

To: Terra Team[team@terra.money]
From: Do Kwon[do@terra.money]
Sent on behalf of: Do Kwon <do@terra.money>
Sent: Mon 3/2/2020 9:19:59 AM Coordinated Universal Time
Subject: Announcing Terra 2.0
Attachment: Thoughts on compliance.pdf

Dear Terrans,

Over the last two years, we have been hard at work building two things. First, we built a novel decentralized network supporting the issuance of multiple algorithmically stable cryptocurrencies. Second, we built two payment companies in Korea and Mongolia looking to drive adoption for Terra as a medium of exchange. By almost any measure, we've had enormous success with both; Terra is currently one of the best known crypto networks in the world, and Chai has the highest usership of any application in the blockchain space. Despite significant challenges re: regulations, volatile markets, and tough competition, we did this together.

Today we signed papers for Daniel to become the CEO of Chai, and I to take the helm of Terraform Labs. We made this decision because we believed in order for both teams to succeed, a divide and conquer strategy was necessary. We've been thinking about this for a long time - on August 4th of last year, I shared with Dan a document called "Thoughts on compliance" (pdf attached), which discussed the tension between Terra's mandate to challenge the boundaries of traditional finance, and Chai's need to be fully compliant with existing regulations as a licensed entity. Quoting an important snippet from that post:

"Centralized enemies are easy to destroy with a "decapitation attack." Cut off the head of the snake and that's the end of anyone who would dare challenge the power of the state and its divine right to create coins.

That's what happened to e-gold in 2008, one of the first attempts to create an alternative currency. Launched in 1996, by 2004 it had over a million accounts and at its peak in 2008 it was processing over \$2 billion dollars worth of transactions.

The US government attacked the four leaders of the system, bringing charges against them for money laundering and running an "unlicensed money transmitting" business in the case "UNITED STATES of America v. E-GOLD, LTD, et al." It destroyed the company by bankrupting the founders. Even with light sentences for the ring leaders, it was game over. Although the government didn't technically shut down e-gold, practically it was finished. "Unlicensed" is the key word in their attack.

The power to grant a license is monopoly power.

E-gold was free to apply for interstate money transmitting licenses.

It's just they were never going to get them.

And of course that put them out of business. It's a living, breathing Catch-22. And it works every time.

Kings and nation states know the real golden rule:

Control the money and you control the world."

As a licensed payment entity, we were limited in what we could do to fulfill our vision of setting money free. We couldn't be adventurous in the apps we could build for Terra, or freely discuss the value of Luna. In almost everything that we did, we had to worry about potentially losing Chai's license. And that is why we decided to bifurcate the two entities - so that both Chai and Terra could flourish without worrying about the other.

Post split, Chai will double down on growing as a successful payments company within the bounds of regulatory tolerance. Much of that will have nothing to do with Terra, but it will serve one critical function w.r.t. Terra: Chai will facilitate direct Terra topups, such that it grows in geographic / merchant footprint, Terra becomes more and more useful as an alternative medium of exchange.

Going forward, Terra will start to do things differently.

1. We will start to govern Terra as an economy, not just a company. Our primary mandate will be to grow key metrics for Terra and Luna (market cap, number of wallets, transaction volume), and we will take many different approaches to meet our milestones. We will be starting a Terra Grant program, where we work with teams the world over looking to build tools and applications on Columbus. We will diversify into many use cases, most focusing on Terra's store of value facility. (more on roadmap).

2. We will become decentralized. Decentralization is directly tied to censorship resistance. Over the next few years, we will work to dismantle the Seoul HQ and move to become an entirely distributed organization. We will put a big focus on developer outreach and RM such that Terraform Labs plays a smaller and smaller part in Terra's narrative. To both ends, we will move more and more of our workstreams to open documents + discussion groups and public conference calls, to future proof our processes to be community driven and globally distributed.

3. We will be radically transparent. We will work to open source all of our code and data. We will develop a culture where we not only value radical honesty internally, but are open and transparent to the world on our business metrics, successes and failures.

Looking forward to 2020, we will organize the core team into 4 different groups. A breakdown of what each team will work on is [here](#):

1. *Infrastructure* (lead: Paul): build a robust technical foundation for the Terra ecosystem
2. *Assets* (lead: CJ): make Terra holding and Luna investing attractive
3. *Governance* (lead: Nick): create credibly neutral incentives for ecosystem stakeholders
4. *Moonshots* (lead: Do): accelerate game changing projects building on Terra

Starting next week, we will start to operate around these 4 small teams. There will be weekly syncups for each team (announced [here](#)), and the four leads alongside CJ, Joon and Brian will meet every Wednesday morning to sync up on high level items.

Free the money and you free the world.

**PLAINTIFF'S
EXHIBIT**

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