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May 24, 2014

**CONFIDENTIAL DEMAND FOR RETRACTION  
AND SETTLEMENT OFFER**

Jesse Powell [\*\*\*\***MY RESPONSES IN GREEN *ITALICS***\*\*\*\*]

CEO of Kraken and former Ripple director

Re: Demand to Cease and Desist and Retract Libel.

Sent via: overnight courier and email (\*\*\*\*\*)

cc: Reddit editor (in three days)

Dear Jesse,

I represent Ripple Labs Inc. with respect to this Cease and Desist and Retraction Demand and, as you know, have long served as an advisor to the Company. I regret to be writing to you under these very difficult circumstances, and with this message. However, your recent public statements regarding Ripple and its CEO, Chris Larsen, are false and defamatory and are clearly intended to damage the company. We cannot let this pass without a firm response. Moreover, you appear not to understand your obligations as a Ripple board member to protect the Company's fundraising plans and other confidential information; instead, you are using your insider knowledge to sabotage Ripple Labs and wrest large payments for yourself and McCaleb.

*My statements are factual, and I stand by them. I had no intent to damage the company—only to explain my actions. If the truth is damaging to the company, take its revelation as an opportunity to fix the problem, make things right by the community and rebuild trust. I'm not a Ripple board member. I have neither revealed insider information, nor used it to sabotage Ripple Labs.*

Most egregious, you are doing all this while attempting to smear Ripple Labs and your former partners as greedy and indifferent to the best interests of the Ripple community.

*I'm not attempting to smear the company. Again, if the facts come off as a smear, change the facts. I do believe that the founders were greedy and indifferent, both to the community and their investors, OR they were incredibly naïve. Now is the time to show the community and investors that Ripple Labs is willing to do what it takes to make things right.*

This retraction demand is intended to satisfy the requirements of California Civil Code § 48a; for this reason after three days (if I do not hear back from you) I am copying Reddit as well, contingent upon your agreement to publish a retraction of the statements I

identify below. I strongly urge you to retract your libels. The Company has been damaged significantly by yours and Jed's misconduct. If you do not agree to retract within three days, we will publish this response. In addition to libel, we regard your falsehoods as *prima facie* evidence of a breach of fiduciary duty, and interference in prospective economic advantage. I will not detail those potential claims here.

*I published it for you. You're welcome. I'm sure that threats of lawsuits will play very well with the community and serve to bolster RL's reputation. After all, this tactic has worked quite well in the past, hasn't it? I mean—we've had several people leave the company and board and we haven't heard a peep from them. This is one example of the kind of behavior that has me questioning the management of the company.*

This is the full text of the initial statement you posted on Reddit at [http://www.reddit.com/r/rippers/comments/26cd3w/ripple\\_board\\_member\\_resigns/](http://www.reddit.com/r/rippers/comments/26cd3w/ripple_board_member_resigns/).

[Ripple Board Member Resigns \(self.rippers\)](#)  
submitted 15 hours ago by [jespow](#)

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Hey ya'll. Jesse from Kraken here.

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Today I have submitted my resignation from the Board of Ripple Labs. While I care about the people who work there and I wish the company the best, I cannot personally continue to support the business.

I believe that the technology and the protocol hold great promise, and have since the beginning, which is why I was the company's first investor. Since Jed's departure, the management of the company has taken a different direction. Sadly, the vision Jed and I had for the project in the early days has been lost. I'm no longer confident in the management nor the company's ability to recover from the founders' perplexing allocation to themselves of 20% of the XRP, which I had hoped until recently would be returned. **Prior to Jed's departure from Ripple, I had asked the founders to return their XRP to the company. Jed agreed but Chris declined—leaving a stalemate. This afternoon, I revisited the allocation discussion with the pair and again, where Jed was open, Chris was hostile.**

As an investor, of course, I hope that Ripple Labs will overcome its hurdles and prove my lack of confidence misplaced. Unfortunately, unlike the founders, I don't have swathes of XRP to dump if I don't think it's working out.

- [13 comments](#)

This highlighted portion is a deliberately false statement of fact, and appears to have been coordinated with McCaleb to achieve maximum damaging effect. Specifically, I refer to your assertions (in *ital*) that:

1. *“I had asked the founders to return their XRP to the company. Jed agreed but Chris declined—leaving a stalemate.”*

This is false. In fact, as Chris has stated previously in discussions with you and Jed, he has been and remains willing to return most of his founders' XRP to Ripple Labs.

Indeed, he told you this again – expressly -- in the very same email he sent you in accepting your resignation. I quote from that email to you:

“I reiterate that offer again now.”

And:

“It has been Jed -- not me - who has rejected doing so. I reject your version of these events.”

Yet in your Reddit post, you gave no indication whatsoever of Chris’ continuing offer to return most of his xrp to the Company, and instead you make a false statement of fact that he has refused to do so. You were informed and clearly knew otherwise; this is the definition of malice.

*Wild paranoia and irrational conspiracy theories here. I certainly did not coordinate my resignation with Jed’s XRP sell-off. Again, if either of these events is damaging to the company, it’s the company’s fault. Is it too much to imagine that the series of events that led Jed to sell his XRP have also contributed to my resignation? Maybe the sell-off was the last straw for me.*

*In fact, my relationship with Jed has been almost non-existent since the board opted to keep Chris on rather than Jed, when Jed forced us to decide between them. I’m sure Chris does not appreciate how personally difficult that decision was for me, but I did what I thought at the time was in the best interest of the company. It certainly wasn’t in the best interest of my friendship with Jed.*

*My understanding of Chris’ position is that he is only willing to lend back his XRP to Ripple Labs, and only a portion of it. If I’m wrong, please explain. My proposal was to completely return all founder XRP remaining, with no prospect of ever having it given back. I ask, is Chris willing to do this or not? Can we stop dancing around the meaning of “return”? Chris, will you give your XRP back to the Ripple Labs and commit to not taking any XRP allocations in the future? The temporary return/lockup proposal is inadequate because it does not solve two fundamental problems: It was improper, and possibly illegal, for the founders to take this allocation in the first place, and eventually the community, company and investors will have to worry about a founder sell-off again. I can understand why Jed would not agree to this structure. Will Ripple Labs please publicly share the proposal that was made to Jed?*

Moreover, previously and in the same email Chris sent you yesterday prior to your Reddit posts, Chris told you explicitly that Arthur [co-founder Britto] and he:

have further committed to "locking up" our XRP, and we will do this with or without Jed. Our efforts however will be severely damaged by Jed's determination to sell off his xrp in a fire sale designed to harm Ripple. Your apparent support for Jed in this scheme -- and your statements to the Board in this regard -- have indeed undermined our trust in you to perform your duties as a

director.

Again, you make no mention of Chris and Arthur's commitment to "lock up" their founders' xrp and instead advance a false narrative that (with McCaleb's departure)

*I don't see how Jed's sell-off will damage the efforts of Chris and Arthur to lock up their XRP. I also don't see evidence that Jed's sale is designed to harm Ripple. There are many reasons why one would want to acquire cash. Maybe Jed thinks XRP has reached its peak; maybe he has more promising opportunities for the funds; maybe he has to pay a debt. If we're going to talk about failures of responsibilities, who gave Jed all that XRP in the first place?*

*I think it's great that Chris and Arthur are willing to lock up their XRP regardless of what Jed does but this still falls short. Chris (at least) needs to return his XRP to the company permanently, not in a lockup. That asset belongs to the company. There may be some argument for Arthur to keep his XRP.*

Ripple is now controlled by corporate "suits" who do not care about the community. You also fail to disclose your own role in trying to leverage a top dollar buyout for McCaleb, your longtime friend and associate, and your communication of threats that otherwise the Company will face a fire sale of Jed's xrp that would destroy the market price and disrupt a pending Ripple Labs financing round. This is not my conjecture; you made this threat at a board meeting. This is not only a breach of your duties as a director, but constitutes tortuous interference in the Company's fundraising efforts, with potentially disastrous consequences.

*Again, I sacrificed my friendship with Jed when I chose not to fire Chris. I have always acted in the best interest of the company, even to my own personal detriment. If I was trying to broker a deal between RL and Jed, it's because I thought it was in the best interest of the company. Yes, I believed that a sell-off would jeopardize a financing round and I strongly encouraged Chris and the board to work out a deal. I wasn't making a threat—that was just the reality.*

Instead of being truthful, you pose as a disinterested, early investor who still roots for the Company's success.

*I certainly have an interest, and I am rooting for the company's success. I would prefer not to lose my investment.*

2. "This afternoon, I revisited the allocation discussion with the pair and again, where Jed was open, Chris was hostile."

In fact, you have grossly misrepresented your role and the demands that you made with respect to the "allocation issue" and a negotiated return of some part of the founders' xrp to Ripple Labs.

As demonstrated in your own email to Chris quoted below, your effort to "revisit the allocation issue" yesterday was not intended to "return XRP to Ripple Labs." This is false.

hey guys,

Given that it seems unlikely you will be returning your XRP to Ripple Labs, I would like you to allocate to \*\*\*\*\* and I each, our equivalent share of the 20b. By my math, at the time you made the allocation, we each owned \*\*\*\*% of the company, and \*\*\*\*% of 20b is \*\*\*\*. We will agree to the same lockup period by percentage. It doesn't matter to me how you come up with it at this point, but I imagine it would not be a problem for each of you to pull it from your own pools. Please respond by 5pm today. I hope we can work this out amicably.

In fact, your explicit aim in “revisiting the allocation issue” was to extract a very large share of xrp – \*\*\*\*, as you state above -- not for Ripple Labs, but for *yourself*.

You also state that Chris was “hostile” to revisiting the allocation issue. As he told you in the email you received prior to your posts, he was not hostile but “in shock” that you would make such demands upon the Company.

*Sure, if we're going ahead with fleecing the company, we ought to be fleecing it together, right? My proposal would have both prevented the early investors from suing the company and/or Jed and Chris over their misappropriation of company assets, and it would have removed \*\*\*\* from Jed's sell-off. Of course, my first choice is to have the entirety of the XRP in question returned to the company for all investors and equity holders, and XRP holders to benefit.*

*Chris took a very accusatory tone with me, repeatedly and aggressively probing me on my involvement with Jed. Clearly, he believes that I have colluded with Jed in order to destroy Ripple Labs. I have heard of his temper flare-ups from others but this was the first time I've been on the receiving end myself. Chris also denied that he owed any portion of the XRP he'd allocated himself to the investors who'd contributed prior to his joining the company, and prior to that distribution.*

3. In a subsequent Reddit post, you continue the libel:

[\[-\]jespow\[S\]](#) 3 points . . .

*The original plan was to give away 85% of all XRP within 3-5 years, with another 10% or so going to fund development, and ~5% going toward for-profit related activity.*

In fact, neither Ripple Labs nor its predecessor ever adopted a "plan" with these allocations. There was no “original plan” like this. You made this up. And if you, Jesse, did have private discussions with Jed along these lines in a Berkeley burrito shop, they were never shared with, much less adopted, by the founders or Company.

*The only other person who can speak to the original plan is Jed. I was not at that burrito shop to be pitched for an investment. I was already invested, and I was there simply to meet David. Jed and I had been working on Ripple (then, Stealthcoin) since*

*September of 2011. We met David at that burrito shop in December of 2011. I understand Chris deficiency in the company history department, having come in to it so late. Clearly, the original plan was not adopted.*

You made these three statements knowing they were false, and did so maliciously with the intent to injure Ripple Labs in its business, and specifically to further damage prospects for a fundraising round (of which you are aware due to your role as a director). This is precisely the type of harm that has “a natural tendency to lessen profits,” and as such, is defamatory *per se*.

*I made no knowingly false statements. At worst, we have a verbal dispute over the meaning of the word “return”. I’m very much open to admitting I was wrong if Chris will clarify his position.*

You have been Jed’s close friend, partner and ally for many years. It is not surprising that you have backed up his demands for a huge payday, nor that you have apparently coordinated your own “resignation” and attack against Ripple Labs in order to further Jed’s interests. But your misconduct has already resulted in damages to Ripple Labs xrp pricing and sales volumes, and may soon be compounded. This is not acceptable from a board member.

*I’ve backed up Jed’s demands for a huge payday? You mean I encouraged the company to solve this XRP allocation problem privately and expediently? Chris, you fucked up when you gave yourselves that XRP. Take responsibility for it. If you’d actually asked me and the other shareholders at the time you did it, we would have told you you’re insane.*

*I did not coordinate my resignation with Jed, and I have made no attack against Ripple, and I have no idea what Jed’s interests are. Since when does Ripple Labs care about the XRP price and its sales volumes? What ever happened to giving it away and XRP not being a currency? I thought Ripple Labs had plenty of external funding and wasn’t relying on XRP.*

Please let me know within three days if you will publish a retraction and correction and post it in Reddit, and ensure that it is published in all other forums that re-publish these Reddit posts, or any further libels that you disseminate to other media. This retraction must be pre-cleared by myself, and consist of a clear statement in which you specifically repudiate your libelous statements. Any further libelous statements on your part will be answered promptly and will automatically result in withdrawal of this retraction offer.

*Definitely posting to reddit. I’ll post a retraction when I have public clarification from Chris on what his position is regarding the actual one-way trip of the XRP under his personal control back to the company. I can appreciate a lawyer who works weekends!*

If you do not immediately publish the requested retraction and refrain from further tortuous interference in Ripple Lab’s upcoming fundraising effort, and cease making any further false and malicious comments about Ripple Labs, it’s officers, and its programs, we will take appropriate legal action against you. If Ripple Labs is forced to file suit to stop your wrongful conduct, it will also seek punitive damages, and an award of its



attorney fees and litigation expenses.

*Good to know how the company handles its disagreements. Hopefully, others in the community have not suffered such bullying. Take note, community—if you say or do anything that might be construed as an attack on Ripple Labs, you'll be slapped with a lawsuit before brunch is over.*

Please govern yourself accordingly.

*Lulz.*

Very truly yours,

s/ George Frost  
Counsel for Ripple Labs

*Here are the facts, George:*

*Jed and I got started with Ripple in September of 2011. I believe Chris joined sometime around August of 2012. Prior to Chris joining, the company had two investors. I'm not sure when Jed and Chris allocated themselves the XRP but they say it was before incorporation, which occurred in September of 2012. In my view, the two stole company assets when they took the XRP without approval of the early investors, and without sharing the allocation amongst the other shareholders. Whatever coin they allocated themselves prior to incorporation of Opencoin, Inc., I believe was abandoned. There had been several ledger resets between Sep 2012 and Dec 2012, and a new version of Ripple emerged, built by Opencoin, Inc., clearly with company resources. If Jed and Chris have continued to run the old software to preserve their Betacoin, I have no problem. Unfortunately, Jed and Chris again allocated themselves XRP in December of 2012. That XRP unquestionably was not gifted by Jed and Chris to the company, it did not exist prior to the company's existence, and it was generated with company resources. That XRP has always belonged to the company and it was taken from the company by Jed and Chris. I'm asking them to return what they've stolen.*

*Jed and Chris already have a huge stake in the company itself. It's entirely unnecessary for them to also have a side stake in XRP, which presents a conflict of interest, and a number of serious and debilitating problems for the company.*

*Chris' management style has botched at least one acqui-hire and cost the company several high caliber employees. It has also cost at least one board member other than myself. How many settlement deals has the company made? How many non-disparagement agreements have been signed? I wasn't going to get the dirt out but you threw first.*

*I don't have any special relationship with Jed, I don't know what he's working on, I'm not involved in what he's working on, and I'm unaware of any Ripple fork or competing effort. We're not colluding and I'm not trying to attack or harm Ripple Labs.*