripple collect those e-mail
11 addresses?

12 MR. GULAY: Objection.

13 A. I'm not sure if they did or didn't.

14 Q. So looking now at Exhibit 36, is this an
14:30:28 15 instance of you actively distributing this
16 document?

17 A. Yes.

18 Q. Okay. And -- and what is [REDACTED]

19 [REDACTED]?

14:30:37 20 A. It is a market-making firm.

21 Q. And at the time that you sent this
22 document to [REDACTED], did Ripple have a
23 relationship with [REDACTED]?

24 MR. GULAY: Objection. What do
14:30:50 25 you mean by "a relationship with"?

14:30:52 1 MS. STEWART: I mean a business
2 relationship.

3 A. [REDACTED] was a market maker on the
4 Ripple network that received compensation in
14:31:01 5 exchange for market-making services. I don't
6 recall as of this date whether that relationship
7 was formalized or not without looking into it
8 further.

9 Q. Okay. And why did you send this
14:31:11 10 document to [REDACTED]?

11 A. I believed this was a relevant document
12 for anyone in banking or finance that had an
13 interest in Ripple to see.

14 Q. Okay. Now I want to go through some of
14:31:35 15 the statements in the document itself. So back to
16 PR-37.

17 MR. GULAY: I just want to point
18 out for the record that PR-37 is not
19 attached to PR-36 and PR-36 only contains
14:31:50 20 a link to the report and PR-37 is a
21 stand-alone report that may or may not be
22 the final version.

23 MR. HECKER: I'll just add that
24 PR-37 appears to postdate the e-mail in
14:32:04 25 PR-36. PR-36 is an August date and PR-37

14:32:09 1 is a September date.

2 BY MS. STEWART:

3 Q. Okay. Mr. Rapoport, having reviewed
4 PR-37, is there anything in the document that
14:32:17 5 makes you think that this is not the final
6 version?

7 A. The different dates in August of 2014,
8 the e-mail, and September 2014 on the document,
9 lead me to believe that this was a living document
14:32:37 10 and that there was a continued iteration after the
11 first publicly released version.

12 Q. Did you continue to edit the document
13 after the first publicly released version?

14 A. I don't recall specifically, but it
14:32:47 15 likely would have been me.

16 Q. Do you recall making significant changes
17 to the document after its first public
18 distribution?

19 A. I don't remember the number of changes
14:32:58 20 and how material they were.

21 Q. Okay. So as we go through this -- this
22 version that we've marked PR -- PR-37, I'll ask
23 you if you do recall changes that occurred after
24 this document, if you can just tell me -- tell me
14:33:11 25 what those changes were. Okay?

14:33:12 1 A. Okay. I'm unlikely to recall specifics
2 of changes.

3 Q. Understood.

4 Okay. So if we can first look at page
14:33:29 5 17 of the document, which is Bates numbered 481.

6 Okay. So here in the -- in the third
7 paragraph -- or I guess the fourth paragraph that
8 starts with "Historically," do you see that?

9 A. Yes.

14:34:08 10 Q. So here it says, the second sentence,
11 "The Ripple protocol, however, could in fact be
12 monetized through its native currency, XRP."

13 Do you see that?

14 A. Yes.

14:34:19 15 Q. Did you write this sentence?

16 A. There were multiple authors so I'm not
17 certain who wrote what text, but I was a primary
18 author on the paper.

19 Q. Okay. Was this sentence accurate as of
14:34:34 20 2014?

21 A. It's a little awkwardly worded. I'm not
22 totally sure what the intention of the word
23 "monetized" was here, so I'm having trouble saying
24 whether it's accurate.

14:35:50 25 Q. Are you done with your answer or are you

14:35:52 1 thinking?

2 A. I find it difficult to answer that
3 question with a yes/no.

4 Q. Okay. What is -- sitting here today
14:36:00 5 reading this, what's your understanding of what
6 this sentence is trying to say?

7 A. I'll read the preceding sentence. The
8 preceding sentence says "Historically, information
9 protocols, like http and SMTP, were impossible to
14:36:18 10 monetize directly. Ripple Labs is not a financial
11 service provider and thus does not charge for
12 using the network. The Ripple protocol, however,
13 could, in fact, be monetized through its native
14 currency, XRP."

14:36:30 15 I think the intent of this paragraph or
16 those three sentences is to indicate that http and
17 SMTP did not have a native asset that someone
18 could purchase within those -- within those
19 protocols and the Ripple protocol does have an
14:36:44 20 asset that someone can purchase as part of that --
21 as part of the protocol.

22 Q. Okay. So an asset that someone could
23 purchase and -- and make money off of?

24 A. It's an asset that fluctuates in price,
14:37:00 25 so, yes.

14:37:03 1 Q. Going back up to the paragraph that
2 starts with "First" on the same page.

3 A. Yes.

4 Q. So you say "Ripple Labs" -- or the
14:37:11 5 document says, I should say. The document says
6 "Ripple Labs builds new tools to allow developers
7 to build user friendly applications."

8 Do you see that?

9 A. Yes.

14:37:20 10 Q. And was this statement accurate at the
11 time?

12 A. Yes.

13 Q. And then that paragraph goes on to say
14 "Ripple Labs pursues partnerships to expand the
14:37:31 15 Ripple network of financial institutions, users
16 and market makers, providing APIs to access the
17 protocol."

18 Do you see that?

19 A. Yes.

14:37:37 20 Q. And was this sentence accurate at the
21 time?

22 A. Yes.

23 Q. And the next paragraph says "Ripple Labs
24 has raised capital from some of the leading
14:37:46 25 venture capital and technology firms."

14:37:48 1 Do you see that?

2 A. Yes.

3 Q. And was this sentence accurate at the
4 time?

14:37:51 5 A. Yes.

6 Q. And the next sentence that says "In
7 addition, Ripple Labs continues to" address --
8 "attract a diverse set of talented individuals."

9 Do you see that sentence?

14:38:02 10 A. Yes, I do.

11 Q. Was this sentence accurate at the time?

12 A. Yes.

13 Q. Okay. And then going to the last
14 paragraph on this page, "Ripple Labs plans to

14:38:12 15 retain 25 percent of all XRP issued to fund
16 operations (and hopefully turn a profit) and
17 distribute the rest to incent the participation of
18 market makers, gateways, and consumers to utilize
19 the protocol."

14:38:26 20 Do you see that?

21 A. I do.

22 Q. And was this sentence accurate at the
23 time?

24 A. Yes.

14:38:36 25 Q. And then it goes on to say "Given that

14:38:38 1 there is a finite number of XRP, as demand for XRP
2 grows, the value of XRP should appreciate."

3 Was this sentence accurate at the time?

4 A. I think that's a logically true sentence
14:38:48 5 ahead of time, yes.

6 Q. Okay. And then the paragraph closes
7 with "In this manner, Ripple Labs believes that
8 its incentives are aligned with those of protocol
9 users - both want the protocol to reach its full
14:39:00 10 potential and scale."

11 Do you see that?

12 A. Yes.

13 Q. Okay. And was this sentence accurate at
14 the time?

14:39:06 15 A. I believe so, yes.

16 Q. Okay. Do you recall discussing what
17 we're seeing on this page under "An Overview of
18 Ripple Labs" with anyone else at Ripple?

19 A. I don't have specific recollection of
14:39:28 20 discussing this text, but as I mentioned earlier,
21 Patrick Griffin played an active role in reviewing
22 and -- and authoring this document as well.

23 Q. Do you have any reason to believe that
24 anyone at Ripple did not agree that Ripple Labs'
14:39:42 25 incentives were aligned with those of the

14:39:46 1 protocol's users?

2 A. I don't know whether others at the
3 company did or did not believe that at the time.

4 Q. Did you discuss that issue with anyone
14:39:54 5 at the company?

6 A. To the extent Patrick reviewed all this
7 text and worked with me to publish this paper, the
8 two of us certainly discussed it. I don't recall
9 specific discussions about this outside of that.

14:40:09 10 Q. And when -- when it says in this
11 paragraph "users of the protocol," does that
12 include speculators?

13 A. I think a speculator could be
14 categorized as a type of user, yes.

14:40:35 15 Q. Okay. If you can turn to page 23 next,
16 which is Bates numbered 487, and I want to look at
17 the first paragraph on that page, the middle
18 sentence, that says "Ripple Labs' business model
19 is predicated on a belief that demand for XRP will
14:40:56 20 increase (resulting in price appreciation) if the
21 Ripple protocol becomes widely adopted."

22 Do you see that?

23 A. I do.

24 Q. Okay. Was that sentence accurate at the
14:41:06 25 time?

14:41:19 1 A. At the inception of the company that
2 sentence was accurate. Over time Ripple Labs
3 developed other business models as well, but I
4 assume that it was true at the time the paper was
14:41:29 5 written since we published it.

6 Q. And what was your understanding, as you
7 described here, about Ripple's business model
8 based on?

9 A. I'm sorry, could you repeat that?

14:41:40 10 Q. The -- the understanding that's
11 reflected in this sentence about Ripple Labs'
12 business model, what is that based on?

13 A. At the inception of the company, there
14 was no other clear monetization strategy. I think
14:42:04 15 the earliest investors in the company believed
16 that Ripple Labs was going to develop a -- further
17 develop the Ripple protocol and that that may
18 result in demand for XRP and that the asset on
19 Ripple Labs' balance sheet may appreciate.

14:42:28 20 Q. And in 2014 did that continue to be
21 Ripple's business model?

22 A. The specific timing of additional
23 revenue streams in businesses is difficult for me
24 to -- to recall with certainty, but over time
14:42:43 25 other consulting and software serve -- and

14:42:45 1 services businesses became viable revenue streams.

2 Q. And what were those services and
3 businesses?

4 A. We often looked at Red Hat and Linux as
14:43:11 5 two analogous concepts where Linux is an
6 open-source software that's developed by a
7 community of -- of users throughout the world and
8 Red Hat is a service provider that's engaged by
9 companies that deploy Linux to provide consulting
14:43:28 10 and advisory services. And we felt that Ripple
11 Labs could play a similar role for financial
12 institutions that wanted to employ the open-source
13 Ripple protocol.

14 Q. And did -- did Ripple, in fact, play
14:43:49 15 such a role for financial institutions?

16 A. My role at the company was focused on
17 market makers and liquidity, and so I -- I did not
18 negotiate or have visibility into revenue from
19 consulting from financial institutions, but my
14:44:11 20 understanding is that that was occurring, yes.

21 Q. Okay. Turning to page 25, which is
22 Bates numbered 489. So I want to look at the
23 paragraph under the title "Future Demand
24 Potential."

14:44:36 25 So here it says "The Ripple network is

14:44:38 1 still in its infancy and relatively unknown."

2 Do you see that?

3 A. Yes.

4 Q. Was this accurate at the time?

14:44:44 5 A. On a global scale, yes, that's true.

6 Q. Is it not true on some other scale?

7 A. In the cryptocurrency or digital asset
8 community, it was very well known; but on the
9 global financial stage, it was in its infancy.

14:44:56 10 Q. Okay. Then it goes on to say "Likewise,
11 XRP is still fairly complicated for average users
12 to acquire or even completely inaccessible in many
13 parts of the world."

14 Was that an accurate statement at the
14:45:10 15 time?

16 A. I believe so, yes.

17 Q. And then it goes on to say "Increased
18 exposure and a more global network of Ripple
19 gateways could result in increased speculative
14:45:18 20 interest, which may have significant impacts on
21 price."

22 Do you see that?

23 A. Yes.

24 Q. And was this accurate at the time?

14:45:26 25 A. Yes.

14:45:27 1 Q. And when -- when the document refers to
2 "significant impacts on price," is that positive
3 or negative impacts or both?

4 A. I think it deliberately omits whether
14:45:36 5 that's positive or negative.

6 THE REPORTER: Repeat, please.

7 A. I think it deliberately omits whether
8 it's a positive or a negative impact on price.

9 Q. Okay. So would the impact be positive
14:45:49 10 or negative?

11 A. It could be either.

12 Q. Then it goes on to say "Speculative
13 demand and bullish expectations for the future
14 were enough to send XRP and BTC total market
14:46:06 15 capitalization to over \$6 billion and \$23 billion
16 in Q4 2014 respectively."

17 Do you see that?

18 A. Yes.

19 Q. Okay. And was that sentence accurate at
14:46:14 20 the time?

21 A. Without checking the numbers, I assume
22 it's accurate if we published it.

23 Q. Okay. And then it goes on to say "If
24 the Ripple protocol becomes the backbone for
14:46:22 25 global value transfer, Ripple Labs expects the

14:46:25 1 demand for XRP to be considerable."

2 Do you see that?

3 A. Yes.

4 Q. Okay. So what is the purpose of -- of
14:46:35 5 this section of this report under "Future Demand
6 Potential"?

7 A. It's difficult for me to recall the
8 intent, you know, or thought process in writing
9 specific paragraphs of a 45-page paper; but, in
14:47:13 10 general, our narrative in speaking about the
11 Ripple protocol focused on a clearing settlement
12 and value transfer and using technology for that
13 purpose.

14 But after hundreds of meetings, we were
14:47:32 15 definitely aware that XRP was a topic that
16 frequently came up in conversations and we were
17 likely responding to common questions and topics
18 that we fielded after hundreds of meetings on the
19 topics.

14:47:50 20 Q. And did those common questions include
21 questions about the value of XRP?

22 A. Despite our deliberate intent to focus
23 on the technology and value transfer, frequently
24 people ask about XRP and our views on XRP in
14:48:09 25 meetings.

14:48:11 1 Q. Okay. What was the purpose of making
2 this document available to the public on Ripple's
3 website?

4 A. The purpose of making anything public on
14:48:36 5 the website was to reach an audience that we
6 didn't necessarily have direct contact with.

7 Q. Okay. So turning now to page 43 of the
8 document, Bates numbered 5307, and looking at the
9 section "Regulation Remains Unclear."

14:49:17 10 Do you see that?

11 A. Yes.

12 Q. Okay. So here the document says "As
13 with other settlement protocols which involve a
14 digital currency, regulatory uncertainty remains a
14:49:26 15 big hurdle for wide adoption of Ripple.

16 Regulators in the U.S. and abroad are increasingly
17 taking steps to understand, contextualize and
18 regulate digital currencies. As a result, it is
19 still unclear how regulation will ultimately look
14:49:39 20 and how burdensome it will be on digital currency
21 protocols and users."

22 Do you see that?

23 A. Yes.

24 Q. Is this statement accurate as of 2014?

14:49:46 25 A. Yes.

14:49:46 1 Q. Okay. Did you discuss this paragraph
2 with anyone before this document was finalized?

3 MR. HORTON: I just want to
4 clarify for the witness that excludes
14:49:56 5 conversations you've had with lawyers.

6 A. The answer is the same as the other
7 discussions about this document, which is that I
8 recall discussing it with Patrick Griffin in his
9 role as a reviewer and -- and author. I don't
14:50:11 10 recall specific other conversations about this
11 document with others at the firm.

12 Q. Okay. The next paragraph starts "Though
13 the Ripple protocol is very different from other
14 digital currency protocols, it is unclear whether
14:50:24 15 regulation will distinguish between protocols or
16 regulate all digital currencies under one broad
17 brush."

18 Do you see that?

19 A. Yes.

14:50:31 20 Q. What is the statement based on?

21 MR. GULAY: Same instruction on
22 your discussions with counsel. To the
23 extent this is based on your discussions
24 with counsel, you should exclude that from
14:50:47 25 your answer.

14:51:00 1 A. Can you repeat the question, please?

2 Q. What was this sentence that I just read
3 based on?

4 A. The statement that the Ripple protocol
14:51:13 5 is very different from other digital currency
6 protocols is based on the fact that Ripple -- the
7 Ripple protocol includes a decentralized exchange
8 and the ability to have assets created by
9 third-party issuers on the platform, whereas all
14:51:31 10 other digital currency protocols that I was aware
11 of at the time had only one native digital asset
12 and no decentralized exchange or ability for
13 issuers to create new assets.

14 Q. And what about the part -- part of the
14:51:43 15 sentence that says "it is unclear whether
16 regulation will distinguish between the protocols
17 or treat them all the same"? What was that based
18 on?

19 MR. HORTON: Same instruction.

14:52:07 20 A. I don't recall the specific thought
21 process when writing this sentence, but I read
22 that to be a general risk statement that I think
23 would be prudent to write about any digital asset
24 at the time or today even.

14:52:24 25 Q. Moving on to page 45, which is Bates

14:52:26 1 numbered 50 -- 509, and in the section "The Role
2 of XRP," the middle sentence in that paragraph
3 says --

4 A. I'm sorry, which page?

14:52:38 5 Q. Sorry. Page 45.

6 A. Forty-five.

7 Q. So under "The Role of XRP."

8 A. Yes.

9 Q. The middle sentence says "Over time, if
14:52:46 10 the Ripple protocol becomes widely adopted, demand
11 for XRP may increase, leading to an increase in
12 price."

13 Do you see that?

14 A. Yes.

14:52:53 15 Q. And was this sentence accurate at the
16 time?

17 A. Yes.

18 Q. Okay. And why did you include this
19 sentence in this sort of conclusion page of this
14:53:05 20 document?

21 A. It's difficult for me to recall the
22 thought process of how we structured the document.

23 Q. Is it fair to say that given that it was
24 included in the conclusion page, that it's a --
14:53:26 25 it's an important piece of information?

14:53:28 1 MR. HORTON: Objection to form.

2 A. I do think XRP is an important piece of
3 the Ripple protocol.

4 Q. Well, what about the idea that if the
14:53:57 5 protocol becomes widely adopted, demand for XRP
6 may increase leading to an increase in price? Is
7 that idea an important part of what you were
8 conveying in this document?

9 A. I think it accurate -- I think it
14:54:11 10 accurately captures our view that wide adoption of
11 the Ripple protocol may or may not involve XRP
12 price appreciation and our view that use of the
13 Ripple protocol as a settlement layer may or may
14 not lead to an increase in XRP price.

14:54:35 15 Q. Well, but you don't say here may or may
16 not. You say it may increase, leading to an
17 increase in price, right?

18 MR. HORTON: Objection to form.

19 A. That is what the page says.

14:54:50 20 Q. Okay. So were you trying to convey here
21 that if the Ripple protocol is adopted, that could
22 mean that XRP will become more valuable?

23 MR. GULAY: Objection to form.

24 A. I think it's accurate in saying that
14:55:10 25 that is a possibility.

14:55:13 1 Q. Is there a possibility where the Ripple
2 protocol is widely adopted but XRP decreases in
3 price?

4 MR. GULAY: Objection.

14:55:27 5 A. Yes.

6 Q. Can you explain to me how that would
7 happen?

8 MR. HORTON: Objection to form.

9 A. XRP is necessary in very small
14:55:42 10 quantities and low value, low-dollar-value
11 amounts, for anyone to use the network. XRP's
12 adoption as a bridge currency may or may not occur
13 in a widespread adoption scenario of Ripple as a
14 technology.

14:56:01 15 So we were acutely aware of the fact
16 that Ripple technology could be widely adopted as
17 a global settlement layer; but the amount of XRP,
18 say if a hundred million users were using the
19 network and each needed to own a few cents' worth
14:56:20 20 of XRP, that would apply a -- a valuation of 1 or
21 \$5 million for the total sum of XRP, which would
22 be a significant decrease in value. And I
23 believed then and today that that was a plausible
24 outcome in a success state of Ripple's technology.

14:56:41 25 Q. So at the time in 2014, you thought that

14:56:44 1 that was a plausible outcome?

2 A. Yes.

3 Q. Is that what you just said?

4 A. Yes.

14:56:48 5 Q. Did you think it was a more plausible
6 outcome than an increase in XRP's price if the
7 Ripple technology was widely adopted?

8 MR. HECKER: Objection to form.

9 A. I viewed it as highly uncertain both
14:57:05 10 ways and I could see it reasonably going in either
11 direction. I thought it was highly -- a highly
12 risky thesis.

13 Q. Going back to, I think, a similar
14 thought you expressed earlier about a high
14:57:17 15 probab -- probability of it going to either zero,
16 low probability of -- of a hundred X, do you
17 remember that?

18 A. Yes.

19 Q. In your view in 2014, if Ripple had
14:57:30 20 walked away from the Ripple network, what would
21 have -- which outcome would have been more likely,
22 the going to zero or the going to a hundred X?

23 MR. HORTON: Objection to form.

24 MS. BUNTING: Objection.

14:57:44 25 A. If Ripple Labs ceased to exist or

14:57:47 1 disbanded, I'm confident that the Ripple
2 technology would continue to operate, albeit with
3 likely hiccups in a very short -- in the very
4 short term.

14:58:01 5 I do think that in that scenario, in the
6 very short term, the price would be more likely to
7 fall than rise, but I don't think there's a clear
8 statement about the long-term future of the
9 protocol or XRP in the absence of Ripple Labs.

14:58:32 10 MS. STEWART: PR-15 next, Nicole.
11 (Whereupon, exhibit is presented
12 and marked SEC Rapoport Exhibit PR-15 for
13 identification.)

14 MS. STEWART: So PR-15 for the
14:58:43 15 record is 842922 through 842925 Bates
16 stamp.

17 (Pause)

18 MS. FORBES: Can you repeat the
19 number?

14:59:18 20 MS. STEWART: Fifteen, one-five.

21 MS. FORBES: PR-15?

22 MS. STEWART: Yes, one-five.

23 MS. FORBES: Thank you.

24 (Pause)

14:59:55 25 A. Okay. I've reviewed this.

15:00:13 1 BY MS. STEWART:

2 Q. Okay. Who is [REDACTED]?

3 A. He's a friend of mine.

4 Q. And does he work for the law firm

15:00:24 5 [REDACTED]?

6 A. Yes, he does.

7 Q. Okay. And why were you reaching out to
8 Mr. [REDACTED] on November 4th, 2013?

9 A. In the very early stages of the company,
15:00:40 10 we were eager to explain the technology and share
11 information about the technology with pretty much
12 anyone who would listen, whether that person was a
13 financial market person, a legal professional,
14 totally unrelated to the company. We did not yet
15:00:59 15 know exactly where this technology could be
16 applied functionally.

17 Q. Okay. And did you discuss having
18 Mr. [REDACTED]'s law firm be a merchant for XRP?

19 A. I see he used the phrase "merchant or
15:01:24 20 vendor." I'm not sure exactly what he meant. I
21 think that verbiage is strange and he didn't yet
22 have an understanding of what Ripple was.

23 Q. Okay. Did you discuss with him the
24 possibility of his firm accepting payments in XRP?

15:01:51 25 A. I see that his e-mail refers to payment

15:01:57 1 by other Ripple network which could be in dollars.
2 I presume it would be in dollars. I don't recall
3 the specifics of a discussion around that given
4 that this was in 2013.

15:02:06 5 Q. Okay. Did the discussions with
6 Mr. [REDACTED] on this point go anywhere?

7 A. Generally speaking, the discussions did
8 not go anywhere. I think we had one or maybe two
9 meetings to discuss the topic of Ripple.

15:02:25 10 Q. Okay. On the second-to-last page of the
11 document, Bates numbered 924, your e-mail that's
12 at 9:37 a.m. to Mr. [REDACTED]. So you write "FWIW?"
13 Does that mean for what it's worth?

14 A. Yes, it does.

15:02:47 15 Q. Okay. "This law firm seems to have
16 become the main source of advice in the space.
17 Every bitcoin startup is paying them." And then
18 you send a link to Perkins Coie's website and then
19 you say "Very interesting space, and ripe for
15:03:01 20 regulation."

21 Do you see that?

22 A. Yes.

23 Q. What did you mean when you said "ripe
24 for regulation"?

15:03:06 25 A. In general, market participants at the

15:03:09 1 time in my recollection were seeking regulatory
2 clarity and hungry for regulatory clarity and
3 there was very little guidance available at the
4 time.

15:03:18 5 Q. And why were you sending Mr. [REDACTED] a
6 link to Perkins Coie's website?

7 A. I observed that there was a lot of
8 demand for legal advice and few law firms that
9 were providing legal advice on the topic of
15:03:35 10 digital assets and I thought he would be
11 interested in knowing that as a lawyer.

12 Q. Okay. Did Mr. [REDACTED] and his firm at any
13 point provide legal services to Ripple?

14 A. I don't know one way or another. I'm
15:03:50 15 not aware of them providing any services to
16 Ripple.

17 Q. So you said that -- that market
18 participants at the time were seeking regula --
19 regulatory clarity and were hungry for regulatory
15:04:05 20 clarity? You said that a moment ago. Do you
21 remember that?

22 A. Yes.

23 Q. During your time at Ripple, was Ripple
24 seeking regulatory clarity?

15:04:20 25 MR. GULAY: Objection;

15:04:20 1 foundation.

2 A. Ripple was generally, in my recollection
3 and view, the most proactive firm in the digital
4 asset space, trying to promote a regulated
15:04:43 5 environment and approach, and was doing its best
6 to embrace regulation and seek regulatory clarity.

7 Q. Okay. And in what way was Ripple
8 proactive, as you said?

9 A. Both through private discussions with
15:05:14 10 legal counsel as well as direct -- directly
11 seeking out members of the governance and
12 regulatory community to explain the technology and
13 explain what -- what was going on in the space
14 that Ripple saw happening.

15:05:33 15 Q. Okay. So during your time at Ripple,
16 which members of the governance and -- I forget
17 what words you used, but which regulators did --
18 did Ripple reach out to?

19 MR. HORTON: Objection to form;
15:05:48 20 lack of foundation.

21 A. I don't know the goings on of every
22 member of the company, but I know at a minimum,
23 Treasury, Federal Reserve, and certainly other
24 domestic and foreign regulators that are difficult
15:06:13 25 for me to recall on the fly.

15:06:16 1 Q. During your time at Ripple, did Ripple
2 reach out to the SEC for regulatory clarity?

3 MR. GULAY: Objection; lack of
4 foundation.

15:06:23 5 A. I'm not aware whether Ripple did or did
6 not have conversation with the SEC.

7 Q. Okay. And what is [REDACTED]?

8 A. A charity organization.

9 Q. And was the donation that's referenced
15:06:40 10 in your e-mail here to [REDACTED] of XRP, was
11 that part of Ripple's distribution strategy?

12 A. Yes. In general, Ripple had a
13 preference for charit -- charitably distributing
14 XRP if it was ignoring market impacts of its
15:06:57 15 actions.

16 THE REPORTER: Repeat.

17 A. In general, Ripple had a preference for
18 charitable distribution of XRP if it was ignoring
19 market impacts of its actions.

15:07:08 20 Q. And what do you mean "if it was ignoring
21 market impacts of its actions"?

22 A. As I mentioned earlier, giving away XRP
23 for zero I view harm -- in my view harmed
24 liquidity and price; but ignoring those impacts,
15:07:27 25 as some of the prior e-mails showed, Ripple had an

15:07:36 1 interest in charitably distributing XRP.

2 Q. And why did it have such an interest?

3 A. I don't know.

4 Q. Did you discuss that issue with anyone
15:07:47 5 at Ripple?

6 A. It's difficult to recall conversations
7 from 2013 about that now.

8 Q. So you don't have a general
9 understanding of -- of why they -- they preferred
15:08:01 10 charitable giving?

11 MR. HORTON: Objection.

12 A. My assumption is that the members of the
13 company looked favorably on altruistic acts.

14 Q. Okay.

15:08:28 15 MS. STEWART: Okay. Can we look
16 at PR-19 next? One-nine. And that's
17 Bates numbered RPLI_SEC 88057 to 58.

18 (Whereupon, exhibit is presented
19 and marked SEC Rapoport Exhibit PR-19 for
15:08:45 20 identification.)

21 (Pause)

22 A. Okay. I've read this.

23 BY MS. STEWART:

24 Q. Okay. Looking at the -- the last e-mail
15:10:19 25 in the chain, which is your 8:54 p.m. e-mail.

15:10:23 1 A. Yes.

2 Q. Do you see that?

3 Why did you write this e-mail?

4 A. I don't recall the discussions that
15:10:45 5 preceded this leading me to send this e-mail.

6 Q. Did anyone ask you to write this e-mail?

7 A. I don't think the recipients would have
8 asked me to provide this information to them.

9 Q. And who do you mean by "the recipients"?

15:11:02 10 A. I think if [REDACTED] and [REDACTED]
11 [REDACTED] were interested in this information, they
12 would ask their legal advisor.

13 Q. Okay. So then why were you sending them
14 this information?

15:11:21 15 A. It's hard to -- for me to remember what
16 my motivation was on January 2014 at 8 p.m.

17 Q. Okay. Do you recall any conversations
18 with -- well, let me step back.

19 What is [REDACTED]?

15:11:38 20 A. [REDACTED] is an asset management firm.

21 Q. Okay. And why at this time were you
22 having conversations with Mr. [REDACTED] and
23 Mr. [REDACTED]?

24 A. At some point before or after this
15:11:56 25 e-mail, they were investigating and -- and

15:12:00 1 proceeded to start a separate unaffiliated Ripple
2 market-making firm that did business under the
3 name of [REDACTED], as I mentioned earlier.

4 Q. Okay. And in connection with that deal,
15:12:14 5 did you have conversations with -- with
6 Mr. [REDACTED] or Mr. [REDACTED] about the issues that
7 are referenced in your e-mail here in Exhibit
8 PR-19?

9 MR. HORTON: Objection to form.

15:12:36 10 A. Any -- like any prudent financial market
11 participant, I believe all of the market-making
12 firms that ultimately engaged in trading on Ripple
13 did some form of investigation around these
14 questions prior to starting to trade on the
15:12:50 15 platform.

16 Q. Okay. Well, did you have discussions
17 with -- with either Mr. [REDACTED] and Mr. [REDACTED] or
18 any other individual of the firms you were talking
19 to? Did you have discussions about these issues?

15:13:02 20 MR. HORTON: Objection to form.

21 MR. GULAY: Objection to form.

22 A. While it's difficult to recall specifics
23 of discussions, I do recall that every
24 market-making firm generally did some form of
15:13:20 25 regulatory investigation prior to commencing to

15:13:23 1 trade on the Ripple network. And so I do recall
2 having -- I do generally recall having discussions
3 on this topic with many or most of the
4 market-making firms that ultimately moved forward.

15:13:39 5 Q. Did any of the market-making firms
6 express to you that XRP may be a security?

7 A. Each of them independently investigated
8 it, to my understanding, and all of them reached
9 the same conclusion, that it was not likely to be
15:13:58 10 considered a security. And so the primary area of
11 further investigation was around money
12 transmission regulation, which is what people
13 generally thought was more potentially applicable.

14 Q. Okay. Did you convey the discussions
15:14:23 15 that you were having with these market-making
16 firms to others at Ripple?

17 A. I'm sorry?

18 Q. Did you convey these discussions we've
19 been talking about that you were having with
15:14:33 20 market-making firms to others at Ripple?

21 MR. HORTON: Objection to form.

22 A. It's difficult for me to recall whether
23 I did or I didn't.

24 Q. So you start your e-mail, the bottom
15:14:47 25 e-mail, saying "I want to emphasize that I'm not a

15:14:51 1 lawyer, nor do I have expertise on these issues.
2 But here are some interpretations/excerpts I've
3 picked up after talking to a bunch of legal
4 experts (many of whom had" differ -- "differing
15:15:02 5 opinions, I might add)."

6 Who are the bunch of legal experts that
7 you talked to?

8 A. I had a very large number of
9 conversations with a large number of people on the
15:15:17 10 topic of Ripple and so it's difficult for me to
11 recall who I would have talked to apart from
12 Ripple's internal counsel and Ripple's external
13 counsel.

14 Q. How did it come that you undertook to
15:15:32 15 speak to all of these lawyers about these issues?

16 MS. BUNTING: Objection.

17 MR. GULAY: I just want to pause
18 here. You can -- you can answer the
19 question, but I would just caution you not
15:15:41 20 to reveal the substance of any privileged
21 communications with Ripple's lawyers.

22 A. As you can see from Exhibit PR-15, in my
23 conversations with [REDACTED] I was generally
24 willing to talk to anyone who would listen about
15:16:08 25 Ripple, and that included people from a variety of

15:16:10 1 different professions, some of whom were legal
2 professionals. So that's how I came to speak with
3 people who are not Ripple's counsel on the topic.

4 Q. So I'm just trying to understand sort of
15:16:25 5 the chronology here.

6 Was it the case that you wanted to put
7 together this e-mail and then you went and sought
8 out lawyers to talk to or was it the case that
9 you'd already talked to lawyers among the various
15:16:35 10 other people you talked to and then you put that
11 information in this e-mail?

12 MS. BUNTING: Objection.

13 MR. HORTON: Objection to form.

14 A. I independently looked up the legal
15:16:49 15 excerpts and had an interest in reading them on a
16 personal level that are referenced in this e-mail.
17 This isn't something somebody sent to me.

18 THE REPORTER: Repeat the last
19 part.

15:17:01 20 A. I independently looked up legal excerpts
21 or excerpts from -- from laws, I guess, that --
22 that I had a personal interest in understanding
23 and reading. And this is not information that
24 someone else sent to me.

15:17:13 25 Q. But in terms of the legal experts you

15:17:15 1 talked to, the individuals, did you do that in
2 order to put this document together or had you
3 already done that as part of your job
4 responsibilities?

15:17:26 5 MR. GULAY: Objection; calls
6 for --

7 MR. HECKER: Objection.

8 MS. BUNTING: Objection.

9 A. As a matter of --

15:17:32 10 MR. GULAY: Well, hold on.

11 MR. HECKER: Go ahead.

12 THE WITNESS: You want to --

13 MR. GULAY: We -- I mean, I think
14 that calls for -- you know, if it's

15:17:36 15 requesting for legal advice, I think that
16 this calls for potentially privileged
17 information. You know, the reason why he
18 wanted to seek advice from lawyers.

19 MS. STEWART: Okay. I'll --

15:17:47 20 I'll -- I'll rephrase the question.

21 BY MS. STEWART:

22 Q. What I'm trying to understand is whether
23 you wanted to write an e-mail that you would then
24 send to third parties with -- with this

15:18:03 25 information and to do that, you sought out legal

15:18:06 1 experts.

2 Is that how it happened?

3 MS. ZORNBERG: Might I suggest a
4 short break? Because maybe we can speak
15:18:19 5 to him and -- you know, or his counsel
6 can, to clarify what you're trying to get
7 at and find a way that he can answer in a
8 way that's comfortable without -- you
9 know, avoiding privilege issues.

15:18:30 10 MS. STEWART: That's fine.

11 MR. TENREIRO: Sure. Just before
12 we go off the record, again, I mean, this
13 is an example of him saying to someone
14 else, most -- most lawyers I've spoken to.
15:18:39 15 So as we discussed this morning, I'm not
16 sure what the basis of asserting privilege
17 over what he's conveying to other people
18 is. So let's go off the record and
19 discuss that, but I think that's what
15:18:49 20 she's trying to talk about so --

21 MR. HORTON: I think we heard the
22 questions differently.

23 MR. TENREIRO: Okay. That's --
24 that's possible. Sure. But let's go off
15:18:56 25 the record and talk about it and see what

15:18:58 1 we can do.

2 MS. STEWART: Yeah.

3 THE VIDEOGRAPHER: Going off the
4 record at 3:19.

15:19:01 5 (Whereupon, a recess is taken.)

6 THE VIDEOGRAPHER: Okay. Back on
7 the record at 3:30.

8 MR. GULAY: Okay. So, yeah,
9 we are prepared to make a -- a proffer
15:30:09 10 about this particular document in the
11 hopes that it will clarify things and for
12 further questioning.

13 So prior to the date of the
14 e-mail, January 4th, 2014, Mr. Rapoport
15:30:20 15 had some discussions with Ripple's
16 lawyers as well as other attorneys who
17 were not representing the company at the
18 time, some of whom were his friends. He
19 can't parse which discussions led to
15:30:36 20 which portions of the e-mail. So, in
21 other words, he can't parse whether
22 discussions with Ripple's counsel led to
23 certain portions of this e-mail or his
24 understanding informing certain portions
15:30:49 25 of this e-mail as opposed to his

15:30:50 1 discussions with the non-Ripple
2 attorneys.

3 The document does reflect
4 Mr. Rapoport's efforts to, you know,
15:31:00 5 share his then-present understanding of
6 these topics with [REDACTED].

7 He -- he did not -- for purposes
8 of this e-mail, he did not speak with any
9 attorneys for the -- for the purpose of
15:31:16 10 writing the e-mail or -- and he did not
11 ask any attorneys to review the e-mail,
12 so it doesn't reflect direct input of
13 attorneys.

14 So we think that you can -- you
15:31:28 15 know you can ask -- you can him
16 questions, but, you know, he just doesn't
17 have recollection of those privileged
18 communications with Ripple attorneys.

19 And, so, Mr. Rapoport, can you
15:31:41 20 just confirm that that accurately
21 reflects your understanding and
22 recollection of this e-mail and its
23 preparation?

24 THE WITNESS: Yes, that's
15:31:47 25 correct.

15:31:48 1 MS. STEWART: Okay. Thank you.

2 That's helpful.

3 BY MS. STEWART:

4 Q. So first focusing on the conversations
15:31:55 5 you had before this e-mail with Ripple's lawyers,
6 I don't want to know about the substance of those
7 conversations, but who were the lawyers that you
8 spoke with?

9 A. Having seen [REDACTED] s name on a
15:32:12 10 prior document from Perkins Coie, I remember his
11 particular name, but I don't otherwise recall the
12 names of specific attorneys outside of Ripple that
13 were -- that were engaged by Ripple in an official
14 capacity.

15:32:24 15 Q. Do you remember any other law firms?

16 A. I remember Paul Hastings was another law
17 firm that Ripple worked with at times.

18 Q. And do you recall conversations with
19 Paul Hastings prior to this e-mail?

15:32:40 20 A. I don't recall any specific
21 conversations with Paul Hastings or the timing of
22 those conversations.

23 Q. Okay. And were there also conversations
24 with Ripple's in-house lawyers?

15:32:52 25 A. I had a number of conversations with

15:32:54 1 [REDACTED], who was, I believe, general counsel
2 internally for a period of time. But, again,
3 specifics of those are -- are difficult to recall
4 given how much time has passed.

15:33:04 5 Q. Okay. And in terms of the other
6 attorneys who are not Ripple's attorneys, who did
7 you speak with?

8 A. I can freshly remember [REDACTED],
9 which I would not have otherwise recalled had you
15:33:18 10 not just shown me this e-mail. But I have a
11 number of friends who are attorneys and this was a
12 topic that was of personal interest to me even
13 prior to my time at Ripple Labs. And so I had a
14 number of discussions with friends over the course
15:33:29 15 of a number of years.

16 Q. Okay. Do you recall the names of any of
17 those friends?

18 A. Which friends were both attorneys and
19 that I had discussions with is, again, difficult
15:33:43 20 for me to -- to remember given how much time has
21 passed.

22 Q. Okay. So you say here in your e-mail,
23 under number 1, "Most lawyers whom I've spoken" --
24 I think that should be spoken with -- "seem quick
15:33:56 25 to agree that XRP is not a security."

15:33:58 1 Do you see that?

2 A. I do.

3 Q. Were there lawyers who were friends of
4 yours who you spoke with who -- who did think XRP
15:34:06 5 was a security?

6 A. In my recollection, it was
7 unanimously -- everyone unanimously thought that
8 this was not really a critical question and that
9 XRP was clearly not likely to be a security.

15:34:23 10 Q. Okay. But you wrote in your e-mail
11 "most lawyers."

12 So what does that refer to?

13 MR. HORTON: Objection.

14 A. I don't recall the specific thought
15:34:34 15 process, but some of the lawyers I spoke with may
16 not have had a view or expertise on whether or not
17 something is a security, so they may not have had
18 any opinion at all.

19 Q. Okay. Now, you -- you -- you mentioned
15:34:49 20 that this topic was of general interest to you, is
21 that right?

22 A. The regulation of digital assets was
23 broadly interesting to me, yes.

24 Q. Okay. Were there others at Ripple that
15:34:58 25 you're aware of who were also interested in this

15:35:01 1 topic?

2 MR. HORTON: Objection to form.

3 A. I would assume so, but I don't have
4 specific examples to reference on that.

15:35:08 5 Q. Did you discuss this topic with others
6 at Ripple?

7 A. I'm sure I did but I can't recall
8 specific conversations.

9 Q. And -- and you said earlier, before our
15:35:20 10 break, that the market-making firms that you were
11 interacting with were doing their own due
12 diligence on these regulatory issues, is that
13 right?

14 A. That's what I understood to be true,
15:35:30 15 yes.

16 Q. Did -- did Ripple provide facts or other
17 information to those market-making firms as part
18 of their due diligence?

19 MR. GULAY: Objection to form.

15:35:48 20 A. I believe I shared certain documents
21 like the white paper that had Perkins Coie's logo
22 on the top of it that we -- that we looked at
23 earlier today.

24 Q. Okay. Any other facts or information
15:36:05 25 that you related in a more informal way, whether

15:36:08 1 over the phone or by e-mail or in person --

2 MR. HORTON: Objection.

3 MR. GULAY: Objection to form.

4 Q. -- that would go into such an analysis?

15:36:13 5 MR. HORTON: Objection to form.

6 A. I viewed all of these firms and people
7 to be sophisticated financial market participants
8 who would have relied on their own due diligence
9 and analysis and not anything that I said beyond

15:36:31 10 maybe to help identify what the primary areas of
11 investigation could be.

12 Q. And you go on in this document to -- to
13 talk about the fact that "XRP doesn't qualify as a
14 currency under the U.S. Treasury's definition," is
15:36:49 15 that right?

16 A. That's what this -- that's what this
17 e-mail says.

18 Q. Okay. And what was this based on, your
19 conclusion?

15:36:57 20 A. This was my current understanding
21 synthesizing a variety of conversations and things
22 that I had read.

23 MR. GULAY: And the same
24 instruction about your discussions with
15:37:10 25 Ripple counsel.

15:37:10 1 THE WITNESS: Understood.

2 BY MS. STEWART:

3 Q. By sending this document to [REDACTED]

4 [REDACTED] -- well, strike that.

15:37:18 5 By sending this document to Mr. [REDACTED]
6 and Mr. [REDACTED], were you trying to provide
7 assurances to them about the regulatory landscape?

8 MR. HORTON: Objection to form.

9 MS. BUNTING: Objection.

15:37:34 10 A. For context, I'd known both of these
11 people, you know, in excess of 10 and 20 years.
12 And so this was a conversation between friends
13 about a topic of mutual interest and was not meant
14 to provide assurances about anything.

15:37:56 15 Q. But it was a topic of mutual interest
16 concerning a transaction that you were
17 contemplating, right?

18 MR. HORTON: Objection to form.

19 A. It -- it was related to, yes.

15:38:07 20 Q. Okay.

21 MS. STEWART: Can we look at 20
22 next?

23 BY MS. STEWART:

24 Q. Sticking with PR-19 for a second, the
15:38:34 25 very last sentence on the first page of the

15:38:38 1 document where the sentence before says they --
2 "They also all specify that in order to be a
3 currency, it must be the legal -- "the legal
4 tender of some sovereign. Pretty clear-cut."

15:38:48 5 Do you see that?

6 A. I do.

7 Q. What did you mean by "pretty clear-cut"?

8 A. This is an e-mail that begins with "I
9 want to emphasize that I'm not a lawyer, nor do I
15:39:06 10 have expertise on these issues." But in my
11 amateur reading of the excerpts that were attached
12 to this e-mail, I thought it was clear-cut from
13 the plain English reading of these that digital
14 assets are not currencies under the way I read
15:39:17 15 those definitions.

16 Q. Okay.

17 (Whereupon, exhibit is presented and
18 marked SEC Rapoport Exhibit PR-20 for
19 identification.)

15:39:20 20 MS. STEWART: PR-20 is Bates
21 numbered RPLI_SEC 88024 to 25.

22 MS. FORBES: Could you repeat the
23 exhibit number, please?

24 MS. STEWART: Twenty.

15:39:58 25 MS. FORBES: Twenty?

15:39:58 1 MS. STEWART: Yes.

2 MS. FORBES: Thank you.

3 (Pause)

4 THE WITNESS: Okay. I've

15:40:16 5 reviewed this.

6 BY MS. STEWART:

7 Q. Okay. And who is [REDACTED]?

8 A. [REDACTED] is a representative of
9 a market-making firm, trading firm.

15:40:27 10 Q. And is that [REDACTED]?

11 A. Yes.

12 Q. Okay. And what was the relationship
13 between [REDACTED] and Ripple at this time in
14 2014?

15:40:39 15 MR. HORTON: Objection to form.

16 A. At some point, I'm not certain if it was
17 before or after the time stamp on this e-mail,
18 [REDACTED] and his team became -- had -- had
19 a formalized relationship with Ripple as market
15:40:55 20 makers and received compensation for services.

21 Q. Okay. And am I correct that you send
22 the same e-mail that we had just looked at in
23 PR-19, you send that e-mail to [REDACTED]
24 and [REDACTED], is that right?

15:41:12 25 A. Yes, it looks like the same e-mail.

15:41:14 1 Q. Okay. And why did you send this e-mail
2 to Mr. [REDACTED] and Ms. -- Mr. [REDACTED] -- is it
3 Mr. [REDACTED]?

4 A. Yes.

15:41:21 5 Q. Okay.

6 A. I personally found it interesting
7 looking through the actual texts of -- of these
8 definitions and how they're written. And, again,
9 this was a topic -- I was aware of the fact that
10 all of the firms did their own independent
11 investigation and I thought that -- I'm assuming.
12 I don't recall sending this specific e-mail, but
13 I'm assuming I thought they would find it
14 interesting to also read the actual language as
15 opposed to just speaking with legal professionals
16 as people would typically do when they
17 investigate.

18 THE REPORTER: Repeat the last
19 part.

15:41:59 20 A. As opposed to just speaking with legal
21 professionals as people typically do when they
22 investigate a matter.

23 Q. And who is [REDACTED]?

24 A. [REDACTED] worked at a firm called
15:42:13 25 [REDACTED] which was at times engaged by Ripple

15:42:18 1 Labs.

2 Q. For what services?

3 A. [REDACTED] was a -- is a regulatory
4 advisory firm.

15:42:23 5 Q. And was there a call with Mr. [REDACTED]
6 and Mr. [REDACTED]?

7 A. It appears from this e-mail that there
8 was a call together with [REDACTED].

9 Q. And what was the nature of that call?

15:42:40 10 A. I don't recall the specific discussion,
11 but my assumption is that we held a call for these
12 individuals to speak with [REDACTED] about his
13 area of expertise, which is regulatory issues.

14 Q. What types of regulatory issues?

15:42:58 15 A. I don't recall what was discussed on the
16 call and I don't frankly recall [REDACTED]
17 specific background without looking it up.

18 Q. And then you send, also, some FinCEN
19 guidance. You send a link to FinCEN guidance in
15:43:15 20 this e-mail.

21 Do you see that?

22 A. Yes.

23 Q. Why did you send that?

24 A. In my recollection, this was the primary
15:43:23 25 regulatory guidance that was available at the

15:43:25 1 time.

2 Q. And then you say in the third bullet,
3 "This is a good summary of the legal landscape
4 from Katten."

15:43:33 5 Do you see that?

6 A. I do.

7 Q. Why did you send that link to
8 Mr. [REDACTED]?

9 A. I don't recall the content of that link.

15:43:44 10 Q. Other than the documents we've looked
11 at, PR-19 and PR-20, were there others -- other
12 third parties that you sent the legal definitions
13 to?

14 A. Given that I sent it to two groups of
15:43:57 15 people, it's plausible that I sent it to others,
16 but I don't recall whether I did or didn't.

17 MS. STEWART: Nicole, PR-21 next,
18 please.

19 (Whereupon, exhibit is presented
15:44:15 20 and marked SEC Rapoport Exhibit PR-21 for
21 identification.)

22 MS. STEWART: PR-21 is Bates
23 numbered SEC-[REDACTED]-E-72551. It's a
24 one-page document.

15:45:09 25 (Pause)

15:45:09 1 THE WITNESS: Okay. I've
2 reviewed this document.

3 MS. STEWART: Okay.

4 BY MS. STEWART:

15:45:14 5 Q. Who is [REDACTED]?

6 A. [REDACTED] was a representative of a
7 market-making firm called [REDACTED].

8 Q. And who is [REDACTED]?

9 A. He's an associate at the same firm.

15:45:31 10 Q. Okay. And did -- did this firm have
11 a -- a relationship with Ripple in 2014?

12 A. Similar to the others. I don't recall
13 whether the formalization of a relationship
14 occurred before or after this timestamp, but
15:45:46 15 eventually they did have a -- a similar formalized
16 relationship for market-making services with
17 Ripple --

18 Q. And what did you say -- I'm sorry.

19 A. With Ripple Labs.

15:45:55 20 Q. Thank you.

21 What did you say the name of the firm
22 was?

23 A. [REDACTED] was the d/b/a. I
24 don't remember the entity name.

15:46:01 25 Q. And were they affiliated with [REDACTED]

15:46:03 1 [REDACTED] ?

2 A. No. Not to my knowledge.

3 Q. Okay. So what -- what is -- what are
4 you discussing in this e-mail that's Exhibit

15:46:21 5 PR-21?

6 A. Without seeing other communications from
7 around that time, I don't remember the specifics
8 of what we were discussing.

9 Q. When you say in your e-mail "We're
15:46:39 10 making progress in finding the right structure,"
11 what are you referring to?

12 A. I do have a general recollection from
13 this time period being on the phone discussing tax
14 issues. I don't remember the nature of the
15:46:52 15 question that we were trying to resolve. But,
16 generally speaking, the area, the whole space had
17 a lot of questions around tax accounting treatment
18 and all sorts of other questions. So this was not
19 uncommon.

15:47:07 20 MR. GULAY: Here I just want to
21 caution you not to reveal the substance of
22 any privileged communications you may have
23 had with lawyers at Perkins Coie.

24 THE WITNESS: Understood.

15:47:14 25 BY MS. STEWART:

15:47:16 1 Q. Did you discuss with Mr. [REDACTED] or
2 Mr. [REDACTED] the nuances of your discussions with
3 Perkins and [REDACTED], as you say in your e-mail,
4 when you say "I'd be happy to explain the nuances
15:47:29 5 over the phone"?

6 MR. GULAY: Same objection.

7 MR. HORTON: I'm also going to
8 object in that it's not clear that that's
9 what the e-mail says.

15:47:36 10 MS. STEWART: Okay. I'll --
11 I'll -- I'll restate the question.

12 BY MS. STEWART:

13 Q. You say in your e-mail "I'd be happy to
14 explain the nuances over the phone if you're
15:47:42 15 interested."

16 Do you see that?

17 A. Yes.

18 Q. Did you, in fact, have a conversation
19 where you explained the nuances to Mr. [REDACTED] and
15:47:49 20 Mr. [REDACTED]?

21 A. I -- I really don't have recollection of
22 the overarching topic that this e-mail is -- is
23 fitting into to -- to answer that.

24 Q. Okay.

15:48:01 25 MS. STEWART: Can we do 22 next?

15:48:03 1 PR-22, please, Nicole. And
2 that's Bates numbered RPLI_SEC 12150 to
3 51.

4 (Whereupon, exhibit is presented
15:48:16 5 and marked SEC Rapoport Exhibit PR-22 for
6 identification.)

7 (Pause)

8 A. Okay. I've reviewed the document.

9 BY MS. STEWART:

15:49:38 10 Q. Okay. Who is [REDACTED]?

11 A. Based on the content of this e-mail, it
12 appears it's a cold e-mail from the website. I
13 don't believe I had any further interaction with
14 this person before or after this e-mail.

15:49:54 15 Q. Okay. You say in your e-mail to
16 Ms. [REDACTED], "There are a lot of
17 legal/regulatory and licensing requirements
18 involved in the idea you described. It's very
19 important that we remain 100 percent compliant and
15:50:08 20 friendly with regulators. That is one (of
21 several) reasons that we generally give away XRP
22 to individuals and have not experimented with
23 selling it."

24 Do you -- do you see that?

15:50:21 25 A. Yes.

15:50:24 1 Q. Was it accurate as of February 2014
2 that -- that Ripple had not experimented with
3 selling XRP?

4 A. I'd have to look back through some of
15:50:37 5 these documents to confirm that that -- if that is
6 true or not.

7 Q. Okay. When you joined Ripple in 2013,
8 was it the case that Ripple had not sold XRP?

9 MR. GULAY: Objection. Also, the
15:50:55 10 e-mail's not clear whether its refers to
11 selling it full stop or selling to
12 individuals.

13 A. I don't have specific recollection of
14 writing this e-mail, but I'm assuming that this
15:51:07 15 reflected my understanding at the time based on
16 the information that was available to me as a
17 relatively new employee of the company.

18 Q. Okay. You say in your e-mails that
19 being friendly with regulators and 100 percent
15:51:22 20 compliant is one of several reasons that Ripple
21 does giveaways, is that right?

22 A. That's what the e-mail says.

23 Q. Okay. Is that -- is that accurate?

24 A. It was important for us to be compliant
15:51:34 25 and friendly with regulators. And I assume the

15:51:39 1 sentence that says that this is one of several
2 reasons that we generally give away to
3 individuals -- that "we generally give away XRP to
4 individuals and have not experimented with selling
15:51:51 5 it," I assume that reflects my understanding at
6 the time.

7 Q. Okay. What are the other reasons that
8 Ripple was doing giveaways as opposed to selling
9 XRP at this time in 2014?

15:52:05 10 A. As I mentioned earlier, at the inception
11 of the company, there was a desire to be
12 charitable and do good deeds with the -- the
13 assets that the company held.

14 Q. Any other reason?

15:52:23 15 A. None that I can think of currently.

16 Q. One more question on the document that
17 we had looked at earlier, the e-mails that you had
18 forwarded to Mr. [REDACTED] and to Mr. [REDACTED],
19 PR-19 and PR-20.

15:52:39 20 A. Yes.

21 Q. Did you -- so I see that you copied
22 Mr. Griffin on both those e-mails.

23 Were others at the -- at the company
24 aware that you were sending these e-mails to third
15:52:51 25 parties?

15:52:51 1 MR. HORTON: Objection to form.

2 A. No, I don't believe others would have
3 had any reason to know about these e-mails. These
4 were a synthesis of my personal understanding
15:53:06 5 based on conversations I had.

6 Q. Are you familiar with an entity called

7 [REDACTED]?

8 A. Yes.

9 Q. Okay. And is that entity known as [REDACTED]?

15:53:18 10 A. Yes.

11 Q. Okay. How did you come to know [REDACTED]?

12 A. I don't remember the specific genesis of
13 how we met, but at some point in time I met them
14 and -- and had numerous conversations over a
15:53:40 15 period of time about Ripple.

16 Q. Had you met anyone from [REDACTED] before your
17 time at Ripple?

18 A. No.

19 Q. And what was the nature of [REDACTED]'s
15:53:54 20 relationship with Ripple?

21 A. [REDACTED], I believe, ultimately invested in
22 the equity of Ripple Labs, Inc. and also purchased
23 XRP, if I recall, but the specifics are difficult
24 to remember without researching it.

15:54:28 25 Q. Okay. Let's look at some documents and

15:54:30 1 maybe that will refresh your recollection.

2 MS. STEWART: Can we look at

3 PR-39?

4 And PR-39 is Bates numbered [REDACTED]

15:54:58 5 2320. It's a one-page document.

6 (Pause)

7 THE WITNESS: Okay.

8 BY MS. STEWART:

9 Q. Okay. So what is this e-mail exchange

15:55:30 10 between you and [REDACTED] about?

11 A. I don't recall this independently, but

12 based on reading the e-mail, it appears that [REDACTED]

13 was interested in purchasing \$500,000 worth of

14 Ripple -- of XRP.

15:55:51 15 Q. Of XRP.

16 A. Yes.

17 Q. And you say in your e-mail to Mr. [REDACTED]

18 [REDACTED], at the bottom, you say "Our intention is to

19 completely stop these OTC transactions after our

15:56:06 20 funding round closes, and we generally view XRP to

21 be undervalued at these levels."

22 Do you see that?

23 A. Yes.

24 Q. What did you mean by this?

15:56:17 25 A. The first clause I think agrees with

15:56:19 1 some of the other e-mails that we've looked at
2 today, which is that various individuals had
3 conveyed this intent to stop selling OTC after a
4 funding round closes.

15:56:33 5 And the second clause, it's difficult
6 for me to say without knowing the price on that
7 day and the events, you know, surrounding that
8 day. My memory just isn't that good about market
9 activities in 2014.

15:56:48 10 Q. Okay. Okay. The next sentence you say
11 "When we close the 'OTC window' and push everyone
12 into the market soon, we think it will have a
13 bullish effect on price going forward."

14 Do you see that?

15:57:03 15 A. Yes.

16 Q. And what did you mean by "bullish effect
17 on price"?

18 A. We talked about this concept a little
19 bit earlier, which is that in a -- in any market,
15:57:12 20 if all the buyers purchase directly from an
21 entity, in a hypothetical scenario, if a hundred
22 percent of buyers purchase from an entity and only
23 sellers went to the market, there's no mechanism
24 for the price to ever go up. It could only go
15:57:27 25 down.

15:57:28 1 And so it was my view that selling OTC
2 had a negative impact both on the liquidity in the
3 market and the price of XRP.

4 Q. And why were you telling Mr. [REDACTED] this?

15:57:50 5 A. I was conveying my -- my views on the
6 market at the time.

7 Q. Were you communicating to Mr. [REDACTED] that
8 the XRP that he would be purchasing would go up in
9 price once Ripple stopped doing OTC sales?

15:58:04 10 MR. HORTON: Objection to form.

11 A. As I said earlier, I thought the highest
12 probability of the outcome was that it goes to
13 zero, but I thought -- these were my -- my views
14 of the market at this given point in time.

15:58:17 15 Q. Well, at this point in time you thought
16 that the -- the -- stopping the OTC sales would
17 have a bullish effect on price, right?

18 A. Yes, I did think that there was a cause
19 and effect there.

15:58:28 20 Q. Okay. Did [REDACTED] ultimately buy this
21 \$500,000 of XRP?

22 A. From this e-mail, it seems like that
23 likely happened, but I don't recall if the
24 transaction was consummated.

15:58:48 25 MS. STEWART: Okay. Let's look

15:58:49 1 at another document, PR-40.

2 (Whereupon, exhibit is presented
3 and marked SEC Rapoport Exhibit PR-40 for
4 identification.)

15:59:18 5 MS. STEWART: And PR-40 is Bates
6 numbered [REDACTED] 2297. It's a one-page
7 document.

8 (Pause)

9 THE WITNESS: Okay. I've read
15:59:48 10 it.

11 BY MS. STEWART:

12 Q. Okay. So this -- this e-mail, PR-40,
13 appears to be one day after the e-mail we looked
14 at in PR-39.

16:00:00 15 Does this refresh your recollection as
16 to whether [REDACTED] bought \$500,000 or whether it
17 ultimately bought a million dollars, or perhaps
18 these were separate transactions? If you
19 remember.

16:00:09 20 MR. HORTON: Objection to form.

21 A. Given that this was seven years ago, I
22 don't have specific recollection of -- of how
23 these days went down and whether these
24 transactions occurred. From this e-mail, it looks
16:00:26 25 like they agreed to purchase \$1 million worth of

16:00:30 1 XRP on September 11th, 2014. I'm not sure if that
2 was in addition to or in -- you know, in lieu of
3 the prior day's e-mail.

4 Q. Okay. So this transaction that's
16:00:46 5 referenced in PR-40 includes a [REDACTED] discount
6 and [REDACTED], is that right?

7 A. That's what the e-mail says.

8 Q. Okay. And why was no lockup included
9 for this transaction?

16:01:02 10 A. I don't recall what the circumstances
11 were surrounding the discussions outside of this
12 e-mail.

13 Q. Was it your understanding that when
14 buying at a [REDACTED] discount with [REDACTED],
16:01:12 15 [REDACTED] would immediately sell the XRP?

16 MR. HORTON: Objection to form.

17 MS. BUNTING: Objection.

18 A. Generally speaking, I think there's a
19 lesser incentive to act that way if you hold more
16:01:31 20 of an asset because selling [REDACTED] immediately
21 could negatively impact the other [REDACTED] that
22 someone holds. That's a general statement. I
23 don't have any specific knowledge or recollection
24 about what -- what [REDACTED] did to say.

16:01:43 25 Q. Did you have any discussions with

16:01:44 1 Mr. [REDACTED] about what [REDACTED] intent was with respect
2 to the million dollars in XRP it was buying?

3 A. I don't recall what discussions we did
4 or didn't have that day.

16:01:54 5 Q. Do you recall discussions generally
6 with -- with him about what [REDACTED] intended to do
7 with the XRP it was purchasing?

8 A. I do remember having a number of
9 discussions with him over the course of a long
16:02:07 10 period of time. I don't remember whether or not
11 he expressed to me what his intent was with --
12 with the XRP that he purchased.

13 Q. Whether or not he expressed it to you,
14 did you have an understanding of what his intent
16:02:20 15 was with respect to the XRP he was purchasing?

16 A. I understood him to be a speculator.

17 Q. Okay. And did you understand him to be
18 a long-term speculator or a short-term speculator?

19 MR. HORTON: Objection to form.

16:02:34 20 MS. BUNTING: Objection.

21 A. Based on the information available to me
22 at the time, I -- I viewed him as -- as a likely
23 long-term -- having a long-term interest in the
24 technology and a long-term speculator.

16:02:49 25 Q. And what information are you referring

16:02:50 1 to?

2 A. A synthesis of information from a number
3 of conversations over time.

4 Q. Did Ripple place any restrictions on the
16:03:04 5 resale of the XRP that it was selling to [REDACTED]?

6 MR. GULAY: Objection;
7 foundation.

8 A. I'm not aware of any restrictions that
9 Ripple placed on it, no.

16:03:25 10 Q. Okay.

11 MS. STEWART: Can you look at
12 PR-41 next, please?

13 (Whereupon, exhibit is presented
14 and marked SEC Rapoport Exhibit PR-41 for
16:03:30 15 identification.)

16 MS. STEWART: And PR-41 is Bates
17 numbered [REDACTED] 1489 to 1490.

18 (Pause)

19 THE WITNESS: Okay.

16:04:32 20 BY MS. STEWART:

21 Q. Looking at the bottom e-mail in the
22 chain from Mr. [REDACTED] to you, which is on the second
23 page of the document, here he says "I believe I
24 can buy 4 MM by year end, I bought 3 MM USD
16:04:49 25 already."

16:04:49 1 Do you see that?

2 A. Yes.

3 Q. Does this refresh your recollection that

4 [REDACTED] bought \$3 million of XRP as of September 20,

16:04:56 5 2014?

6 A. This e-mail implies -- certainly implies
7 that, yes.

8 Q. Okay. But you don't have a recollection
9 one way or the other?

16:05:11 10 A. I don't recall whether he bought it from
11 Ripple, in the market through others or how -- how
12 and when or how much he purchased, no.

13 Q. Okay. Then looking at your response to
14 him, which is on the first page of the document,

16:05:22 15 you say "As I mentioned previously, we hope to
16 stop these 'OTC' sales after our funding round
17 officially closes and" we're no longer -- "we are
18 no longer reliant on XRP sales to help fund the
19 company (at least for a period of several" --

16:05:37 20 "several years)."

21 Do you see that?

22 A. Yes.

23 Q. Okay. So -- and I think you said this
24 before, but is it the case that -- that OTC sales

16:05:54 25 at some point were -- were used to help fund

16:05:57 1 Ripple?

2 MR. GULAY: Objection.

3 A. Reading this e-mail, it -- it appears
4 that that was my belief at the time, yes.

16:06:06 5 Q. Okay. And the next sentence, where you
6 say "I think the OTC sales hurt our efforts
7 elsewhere - it removes demand from the market and
8 also makes for lower volume," is that the same
9 concept that you've discussed already today about
16:06:19 10 your view about OTC sales not being helpful for
11 liquidity?

12 A. Yes.

13 MS. BUNTING: Objection.

14 Q. And then you say "If we satisfy every
16:06:32 15 large buyer, then XRP will never rally."

16 What do you mean by that?

17 A. This is the same dynamic referenced in
18 the preceding sentence and it was discussed about
19 OTC sales dynamics.

16:06:46 20 Q. And were you explaining this -- this to
21 Mr. [REDACTED] be -- because, as a speculator, he wanted
22 XRP to rally?

23 MR. HORTON: Objection to form.

24 MR. GULAY: Objection.

16:07:06 25 A. Reading the following paragraph, where I

16:07:09 1 asked "Do you have a sense of the size that the
2 Chinese buyers are interested in? Perhaps we can
3 do a big final block before we close the OTC
4 window," it seems I may have been debating whether
16:07:22 5 we should force that buyer or encourage that buyer
6 to go into the market to purchase the XRP
7 independently of Ripple Labs.

8 Q. And was that related to the desire to --
9 the desire for the XRP price to rally?

16:07:39 10 MR. HORTON: Objection to form.

11 A. As I said earlier, I -- I thought that
12 OTC sales hurt liquidity, market liquidity, as
13 well as price.

14 Q. Did Ripple, in fact, stop selling XRP
16:08:01 15 after this funding round that's referenced in your
16 e-mail?

17 MR. HORTON: Objection to form.

18 A. I don't recall whether I had information
19 one way or another and I certainly didn't have
16:08:18 20 full transparency into Ripple's XRP sales to
21 answer that definitively.

22 Q. Do you have a general memory as to
23 whether Ripple continued to sell XRP during your
24 tenure at Ripple?

16:08:32 25 MR. GULAY: Objection. What do

16:08:33 1 you mean, "selling XRP"? OTC or just
2 generally?

3 MS. STEWART: Yes, I'm talking
4 about over-the-counter sales right now.

16:08:49 5 A. I would be guessing because without more
6 information, I couldn't even tell you what the
7 date of the Series A round was given how much time
8 has passed.

9 MS. STEWART: Okay. Can we look
16:09:03 10 at PR-44 next?

11 (Whereupon, exhibit is presented
12 and marked SEC Rapoport Exhibit PR-44 for
13 identification.)

14 MS. STEWART: And PR-44 is Bates
16:09:28 15 numbered RPLI_SEC 199575 to 576.

16 (Pause)

17 THE WITNESS: Okay.

18 BY MS. STEWART:

19 Q. Okay. So in this e-mail you are talking
16:10:44 20 with Mr. Larsen, Mr. Griffin, and others about a
21 deal with [REDACTED] that would bring their total XRP
22 purchase -- purchases to \$10 million, is that
23 right?

24 A. Yes.

16:11:01 25 Q. Okay. And -- and the deal would include

16:11:04 1 a [REDACTED] and a [REDACTED] discount?

2 A. Yes.

3 Q. Okay. And do you see in the first --
4 the second e-mail in the chain where Mr. Larsen
16:11:18 5 says "Yes, I'm moving forward here - the lockup is
6 great"? Do you see that?

7 A. Yes.

8 Q. Did Mr. Larsen approve every OTC
9 transaction?

16:11:29 10 MS. BUNTING: Objection.

11 A. I only saw the details of what I thought
12 were a subset of the OTC transactions. And I
13 generally recall Mr. Larsen approving them, but I
14 don't have a good enough memory to say he did or
16:11:59 15 did not approve every transaction that I was
16 involved in.

17 Q. Okay. And Mr. Larsen says here "the
18 lockup is great."

19 Do you have an understanding of what he
16:12:08 20 means by that?

21 A. I think he preferred having a lockup in
22 place to having no lockup in place.

23 Q. And what's your understanding of why he
24 preferred that?

16:12:27 25 A. In general, I think we all shared a

16:12:29 1 preference for the price of XRP to rise rather
2 than fall and there was a risk that large holders
3 buying at a discount could sell at the market
4 price to arbitrage a smaller large profit or a
16:12:48 5 significant profit.

6 MS. STEWART: Can we look at
7 PR-52 next?

8 And PR-52 is Bates numbered
9 RPLI_SEC 199556 to 561.

16:13:32 10 (Whereupon, exhibit is presented
11 and marked SEC Rapoport Exhibit PR-52 for
12 identification.)

13 (Pause)

14 MR. GULAY: I just want to note
16:14:57 15 for the record there appears to be a page
16 missing. It skips from 557 to 559.

17 MS. STEWART: Okay. I think
18 there was another attachment that was not
19 a substantive one that I didn't print, but
16:15:09 20 I can't be sure of that.

21 MR. GULAY: Okay. Noted.

22 THE WITNESS: Okay. I've
23 reviewed it.

24 BY MS. STEWART:

16:15:52 25 Q. Okay. So this appears to be an e-mail

16:15:54 1 from Mr. [REDACTED] to you that you then forward to
2 Mr. Larsen and others attaching the long-term
3 Ripple fund term sheet, is that right?

4 A. Yes.

16:16:05 5 Q. Okay. So what is the long-term Ripple
6 fund?

7 A. I'm not aware that the long-term Ripple
8 fund was anything. It says it's yet to be formed,
9 manager and detail legal structures to be
16:16:26 10 determined by lawyers. I believe as the e-mail
11 from Mr. [REDACTED] says, these are just thoughts.

12 Q. Okay. Was this fund something that you
13 were discussing with Mr. [REDACTED]?

14 A. I'm sure I discussed this after he
16:16:40 15 put -- discussed this with him after he put in the
16 time to draft it, yes.

17 Q. Okay. So can you just explain to me
18 what this fund -- well, strike that.

19 Did this fund ever come to be?

16:16:55 20 A. Not to my knowledge.

21 Q. Okay. What -- what was supposed to be
22 the structure of this fund that you were
23 discussing with Mr. [REDACTED] both before and after
24 this -- this document?

16:17:07 25 MR. GULAY: Objection to form.

16:17:10 1 A. I recall that Mr. [REDACTED] had a general
2 desire to form some entity that would allow third
3 parties to get exposure through his entity to the
4 price of XRP. I think he shares a lot of thoughts
16:17:28 5 in this attachment which I viewed in draft form
6 for discussion purposes.

7 Q. And was Ripple interested in pursuing
8 such a fund with [REDACTED]?

9 MR. GULAY: Objection;
16:17:38 10 foundation.

11 A. Based on my recollection, I would -- of
12 general circumstances at the company at the time,
13 I think the company would have been happy to have
14 a third party create an entity that purchases a
16:18:02 15 lot of XRP.

16 Q. And why is that?

17 A. Because it would have allowed the
18 company to monetize assets on its balance sheet.

19 Q. And would it also -- would it also allow
16:18:22 20 the company to monetize -- monetize assets on its
21 balance sheet without some of the liquidity issues
22 that you have discussed surrounding OTC sales?

23 MR. HORTON: Objection to form.

24 MR. GULAY: Objection.

16:18:35 25 A. That would depend on the details, which

16:18:39 1 are unknown in this hypothetical discussion.

2 Q. Okay. As -- as you -- did the
3 discussions with Mr. [REDACTED] continue after this
4 document that we're looking at in PR-52?

16:18:51 5 A. I believe Mr. [REDACTED] had an ongoing
6 relationship with Ripple that extended beyond
7 this -- this e-mail.

8 Q. So what would the benefit to Ripple be
9 of having a third party like this fund buy its XRP
16:19:10 10 versus the other distribution strategies that
11 we've talked about today, like the OTC sales or
12 the giveaways?

13 MR. GULAY: Objection.

14 MS. BUNTING: Objection.

16:19:21 15 MR. GULAY: Calls for
16 speculation.

17 A. Whether it would be beneficial or not
18 would depend largely on the details, which are
19 unknown.

16:19:47 20 MR. TENREIRO: Just so you know,
21 Erol, the -- the missing page is called
22 "Attachment 2" and it's a blank page.

23 MR. GULAY: Okay.

24 MS. STEWART: Thank you.

16:20:05 25 Okay. Can we look at 51 next,

16:20:07 1 please?

2 (Whereupon, exhibit is presented
3 and marked SEC Rapoport Exhibit PR-51 for
4 identification.)

16:20:25 5 MS. STEWART: PR-51 is Bates
6 numbered [REDACTED] 1955. It's a one-page
7 document.

8 (Pause)

9 THE WITNESS: I've -- I've
16:21:22 10 reviewed this.

11 BY MS. STEWART:

12 Q. Okay. Looking at Mr. [REDACTED]'s e-mail to
13 you at the bottom of the page, he says "As I
14 think" -- "As I think through the utility of XRP,
16:21:36 15 a stable XRP and a more liquid XRP promotes
16 business."

17 Do you see that?

18 A. Yes.

19 Q. Do you agree with that statement?

16:22:04 20 A. I find that to be an unclear statement,
21 unclear sentence. Promotes what business?

22 Q. Okay. So you don't have an opinion
23 about that sentence?

24 A. What do you understand "promotes
16:22:29 25 business" to mean here? Then maybe I can answer

16:22:31 1 if I think it's true.

2 Q. Well, I can't -- I can't provide
3 answers, so it's just your understanding of -- do
4 you have an understanding of what he means in this
16:22:38 5 sentence?

6 A. I don't understand what that means.

7 Q. Okay.

8 A. So it's difficult for me to say if it's
9 true.

16:22:43 10 Q. Okay. Then a couple of paragraphs down,
11 Mr. [REDACTED] says "Lastly, if Ripple Labs is in the
12 market stabilizing XRP, it looks bad and is an
13 excuse for others to criticize Ripple. But if a
14 third party buys on behalf of institutions, then
16:22:58 15 no one says nothing."

16 Do you see that?

17 A. I do.

18 Q. Okay. Do you agree with Mr. [REDACTED]
19 statement?

16:23:05 20 A. I think this statement reflects Mr.
21 [REDACTED] thoughts and not the thoughts of anyone at
22 the company and certainly not my thoughts.

23 Q. Okay. Do you agree that if -- if Ripple
24 Labs is in the market stabilizing XRP, it looks
16:23:20 25 bad?

16:23:21 1 MR. GULAY: Objection.

2 A. I would certainly perceive it negatively
3 as a third party if I was aware that Ripple Labs
4 was in the market stabilizing XRP.

16:23:36 5 Q. Was one of the goals of this fund that
6 was being discussed with Mr. [REDACTED] to stabilize the
7 price of XRP?

8 MR. GULAY: Objection.

9 A. Mr. [REDACTED] is clearly sending
16:23:54 10 unsolicited -- his unsolicited thoughts about this
11 topic, but it was not a goal of Ripple Labs to
12 have him do that.

13 Q. And when -- when you respond
14 "Exactly - the fund can be as big as it wants to
16:24:30 15 be," and then you go on to say "RL will want to
16 supply the majority of it, but if the fund has
17 more demand than RL wants to provide, that's not
18 necessarily a problem," do you see that?

19 A. Yes.

16:24:42 20 Q. What's -- why -- well, first of all, RL
21 here refers to Ripple Labs?

22 A. Yes.

23 Q. Okay. And when you say "Ripple Labs
24 will want to supply the majority of it," meaning
16:24:53 25 the fund, what is that statement based on?

16:24:56 1 A. I must have been making an assumption
2 about a dollar amount that the fund would be
3 interested in purchasing and making an assumption
4 that Ripple Labs would be interested in supplying
16:25:08 5 the majority of that dollar amount.

6 Q. Did you -- did you discuss that with
7 anyone at Ripple?

8 A. I don't recall the specific
9 circumstances surrounding this e-mail exchange.

16:26:08 10 Q. Why did Ripple want to supply the
11 majority of the XRP for this fund?

12 MR. GULAY: Objection.

13 A. Again, I don't remember the specific
14 circumstances surrounding this e-mail exchange,
16:26:20 15 but I can presume that Ripple's interested in
16 getting XRP off its balance sheet and getting
17 dollars on to its balance sheet.

18 Q. Okay.

19 MS. STEWART: Can we look at
16:26:37 20 PR-65 next?

21 (Whereupon, exhibit is presented
22 and marked SEC Rapoport Exhibit PR-65 for
23 identification.)

24 (Pause)

16:27:28 25 THE WITNESS: Okay. I've -- I've

16:27:29 1 reviewed this.

2 BY MS. STEWART:

3 Q. Do you remember receiving this e-mail
4 from Mr. [REDACTED] in December 2014?

16:27:35 5 A. I -- I don't remember this e-mail, but
6 I'm looking at it and, you know, I was a party to
7 it.

8 Q. Okay. Do you recall having discussions
9 about the issues reflected in the e-mail with
16:27:44 10 Mr. [REDACTED]?

11 A. I don't remember specifically discussing
12 these issues with Mr. [REDACTED], but I do remember that
13 these were issues that were considered at various
14 times during my time with the company.

16:27:57 15 Q. Okay. Is -- is Mr. [REDACTED] here asking
16 that Ripple get a legal opinion that XRP is not a
17 security?

18 MR. HORTON: Objection to form.

19 A. In my recollection, Ripple did already
16:28:12 20 have a legal memo that gave us comfort that XRP
21 was not likely to be considered a security, and I
22 believe we sought another one after this which
23 said the same thing ultimately.

24 Q. Okay. And the legal memo that you're
16:28:29 25 referring to that -- that Ripple already had, was

16:28:32 1 that from Perkins Coie?

2 A. I believe so, yes.

3 Q. Okay. Had you shared that legal memo
4 with Mr. [REDACTED]?

16:28:43 5 A. Reading this e-mail, it would imply he
6 had not seen it, but I don't recall if I shared it
7 or not.

8 Q. Did you share that legal memo with
9 Mr. [REDACTED] after you received this e-mail that's
16:28:53 10 Exhibit PR-65?

11 MR. HORTON: Objection to form.

12 A. I apologize. I just don't remember
13 seven years ago.

14 Q. After you received this e-mail, you
16:29:05 15 sought another legal memo from another firm?

16 MS. ZORNBERG: Objection.

17 A. My recollection is that there was more
18 than one law firm that helped us investigate this
19 issue and came to the same conclusion, yes.

16:29:26 20 MR. GULAY: I'm sorry, just to --
21 to pause again and caution you not to
22 reveal the -- any discussions with outside
23 counsel or the -- the outcome of any of
24 your discussions with outside counsel or
16:29:40 25 the conclusions of counsel.

16:29:41 1 THE WITNESS: Okay.

2 MS. ZORNBERG: I'd also like to
3 take a break.

4 MS. STEWART: Okay.

16:29:49 5 MS. ZORNBERG: Is now a good time
6 to take a short break?

7 MS. STEWART: That's fine.

8 THE VIDEOGRAPHER: Okay. Going
9 off the record at 4:29.

16:29:55 10 (Whereupon, a recess is taken.)

11 THE VIDEOGRAPHER: On the rec --
12 on the record, 4:45.

13 BY MS. STEWART:

14 Q. So, Mr. Rapoport, I think you told me
16:45:08 15 before the break that you weren't sure whether you
16 sent the Perkins Coe -- the Perkins Coie memo to
17 Mr. [REDACTED], is that right?

18 A. Yes. I'm not sure one way or another.

19 Q. Okay. Why did you retain Paul Hastings
16:45:26 20 to prepare a memo when you already had a memo from
21 Perkins Coie?

22 MR. GULAY: Objection.

23 MR. HORTON: Objection.

24 MR. GULAY: Calls for privileged
16:45:33 25 communications.

16:45:36 1 You can answer to the extent it
2 won't reveal the substance of any
3 communications with outside counsel.

4 A. I -- I don't believe I was ever the
16:45:45 5 person at Ripple Labs engaging any lawyer or law
6 firm.

7 Q. Okay.

8 MS. STEWART: Can we -- can we
9 look at Exhibit 68, please?

16:46:29 10 (Whereupon, exhibit is presented
11 and marked SEC Rapoport Exhibit PR-68 for
12 identification.)

13 MS. STEWART: And Exhibit 68 is
14 Bates numbered [REDACTED] 1803 to 05.

16:47:01 15 (Pause)

16 THE WITNESS: I've reviewed this.

17 BY MS. STEWART:

18 Q. And in the second e-mail in this chain,
19 you're telling Mr. [REDACTED] "FYI, Paul Hastings is
16:47:33 20 producing a memorandum for us which explains why
21 we don't believe XRP is a security. ETA equals
22 January 23rd."

23 Do you see that?

24 A. I do.

16:47:42 25 Q. Okay. Did Ripple retain Paul Hastings

16:47:44 1 to produce a memorandum in response to Mr. [REDACTED]
2 request?

3 MR. HORTON: Objection.

4 MR. GULAY: Objection. The --
16:47:52 5 the reason why Ripple retained Paul
6 Hastings would be privileged.

7 MS. STEWART: Well, let -- let's
8 start chronologically.

9 BY MS. STEWART:

16:48:02 10 Q. Did Mr. -- did -- did Ripple retain Paul
11 Hastings to produce a memorandum after Ripple
12 received Mr. [REDACTED] e-mails in December and
13 January that we've looked at?

14 MR. HORTON: Objection to form;
16:48:13 15 foundation.

16 A. I don't know when Ripple retained Paul
17 Hastings.

18 MS. STEWART: Okay. And your --
19 your position, Erol, is that the reason
16:48:29 20 that Ripple retained Paul Hastings is
21 privileged?

22 MR. GULAY: Yes, the -- the
23 purpose of the legal advice sought from
24 Paul Hastings would be privileged.

16:48:38 25 MS. STEWART: So even -- even

16:48:39 1 the -- the purpose that you would put on a
2 privilege log, like the "re" line of the
3 engagement, you're saying is privileged?

4 MR. GULAY: Well, first, I don't
16:48:46 5 know if Mr. Rapoport would know that.

6 Second, you know, yes, we
7 would -- we would assert that, you know,
8 the -- the legal advice that was sought
9 from Paul Hastings is obviously
16:48:59 10 privileged.

11 MS. STEWART: And -- and your
12 position doesn't change with -- with the
13 fact that the legal advice received from
14 Paul Hastings was ultimately provided to a
16:49:10 15 third party?

16 MR. GULAY: Well, I guess -- can
17 you clarify for us what questions you are
18 asking about?

19 MS. ZORNBERG: Hold on. Can I --
16:49:19 20 can I interject?

21 MR. GULAY: Yes.

22 MS. ZORNBERG: We've produced to
23 you the Paul Hastings memo.

24 MS. STEWART: Uh-huh.

16:49:24 25 MS. ZORNBERG: You have that.

16:49:25 1 You can ask questions about that. But
2 beyond the memo itself, if you're asking
3 this witness -- and I don't know if he has
4 any information even to give you in
16:49:33 5 response. If you're asking him about
6 conversations he had or Ripple or Paul
7 Hastings, those do go to privilege. I
8 think you should just take it question by
9 question.

16:49:45 10 MS. STEWART: So you would assert
11 privilege over conversations even though
12 the final product was -- was given to a
13 third party? I'm just trying to make that
14 clear.

16:49:53 15 MS. ZORNBERG: Correct.

16 MS. STEWART: Okay.

17 MR. TENREIRO: And on the -- on
18 the reasons, so, you know, I decide -- I
19 wake up one morning and I say I need a
16:50:05 20 lawyer because I'm in trouble, that's
21 privileged? You're asserting privilege
22 over that? Or are you saying someone told
23 him to request a lawyer, that might be
24 privileged?

16:50:12 25 MS. ZORNBERG: This is too

16:50:13 1 hypothetical and it's well beyond what the
2 witness himself has said, which is he
3 doesn't know when Paul Hastings was
4 retained by Ripple.

16:50:20 5 MR. TENREIRO: I don't think it's
6 hypothetical. She asked him why did you
7 retain Paul Hastings? So you're --

8 MS. ZORNBERG: And his answer was
9 he doesn't know when Ripple Labs retained
16:50:28 10 Paul Hastings. I think we have to do this
11 question by question.

12 MS. STEWART: Okay. Can we look
13 at Exhibit 66, please?

14 (Whereupon, exhibit is presented
16:50:38 15 and marked SEC Rapoport Exhibit PR-66 for
16 identification.)

17 MS. STEWART: Exhibit 66 is Bates
18 numbered RPLI_SEC 96888 to 889.

19 (Pause)

16:51:49 20 THE WITNESS: Okay.

21 BY MS. STEWART:

22 Q. Okay. Who is [REDACTED]?

23 A. I'm not sure that I've ever spoken to

24 [REDACTED] I can make a guess based on his
16:52:02 25 e-mail signature.

16:52:03 1 Q. Do you have an understanding that he was
2 representing [REDACTED]?

3 A. I don't know the nature of their
4 relationship, but he appears to be a lawyer or
16:52:11 5 works at a law firm.

6 Q. Okay. So in this e-mail, Mr. --
7 Mr. [REDACTED] seems to be forwarding an e-mail to you,
8 Mr. Larsen, and Mr. [REDACTED] from Mr. [REDACTED] where
9 Mr. [REDACTED] says -- this is the second e-mail in
16:52:26 10 the chain -- "We don't know of the SEC taking any
11 position on the issue of whether a virtual
12 currency is itself a security."

13 Do you see that?

14 A. I do.

16:52:34 15 Q. Okay. Do you recall discussing this
16 e-mail from Mr. [REDACTED] with anyone at Ripple?

17 A. I don't remember discussing
18 Mr. [REDACTED] e-mail with anybody.

19 Q. Okay. Do you recall seeing
16:52:55 20 Mr. [REDACTED] e-mail at the time in January 2015?

21 A. I don't recall the circumstances around
22 this e-mail, so, no, I don't recall seeing that
23 e-mail or not.

24 Q. Okay. Are you familiar with an entity
16:53:33 25 named GSR?

16:53:34 1 A. I am.

2 Q. Okay. What is GSR?

3 A. GSR is a market-making firm.

4 Q. Okay. And did GSR have a relationship
16:53:43 5 with Ripple?

6 A. GSR had a similar relationship as the
7 other market makers that I mentioned that
8 provide -- provided market-making services and
9 received compensation for it.

16:53:54 10 Q. Okay. Did you have any involvement in
11 the GSR relationship?

12 A. I did.

13 Q. Okay. What was your involvement?

14 A. Similar to the other market makers, I
16:54:08 15 was the introducing party bringing -- making them
16 aware of Ripple and -- and working to formalize a
17 relationship with the firm.

18 Q. Okay. So -- so you were the introducing
19 party for GSR?

16:54:21 20 A. Yes.

21 Q. Okay. And when was that?

22 A. I don't recall the date, but it would
23 have been sometime in 2013 or 2014 based on my
24 recollection.

16:54:34 25 Q. And did you have a relationship with GSR

16:54:36 1 before you came to Ripple?

2 A. I knew some of the principals of GSR
3 prior to my time at Ripple, yes.

4 Q. Okay. Was there any difference between
16:54:49 5 GSR and other market makers in terms of the
6 services they provided or the nature of their
7 relationship with Ripple?

8 MR. GULAY: Objection to form.

9 MS. BUNTING: Objection.

16:54:58 10 A. Initially there was no material
11 difference that I can recall, but over time, GSR
12 provided additional services beyond what some of
13 the other market makers were providing.

14 Q. And what were these additional services?

16:55:19 15 A. Programmatic selling of XRP.

16 Q. And what does that mean?

17 A. In this case, it refers to selling XRP
18 in the public market as a percentage of volume, as
19 a percentage of the overall markets volume.

16:55:39 20 Q. Okay.

21 MS. STEWART: Can we look at 45,
22 please?

23 PR-45, Nicole.

24 (Whereupon, exhibit is presented

16:55:45 25 and marked SEC Rapoport Exhibit PR-45 for

16:55:45 1 identification.)

2 MS. STEWART: And PR-45 is Bates
3 numbered GSR 208 to 209.

4 (Pause)

16:56:57 5 THE WITNESS: Okay.

6 BY MS. STEWART:

7 Q. Okay. So in the bottom e-mail, which is
8 on page 2 of this document, you -- you say "Per
9 RL's request, GSR ([REDACTED] is cc'd) has
16:57:10 10 developed a bot that will provide" liquid --
11 "liquidity as a market maker while net selling a
12 specified percentage of overall XRP volume."

13 Do you see that?

14 A. I do.

16:57:19 15 Q. Is that what you were referring to a
16 moment ago?

17 A. Yes.

18 Q. Okay. So what is a bot?

19 A. It's short for robot, but in this case
16:57:34 20 refers to a software that places trades.

21 Q. Okay. And then you go on to say ""The
22 intent is to experiment with this as a more
23 structured way to monetize XRP holdings rather
24 than conducting OTC sales. This way we
16:57:48 25 algorithmically control the market impact, rather

16:57:50 1 than leaving that role to others who might have
2 less experience trading."

3 Do you see that?

4 A. I do.

16:57:54 5 Q. Okay. Can you explain what you mean by
6 this?

7 A. Sure. In institutional trading, when
8 someone is buying or selling an asset, there's
9 generally a preference to minimize market impact,
16:58:17 10 which is to say minimize the footprint or the --
11 or the effect that one's buying or selling has on
12 the market price. And someone inexperienced in
13 trading may not be able to do that effectively
14 whereas someone experienced, an experienced
16:58:34 15 institutional trader, is aware of techniques to
16 minimize the impact on the price. And one such
17 technique would be using a specified percentage of
18 the overall volume.

19 Q. And is that -- would the intent be to
16:58:49 20 alleviate some of the issues that you were
21 discussing before about the negative impacts on
22 liquidity and price and volume?

23 MS. BUNTING: Objection.

24 MR. HORTON: Objection.

16:59:05 25 A. When you say "would the intent be" --

16:59:08 1 can you rephrase the question?

2 Q. Sure.

3 So would the benefit of having this type
4 of algorithmic market making be to -- to alleviate
16:59:21 5 some of the issues that you talked to -- talked
6 about throughout today about -- about the negative
7 impact that OTC sales have on liquidity?

8 MS. BUNTING: Objection.

9 A. I thought this was a more sensible and
16:59:35 10 more typical way to go about these transactions
11 than -- than OTC sales.

12 Q. And why -- why is that?

13 A. For a number of reasons. One reason is
14 that it's programmatic so selling -- having a
17:00:02 15 third party sell 3 percent of volume consistently
16 I found to be preferable than having Ripple Labs
17 itself choosing discrete moments in time to
18 transact. I thought doing this on an arm's length
19 basis was more customary for this sort of
17:00:18 20 transaction in financial markets generally.

21 And I thought that, as we discussed
22 earlier, having the volumes occur in the public
23 market I thought benefited my goal, the company's
24 goal, of encouraging a more liquid market.

17:00:35 25 And I thought that doing it as a

17:00:36 1 percentage of volume, particularly such a low
2 percentage of volume, was unlikely to have any
3 material impact on the market price and it was a
4 controlled way of effecting these transactions.

17:00:55 5 Q. Okay. And did Ripple look to have
6 similar relationships with other market makers?

7 MR. GULAY: Objection.

8 A. At points in time I do recall
9 contemplating whether other types of these
17:01:35 10 relationships should be pursued, but I'm not aware
11 of Ripple pursuing any other types of
12 relationship -- any other relationships of this
13 type with other firms.

14 Q. But you had discussions about pursuing
17:01:45 15 similar relationships with other firms?

16 A. I remember that was contemplated at
17 points in time, yes.

18 Q. With which other firms?

19 A. I think it was -- I recall generally and
17:01:57 20 broadly contemplating it, but I don't recall
21 taking steps to actually do it.

22 Q. And -- and do you have an understanding
23 of why steps were not taken to actually do it?

24 MR. HORTON: Objection to form.

17:02:14 25 A. No, I don't recall.

17:02:17 1 Q. And was the intent of this, the
2 market-making bot with GSR, as you say in your
3 e-mail, another way to monetize Ripple's XRP
4 holdings?

17:02:36 5 MS. ZORNBERG: I'm sorry, can
6 you -- can you read that question back? I
7 just didn't hear you.

8 MS. STEWART: Sure.

9 Q. Was -- was the intent of the GSR
17:02:45 10 market-making bot to monetize Ripple's XRP hold --
11 holdings?

12 MR. HORTON: Objection to form.

13 A. The intent of the bot was to both buy
14 and sell making markets; but whereas a typical
17:03:04 15 market-making program would seek to be neutral and
16 have no position at the end of a period of time,
17 this bot sought to net sell XRP exchange for
18 dollars and that was the -- That was the goal of
19 it.

17:03:15 20 Q. Okay. So similar to the goal of the OTC
21 sales?

22 A. Yes.

23 MS. STEWART: Can I get 26 next?

24 Nicole, that's PR-26.

17:03:35 25 (Whereupon, exhibit is presented

17:03:35 1 and marked SEC Rapoport Exhibit PR-26 for
2 identification.)

3 (Pause)

4 THE WITNESS: Okay.

17:05:07 5 BY MS. STEWART:

6 Q. Okay. So -- I can't remember if I read
7 the Bates numbers for the record. I don't think I
8 did. PR-26 is Bates numbered RPLI_SEC 842618 to
9 20.

17:05:23 10 So I want to look at your e-mail to
11 Ms. Long at the top of page 1.

12 Who is Monica Long?

13 A. She was -- I believe her title was head
14 of communications or something to that extent.

17:05:41 15 Q. Okay. And -- and here is -- is
16 Ms. Long -- Ms. Long is -- is forwarding you a
17 communication she's having with a reporter, is
18 that right?

19 A. That's my understanding, yes.

17:05:53 20 Q. Okay. And you say to her in your e-mail
21 "I'd be careful saying XRP is not an investment
22 asset. It certainly is and we're pitching it to
23 investors. At the end of the day, our biz model
24 is predicated on people buying it. We can still
17:06:09 25 say that we don't encourage investment in XRP or

17:06:12 1 hype it at all."

2 Do you see that?

3 A. I do.

4 Q. Okay. Was that statement from you
17:06:17 5 accurate at the time in 2014?

6 A. Is it okay if I parse the individual
7 statements in there? There's a lot of statements.

8 Q. Sure.

9 A. So I do think it's accurate that we
17:06:37 10 don't encourage investment in XRP or hype it at
11 all. And I think that's echoed by her e-mail at
12 the bottom to the reporter saying "I suggest not
13 encouraging readers to buy XRP, given that it is
14 more of an enabler than an investment asset."

17:06:55 15 I do think that it was accurate in the
16 early days of the company that our business model
17 is predicated on people buying it, meaning buying
18 XRP. As I mentioned earlier, I think the seed
19 investors were investing in a company that was --
17:07:14 20 there was -- it was unclear where the technology
21 could be applied or would be applied in the
22 financial system and that the expectation of early
23 investors was that -- the business model was that
24 XRP may appreciate in value as a re -- as a result
17:07:29 25 of the technology being adopted.

17:07:33 1 The statement that "XRP is not an
2 investment asset," that doesn't seem like language
3 that I would typically use and so I believe that I
4 was likely mirroring her use of that language at
17:07:53 5 the bottom, but I'm not really sure what that
6 means in a -- I mean, you could buy it, but I'm
7 not really sure what -- what "investment asset"
8 means.

9 Does that answer your question?

17:08:08 10 Q. Yes. Thank you.

11 So you referenced in your prior answer
12 seed investors.

13 When were the seed investors that you're
14 referring to invest in Ripple?

17:08:18 15 A. These are seed investors in Ripple Labs,
16 Inc. or OpenCoin Inc. at the time.

17 Q. Uh-huh.

18 A. I don't know the date that that
19 occurred. It was likely in 2012 and predated my
17:08:29 20 time at the firm.

21 Q. Okay. So when you say here in 2014 "it
22 certainly is and we're pitching it to investors,"
23 you're not referring to seed investors, right?

24 A. No.

17:08:39 25 Q. Okay. So you're referring to the

17:08:41 1 efforts that you are involved in in 2014 that
2 we've talked about throughout today, right?

3 MR. GULAY: Objection.

4 MR. HORTON: Objection to form.

17:08:50 5 MS. BUNTING: Objection.

6 A. I believe this refers to conversations
7 with people that are interested in purchasing XRP.

8 Q. Okay. Did the seed investors in Ripple
9 Labs include Mr. Larsen?

17:09:16 10 MS. BUNTING: Objection.

11 MS. STEWART: What's the
12 objection?

13 MS. BUNTING: What do you mean by
14 "seed investors"?

17:09:20 15 MS. STEWART: Well, we've been
16 talking about seed investors. It's his
17 term.

18 MS. BUNTING: You can explain it
19 in the question as well.

17:09:25 20 MS. STEWART: Well, I think he
21 understands it since he used it.

22 MS. BUNTING: Well, I don't
23 think he can.

24 BY MS. STEWART:

17:09:27 25 Q. Go ahead, you can answer.

17:09:30 1 A. I'm not sure if he invested money in the
2 seed round of OpenCoin.

3 Q. I'm sorry, say that again.

4 A. I'm not sure whether or not he put
17:09:37 5 his -- his own money into the company. He
6 invested his time, certainly.

7 Q. Okay.

8 MS. STEWART: Thirty-four,
9 please.

17:09:46 10 PR-34 is the next exhibit,
11 Nicole, and that's Bates numbered
12 RPLI_SEC 882487 to 89.

13 (Whereupon, exhibit is presented
14 and marked SEC Rapoport Exhibit PR-34 for
17:09:54 15 identification.)

16 (Pause)

17 THE WITNESS: Okay.

18 BY MS. STEWART:

19 Q. Okay. So is it fair to say that -- that
17:12:48 20 in this e-mail, Ms. -- Ms. Long is forwarding you
21 a draft statement and then you're commenting on
22 that statement?

23 A. Yes.

24 Q. Okay. And what was the purpose of this
17:12:57 25 statement?

17:13:01 1 MR. GULAY: Objection;
2 foundation.

3 A. This was a statement describing a
4 settlement or the restrictions that Jed McCaleb,
17:13:11 5 one of the founders of OpenCoin or Ripple Labs,
6 announcing restrictions that he was agreeing to on
7 his personal XRP holdings.

8 Q. Okay. And you say in your e-mail, I
9 guess in the third bullet that starts with "In
17:13:28 10 exchange for," do you see that bullet?

11 A. Yes.

12 Q. Okay. You say sort of in the middle of
13 the paragraph: "I'd think the main goal is to
14 restore confidence in the market that founders
17:13:38 15 won't dump, so people feel comfortable owning
16 XRP."

17 Do you see that?

18 A. Yes.

19 Q. Okay. And what did you mean by that?

17:13:47 20 A. Jed McCaleb was a significant holder of
21 XRP and he made an announcement at some point in
22 time prior to this date that he would sell his
23 significant holdings at a specific price, which I
24 think was done in a deliberately destructive way
17:14:13 25 to market confidence.

17:14:24 1 And this overhang resulting from that
2 was a frequent topic that came up over the period
3 of time that it existed. And so that's -- my
4 sentence here is -- is in reference to that, that
17:14:42 5 backdrop.

6 Q. And when you say "market confidence"
7 in -- in your prior answer, what are you referring
8 to?

9 A. If the market is aware that there's a
17:15:02 10 very, very large seller at a certain price, it
11 stands to reason that the price would not likely
12 rise above that level without very, very
13 significant buying pressure.

14 Q. Okay. So a dump, like what you're
17:15:17 15 referring to here, by the founders would
16 negatively impact the price of XRP?

17 MS. BUNTING: Objection.

18 A. Selling -- public -- publicly announcing
19 of selling of very large holders negatively
17:15:41 20 impacts market prices. That's generally true.

21 Q. And that would negatively im -- impact
22 market confidence?

23 A. Yes.

24 Q. I want to shift gears a bit and talk
17:15:56 25 about your time at [REDACTED].

17:15:58 1 Can you remind me the -- the dates that
2 you were employed at [REDACTED]?

3 THE WITNESS: Is that...

4 MR. HECKER: Counsel, can you
17:16:13 5 make a proffer as to the relevance of his
6 [REDACTED] time?

7 MS. STEWART: Sure. Why don't we
8 go off the record?

9 THE VIDEOGRAPHER: Going off the
17:16:20 10 record.

11 MS. ZORNBERG: Why off the
12 record?

13 MS. STEWART: Because I don't
14 understand why I need a proffer to ask
17:16:25 15 questions. I mean, they will concern XRP.

16 MR. HECKER: Okay. Why don't you
17 start answering the question.

18 MS. STEWART: Okay.

19 A. I started working there in --

17:16:36 20 MR. GULAY: Are we on the record?

21 THE VIDEOGRAPHER: Yeah.

22 MR. GULAY: Okay.

23 A. I started working there in 2015. And
24 the exact date when I stopped, I'd have to check
17:16:53 25 because there was a period of time when I stopped

17:16:54 1 going full-time and continued to have a noncompete
2 and provide services to the company, but it was
3 sometime around 2020.

4 Q. Okay. What is [REDACTED]?

17:17:15 5 MR. HECKER: Objection to form.

6 A. [REDACTED] -- are you referring to

7 --

8 Q. Not -- not the street.

9 What is [REDACTED]

17:17:30 10 A. [REDACTED] is a
11 investment vehicle that [REDACTED] managed.

12 Q. Okay. Does [REDACTED] invest in
13 XRP?

14 THE WITNESS: I'm sorry, I'm just
17:17:46 15 not --

16 MR. HECKER: Shall we take a
17 two-minute break? Why don't we take a
18 two-minute break, yeah.

19 THE VIDEOGRAPHER: Okay.

17:17:54 20 MS. STEWART: Okay.

21 THE VIDEOGRAPHER: Going off the
22 record at 5:17.

23 (Whereupon, a recess is taken.)

24 THE VIDEOGRAPHER: Okay. Back on
17:22:49 25 the record, 5:22.

17:22:51 1 MR. HORTON: Counsel, before you
2 begin resuming your questions, we make a
3 request that those questions and answers
4 about [REDACTED] be designated highly
17:23:01 5 confidential under the protective order.

6 MS. STEWART: Okay.

7 BY MS. STEWART:

8 Q. So, Mr. Rapoport, did [REDACTED]
9 invest in XRP?

10 A. Yes.

11 Q. Does it currently invest in XRP?

12 MR. GULAY: Objection;
13 foundation.

14 A. I'm not aware of what it currently does
17:23:27 15 since I left the firm.

16 Q. Okay. As of the time you left the firm,
17 did it invest in XRP?

18 A. It -- it had XRP holdings until the end
19 of my time at the firm to the best of my
17:23:40 20 knowledge.

21 Q. Okay. And why did [REDACTED] invest
22 in XRP?

23 MS. BUNTING: Objection.

24 Actually, withdraw. Okay.

17:23:52 25 A. The objective of the fund was to provide

17:23:55 1 diversified exposure to a basket of the -- of the
2 largest most liquid digital assets.

3 Q. Was [REDACTED] goal to also at
4 least sell its XRP holdings and make money?

17:24:08 5 MR. HECKER: Objection to form.

6 A. [REDACTED] was a
7 vehicle that allowed investors to get diversified
8 exposure to a broad basket of digital assets, and
9 it was up to those investors to decide when they
17:24:23 10 wanted to subscribe or redeem from that fund like
11 any other funds that an investment manager
12 manages.

13 Q. Was [REDACTED] investing in XRP in
14 order to use XRP?

17:24:36 15 MR. HORTON: Objection to form.

16 A. The objective of [REDACTED]
17 [REDACTED] fund was to provide investors with a
18 diversified exposure to a basket of digital
19 assets.

17:24:50 20 Q. Okay. So it was for investment
21 purposes, right?

22 MR. HORTON: Objection to form.

23 You can answer.

24 A. I think I can repeat the objective of
17:25:01 25 the fund again. The objective was to provide

17:25:03 1 investors with an exposure to a diversified basket
2 of the largest most liquid digital --

3 THE REPORTER: Repeat, please.

4 A. The objective of the fund was to provide
17:25:08 5 investors with exposure to a diversified basket of
6 the largest most liquid digital assets.

7 Q. Including XRP?

8 A. Including XRP.

9 Q. Has [REDACTED] interacted with the
17:25:20 10 SEC regarding its digital asset holdings?

11 MR. HORTON: Objection to form.

12 A. I did not personally participate in any
13 interactions with the SEC during my time at [REDACTED]
14 [REDACTED], but my understanding in speaking with other
17:25:40 15 employees was that the firm did interact with the
16 SEC about its digital asset holdings.

17 Q. Okay. And what is your understanding of
18 the nature of those interactions with the SEC?

19 MR. HORTON: Counsel, I assume
17:25:52 20 you're not asking about any understanding
21 that's derived from communications with
22 [REDACTED] counsel. I just want to
23 clarify that.

24 MS. STEWART: Correct.

17:26:00 25 MR. HORTON: To the extent you

17:26:02 1 can parse that out, you can answer the
2 question.

3 A. [REDACTED], in my understanding, had a
4 large number of innovative investment products and
17:26:09 5 had frequent discussions, in my understanding,
6 with the SEC on a wide variety of topics
7 concerning a number of different funds. And,
8 again, I wasn't privy to these conversations. But
9 based on how others relayed them to me, my
17:26:24 10 understanding is that [REDACTED] sought guidance
11 about whether or not the digital assets held in
12 the fund were securities or not.

13 Q. Okay. And did [REDACTED] receive such
14 guidance from the SEC?

17:26:37 15 A. My understanding is that despite
16 significant attempts to receive that guidance, I'm
17 not aware that they received any guidance. I
18 don't believe that the SEC provided any guidance
19 to [REDACTED].

17:26:52 20 Q. Did the SEC provide any assurances to
21 [REDACTED] that the digital assets in -- in the
22 [REDACTED] fund were not securities?

23 MR. HORTON: Objection to form.

24 A. To the best of my understanding --
17:27:04 25 which, again, I was not there to witness or hear

17:27:08 1 these conversations, so my understanding is
2 limited to information that was shared with me by
3 others -- I don't believe the SEC provided
4 guidance one way or another of what its views were
17:27:22 5 on -- on whether XRP or any of the other digital
6 assets were or were not securities.

7 Q. Was Mr. Larsen a client of [REDACTED]

8 [REDACTED] during your time with [REDACTED]

9 ?

17:27:34 10 MR. HORTON: Objection to form.

11 A. [REDACTED] funds a
12 specific investment vehicle and I don't believe
13 that Mr. Larsen personally invested in that
14 vehicle, but I do believe that he invested in
17:27:51 15 other investment products offered by [REDACTED].

16 Q. And what were those investment products?

17 A. I didn't generally have granular
18 visibility on investor level holdings and
19 Mr. Larsen was no different in that respect, so I
17:28:11 20 don't know the answer.

21 Q. Okay.

22 MS. STEWART: Can we look at 78,
23 please?

24 MR. TENREIRO: Yeah.

17:28:18 25 (Whereupon, exhibit is presented

17:28:18 1 and marked SEC Rapoport Exhibit PR-78 for
2 identification.)

3 MS. STEWART: So PR-78 is Bates
4 numbered RPLI_SEC 235399 through 407.

17:28:38 5 (Pause)

6 BY MS. STEWART:

7 Q. And, Mr. Rapoport, feel free to -- to
8 review the document in its entirety, but I'm not
9 going to ask you any details about the attachment.

17:30:37 10 A. Okay. Well, I've reviewed the cover
11 page.

12 Q. Okay. Why were you sending the [REDACTED]
13 [REDACTED] fund commentary to Mr. Larsen
14 in 2018?

17:30:52 15 A. This was an automated e-mail that would
16 have gone to all investors in the fund. So the
17 fact that he received this suggests to me that he
18 may have been an investor in the fund. But,
19 again, I -- I didn't customarily focus on an
17:31:03 20 investor-level holding detail. I was focused on
21 bigger-picture things. But this is a -- an
22 automated e-mail that went to all investors and
23 some selected other parties.

24 Q. Okay. How many investors does the
17:31:15 25 [REDACTED] fund have?

17:31:16 1 MR. HORTON: Objection to form.

2 At what -- at what period?

3 Q. During your time with [REDACTED].

4 A. On the order of [REDACTED], but the exact
17:31:26 5 number I don't recall.

6 Q. Okay. Did you maintain a Ripple e-mail
7 address after you left Ripple?

8 A. My recollection is that I lost access to
9 Ripple e-mail when I left the firm as is
17:31:52 10 customary.

11 Q. Okay. So going back to the memo we
12 discussed a little bit ago that Ripple got from
13 Paul Hastings in 2015 --

14 A. Yes.

17:32:08 15 Q. -- you sent that memo to Mr. [REDACTED],
16 correct?

17 A. I don't recall whether I sent it to him.

18 Q. You don't recall one way or the other?

19 A. No. I generally have very little
17:32:27 20 recollection of my e-mails from seven years ago.

21 Q. Okay. Do you recall sending the memo to
22 anyone else outside of Ripple?

23 A. I recall the existence of the memo, but
24 the content of it and whether or not I sent it and
17:32:40 25 to how many people, as you can imagine, is

17:32:43 1 difficult to recall from back in 2015 or whenever
2 it was drafted.

3 Q. Okay.

4 MS. STEWART: Let's look at
17:32:49 5 PR-74, which is Bates numbered RPLI_SEC
6 481363 through 75.

7 (Whereupon, exhibit is presented
8 and marked SEC Rapoport Exhibit PR-74 for
9 identification.)

17:33:00 10 BY MS. STEWART:

11 Q. And I'm not going to ask you about the
12 contents of the attachment, just the e-mail.

13 (Pause)

14 A. Okay.

17:33:21 15 Q. Okay. Does this e-mail refresh your
16 recollection that you sent a copy of the Paul
17 Hastings memo to Mr. [REDACTED]?

18 A. Yes.

19 Q. Okay. Does it refresh your recollection
17:33:38 20 about whether or not you sent copies of this memo
21 to anyone else outside of Ripple?

22 A. I do generally recall sharing memos on
23 this topic with others. I don't recall to what
24 extent I shared this Paul Hastings memo versus the
17:34:10 25 Perkins Coie memo and, you know, how many people I

17:34:13 1 sent either of them to.

2 Q. And which Perkins Coie memo are you
3 referring to?

4 A. There was one document that we reviewed
17:34:27 5 earlier today that was marked white paper and had
6 [REDACTED] s name on it. I don't recall whether
7 that memo from 2013 or earlier or another one was
8 the one that I was sending seven years ago.

9 Q. Do you recall sending a -- a legal
17:34:46 10 opinion from Perkins Coie to anyone outside of
11 Ripple?

12 MR. HORTON: Objection to form.

13 A. That's a very specific request that I
14 don't have recollection of.

17:34:57 15 Q. Okay. Are you aware of anyone else at
16 Ripple sending the Paul Hastings memo to any third
17 parties other than Mr. [REDACTED]?

18 A. I don't recall one way or another.

19 Q. Did you have any discussions with anyone
17:35:14 20 at Ripple about sending the Paul Hastings memo to
21 third parties outside of Ripple?

22 A. I would think I likely discussed it
23 prior to sending it to a third party.

24 Q. Did you have discussions about sending
17:35:27 25 it to third parties in addition to Mr. [REDACTED]?

17:35:32 1 A. I don't recall.

2 Q. I want to look back at Exhibit 65, which
3 should be in your stack. That was the one-page
4 e-mail from Mr. [REDACTED] to you December 21st of 2014.

17:35:51 5 A. I see it.

6 Q. Okay. Here -- here Mr. [REDACTED] says in the
7 third paragraph "If we can somehow get a legal
8 opinion, it will protect Ripple a ton. And
9 especially we are in the process of settling with
17:36:14 10 FinCEN and DOJ. We really do not need the SEC to
11 join the party."

12 Do you see that?

13 A. I do.

14 Q. Did Ripple obtain the Paul Hastings
17:36:26 15 legal memo that we're talking about to address
16 Mr. [REDACTED] concern that "we really do not need the
17 SEC to join the party"?

18 MR. HORTON: Objection.

19 MR. GULAY: Objection. I'm going
17:36:34 20 to instruct the witness not to answer
21 because it calls for privileged
22 information.

23 MS. STEWART: Okay.

24 BY MS. STEWART:

17:36:45 25 Q. What did you understand Mr. [REDACTED] to mean

17:36:47 1 by the statement "We really do not need the SEC to
2 join the party"?

3 MR. GULAY: Objection; calls for
4 speculation.

17:37:20 5 A. Beyond the plain reading of this e-mail,
6 I'm not sure what Mr. [REDACTED] intention was.

7 Q. Did you discuss that statement with him?

8 A. I don't recall whether we discussed this
9 e-mail in person apart from these e-mails.

17:37:45 10 Q. Okay.

11 MS. STEWART: Can we look at 57
12 now, PR-57?

13 (Whereupon, exhibit is presented
14 and marked SEC Rapoport Exhibit PR-57 for
17:37:48 15 identification.)

16 MS. FORBES: To confirm, you said
17 57 or 67?

18 MS. STEWART: Fifty-seven.

19 MS. FORBES: Thank you.

17:38:52 20 (Pause)

21 THE WITNESS: Okay.

22 BY MS. STEWART:

23 Q. Okay. The bottom e-mail in this chain
24 appears to be from a person named [REDACTED].

17:39:15 25 Do you see that?

17:39:16 1 A. I do.

2 Q. Do you know who that person is?

3 A. I don't know who that person is.

4 Q. Okay. Is this -- I think you referred
17:39:21 5 to it before as like a cold request or something
6 of that nature that you received?

7 A. It's unclear from this e-mail who was on
8 the initial e-mail thread, but this seems likely
9 to have been a cold -- cold e-mail.

17:39:38 10 Q. Okay. And how frequently did you
11 receive these types of cold e-mails?

12 A. I recall that there was an account set
13 up to capture those, but I don't recall the volume
14 that were coming through.

17:39:52 15 Q. Okay. Do you have a ballpark for the
16 kind of volume? Was it every day? every week?
17 every once in a while?

18 A. I'd really be guessing. I was getting a
19 large volume of e-mails in general directly and so
17:40:05 20 these were generally not the most -- the focus of
21 my day.

22 Q. Did you respond to all of them?

23 A. No.

24 Q. Okay. Was there some policy for when to
17:40:13 25 respond to these types of e-mails?

17:40:14 1 A. No.

2 Q. Okay. Did you have a practice of which
3 e-mails you responded to and which you didn't?

4 A. No.

17:40:20 5 Q. Do you know why you responded to this
6 particular e-mail?

7 A. I sporadically responded to certain
8 e-mails when I had the time and interest in doing
9 so.

17:40:40 10 Q. Okay. And you said that there was an
11 account set up to capture these types of e-mails?

12 A. There was a distribution group, yes.

13 Q. Okay. Meaning that when the e-mails
14 came in, they went to a certain distribution
17:40:52 15 group?


16 A. Correct.

17 Q. And what was the name of that
18 distribution group?

19 A. Partners@ripple.com.

17:40:59 20 Q. So would those e-mails go to you and
21 certain other people at Ripple?

22 A. I believe they went to the business
23 development team broadly.

24 Q. Okay. Looking at -- at the -- the top
17:41:12 25 e-mail in this chain where you -- you say to 

17:41:19 1 [REDACTED] -- I'm not sure I'm saying that right.

2 Who is -- who is Mr. [REDACTED]?

3 A. I believe his title was head of
4 developer relations.

17:41:28 5 Q. Okay. You say to him "It's not rocket
6 science. This guy previously would have bought
7 from us directly. We're growing volume and rising
8 price."

9 Do you see that?

17:41:37 10 A. Yes.

11 Q. Okay. And then Mr. [REDACTED] responds
12 "Yep, to the moon."

13 Do you see that?

14 A. Yes.

17:41:43 15 Q. Do you have an understanding of what he
16 meant by that statement?

17 A. That's a colloquial -- colloquialism
18 often used humorously in the digital asset
19 community in meetings and the like.

17:41:57 20 Q. To express what?

21 A. To express a rising price.

22 Q. Okay. When you got these types of cold
23 requests that we're discussing, did you -- did you
24 do any -- any kind of due diligence or take any

17:42:15 25 steps to -- to ascertain why the person was

17:42:19 1 looking to acquire XRP?

2 A. No.

3 Q. Was there a policy or practice at Ripple
4 to take any such steps with respect to cold
17:42:39 5 requests?

6 MR. HORTON: Objection; asked and
7 answered.

8 A. There was no specific policy that I was
9 aware of to inquire why someone was interested in
17:43:02 10 a particular thing.

11 Q. Did anyone ever instruct you to inquire
12 as to why anyone was -- was interested in
13 acquiring XRP? I'm sorry, I don't think I asked
14 that right.

17:43:14 15 Did anyone instruct you to inquire as to
16 the purpose of -- of someone looking to acquire
17 XRP?

18 MR. GULAY: Objection.

19 A. I don't recall receiving such
17:43:28 20 instruction.

21 Q. When we were looking a couple exhibits
22 ago at the statement that Ms. Long had forwarded
23 you that you had commented on and you were talking
24 about Mr. McCaleb's announcement that he was going
17:43:50 25 to sell his XRP at a given price and you said that

17:43:53 1 this created overhang, do you remember that?

2 A. Yes.

3 Q. Okay. What did you mean by "overhang"?

4 A. I think I explained it in the previous
17:44:02 5 answer. What I meant by that term is that if
6 there's a publicly announced large seller of a
7 given asset at a specific price, market
8 participants can reasonably infer that the price
9 of that asset will not rise above that level until
17:44:23 10 all the selling -- the amount for sale was fully
11 consumed. So that effect -- effectively creates
12 an overhang, meaning that the price is not likely
13 to rise above that level unless there's enough
14 buying demands to consume the amount for sale.

17:44:42 15 Q. Okay. And did Ripple take steps to
16 address this overhang?

17 A. Are you asking about Jed McCaleb and his
18 selling specifically?

19 Q. Sure. Let's start with that.

17:45:02 20 A. Ripple Labs entered into a settlement
21 with Jed McCaleb, so, yes.

22 Q. And more generally with respect to
23 overhang, did Ripple take steps to address it?

24 MR. GULAY: Objection to form.

17:45:17 25 A. I believe after I left the company,

17:45:19 1 Ripple Labs put a significant percentage of its
2 holdings into escrow in part to address the
3 market's perception of an overhang.

4 Q. Okay. And -- and why was Ripple trying
17:45:36 5 to address the market's perception of an overhang?

6 MR. GULAY: Objection; calls for
7 speculation.

8 A. I was no longer with the company at the
9 time so it's hard -- not -- not really my place to
17:45:51 10 say.

11 Q. Okay. What about with respect to what
12 you testified the steps Ripple took with respect
13 to Mr. McCaleb's overhang? Why did Ripple take
14 steps to address that overhang?

17:46:02 15 MR. GULAY: Objection.

16 A. I viewed Mr. McCaleb's actions to be
17 deliberately harmful to Ripple Labs and -- and I
18 thought that Mr. McCaleb sought to hurt the goal
19 of the company generally and this was one of a
17:46:21 20 number of other actions that he took.

21 Q. So was the reasons for -- for Rip -- the
22 steps that Ripple took to restore market
23 confidence?

24 MR. HORTON: Object to form.

17:46:47 25 A. I believe, and I think the company

17:46:49 1 believed, that Jed's actions were harmful, and so
2 having him stop those actions were helpful to the
3 company.

4 Q. Were harmful to the company?

17:46:59 5 A. Yes.

6 MS. STEWART: Okay. I have no
7 further questions at this time.

8 MR. GULAY: We have no further
9 questions.

17:47:10 10 THE VIDEOGRAPHER: Okay. All
11 right. This concludes the video
12 deposition of Phillip Rapoport. The time
13 is 5:47. Going off the record.

14 (Whereupon, the deposition
17:47:18 15 concluded at 5:47 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, PHILLIP RAPOPORT 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;
8 that said deposition was taken at the time and place
9 herein named; and that the deposition is a true record
10 of the witness's testimony as reported by me, a duly
11 certified shorthand reporter and a disinterested person,
12 and was thereafter transcribed into typewriting by
13 computer.

14 I further certify that I am not interested in
15 the outcome of the said action, nor connected with nor
16 related to any of the parties in said action, nor to
17 their respective counsel.

18 IN WITNESS WHEREOF, I have hereunto set my
19 hand this 26 day of July, 2021.

20 Reading and Signing was:

21 ___ requested ___ waived X not requested.

22

23

24

25



BRIDGET LOMBARDOZZI, CSR, RMR, CRR