

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

LINQTO TEXAS, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)

) Case No. 25-90186
)

) (Jointly Administered)
)

**SAPIEN ENTITIES' OBJECTION
TO DEBTORS' MOTION FOR ENTRY OF
AN ORDER (I) AUTHORIZING THE USE
OF ESTATE PROCEEDS FREE AND CLEAR OF
ALL LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES,
(II) DETERMINING THAT THE RIPPLE SALE PROCEEDS ARE
ASSETS OF THE BANKRUPTCY ESTATE, AND (III) GRANTING RELATED RELIEF**

Sapien Group USA LLC and its group affiliates (together “**Sapien**”²), an affiliated group of shareholders, customers³ and/or parties in interest in the jointly-administered Chapter 11 cases (“**Cases**”) of Debtor Linqto, Inc. (“**Parent Debtor**”), Linqto Liquidshares, LLC (“**Liquidshares**”), Linqto Liquidshares Manager, LLC (“**Liquidshares Manager**” and together

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: Linqto, Inc. [0332]; Linqto Liquidshares, LLC [8976]; Linqto Liquidshares Manager, LLC [8214]; and Linqto Texas, LLC [5745]. The location of the Debtors’ service address is: 101 Metro Drive, Suite 335, San Jose, CA 95110.

² Specifically, the term “Sapien” includes the following entities: (i) Sapien Group USA LLC, acting both for itself and as the manager of Sapien Linqto SPV Fund Series III; (ii) Sapien Linqto SPV Fund Series III; (iii) Sapien Ventures Investment Management Pty Ltd., acting both for itself and the general partner for Sapien Ventures LP Fund No 1 and Sapien Ventures LP Fund No 2; (iv) Sapien Ventures LP Fund No 1; and (i) Sapien Ventures LP Fund No 2.

³ Sapien interposes this Objection in its capacity as both a shareholder and a Customer (as hereafter defined). In the recently filed Liquidshares schedules [Dkt. 224], Sapien Ventures Investment Management Pty Ltd. is listed as the holder of an undisputed “CUSTOMER CLAIM” in the amount of \$1,274,172. The Global Notes, Methodology, and Specific Disclosures Regarding the Debtors’ Schedules of Assets and Liabilities and Statements of Financial Affairs (“Global Notes”) provide that “...the claims for customers on Schedule F reflect only amounts which the customers intended to invest in equities, meaning customer cash balances are not included on Schedule F balances” and also that the “[V]alue of shares of non-publicly traded companies are listed using a “fair market value” method, which was calculated using an internal methodology.” Neither the Notes nor the Schedules make any reference to, account for, or attribute the “fair market value” or any “upside” value to the scheduled customer claims. See, Global Notes, pages 5-6.

with Liquidshares, “**Related Debtors**”), and Linqto Texas, LLC (“**Texas Debtor**”, and together with Parent Debtor, and Related Debtors, “**Debtors**”), respectfully submits the following objection (the “**Objection**”) to the *Debtors’ Motion for Entry of an Order (I) Authorizing the Use of Estate Proceeds Free and Clear of All Liens, Claims, Interests, and Encumbrances, (II) Determining that the Ripple Sale Proceeds are Assets of the Bankruptcy Estate, and (III) Granting Related Relief (“Ripple Proceeds Motion”)* [Dkt. No. 79].

1. By the Ripple Proceeds Motion, the Debtors seek a determination by this Court that Cash Assets aggregating approximately \$19,441,000 are assets of the Debtors’ bankruptcy estate and may be used by Debtors in the administration of the Cases.

2. Procedurally, the Ripple Proceeds Motion is defective, as it requires relief in the form of an adversary proceeding.

3. Substantively, the Ripple Proceeds Motion fails to establish how the subject assets are property of the Debtors’ estates and therefore can be used by the Debtors to fund their administrative obligations.

4. According to the Ripple Proceeds Motion, the Debtors seek the use of proceeds from a December 2024 tender offer with Ripple Labs, Inc. (“**Ripple Tender Proceeds**”) and certain other funds (collectively, with the Ripple Tender Proceeds, the “**Cash Assets**) and a determination that the Cash Assets are assets of the Debtors’ estates and may be used by the Debtors during the Cases.

5. The relief sought in the Ripple Proceeds Motion is based on the Debtors statements that prior to the Petition Date,⁴ “the Debtors’ former management participated in the December Ripple Tender ... for proceeds of approximately \$18.8 million” and the Debtors’

⁴ The Petition Date for these Cases is July 7, 2025.

conclusory assertion that “the December Ripple Tender Proceeds are property of the Debtors’ estates...” *See* Ripple Proceeds Motion, ¶¶16 and 18.

6. Prior to the commencement of the Cases, the Debtors operated an online platform that provided customers with an opportunity to invest in privately held companies, focusing primarily on the technology sector. Specifically, “[L]iquidshares purchased and held securities (the “Securities”) of privately held companies (the “Issuing Companies” and each, an “Issuing Company”), or equity in a fund that owns shares of an Issuing Company. Liquidshares then purported to allocate an economic interest in the Securities to a special purpose vehicle in the form of series limited liability companies (the “Series”) and sell units in the Series. More than 13,000 Customers invested through the Linqto Platform.” *See* Ripple Proceeds Motion, ¶8.

7. The business model “offered Customers the opportunity to purchase an indirect economic interest in the Securities of a particular Issuing Companies by purchasing units in the Series.” *See* Declaration of Jeffrey S. Stein in Support of Chapter 11 Petitions, First Day Motions, and Related Relief [Dkt. No. 10], ¶21.

8. Questions with respect to the Debtors pre-Petition Date operations, compliance with applicable securities laws, and ongoing SEC and FINRA investigations are the purported basis for the Debtors’ seeking the protections afforded by title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (“**Bankruptcy Code**”).

9. Despite acknowledging that “more than 13,000 customers invested through the Linqto Platform,” the Debtors somehow claim that the Ripple Tender Proceeds are estate property without identifying the original source of acquisition of the since-tendered shares. The Ripple Proceeds Motion disregards the fact that the underlying shares that were the subject of the Ripple Tender may have been acquired with participating Customers’ invested funds and

therefore may not belong to the Debtors or that they may be held in a resulting or constructive trust for the benefit of the Customers. While it is the Debtors' contention that, "[C]ustomers do not hold title to or direct beneficial interest in the Securities⁵", that determination has not been made by this or any other Court. Similarly, the rights of the shareholders have yet to be determined. Yet, the Ripple Proceeds Motion seeks what is effectively declaratory relief sans the adversary actions thereby summarily adjudicating material rights of the many constituencies in the Cases.

10. This threshold determination as to who owns the Cash Assets and Securities purchased by Liquidshares is a necessary precursor to permitting the Debtors' use of the Cash Assets.

11. As of the date of this filing, there are no less than 45 objections to the Ripple Proceeds Motion interposed by the Debtors' customers ("**Customers**") asserting an interest in the Cash Assets. Sapien (in its capacities as both a Customer and shareholder) joins with the various Customers opposing the Ripple Proceeds Motion and Financing Motion⁶ in asserting that the rights of the Customers, including Sapien, in and to the Cash Assets and Securities needs to be determined by way of an adversary proceeding before the Debtors are permitted to use the Cash Assets or otherwise encumber them in favor of the Debtors' lender.

12. As set forth in Sapien's DIP Financing Objection, a number of the Customers' objections to the Ripple Proceeds Motion attach Liquidshares stock certificates, Schedule k-1

⁵ The Debtors also assert that "[A]s of the Petition Date, Liquidshares holds Securities in 111 Issuing Companies with an estimated fair market value of in excess of \$500 million." See Ripple Proceeds Motion, ¶10. The Ripple Proceeds Motion does not seek authority for the Debtors to use the Securities or their fair market value in the Debtors' post-Petition Date operations, although the Securities and their fair market value appear to be part of the collateral securing the DIP financing. Sapien reserves any and all rights with respect to any determination of the ownership of Liquidshares Securities in privately held companies and to the Debtors' disposition or use of the Securities and their fair market value in the Cases going forward.

⁶ Sapien respectfully refers the Court to its objection ("**DIP Financing Objection**") to entry of the final DIP financing order [Dkt. 230] and incorporates it herein by reference.

forms evidencing an interest in a Debtor-created special purpose vehicle, and account statements identifying the customer account, including shareholdings and activity detail, thereby contradicting the Debtors' statements that Customers do not hold title to or have some form of beneficial interest in the Cash Assets. Without properly tracing the pre-Petition Date investments by Customers into Liquidshares, Liquidshares' subsequent acquisition of Securities and the allocation of the Securities to the Customers, there cannot be a determination as to whether the Cash Assets are property of the Debtors' estates.

13. It is respectfully submitted that the Ripple Proceeds Motion is the proverbial cart before the horse. To that end, Sapient submits that a determination needs to be made first as to the rights and extent of the Customers ownership rights in the Cash Assets, and whether the Cash Assets are property of the Debtors' estates under Section 541 of the Bankruptcy Code, or whether the Cash Assets are either held in a resulting trust or a constructive trust must be imposed to protect Customers' interests. Failure to do so will: (1) prejudice Customers' and Sapient's claims and equitable rights to the Cash Assets and Securities; and (2) effectively subordinate their position to a DIP lender who holds a right to credit bid for the Debtors' collateral in any sale, leaving the Customers' claims and Sapient's claims and interests entirely unprotected.

ARGUMENT

The Ripple Proceeds Motion Is Procedurally Defective as it Requires the Commencement of an Adversary Proceeding Pursuant to FRBP 7001

14. The Ripple Proceeds Motion is procedurally defective as it is a disguised request to recover money or property; to determine the validity, priority or extent of a lien or other interest in property; to subordinate a claim or interest; and/or a seeking a declaratory judgment relating thereto, which request must proceed by the commencement of an adversary proceeding.

15. Federal Rule of Bankruptcy Procedure 7001 provides that an adversary proceeding is required for the following:

- (1) a proceeding to recover money or property, other than a proceeding to compel the debtor to deliver property to the trustee, or a proceeding under §554(b) or §725 of the Code, Rule 2017, or Rule 6002;
- (2) a proceeding to determine the validity, priority, or extent of a lien or other interest in property, but not a proceeding under Rule 3012 or Rule 4003(d);...
- (8) a proceeding to subordinate any allowed claim or interest, except when chapter 9, chapter 11, chapter 12, or chapter 13 plan provides for subordination;
- (9) a proceeding to obtain a declaratory judgment relating to any of the foregoing....

16. The Ripple Proceeds Motion should be viewed as the Debtors': (1) seeking to recover money, in the form of the Cash Assets, from the Customers; (2) seeking a determination of the Debtors' interest in the Cash Assets; and/or (3) seeking to subordinate an allowed claim or interest, specifically the claims and rights of the Customers and Sapient, each of which requires the commencement of an adversary proceeding.

17. Furthermore, there is no question that a determination as to ownership of the Cash Assets has demonstrable consequences to these Cases and the Estates and to the claims and rights of Customers and Sapient, both in its capacity as a Customer and a direct shareholder, thereby supporting the need for a declaratory judgment relating to the foregoing.

18. The relief sought in the Ripple Proceeds Motion must be pursued by an adversary proceeding governed by the applicable provisions of the Federal Rules of Bankruptcy Procedure.

The Ripple Proceeds Motion Fails to Substantiate that the Cash Assets Are Property of the Estate Under Section 541 of the Bankruptcy Code

19. The Ripple Proceeds Motion is based on an unproven, conclusory assertion by the

Debtors that the Ripple Sale Proceeds are property of the Debtors' estates. The Ripple Proceeds Motion contains no disclosure whatsoever as to how the subject Ripple shares that were tendered were initially acquired, held, or allocated by Liquidshares. Without such detail and without documentation to substantiate the Debtors' position, there is insufficient information provided in order for the parties to adequately evaluate the requested relief.

20. In addition, it is clear from the numerous Customer objections that this is an issue of significant dispute and ramifications for the Cases.

21. Generally, the Customers are asserting ownership rights in the Cash Assets based upon their initial investment into Liquidshares and their understanding of the Debtors' representations that by their investment they were acquiring a direct economic interest in the Securities by purchasing units in a Series. In other words, the Customers are asserting a right to recover money or property as well as asserting a constructive trust over the Cash Assets.

22. A constructive trust may be the appropriate remedy to protect Customers rights and claims. *Haber Oil Co. Inc. v. Swinehart (In re Haber Oil Co.)*, 12 F.3d 425, 437 (5th Cir. 1994). In these Cases, the Cash Assets serve as property that the Customers assert a right to and which must be preserved for their benefit. "[U]nder Texas law, a constructive trust can attach only to some identifiable property which can be traced back to the original property acquired by fraud." *In re Lodek*, 61 B.R. 66, 68 (Bankr. W.D. Tex 1986) (citing *Rosenberg v. Collins*, 624 F.2d 659, 663 (5th Cir. 1980). "The constructive trust arises when legal title to the property wrongfully taken passes." *Id.* (citation omitted).

23. The Debtors, however, simply assert their ownership of the Cash Assets, without substantiation and bypassing the governing rules requiring the commencement of an adversary proceeding for a declaratory judgment clarifying the parties legal rights and obligations.

24. The Ripple Proceeds Motion should be denied outright or at the very least, any determination deferred until a fulsome investigation can be conducted to understand the origin of the underlying shares that were tendered to Ripple resulting in the currently escrowed Ripple Sale Proceeds and their intended beneficiaries. Until then, no conclusions can be drawn as to whether the \$19,441,000 Cash Assets and Securities that are the subject of the Ripple Proceeds Motion belong to the Debtors' estates, may be used by the Debtors, and are not subject to any claim, lien, or constructive trust in favor of its thousands of Customers.

25. Customers, the Creditors' Committee, and other parties in interest, including Sapien, are entitled to and require sufficient time to investigate the Debtors' books and records, analyze the Debtors' schedules and other financial reporting, and pursue discovery as necessary in order to be able to trace their investments into Liquidshares, the shares and/or SPV interests attributable to them by the Debtors, and their connection to the Cash Assets before any determination can be made that the Cash Assets are property of the Debtors' estates and may be used by the Debtors during the administration of the Cases.

WHEREFORE, Sapien respectfully requests that the Court deny the Motion in its entirety and for such other action as the Court deems reasonable.

Dated: August 12, 2025

**BONDS ELLIS EPPICH SCHAFER
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Group Affiliates*

CERTIFICATE OF SERVICE

I certify that on August 12, 2025, I caused a copy of the foregoing document to be served on all parties receiving notice via the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Aaron M. Guerrero

Aaron M. Guerrero