



**SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN FRANCISCO**

Document Scanning Lead Sheet

Sep-08-2017 12:29 pm

Case Number: CGC-17-561205

Filing Date: Sep-08-2017 12:24

Filed by: DAVID YUEN

Image: 06017957

COMPLAINT

RIPPLE LABS INC., ET AL VS. R3 LRC LLC, ET AL

001C06017957

Instructions:

Please place this sheet on top of the document to be scanned.

SUMMONS (CITACION JUDICIAL)

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

**NOTICE TO DEFENDANT:
(AVISO AL DEMANDADO):**

R3 LRC LLC, a Delaware limited liability company, and R3 HOLDCO LLC, a Delaware limited liability company, and DOES 1-10

**YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTÁ DEMANDANDO EL DEMANDANTE):**

RIPPLE LABS INC., a Delaware corporation, and XRP II, LLC, a New York limited liability company

NOTICE! You have been sued. The court may decide against you without your being heard unless you respond within 30 days. Read the information below.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association. **NOTE:** The court has a statutory lien for waived fees and costs on any settlement or arbitration award of \$10,000 or more in a civil case. The court's lien must be paid before the court will dismiss the case. **¡AVISO!** Lo han demandado. Si no responde dentro de 30 días, la corte puede decidir en su contra sin escuchar su versión. Lea la información a continuación.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.sucorte.ca.gov), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.sucorte.ca.gov) o poniéndose en contacto con la corte o el colegio de abogados locales. **AVISO:** Por ley, la corte tiene derecho a reclamar las cuotas y los costos exentos por imponer un gravamen sobre cualquier recuperación de \$10,000 ó más de valor recibida mediante un acuerdo o una concesión de arbitraje en un caso de derecho civil. Tiene que pagar el gravamen de la corte antes de que la corte pueda desechar el caso.

The name and address of the court is:
(El nombre y dirección de la corte es): Civic Center Courthouse
400 McAllister St., San Francisco, CA 94102-4515

CASE NUMBER:
(Número del Caso)

CCC-17-561205

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:
(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
David M. Grable, Ali Moghaddas, 865 S. Figueroa St., 10th Fl., Los Angeles, CA 90017 (213) 443-3000

DATE:
(Fecha)

SEP 08 2017

CLERK OF THE COURT

Clerk, by
(Secretario)

DAVID W. YUEN

Deputy:
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)
(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).



NOTICE TO THE PERSON SERVED: You are served

1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of (specify):
3. ☐ on behalf of (specify):

under: <input type="checkbox"/> CCP 416.10 (corporation)	<input type="checkbox"/> CCP 416.60 (minor)
<input type="checkbox"/> CCP 416.20 (defunct corporation)	<input type="checkbox"/> CCP 416.70 (conservatee)
<input type="checkbox"/> CCP 416.40 (association or partnership)	<input type="checkbox"/> CCP 416.90 (authorized person)
<input type="checkbox"/> other (specify):	
4. ☐ by personal delivery on (date):

QUINN EMANUEL URQUHART & SULLIVAN, LLP

David M. Grable (Bar No. 237765)
davegrable@quinnemanuel.com
Ali Moghaddas (Bar No. 305654)
alimoghaddas@quinnemanuel.com
865 South Figueroa Street, 10th Floor
Los Angeles, California 90017-2543
Telephone: (213) 443-3000
Facsimile: (213) 443-3100

Attorneys for Plaintiffs
Ripple Labs Inc. and XRP II, LLC

FILED

Superior Court of California
County of San Francisco

SEP 08 2017

CLERK OF THE COURT

BY: David W. [Signature]
Deputy Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN FRANCISCO

UNLIMITED JURISDICTION

By FA

RIPPLE LABS INC., a Delaware
corporation, and XRP II, LLC, a New York
limited liability company,

Plaintiffs,

vs.

R3 LRC LLC, a Delaware limited liability
company, and R3 HOLDCO LLC, a
Delaware limited liability company, and
DOES 1-10,

Defendants.

CASE NO.

CGC -17-561205

COMPLAINT

Trial Date: None Set

DEMAND FOR JURY TRIAL

1 Plaintiffs Ripple Labs Inc. and XRP II, LLC (collectively, "Plaintiffs" or "Ripple"),
2 allege as follows:

3 INTRODUCTION

4 1. This is a case about Defendants misleading Ripple to enter into multiple
5 contracts, and then breaching those contracts after they were signed. Ripple is a financial
6 technology company that has developed state-of-the-art software for financial transactions
7 with a vision to connect banks, payment providers, digital asset exchanges and corporates
8 to provide a frictionless experience to send money globally. This state-of-the-art
9 technology is built on distributed ledger concepts. Ripple also holds XRP, a unique digital
10 asset that solves the current friction experienced with global payments. XRP is a highly
11 valued cryptocurrency (other cryptocurrencies include Bitcoin and Ethereum).

12 2. Ripple's success is driven in large part by the adoption of its state-of-the art
13 software by international banks and financial institutions and the use of XRP by those
14 financial institutions to move value worldwide. To that end, Ripple has expended
15 significant time and effort to expose these financial institutions, including banks, central
16 banks and regulators worldwide, to the technology and the unique properties of XRP, to
17 demonstrate how these technologies can facilitate seamless international financial
18 transactions in revolutionary ways.

19 3. Beginning in 2016, R3 touted itself to Ripple as a leading consortium of
20 banks with whom Ripple should partner. R3 represented to Ripple, among other things,
21 that R3 would work to get Ripple access to R3's large body of banks, would help promote
22 Ripple's technology and XRP to those banks, and would be a foundational component of
23 Ripple's success. With respect to these efforts, R3's CEO assured to Ripple that "*the*
24 *endgame IS commercialization of a product.*"

25 4. On the strength of those and many other R3 representations, Ripple entered
26 into a Technology Provider Agreement (the "TPA") and Option Agreement (the "Option"
27 and, collective with the TPA, the "Agreements") with R3. The TPA described the Option
28

1 and its terms, and the Option expressly noted that it was part of the TPA. The Option
2 granted R3 the right to purchase 5 billion XRP at a certain price.

3 5. Almost immediately after the Agreements were signed, R3 disappeared as a
4 partner. R3 failed to take any steps to perform remaining obligations under the TPA, and
5 instead focused all its attention on fund-raising. That shifted focus continued for months
6 and months. Indeed, eight months after the signing of the Agreements, R3's CEO wrote
7 that he had "*no idea what's going on with XRP*," and hoped to soon be able to start paying
8 attention to Ripple's business. That attention, or efforts to comply with R3's obligations
9 under the TPA, never came.

10 6. In addition, within months of the Agreements' execution, several key banks
11 departed from R3's consortium. These departures and R3's reduced status in the banking
12 world greatly decreased the value proposition of Ripple's partnering with R3.

13 7. R3 failed to disclose any of these impending issues to Ripple before inducing
14 Ripple to sign the Agreements. Indeed, R3 instead sold itself by touting facts to the
15 contrary, and suggesting that R3 would be highly focused on helping Ripple succeed.
16 Then, after receiving the Option Agreement for 5 billion XRP, R3 went about breaching
17 and carrying out actions damaging to Ripple, actions that R3 doubtless knew it would
18 undertake before it signed the Agreements.

19 8. In June of 2017, after having burned almost a year waiting for R3 to live up
20 to its promises, Ripple terminated the Agreements. R3 failed to cure its material breaches
21 within 10 days, and instead threatened Ripple with litigation. Ripple brings this lawsuit to
22 address the harm caused to it by R3's fraud, breaches, and misconduct.

23 **PARTIES**

24 9. Plaintiff Ripple Labs Inc. is a Delaware corporation headquartered at 315
25 Montgomery Street in San Francisco, California.

26 10. Plaintiff XRP II, LLC is a New York corporation headquartered at 315
27 Montgomery Street in San Francisco, California.

1 11. Defendants R3 LRC LLC and R3 HoldCo LLC (collectively, "Defendants"
2 or "R3") are Delaware limited liability corporations both located in New York, New York.

3 12. Ripple is unaware of the true names and capacities, whether individual,
4 corporate, associate, or otherwise, of Defendants Does 1 through 10, inclusive, or any of
5 them, and therefore sues these Defendants, and each of them, by such fictitious names.
6 Ripple will amend this Complaint when the identities of these Defendants are ascertained.

7 **JURISDICTION AND VENUE**

8 13. This is an unlimited civil action as the amount in dispute exceeds \$25,000.

9 14. Jurisdiction and venue are proper in this Court because (a) the Defendants
10 conduct business in San Francisco County; (b) the causes of action asserted in this
11 Complaint arise from an obligation that arose and/or was to be performed in San
12 Francisco. The causes of action asserted in this Complaint arise from transactions
13 conducted in San Francisco, California.

14 **STATEMENT OF FACTS**

15 **A. Ripple's Innovative Technology**

16 15. As technology continues to flatten the world, businesses increasingly engage
17 in transactions across international borders. Consumers and businesses expect quick,
18 seamless, on-demand delivery of services and information.

19 16. Before the rise of the internet, banks developed systems for facilitating
20 payments for international transactions. But these systems are cumbersome, inefficient,
21 and can create security concerns.

22 17. Ripple is a financial technology company that has supported the
23 development of conducting state-of-the-art technology to facilitate financial transactions
24 (the "Ripple Technology"). The Ripple Technology enables financial institutions to
25 connect with one another directly to reliably and efficiently communicate information
26 about, and settle, cross border payments. This technology has never existed before. And it
27 ensures the payment speed and certainty necessary to service high volumes of all sizes and
28

1 types of payments, while making them fast, cost-effective and transparent for banks and
2 financial institutions.

3 18. Ripple works with banks and financial institutions to minimize unnecessary
4 transaction fees and to transform how they send money around the world — a necessary
5 step to compete in today's growing economy.

6 19. Ripple also supports the development of an open source technology
7 distributed ledger, the XRP Ledger, to which the digital asset XRP is native. Financial
8 institutions that use the Ripple Technology, which include products xCurrent and xVia, are
9 not required to use XRP, but can if they choose. In particular, they can use XRP to expand
10 reach into new markets, lower foreign exchange costs, and provide faster payments.

11 **B. R3 Promises to Grow Ripple Into a Market Leader**

12 20. Ripple's success is driven in substantial part by having international banks
13 and financial institutions adopt the Ripple Technology, and embrace XRP. To that end, in
14 2016, Ripple began talking with R3, a company that touts itself as a "50 member
15 initiative" and the first consortium of the world's largest financial institutions, "focused
16 exclusively on developing a next generation financial transaction network . . . based on
17 distributed ledger technology." R3 represented to Ripple that R3 could help Ripple
18 succeed by partnering with Ripple to promote the Ripple Technology to banks in the R3
19 consortium. For example, on February 22, 2016, R3's CEO, David Rutter reached out to
20 Ripple regarding new proof of concepts with banks in R3's consortium, and solicitously
21 offered, "If we [R3] could help you guys by building a broader community around this
22 project by doing it in our lab let me know."

23 21. Based on R3's representations, Ripple engaged in discussions with R3 and
24 its CEO, beginning in March 2016, to explore joint opportunities between the two
25 companies. CEO Rutter made R3's end goal clear in a March 9, 2016 email to Ripple:
26 "we are really excited to work with you guys... I would like to be very clear with the
27 banks that if we run this experiment the end game IS commercialization of a product." Mr.
28

1 Rutter emphasized in a March 28, 2016 email to Ripple, regarding potential joint
2 opportunities, that the “commercial angle” is indeed “why we all want to do these things
3 anyway.”

4 22. Discussions proceeded through the spring of 2016. On April 1, 2016, Ripple
5 had a call with R3’s team, including Mr. Rutter. On that call, the Ripple staff described
6 their goals of becoming a market leader in cross border payments and growing XRP into
7 the primary digital asset used among global banks. Mr. Rutter and the R3 team indicated
8 that they understood Ripple’s goals and promised that R3 could put XRP on the map—just
9 as they represented they had done with Ethereum, another cryptocurrency on the market.

10 23. The Parties created a multi-phase plan to accomplish Ripple’s goals. The
11 plan started with Project Xenon, a test where participating banks would use XRP with
12 Ripple Technology. Those banks would use XRP provided by Ripple to settle cross-
13 border payments. If Project Xenon was successful, the Parties planned to next form a
14 Commercial Partnership with the goal of supporting full, on-going deployment of XRP by
15 banks as a bridge asset to settle their cross-border transactions using Ripple Technology.

16 24. On May 24, 2016, the Parties executed a Memorandum of Understanding
17 Regarding Project Xenon and Potential Commercial Partnership, which reiterated the
18 Parties’ understanding of forming a Commercial Partnership upon “the successful
19 conclusion of [Project Xenon].”

20 25. In the weeks that followed, Ripple worked with R3 and the participating
21 banks, sharing confidential and proprietary technological information about the Ripple
22 Technology. Ripple also provided XRP to each participating bank to undertake the
23 transfers.

24 26. In early July 2016, the Parties initiated Project Xenon. Twelve of R3’s
25 participating banks were tasked with operating Ripple Technology and settling transactions
26 with each other in XRP over the course of several weeks.

27
28

1 27. On July 29, 2016, an R3 Associate Director, Clemens Wan, sent an email
2 titled, "Xenon Overview (midpoint)" to all participating banks and the Ripple team touting
3 Project Xenon's "successes" by the halfway mark. Todd McDonald, a co-founder of R3,
4 forwarded Mr. Wan's email to the Ripple executive team stating: "Great momentum and
5 looks to be really solid outputs from the Xenon project. Exciting stuff[.]" R3 CEO Rutter
6 wrote the Ripple team congratulating them: "Great stuff guys[.]"

7 28. Mr. Wan continued to stoke the teams' enthusiasm through early August,
8 confidently assuring Ripple in an August 3, 2016 email that "[o]nce projects [like the
9 Xenon project] are completed and reviews are shared with members, other banks tend to
10 get interested and want to participate in second versions of these projects (never an exact
11 redo, but *usually an increase of scope and more members*)." Mr. Wan further positioned
12 R3 as uniquely capable of delivering eager banks to the table, describing R3 in an August
13 15, 2016 email to Ripple as "a growing group with so many members."

14 **C. Ripple and R3 Enter Into a Technology Partnership Agreement**
15 **and Option Contract**

16 29. By mid August 2016, Project Xenon was shaping up to be a great success.
17 Ripple was gaining momentum, and excited to start a Commercial Partnership with R3,
18 which Ripple understood – based on R3's representations – would allow Ripple to really
19 benefit from R3's banking consortium. With additional projects in mind, and in an effort
20 to solidify the Commercial Partnership, Ripple agreed to execute a Technology Partnership
21 Agreement (the "TPA") with R3.

22 30. On August 16, 2016, Ripple and R3 executed the TPA, which outlined both
23 Project Xenon (and other phases of the Project) and the Commercial Partnership.

24 31. Because Project Xenon was already effectively completed at the time of the
25 TPA's execution, the TPA was intended to formalize the Commercial Partnership.

1 32. Under the TPA, in consideration for R3's solicitation of participating banks
2 in Project Xenon and "its role in managing the Project []," R3 would receive 15% of the
3 revenue received by Ripple from any participating bank.

4 33. The TPA also outlines terms related to the Commercial Partnership. Article
5 IV.1 of the TPA states: "The parties will negotiate in good faith with the goal of executing
6 a term sheet reflecting the key terms [of the Commercial Partnership] by no later than the
7 conclusion of the Project." The paragraph further states: "Following the execution of the
8 term sheet, the parties will commence negotiations of a full agreement [], with the goal of
9 executing the agreement by no later than 30 days after the execution of the term sheet."

10 34. Thus, R3 was obliged to immediately negotiate in good faith towards a term
11 sheet on the Commercial Partnership, and work in good faith to finalize and execute an
12 agreement on the Commercial Partnership within 30 days thereafter.

13 35. As consideration and incentive for the TPA—specifically the Commercial
14 Partnership—Ripple also executed the Option, which gave R3 the option to purchase 5
15 billion XRP at an exercise price of \$0.0085 per unit of XRP.

16 36. The Option was given as consideration for, and to incentivize the success of,
17 the TPA and Commercial Partnership. The Option is described in detail in the TPA. The
18 face of the Option itself states as follows: "This Option [] is issued . . . in connection with
19 that certain *Technology Provider Agreement* regarding Project Xenon and *Potential*
20 *Commercial Venture*[]" (emphasis added). And the Option was executed *after* the
21 substantial performance of Project Xenon, because Ripple desired to incentivize R3 to
22 perform its obligations related to the Commercial Partnership.

23 37. Ripple understood that the purpose of the Agreements was to build a long-
24 lasting relationship between Ripple and R3, where Ripple could benefit from R3's many
25 banking contacts, and in turn, R3 could reap the financial benefits of Ripple's success (i.e.
26 through its 15% commission and the Option). This is what Ripple understood R3 intended
27 when Ripple agreed to enter the TPA, and later signed the Option.

28

1 38. However, soon after executing the TPA and the Option, Ripple began to find
2 out the truth: that R3 had no intention of working towards the Parties' Commercial
3 Partnership, and had dangled it before Ripple in an effort to persuade Ripple to sign the
4 Option.

5 **D. R3 Fails to Perform under the TPA**

6 39. R3 did not tell Ripple – before the Agreements were signed – that R3
7 intended to spend the next several months focusing on R3's own fundraising, not working
8 towards the Commercial Partnership with Ripple. But almost immediately after signing
9 the Agreements, R3 began, at various levels of the organization, to beg off on putting any
10 meaningful effort towards the Commercial Partnership. R3's fundraise would ultimately
11 last almost a year, and even thereafter, R3 would dedicate no time or attention towards
12 making the Commercial Partnership with Ripple a reality. Had Ripple known this before
13 R3 induced Ripple to sign the Agreements, Ripple never would have entered into the
14 Agreements.

15 40. By October 2016, clearly after the conclusion of Project Xenon, R3 had still
16 never engaged on completing a term sheet despite Ripple's frequent reminders. In
17 response to a modest request from Ripple to announce that "[f]ollowing the successful
18 completion of the pilot [Project Xenon], R3 and Ripple are in talks to commercialize this
19 offering for R3 banks," Mr. Wan demurred. He concluded in an October 12, 2016 email to
20 Ripple, "Upon mulling this over, I think the words imply a very strong phase 3 that we
21 have not yet discussed with the members" — a far cry from R3's confident assurances
22 before the TPA and Option were executed. Ripple tried repeatedly to spur R3 to action,
23 providing its own structure of the draft term sheet for the Commercial Partnership to R3.
24 R3 failed to engage in good faith.

25 41. R3's technical higher-ups were not the only ones "too busy" to work towards
26 the Commercial Partnership. In November 2016, Ripple CEO Brad Garlinghouse
27 contacted R3 CEO David Rutter, to press for advancement of efforts on the Commercial
28

1 Partnership. Mr. Garlinghouse reminded Mr. Rutter that the consideration for the TPA, the
2 Option, had real value. Using the Option as encouragement for action—for R3 to make
3 good on its promises—Ripple once again asked R3 to engage on its obligations related to
4 the Commercial Partnership.

5 42. R3 and Mr. Rutter responded to Ripple days later, saying that R3 simply did
6 not have the time to make efforts on the Commercial Partnership at that point. Mr. Rutter
7 wrote as follows: “Brad I really like you guys and I have been clear about that. Love to
8 see you win the payments space and even better I would love to be involved in that
9 journey. BUT I am personally being crushed by a ridiculously complicated funding round
10”

11 43. Mr. Rutter’s response mirrored that of R3 writ large. Like its CEO, R3
12 directed its efforts and energy elsewhere, and simply ignored its obligations to negotiate in
13 good faith with Ripple towards a Commercial Partnership. Had Ripple been put on notice
14 that R3 would be focusing its energies in direction other than Ripple immediately
15 following signing of the TPA and Option, Ripple never would have signed either
16 Agreement. R3 gave no such inkling to Ripple before inducing Ripple to sign the
17 Agreements; indeed, R3 suggested just the opposite to induce R3 to move forward with the
18 Agreements. R3 led Ripple to believe that R3 would be an eager and engaged business
19 partner trying to help Ripple succeed.

20 44. In the ensuing months, Ripple continued to hope that R3 would eventually
21 complete its fundraise and refocus on the Parties’ Commercial Partnership. Ripple’s
22 executives held onto Mr. Rutter’s promises of spreading the XRP brand among its 50 plus
23 banking consortium. After all, R3’s promises of “access” to its group of global banking
24 institutions was the main reason Ripple contracted with R3.

E. Ripple Learns of R3's Material Misrepresentations and Omissions

45. Only after being induced to enter the TPA and Option did Ripple learn the truth – that R3 was anticipating significant changes to its “collaborative consortium” of banks, even as R3 was touting it. R3 never missed an opportunity to tout these banks – such as Goldman Sachs and JP Morgan – to prospective business partners like Ripple. The opportunity to connect with these types of institutions about its technology is what attracted Ripple to R3 in the first place. However, within months after signing the TPA and Option, R3 announced departures of leading financial institutions from its consortium, including three of the top six largest banks in the US – JP Morgan, Goldman Sachs, and Morgan Stanley – and one of the largest financial institutions (by revenue) in the world, Banco Santander

46. These events came as a shock to Ripple. First and foremost, R3's consortium of top financial institutions was of utmost importance to Ripple. News of departures of such influential members significantly decreased the value proposition R3 presented for Ripple. It was akin to a company promising a counter-party access to the leading US car companies, and then removing Ford and GM from the group.

47. R3 doubtless was aware of the shakiness of its consortium – and the likely departure of key members of its banking group – when R3 induced Ripple to execute the Agreements. Despite this, R3 failed to disclose this material information and continued to trade on its inflated member list.

48. R3 was also under a duty to disclose these facts to Ripple. R3 had exclusive, peculiar knowledge of these facts. In addition, R3 had a duty to disclose by virtue of its half truths. R3 was aware of the importance to Ripple of R3's cooperation in trying to finalize the Commercial Partnership, and that R3's value to Ripple in the Agreements was in no small measure due to the makeup of R3's consortium. Before the TPA and Option were ever signed, R3 represented to Ripple that it could help Ripple position itself as a

1 market leader in cross broader payments through R3's relationships with global banking
2 institutions. R3 explicitly represented itself—both in the TPA and at other times—as a
3 gateway to its 50 plus consortium of member banks. *See, e.g.*, TPA at 1 (“WHEREAS,
4 Distributed Ledger Group, LLC . . . has entered into an Advisory Services Agreement . . .
5 with the 42 global banks party thereto[.]”); *id.* at III.1 (“In consideration for its solicitation
6 of R3 Members as Participating Members . . .”). R3's representations of what it could do
7 for Ripple through its growing list of banking members were improper when R3 knew, or
8 should have known, that it was at risk of having many investor banks to withdraw from its
9 roster—which ultimately happened.

10 49. Ripple reasonably relied on R3's foregoing representations to its detriment
11 when it entered into the TPA and Option agreements.

12 **F. Ripple Gives Up on R3 and Forges Its Own Success**

13 50. Busy dealing with a mass exodus and its never-ending funding round, R3
14 continued to pay no attention to Ripple or R3's obligations under the TPA to work towards
15 the Commercial Partnership on complete standstill.

16 51. Ripple thus decided to move forward on its own. It continued to work
17 tirelessly on its vision of growing the adoption of the Ripple Technology and the uses for
18 XRP. R3 was nowhere to be found in supporting Ripple, or trying to work towards the
19 Commercial Partnership. Indeed, senior R3 personnel had gone so far as to disparage XRP
20 in public— in front of potential participating banks and central banks possibly supervising
21 those banks. For example, on December 1, 2016, at a meeting hosted by the Bank for
22 International Settlements (the “BIS”), which is comprised of 60 global central banks, R3's
23 Director of Business Development of South America, Carlos Arena, strongly criticized
24 digital assets, including XRP. This conduct evidenced what R3's true intentions were in
25 relation to Ripple. It also was one of many instances in which R3 breached the covenant
26 of good faith and fair dealing that ran with the Agreements.

1 52. Despite R3's efforts to derail Ripple, 2017 was proving to be a very good
2 year for the company. With no help from R3, Ripple was successful in signing up over ten
3 banks to use its technology, penetrating the traditional banking sector in a way other
4 financial technology companies have yet to do. In addition, XRP experienced a large
5 surge in price and market capitalization as 2017 has brought good news in the digital asset
6 space.

7 53. Having heard nothing from R3 for some time, Ripple was surprised when
8 R3's *unreachable* CEO reached out in April 2017. In April 2, 2017 email—sent many
9 weeks since the Parties had last spoken—Mr. Rutter stated: "Hey guys *I have no idea*
10 *what's going on with XRP*, but I am one of those guys that really celebrates my friends
11 [sic] success so I just wanted to say congratulations . . . I am finally done negotiating the
12 deal (10 months in all-hell really) and there are just a bunch of logistics things that need to
13 be worked out before we close – so it shouldn't be long now. That means I can *begin*
14 *paying closer attention* to the business now and Brad I look forward to giving you an
15 update on the latest strategy." (emphasis added).

16 54. Mr. Rutter's unprompted email was revealing in many respects. First and
17 foremost, it was Ripple's success that caused him to reach out. He did not do so in prior
18 months when Ripple was working hard to get itself further on the radar in the blockchain
19 and cryptocurrency worlds. In addition, Mr. Rutter expressly admitted that he had "no
20 idea what's going on with XRP"—a digital asset that he was supposedly promoting to his
21 consortium of banks as a liquidity tool. Further, Mr. Rutter conceded that he still did not
22 have time to direct appropriate attention to Ripple, and would only *begin* to start paying
23 attention after "a bunch of logistics things" were completed. Mr. Rutter was obliged under
24 the terms of the TPA to begin paying attention to Ripple much sooner than nine months
25 after executing the TPA, and inducing Ripple to sign the Option.

26 55. In the wake of R3's newfound "interest," Mr. Rutter and R3's other two co-
27 founders, Jesse Edwards and Todd McDonald, set up a meeting with Ripple on May 9,
28

1 2017. Minutes after the meeting began, R3's CEO had to excuse himself to tend to other
2 business. After he left, Messrs. McDonald and Edwards admitted that R3 had failed to
3 perform under the TPA. They explained that R3 had been "too busy" with its own
4 fundraising, and promised to come back with a proposal for moving forward within ten
5 days, another promise which remains unfulfilled to this day.

6 56. Having had enough of R3's empty promises, on June 13, 2017, Ripple gave
7 R3 notice of termination of the TPA and the Option for material breach. Ripple CEO Brad
8 Garlinghouse explained to R3 that: "Unfortunately, the focused attention on your fundraise
9 has left our agreement and partnership stuck in a holding pattern—where it has been for
10 many months." Mr. Garlinghouse continued: "Over a year ago we began talking about a
11 robust partnership. One where R3 was posed and eager to help Ripple position itself as a
12 market leader in cross border payments. And with that vision, XRP would be the
13 centerpiece of building a robust, institutional liquidity solution. When we signed our
14 Agreement in [August] of last year, I saw this as our joint objective." Mr. Garlinghouse
15 gave details of R3's multiple breaches under the TPA, most importantly highlighting R3's
16 failure to create a term sheet for the Commercial Partnership or ultimately make any
17 efforts to the Commercial Partnership's formation, which was specifically contemplated
18 under the TPA and why the Option was given in the first place.

19 57. R3 failed to cure within the requisite 10-day period.

20 58. R3 and its CEO clearly acted in bad faith, to mislead Ripple into granting the
21 Option, knowing that neither R3 nor Mr. Rutter would be following through on their
22 promises.

23 59. R3's breaches, including its failure to officiate the Commercial Partnership,
24 has resulted in undue delay at a critical time in this new startup's growth. Ripple missed
25 opportunities to pursue other lucrative deals because of its unreturned loyalty to R3.

1 **FIRST CAUSE OF ACTION**

2 **(Fraudulent Misrepresentation—Against All Defendants)**

3 60. Ripple realleges and incorporates herein by reference the allegations
4 contained in the preceding paragraphs.

5 61. R3 intentionally misrepresented existing material facts to induce Ripple to
6 enter into the Agreements, both before closing and while soliciting Ripple's participation.
7 Among these material facts were:

- 8 • a materially false and misleading fact that that R3 led a strong, robust
9 consortium of over 50 global financial institutions, a consortium to
10 which Ripple would get access through R3;
- 11 • a materially false and misleading fact that R3's roster of banking
12 members would continue to grow and include key leading financial
13 institutions;
- 14 • a materially false and misleading fact that R3 had the time and
15 resources to devote to developing its relationship with Ripple; and
16 • a materially false and misleading fact that R3 was interested in a
17 Commercial Partnership and promoting XRP, just as it had done with
18 Ethereum, another cryptocurrency on the market, when R3 never had
19 intentions of forming a Commercial Partnership and in fact disparaged
20 digital currencies like XRP in public.

21 62. Ripple reasonably relied to its detriment on R3's foregoing
22 misrepresentations.

23 63. R3's false representations were material—indeed essential—to Ripple's
24 decision to enter into the Agreements. Ripple never would have entered into the
25 Agreements had it known that R3's representations were false.

26 64. As a result of the knowing misrepresentations it made before and at the time
27 of signing, R3 intended to, and did, defraud Ripple into executing the Agreements. R3
28

1 defrauded Ripple so that it could profit from the Option Agreement, while simultaneously
2 failing to meet its duties under the TPA Agreement.

3 65. As a direct result of, and in reliance upon, R3's misrepresentations, Ripple
4 executed the Agreements.

5 66. Due to R3's fraud, Ripple has incurred, and will continue to incur, damages
6 in an amount to be determined at trial. Further, Ripple is entitled to recover punitive
7 damages, because R3 committed its fraudulent acts maliciously, wantonly, and
8 oppressively, and with knowledge that the consequences would negatively affect Ripple.

9 **SECOND CAUSE OF ACTION**

10 **(Fraudulent Concealment—Against All Defendants)**

11 67. Ripple realleges and incorporates herein by reference the allegations
12 contained in the preceding paragraphs.

13 68. R3 fraudulently concealed from Ripple material facts before closing and
14 while soliciting Ripple's participation in the Agreements. Among these material facts
15 were:

- 16 • R3's prior knowledge and intent to unveil a product that directly
17 competed with Ripple's ILP software;
- 18 • R3's prior knowledge and intent to focus exclusively on its Series A
19 fundraiser for the next ten months after executing the Agreements—
20 which would consume their entire team for that duration;
- 21 • R3's prior knowledge of the shakiness of its consortium, and the
22 likely departure of key members after the signing of the Agreements;
23 and
- 24 • R3's simultaneous partnerships with competing fintech companies
25 that it would promote—often times against Ripple, to Ripple's
26 detriment.

1 69. R3 withheld this information with the intent to defraud Ripple. R3 knew that
2 Ripple wanted a Commercial Partnership between the Parties, and by withholding this
3 information, R3 misled Ripple into entering the Agreements.

4 70. R3's omissions were material—indeed essential—to Ripple's decision to
5 enter into the Agreements. Ripple never would have entered into the Agreements had it
6 known the foregoing material facts.

7 71. R3 had a duty to disclose the foregoing material facts because R3 possessed
8 superior knowledge regarding its business model and the effect of its upcoming
9 announcements to investors.

10 72. In entering into the Agreements, Ripple justifiably relied to its detriment on
11 R3's omissions of material facts.

12 73. Because of R3's fraudulent concealment, Ripple entered into the Agreements
13 on August 16, 2016.

14 74. Due to R3's fraud, Ripple has incurred, and will continue to incur, damages
15 in an amount to be determined at trial. Further, Ripple is entitled to recover punitive
16 damages, because R3 committed its fraudulent acts maliciously, wantonly, and
17 oppressively, and with knowledge that the consequences would negatively affect Ripple.

18 **THIRD CAUSE OF ACTION**

19 **(Negligent Misrepresentation—Against All Defendants)**

20 75. Ripple realleges and incorporates herein by reference the allegations
21 contained in the preceding paragraphs.

22 76. R3 recklessly or negligently misrepresented existing material facts to induce
23 Ripple to enter into the Agreements, both before closing and while soliciting Ripple's
24 participation in the Agreements. Among these material facts were:

- 25 • a materially false and misleading fact that that R3 led a strong, robust
26 consortium of over 50 global financial institutions, a consortium to
27 which Ripple would get access through R3;

- a materially false and misleading fact that R3's roster of banking members would continue to grow and include leading financial institutions;
- a materially false and misleading fact that R3 had the time and resources to devote to developing its relationship with Ripple; and
- a materially false and misleading fact that R3 was interested in a Commercial Partnership and promoting XRP, just as it had done with Ethereum, another cryptocurrency on the market, when R3 never had intentions of forming a Commercial Partnership and in fact disparaged digital currencies like XRP in public.

77. Ripple reasonably relied to its detriment on R3's misrepresentations.

78. R3's reckless or negligent representations were material—indeed essential—to Ripple's decision to enter into the Agreements. Ripple never would have entered into the Agreements had it known that R3's representations were false.

79. As a direct result of, and in reliance upon, R3's misrepresentations, Ripple executed the Agreements.

80. Due to R3's negligent misrepresentations, Ripple has incurred, and will continue to incur, damages in an amount to be determined at trial. Further, Ripple is entitled to recover punitive damages, because R3 committed its fraudulent acts maliciously, wantonly, and oppressively, and with knowledge that the consequences would negatively affect Ripple.

FOURTH CAUSE OF ACTION

(Breach of Contract—Against All Defendants)

81. Ripple realleges and incorporates herein by reference the allegations contained in the preceding paragraphs.

82. The Parties executed the TPA on August 16, 2016.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: September 8, 2017

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By 

David M. Grable
Ali Moghaddas
Attorneys for Plaintiffs

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): David M. Grable (Bar No. 23776) Ali Moghaddas (Bar No. 305654) QUINN EMANUEL URQUHART & SULLIVAN, LLP 865 S. Figueroa Street, 10th Floor Los Angeles, CA 90017-2543 TELEPHONE NO.: (213) 443-3000 FAX NO.: (213) 443-3100 ATTORNEY FOR (Name): RIPPLE LABS INC., et al.	FOR COURT USE ONLY <div style="font-size: 2em; font-weight: bold; letter-spacing: 0.5em;">FILED</div> Superior Court of California County of San Francisco <div style="font-size: 1.2em; font-weight: bold;">SEP 08 2017</div> CLERK OF THE COURT BY: <u>[Signature]</u> Deputy Clerk
SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN FRANCISCO STREET ADDRESS: 400 McAllister Street MAILING ADDRESS: Same CITY AND ZIP CODE: San Francisco, CA 94102 BRANCH NAME: SUPERIOR COURT OF SAN FRANCISCO	
CASE NAME: RIPPLE LABS INC., ET AL. V. R3 LRC LLC, ET AL.	
CIVIL CASE COVER SHEET <input checked="" type="checkbox"/> Unlimited (Amount demanded exceeds \$25,000) <input type="checkbox"/> Limited (Amount demanded is \$25,000 or less)	Complex Case Designation <input type="checkbox"/> Counter <input type="checkbox"/> Joinder Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)
CASE NUMBER: CDC -17-561205 JUDGE: _____ DEPT: _____	

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other PI/PD/WD (23) Non-PI/PD/WD (Other) Tort <input type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input checked="" type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-PI/PD/WD tort (35) Employment <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15)	Contract <input type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input type="checkbox"/> Other contract (37) Real Property <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) Unlawful Detainer <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) Judicial Review <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39)	Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) Enforcement of Judgment <input type="checkbox"/> Enforcement of judgment (20) Miscellaneous Civil Complaint <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) Miscellaneous Civil Petition <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43)
---	--	---

2. This case ☐ is ☒ is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
- | | |
|--|--|
| a. <input type="checkbox"/> Large number of separately represented parties | d. <input type="checkbox"/> Large number of witnesses |
| b. <input type="checkbox"/> Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve | e. <input type="checkbox"/> Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court |
| c. <input type="checkbox"/> Substantial amount of documentary evidence | f. <input type="checkbox"/> Substantial postjudgment judicial supervision |
3. Remedies sought (check all that apply): a. ☒ monetary b. ☒ nonmonetary; declaratory or injunctive relief c. ☒ punitive
4. Number of causes of action (specify): **Six**
5. This case ☐ is ☒ is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: 09/07/2017
DAVID M. GRABLE

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

Page 1 of 2

b7c
fax

INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

To Plaintiffs and Others Filing First Papers. If you are filing a first paper (for example, a complaint) in a civil case, you must complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check one box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the primary cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

To Parties in Rule 3.740 Collections Cases. A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

To Parties in Complex Cases. In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

CASE TYPES AND EXAMPLES

Auto Tort	Contract	Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400-3.403)
Auto (22)—Personal Injury/Property Damage/Wrongful Death	Breach of Contract/Warranty (06)	Antitrust/Trade Regulation (03)
Uninsured Motorist (46) <i>(if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto)</i>	Breach of Rental/Lease	Construction Defect (10)
	Contract (not unlawful detainer or wrongful eviction)	Claims Involving Mass Tort (40)
	Contract/Warranty Breach—Seller	Securities Litigation (28)
	Plaintiff (not fraud or negligence)	Environmental/Toxic Tort (30)
Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort	Negligent Breach of Contract/Warranty	Insurance Coverage Claims (arising from provisionally complex case type listed above) (41)
Asbestos (04)	Other Breach of Contract/Warranty	Enforcement of Judgment
Asbestos Property Damage	Collections (e.g., money owed, open book accounts) (09)	Enforcement of Judgment (20)
Asbestos Personal Injury/Wrongful Death	Collection Case—Seller Plaintiff	Abstract of Judgment (Out of County)
Product Liability (not asbestos or toxic/environmental) (24)	Other Promissory Note/Collections Case	Confession of Judgment (non-domestic relations)
Medical Malpractice (45)	Insurance Coverage (not provisionally complex) (18)	Sister State Judgment
Medical Malpractice—Physicians & Surgeons	Auto Subrogation	Administrative Agency Award (not unpaid taxes)
Other Professional Health Care Malpractice	Other Coverage	Petition/Certification of Entry of Judgment on Unpaid Taxes
Other PI/PD/WD (23)	Other Contract (37)	Other Enforcement of Judgment Case
Premises Liability (e.g., slip and fall)	Contractual Fraud	Miscellaneous Civil Complaint
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)	Other Contract Dispute	RICO (27)
Intentional Infliction of Emotional Distress	Real Property	Other Complaint (not specified above) (42)
Negligent Infliction of Emotional Distress	Eminent Domain/Inverse Condemnation (14)	Declaratory Relief Only
Other PI/PD/WD	Wrongful Eviction (33)	Injunctive Relief Only (non-harassment)
Non-PI/PD/WD (Other) Tort	Other Real Property (e.g., quiet title) (26)	Mechanics Lien
Business Tort/Unfair Business Practice (07)	Writ of Possession of Real Property	Other Commercial Complaint Case (non-tort/non-complex)
Civil Rights (e.g., discrimination, false arrest) (not civil harassment) (08)	Mortgage Foreclosure	Other Civil Complaint (non-tort/non-complex)
Defamation (e.g., slander, libel) (13)	Quiet Title	Miscellaneous Civil Petition
Fraud (16)	Other Real Property (not eminent domain, landlord/tenant, or foreclosure)	Partnership and Corporate Governance (21)
Intellectual Property (19)	Unlawful Detainer	Other Petition (not specified above) (43)
Professional Negligence (25)	Commercial (31)	Civil Harassment
Legal Malpractice	Residential (32)	Workplace Violence
Other Professional Malpractice (not medical or legal)	Drugs (38) <i>(if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential)</i>	Elder/Dependent Adult Abuse
Other Non-PI/PD/WD Tort (35)	Judicial Review	Election Contest
Employment	Asset Forfeiture (05)	Petition for Name Change
Wrongful Termination (36)	Petition Re: Arbitration Award (11)	Petition for Relief From Late Claim
Other Employment (15)	Writ of Mandate (02)	Other Civil Petition
	Writ—Administrative Mandamus	
	Writ—Mandamus on Limited Court Case Matter	
	Writ—Other Limited Court Case Review	
	Other Judicial Review (39)	
	Review of Health Officer Order	
	Notice of Appeal—Labor	
	Commissioner Appeals	