

1 KATTEN MUCHIN ROSENMAN LLP
2 Craig A. Barbarosh (SBN 160224)
3 craig.barbarosh@kattenlaw.com
4 650 Town Center Drive, Suite 700
5 Costa Mesa, CA 92626-7122
6 Telephone: (714) 966-6822

7 Jessica M. Mickelsen (SBN 277581)
8 jessica.mickelsen@kattenlaw.com
9 2029 Century Park East, Suite 2600
10 Los Angeles, CA 90067-3012
11 Telephone: (310) 788-4425
12 Facsimile: (310) 788-4471

13 Peter A. Siddiqui (*pro hac vice*)
14 peter.siddiqui@kattenlaw.com
15 525 W. Monroe Street
16 Chicago, IL 60661-3693
17 Telephone: (312) 902-5455
18 Facsimile: (312) 902-1061

19 Counsel for Debtor and Debtor-In-Possession
20 HashFast Technologies LLC and HashFast LLC

21 **UNITED STATES BANKRUPTCY COURT**
22 **NORTHERN DISTRICT OF CALIFORNIA**
23 **SAN FRANCISCO DIVISION**

24 In re
25 HASHFAST TECHNOLOGIES, LLC, a
26 California limited liability company,
27 Debtor and Debtor in Possession.

28 x Affects HASHFAST LLC, a Delaware
limited liability company,
Debtor and Debtor in Possession.

Lead Case No.: 14-30725 DM
Jointly Administered and Substantively
Consolidated with:
Case No.: 14-30866 DM
Chapter 11
Auction Date:
Date: July 28, 2014
Time: 2:00 p.m.
Place: [TBD]

29 **MOTION TO APPROVE NOTICE OF SALE OF**
30 **CERTAIN ASSETS AT AUCTION AND AUCTION PROCEDURES**

31 The Official Committee of Unsecured Creditors (the "Committee"), Hashfast
32 Technologies, LLC ("HFT"), and Hashfast LLC ("HF" and, collectively with HFT, the
33 "Debtors") hereby jointly move for entry of an order approving the *Notice of Sale of Certain*

1 *Assets at Auction* (the “Notice”) pursuant to 11 U.S.C. §§ 105(a), 363, Federal Rules of
2 Bankruptcy Procedure (the “Bankruptcy Rules”) 2002, 6004, and 9014, and Local Rules of
3 Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the Northern
4 District of California (“BLR”) 2002-1 and 6004-1 (the “Motion”). A true and correct copy of the
5 Notice is attached hereto as **Exhibit A**. In support of the Motion, the Committee and Debtors
6 (collectively, the “Movants”) state as follows:

7 **JURISDICTION**

8 This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and
9 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before
10 this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

11 **STATEMENT OF FACTS**

12 1. On May 9, 2014, Koi Systems Ltd., UBE Enterprises, Timothy Lam, Edward
13 Hammond, and Grant Pederson commenced an involuntary bankruptcy under chapter 7 against
14 HFT.

15 2. On June 3, 2014, HFT filed the *Debtor’s Conditional Consent to an Order for*
16 *Relief Regarding Involuntary Petition and Debtor’s Motion to Convert to Chapter 11*.¹ On June
17 4, 2014, the Court entered an order converting the Bankruptcy Case to one under chapter 11 of
18 the Bankruptcy Code.² Thereafter, HFT has acted as debtor in possession pursuant to Sections
19 1107 and 1108 of the Bankruptcy Code.

20 3. On June 6, 2014, HF filed a voluntary petition under chapter 11 of the United
21 States Code (the “Bankruptcy Code”).

22 4. On or about June 23, 2014, the Office of the United States Trustee appointed the
23 Committee to represent the interests of all unsecured creditors for HFT pursuant to section 1102
24 of the Bankruptcy Code.

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28 ¹ Case No. 14-30725, D.E. 35 and 36.

² All references herein to the Bankruptcy Code refer to 11 U.S.C. §§ 101 *et seq.*

1 5. On July 8, 2014, this Court granted the Debtors’ motion to jointly administer the
2 Debtors’ bankruptcy cases.³

3 6. HFT is the wholly-owned subsidiary of HF. HFT was engaged in the business of
4 manufacturing and selling special purpose computers and computer chips designed for the
5 processing of Bitcoin transactional information or “Bitcoin mining.” HF owns all intellectual
6 property rights utilized by HFT in the course of its business.

7 7. On July 18, 2014, the Debtors’ filed the first sale motion entitled *Motion Pursuant*
8 *to 11 U.S.C. §§ 105(A), 363, 365 and Fed. R. Bankr. P. 2002, 6004, 6006, 9014 and 9019 for*
9 *Entry of Orders (I) Authorizing the Sale of Estate Property, (II) Authorizing the Sale of Estate*
10 *Property Free and Clear of Liens, Claims, Encumbrances and Interests, and (III) Authorizing the*
11 *(A) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (B)*
12 *Assumption of Certain Liabilities, and (c) Granting Certain Related Relief (the “First Sale*
13 *Motion”).*⁴

14 8. On or about July 24, 2014, the Committee filed the *Opposition of the Official*
15 *committee of Unsecured Creditors to the Debtors’ Motion for Entry of Orders (1) Authorizing the*
16 *Sale of Estate Property, (2) Authorizing the Sale of Estate Property Free and Clear of Liens,*
17 *Claims, Encumbrances and Interests, and (3) Authorizing the (a) Assumption and Assignment of*
18 *Certain Executory Contracts and Unexpired Leases, (b) Assumption of Certain Liabilities, and*
19 *(c) Granting Certain Related Relief (the “First Sale Opposition”).*⁵

20 9. On or about July 26, 2014, the Court issued a tentative ruling denying the First
21 Sale Motion.⁶ Although the Court treated the initial hearing as a status conference on the First
22 Sale Motion, no further action has been taken to seek Court approval of the proposed sale to
23 Liquidbits.

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³ Case No. 14-30725, D.E. 121.

27 ⁴ Case No. 14-30725, D.E. 134.

28 ⁵ Case No. 14-30725, D.E. 156.

⁶ Although entered on the docket in Case No. 14-30725, the tentative ruling was not assigned a docket entry number.

1 10. On or about July 23, 2014, the Committee filed its motion to substantively
2 consolidated the Debtors' bankruptcy estates pursuant to 11 U.S.C. § 105(a) (the "Substantive
3 Consolidation Motion").⁷

4 11. On or about August 8, 2014, the United States Trustee filed its motion to appoint a
5 chapter 11 trustee or convert the Debtors' bankruptcy cases to cases under chapter 7 of the
6 Bankruptcy Code (the "Trustee Motion").⁸

7 12. The Substantive Consolidation Motion and Trustee Motion came before the Court
8 for hearing on September 10, 2014. After considering the pleadings and the arguments presented,
9 the Court denied the Trustee Motion⁹ and granted the Substantive Consolidation Motion.¹⁰

10 13. Following the denial of the First Sale Motion, the Movants commenced joint
11 efforts to formulate a globally beneficial exit strategy for the Debtors. Due to the resignation of
12 several top officers and employees within the Debtors and the retention of certain estate assets
13 off-shore by a Korean hardware manufacturer, the Debtors determined that the controlled
14 liquidation of Debtors' assets served the best interests of the bankruptcy estates and creditors.

15 14. On or about October 23, 2014, the Debtors filed the *Debtors' Motion Pursuant to*
16 *11 U.S.C. §§105(a) and 363 and Fed. R. Bankr. P. 2002, 6004, 6006, 9014 and 9019 for Entry of*
17 *Order (1) Authorizing the Jointly Conducted Auction of Estate Property by the Debtors and the*
18 *Committee, and (2) Authorizing the Sale of Estate Property Free and Clear of Liens,*
19 *Encumbrances and Interests, with any Disputed Liens, Encumbrances, and Interests to Attach to*
20 *the Sale Proceeds Pending Further Order of the Court* (the "Second Sale Motion").¹¹

21 15. On or about October 24, 2014, the Court held a hearing during which it requested
22 additional information relating to the proposed auction and bidding procedures relating thereto.
23 The Court set the Second Sale Motion for hearing and instructed the Movants to file a proposed
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26 ⁷ Case No. 14-30725, D.E. 148.

27 ⁸ Case No. 14-30725, D.E. 168.

28 ⁹ Case No. 14-30725, D.E. 200.

¹⁰ Case No. 14-30725, D.E. 202.

¹¹ Case No. 14-30725, D.E. 216.

1 notice for the auction sale that set forth the proposed auction procedure and expressly identified
2 which items of estate property will be subject to the auction.

3 **PROPOSED NOTICE**

4 The Movants hereby submit the attached Notice per the Court's instructions. In sum, the
5 auction procedures described therein provide as follows:

6 1. Bidder Qualification. Any person or entity that wishes to participate in the bidding
7 process must become a "Qualified Bidder." To qualify, a person or entity must: (a) submit a bid
8 identifying the specific assets for which such bid is made and the price offered for such assets; (b)
9 demonstrate the ability to consummate proposed transaction to the Movants' satisfaction; (c)
10 waive any right or request for bid protection or a break-up fee; (d) certify that the bidder has not
11 engaged in any form of bid collusion; (e) certify that the bidder will close on any bid deemed by
12 the Movants to be the winning bid within five (5) days of the sale hearing; and (f) certify that the
13 bidder is willing to serve as a back-up bidder in the event that the winning bidder at the auction
14 fails to close within five (5) days of the sale hearing.

15 2. Bid Submission. All qualified, pre-auction bids must be submitted in writing and
16 delivered by email to (a) the Debtors (c/o Victor Delalgio to victor@hashfast.com), (b) counsel
17 for the Debtors (c/o Peter Siddiqui to peter.siddiqui@kattenlaw.com), and (c) counsel for the
18 Committee (c/o Ashley McDow to amcdow@bakerlaw.com). All bids must be submitted on or
19 before November 17, 2014.

20 3. Bid Deposit. A Qualified Bidder must deliver a deposit equal to 10% of the bid on
21 or before November 17, 2014. If deemed the winning bidder, a bidder's deposit shall be applied
22 towards the ultimate purchase price for the assets. The deposits of non-winning bidders shall be
23 returned to such bidder no later than three (3) business days after the sale hearing.

24 4. Bids Irrevocable. Each bid shall constitute an irrevocable offer to purchase the
25 assets identified in the bid and shall be binding on the bidder from time the bid is submitted until
26 48 hours after the conclusion of the auction.

1 maximize the value of estate assets, and, thus, the return to the estate, while balancing such
2 interests against the need to ensure that the auction is not impaired by the involvement of casual
3 bidders or individuals or entities unable to consummate a sale on the terms of any qualified bid.
4 The Movants further submit that the proposed Notice provides ample information about the
5 auction and the assets subject to the auction such that any interested party may determine whether
6 and how to qualify to participate in the auction.

7 WHEREFORE, the Movants request that the Court approve the Notice and the proposed
8 procedures for the auction.

9
10 Dated: October 28, 2014

KATTEN MUCHIN ROSENMAN LLP
Peter A. Siddiqui
Jessica M. Mickelsen

11
12
13 By: /s/ Jessica M. Mickelsen
14 Counsel for Debtor and Debtor-In-Possession
HashFast Technologies LLC and HashFast LLC

15 Dated: October 28, 2014

BAKER HOSTETLER LLP
Ashley M. McDow

16
17
18 By: Ashley M. McDow - signed by Janice
19 Counsel for the Official Committee of Michelle
Unsecured Creditors with express
permission

1 KATTEN MUCHIN ROSENMAN LLP
2 Craig A. Barbarosh (SBN 160224)
3 craig.barbarosh@kattenlaw.com
4 650 Town Center Drive, Suite 700
5 Costa Mesa, CA 92626-7122
6 Telephone: (714) 966-6822

7 Jessica M. Mickelsen (SBN 277581)
8 jessica.mickelsen@kattenlaw.com
9 2029 Century Park East, Suite 2600
10 Los Angeles, CA 90067-3012
11 Telephone: (310) 788-4425
12 Facsimile: (310) 788-4471

13 Peter A. Siddiqui (*pro hac vice*)
14 peter.siddiqui@kattenlaw.com
15 525 W. Monroe Street
16 Chicago, IL 60661-3693
17 Telephone: (312) 902-5455
18 Facsimile: (312) 902-1061

19 Counsel for Debtor and Debtor-In-Possession
20 HashFast Technologies LLC and HashFast LLC

21 **UNITED STATES BANKRUPTCY COURT**
22 **NORTHERN DISTRICT OF CALIFORNIA**
23 **SAN FRANCISCO DIVISION**

| | | |
|---|---|--|
| 24 In re: | } | Lead Case No. 14-30725 |
| 25 HASHFAST TECHNOLOGIES LLC, a 26 California limited liability company, | } | Jointly Administered and Substantively Consolidated with: |
| 27 Debtor and Debtor-In-Possession | } | Case No. 14-30866 |
| 28 <input checked="" type="checkbox"/> Affects HASHFAST LLC, a Delaware limited liability company, | } | <u>NOTICE OF SALE OF CERTAIN ASSETS AT AUCTION</u> |
| Debtor and Debtor-In-Possession | } | <u>Auction Date</u> Date: November 19, 2014 Time: 10:00 a.m. Place: [TBD] |

PLEASE TAKE NOTICE THAT:

1 Pursuant to the Order Authorizing the Jointly Conducted Auction of Estate Property by the
2 Debtors and the Committee and Establishing Bidding Procedures (the “Bidding Procedures
3 Order”) entered by the United States Bankruptcy Court for the Northern District of California (the
4 “Bankruptcy Court”) on October 30, 2014, the above captioned debtors (the “Debtors”) and the
5 Official Committee of Unsecured Creditors (the “Committee”) will conduct an auction (the
6 “Auction”) for the sale of any or all of the assets of the Debtors (the “Assets”), including the
7 following (a) all of the assets previously or currently used in or useful to, necessary to, or related
8 to the conduct of all of the businesses of the Debtors, including chips, wafers, system components,
9 board components, hashing boards, and other inventory and equipment, and (b) the Debtors’
10 intellectual property. A list of the Assets that will be made available for sale is attached as
11 **Exhibit 1** hereto.¹

12 The Debtors and the Committee will conduct the Auction on **November 19, 2014 at 10:00**
13 **a.m.** (Pacific time). All interested parties are invited to make an offer to purchase the some or all
14 of the Assets in accordance with the terms and conditions approved by the Bankruptcy Court (the
15 “Bidding Procedures”) by **5:00 p.m.** (Pacific time) on **November 17, 2014**, subject to the
16 following requirements and procedures

17 (a) Participation Requirements. Any person or entity that wishes to
18 participate in the bidding process must become a “Qualified Bidder”. A Qualified Bidder must (i)
19 submit a bid identifying the specific Assets for which such bid is made and the price offered for
20 such Assets; (ii) demonstrate to the satisfaction of the Debtors and the Committee, the ability to
21 consummate a transaction involving some or all of the Assets; (iii) not include any request for bid
22 protection or a break-up fee; (iv) certify that such bidder has not engaged in any form of bid
23 collusion with any other person or entity; (v) certify that such bidder will close on any bid deemed
24 by the Debtors and the Committee to a winning bid within five (5) days of the Sale Hearing; (vi)
25 certify that such bidder is willing to serve as back-up bidder (a “Back-up Bidder”) in the event a
26

27 ¹ The Debtors intend to continue selling their Assets in the ordinary course of business, with the
28 consent of the Committee. Accordingly, only those Assets not previously sold will be available
for sale at the Auction.

1 Prevailing Bid (as hereinafter defined) fails to close within five (5) days of the Sale Hearing. A
2 bid complying with the foregoing shall be a "Qualified Bid".

3 (b) Bid Deposit. No later than **November 17, 2014**, a Qualified Bidder
4 must deliver a deposit equal to 10% of the Qualified Bid.

5 (c) Bid Deadline. Qualified Bids must be received by **November 17,**
6 **2014.**

7 (d) Bid Delivery. Qualified Bids shall be made in writing and delivered
8 by email to (i) the Debtors (attention: Victor Delalgio, victor@hashfast.com); (ii) counsel to the
9 Debtors (attention: Peter Siddiqui, Katten Muchin Rosenman LLP,
10 peter.siddiqui@kattenlaw.com); and (iii) counsel to the Committee (attention: Ashley McDow,
11 Baker Hostetler LLP, amcdow@bakerlaw.com).

12 (e) Auction. In the event the Debtors and Committee timely receive
13 one or more Qualified Bids, the Debtors and the Committee will conduct the Auction at a yet to be
14 designated location on December 4, 2014, commencing at 10:00 a.m. (PST). The Debtors and the
15 Committee may, in their joint discretion, adjourn the date, time, and place of the Auction.

16 (f) Auction Procedures. The Auction shall be governed by the
17 following procedures: (i) Representatives from the Debtors, the Committee, Qualified Bidders,
18 and any party the Debtor and the Committee believe in their joint discretion likely will submit a
19 Qualified Bid shall be entitled to attend the Auction; (ii) Qualified Bidders must appear in person
20 at the Auction or through a duly authorized representative; (iii) bidding shall commence at the
21 amount of the highest Qualified Bid submitted by the Qualified Bidders prior to the Auction; (iv)
22 bidding increments shall be determined by the Debtors and the Committee and shall be announced
23 during the Auction; (v) all Qualified Bidders shall have the right to submit additional bids at the
24 Auction; (vi) the Debtors and the Committee will commence the Auction with any Qualified Bids
25 for all of the Assets and then proceed to Qualified Bids by Lot; and (vii) the Auction shall
26 continue until there are one or more Qualified Bids that are deemed by the Debtors and the
27 Committee as the highest and best bids for the Assets covered by such Qualified Bid (each, a
28 "Prevailing Bid").

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(g) Qualified Bids Irrevocable. Each Qualified Bid, including any bid submitted at the Auction and any Prevailing Bid, shall be an irrevocable offer and shall be binding on the Qualified Bidder from the time it is submitted until 48 hours after the Auction concludes.

(h) Sale Hearing. The Prevailing Bid(s) will be subject to approval by this Court. The hearing to approve the Prevailing Bid(s) shall take place on December 5, 2014, if the Court is available, or, if not, the next available business day. If the sale hearing will take place later than December 5, 2014, the Committee and the Debtors shall announce the date and time of the sale hearing at the auction.

(i) Return of Deposits. All deposits shall be returned to each bidder not selected by the Debtors and the Committee as the Prevailing Bid no later than three (3) business days following the sale hearing

Dated: October 28, 2014

KATTEN MUCHIN ROSENMAN LLP
Peter A. Siddiqui
Jessica M. Mickelsen

By: /s/ Jessica M. Mickelsen
Counsel for Debtor and Debtor-In-Possession
HashFast Technologies LLC and HashFast LLC

Dated: October 28, 2014

BAKER HOSTETLER LLP
Ashley M. McDow

By: Ashley M. McDow - signed by Jessica
Counsel for the Committee Michelle with
express permission

EXHIBIT 1

Assets to be Sold

- 1
- 2
- 3
- 4 (a) Intellectual Property: including patents, patent applications, and masks
- 5 (b) Chips:
- 6 1. Golden Nonce ASIC – 15,578
- 7 2. Golden Nonce ASIC (Assembly in Progress) – 2,850
- 8 3. Golden Nonce ASIC Substrate – 2,396
- 9 (c) Wafers – 80.84
- 10 (d) Non-chip inventory (including power supplies, fans, chassis, boards, and long lead
- 11 parts)
- 12 1. Rev 1 boards (tested) – 424
- 13 2. Rev 2 boards (tested) – 150
- 14 3. Rev 3 boards Yoli Evo Mining Boards – 59
- 15 4. ECO III-120FB HASHFAST LIQUID COOLING SIERRA 430 – 4,922
- 16 5. AXIAL FAN, 120MM, 12VDC, 3A, 224 CFM – 13,850
- 17 6. IR3550 PQFN 6x6mm – 178,800
- 18 7. FP1007R3-R17-R (IND,SMT,10x7mm, 60A, 150-170nH) – 178,800
- 19 8. IR3566B Digital PWM Controller 1C – 29,800
- 20 9. ICE40HX1K-VQ100 FPGA 72 I/O - 100TQFP – 7,450
- 21 10. IR3823MTRPBF PQFN 4x5mm – 7,450
- 22 11. Bolster Plates – 173
- 23 12. Heatsinks – 558
- 24 13. LTC3855 Dual, Multiphase Synchronous DC/DC Controller – 25,000
- 25 14. Indium Foil Squares – 1,886
- 26 (e) Claims and causes of action against Simon Barber, including preference, fraudulent
- 27 transfer, and breach of fiduciary duty claims.
- 28