

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

In re:

LINQTO TEXAS, LLC, *et al.*,

Debtors.<sup>1</sup>

Chapter 11

Case No. 25-90186 (ARP)

(Jointly Administered)

**Ref Docket Nos. 16, 79, 505**

**Hearing Date: October 3, 2025, 11:00 a.m.  
(CT)**

**Objection Deadline: October 1, 2025, 4:00  
p.m. (CT)**

**STATEMENT OF THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS IN SUPPORT OF THE EMERGENCY MOTION FOR  
ENTRY OF AN ORDER (I) APPROVING SETTLEMENT BETWEEN  
THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS, AND THE DEATON PARTIES REGARDING RIPPLE  
TENDER PROCEEDS, DIP FINANCING, AND CUSTOMER TREATMENT  
PURSUANT TO BANKRUPTCY RULE 9019, AND (II) GRANTING RELATED RELIEF**

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<sup>1</sup> 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: P.O. Box 2859, Sunnyvale, CA 94087.

The Official Committee of Unsecured Creditors (the “**Committee**”) appointed in the chapter 11 cases of Linqto Texas, LLC., and its affiliated debtors (collectively, the “**Debtors**” and, together with their subsidiaries and non-Debtor affiliates, the “**Company**” or “**Linqto**”) respectfully submits this statement in support of (a) the *Debtors’ Emergency Motion For Entry Of An Order (I) Approving Settlement Between The Debtors, The Official Committee Of Unsecured Creditors, And The Deaton Parties Regarding Ripple Tender Proceeds, Dip Financing, And Customer Treatment Pursuant To Bankruptcy Rule 9019, And (II) Granting Related Relief* (the “**Settlement Motion**” seeking approval of the “**Settlement**”) [Docket No. 505]; (b) the *Debtors’ Emergency For Entry Of Interim And Final Orders (I) Authorizing The Debtors To Obtain Postpetition Secured Financing, (II) Granting Liens and Providing Superpriority Administrative Expense Claims, (III) Modifying The Automatic Stay, (IV) Scheduling A Final Hearing, And (V) Granting Related Relief* [Docket No. 16] (the “**DIP Financing Motion**”); and (c) 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* [Docket No. 79] (the “**Customer Securities Motion**” and, together with the DIP Financing Motion and, the “**Financing Motions**”).<sup>2</sup>

### **PRELIMINARY STATEMENT**

1. The Committee strongly supports the Settlement. The Settlement delivers to account holders at Linqto (“**Customers**”) the best possible result: getting back their economic interest in the securities (and all upside) that they invested in rather than an unsecured claim.

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<sup>2</sup> Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the DIP Financing Motion or the Customer Securities Motion, as applicable.

2. The Committee reluctantly supports the Financing Motions. The Financing Motions are a bitter pill to swallow: they are necessitated because Linqto (as discussed below, seemingly at the behest of its prior management) defrauded Customers, and the Financing Motions are the only path to achieve the Settlement.

3. Linqto Customers did not ask to be part of these proceedings and indeed are here only because they were defrauded. Bankruptcy proceedings are particularly alienating for retail customers of a financial institution: their assets are suddenly stripped away, and they are placed in a system with unclear rules, lawyers speaking legalese, and are sent reams of unclear legal filings. As a result, the Committee files this Statement to lay out why Customers are here, what the Settlement and the Financing Motions are, and why they are in the best interests of Customers as well as all other parties in interest.

#### **What Is The Committee?**

4. The Committee was appointed by the United States Trustee, which is part of the Department of Justice. The Committee represents the interests of customers and creditors of Linqto and is comprised of customers and creditors of Linqto. Committee members are volunteers and are not paid for their service.

5. From the first day of its appointment, the Committee has believed that Customers are not unsecured creditors. Customers were sold securities to be held indirectly and are entitled to recover their securities. Not an unsecured claim to be valued at an arbitrary date that could be diluted by non-customer unsecured claims seeking to recover against their securities. Customers may *also* have unsecured claims – for example, Ripple holders have claims based on the wrongful sale of their securities. The Committee similarly believes unsecured creditors are entitled to be paid in full – but not out of Customer assets.

6. Because it has been asserted that Customers are unsecured creditors, and Customers were placed on the Committee (and comprise a majority of the Committee), the Committee views its remit as encompassing Customer interests despite the Committee's position that Customers are *not* unsecured creditors.

**Why Customers Are Here In Chapter 11: Fraud.**

7. Customers were sold, and bought, indirect equity interests in private companies through Linqto. Linqto purchased blocks of private company equities with its own funds, then would sell shares of purported series limited liability companies holding those equities to customers. Shares that were sold to customers are referred to as "**Customer Securities**" and shares that Linqto bought, but did not resell to customers, are referred to as "**House Securities**."

8. When Linqto took money from customers, it promised those Customer Securities would be owned by bankruptcy-remote special-purpose entities ("**SPVs**"), and Customers would own interests in those SPVs. Linqto promised those indirect interests would be transferable, and could be sold to other parties if a customer needed liquidity. Linqto promised that it would comply with securities laws.

9. **Linqto Lied.** Linqto appears to simply not have bothered to transfer shares to the SPVs – if it formed them at all. As a result, the Customer Securities are not outside the bankruptcy process. Further, Linqto throughout its history (up until current management halted operations shortly after taking over and apparently discovering these issues) appears to have serially violated every major securities law on the books, making transferring those assets inside a bankruptcy process extremely difficult. Linqto, in 2023, appears to have been warned in excruciating detail of its potential violations of securities laws. These violations significantly worsen the situation, because efforts to create a structure that *does* comply with the law and *does* deliver interests in the

Customer Securities is difficult – and difficult means costly. Absent spending the money to create a structure, there would likely be no option to return Customer Securities to Customers other than completely liquidating the portfolio and sending cash.

10. Virtually the only thing that Linqto appears to have told the truth about is that the underlying securities exist. With one major exception – a 3% shortfall in Ripple securities – the Committee understands Customer Securities are owned by Linqto in the full amounts shown in Customers’ accounts.

11. **These Lies Were Fraud.** The Committee, and other creditors, have asserted constructive and/or resulting trust arguments to remove those securities from being considered “property of the estate” but such arguments should never need to have been raised. Such interests should have rode through unaffected by the bankruptcy.

12. But because of this fraud, customer securities are not in bankruptcy-remote SPVs. Those SPVs cannot simply “ride through” the bankruptcy with customers continuing to own their economic interest in those SPVs. Instead, each share is held at Linqto Liquidshares LLC (“**Liquidshares**”), a Chapter 11 debtor.

13. **The Committee Is Investigating Who Committed This Fraud.** The Committee is investigating how this fraud came to be. While the Committee’s investigation is not complete and the Committee is not yet ready to identify wrongdoers, certain facts seem clear. First, Linqto’s failure to place assets in the SPVs it sold customers appears to have taken place throughout Linqto’s history. In other words, it does **not** appear the SPVs were set up and assets placed within them, and subsequently removed. It was simply never done.

14. This fraud, thus, appears to have happened when securities were sold to Customers under Linqto’s historical management, largely led by former CEO William Sarris but also

potentially former CEO Joseph Endoso. Mr. Sarris appears to have also admitted that he was responsible for the improper tender of certain Ripple shares in December 2024 without customer authorization, which has led to a shortfall in the Ripple shares held by Linqto. *See* Docket No. 485.

15. As a result, while the Committee is investigating all aspects of how Linqto came to defraud its customers and who is responsible, at this point it seems clear that the fraud was perpetrated under Mr. Sarris' management.

16. The Committee is aware several people who were present while Linqto was committing fraud have sought to disseminate information to Customers or offer them advice. The Committee urges all Customers to be appropriately skeptical of any information coming from anyone who may face liability based on their actions while associated with Linqto.

**The Result: A Dispute Over Share Ownership That Risks Customer Recoveries.**

17. Because the shares are held by Liquidshares in its own name, were purchased with the Debtors' funds, and based on the Subscription Agreements, the Debtors took the position that Customers do not "own" anything: the shares are the property of Liquidshares. The Debtors' position is that Customers have unsecured claims for Linqto's wrongful behavior, but no entitlement to receive their shares back outside the bankruptcy process.

18. If the Debtors were correct, Customers would have unsecured claims, which might be valued in dollars as of the date that Linqto filed for bankruptcy pursuant to Section 502(b) of the Bankruptcy Code. Customers might not have a right to the value of appreciation of their shares during the course of this bankruptcy. Further, any other unsecured claims would claim against the shares – so even though almost all shares are accounted for, customers might receive significantly less because other unsecured creditors received some of the value of those shares.

19. The Committee disagrees. The Committee’s investigation to date reveals that core facts relied on by the Debtors are correct – that the shares were not formally transferred to SPVs, and there is ambiguity regarding whether the SPVs were even created. However, the Committee believes that these facts create what is legally called a “constructive trust” or a “resulting trust” such that, even though the shares are legally owned by Liquidshares, they are held in trust (either for customers directly, or for the SPVs) and not actually property of Liquidshares. Accordingly, the Committee believes Customers are not unsecured creditors, Customers are entitled to the appreciation in value of their shares, and Customers are the exclusive party able to claim against Customer Securities.

20. However, the Committee would bear the burden of proof to show a constructive trust – and constructive trusts are disfavored in bankruptcy and hard to establish. The Committee believes this case meets (and exceeds) that standard – but it would require expensive and time-consuming litigation to prevail. Importantly, the Debtors disagree and, considering the importance of this issue, we expect a trial would be necessary, and trials are expensive.

21. Customers would face significant risk in litigating constructive trust theories. The Committee could lose, placing Customers clearly in the unfavorable position of being unsecured creditors. Or, the Committee could win.

22. If the Committee won, Customers would face a second problem: **how do they get their securities back?** Because Linqto did not create SPVs that complied with applicable law and contained the applicable securities, there is no simple way to “give the securities back.” Trying to issue them directly to Customers would violate securities laws and the agreements with the issuing companies, and create significant legal headaches for the issuing companies. For instance, some of those issuing companies would be required to become publicly reporting companies because of

the sheer number of direct shareholders that would result, subjecting them to onerous SEC regulation that they are not prepared to comply with. As a result, if securities were transferred in that manner, issuing companies would vigorously oppose such an action. Any action Linqto takes to recreate an SPV structure risks *new* violations of securities laws. Given its history of violations, that effort could be illegal and ensuring it is not would be costly. It could only be done through confirming a Chapter 11 plan of reorganization.

23. But if the Committee prevailed, there is no money to pay for those costs: Linqto filed with little cash on hand and a small portfolio of House Securities. The House Securities and that cash are not sufficient to have a successful Chapter 11 plan of reorganization confirmed. The Debtors would likely have no choice but to convert to a liquidation under Chapter 7 of the Bankruptcy Code. In such a liquidation, it is likely that a Chapter 7 trustee would seek to sell Customer Securities and distribute cash – because a Chapter 7 trustee cannot use the tools of Chapter 11 to distribute securities “in kind.”

**What The Settlement Does For Customers And Creditors: Deliver You Your Shares.**

24. The Settlement delivers “customer status” to Customers. Customers will be treated as a distinct class or classes, and ***only*** Customers will be entitled to receive Customer Securities; other unsecured creditors will not. Customer claims will not be capped at an arbitrary dollar value. All value in Customer Securities (except for the necessary costs of this case) will go to Customers.

25. Linqto promised Customers an indirect interest that (a) represented the specific shares they wanted to purchase and (b) could be sold. However, the fraud of Linqto’s prior management makes it impracticable or impossible to deliver something to Customers that does both. It is possible to deliver ***one*** of those two options.

26. Customers were clear – and the Committee was clear – that Customers deserve the right to choose between those two options rather than having someone make the choice on their behalf. Many Customers feel strongly about the future value of the investments they made, and seek to hold them until the issuers of those securities go public (or beyond). Other Customers may have a need for cash now or foresee one in the future (such as buying a house, or unexpected economic issues), and prefer a liquid option. The Settlement gives each customer the choice to select what is right for their account.

**The Liquidating Trust**

27. Customers who prefer to maintain their securities, and get an interest that corresponds 1:1 to what they purchased, can elect the Liquidating Trust. The Liquidating Trust will take possession of all the Customer Securities for applicable Customers, and issue those Customers trust interests that track the specific securities they invested in. When those securities become publicly traded, the Liquidating Trust will transfer that security to those Customers. However, interests in the Liquidating Trust cannot be sold: Customers will have no ability to sell those interests to a third party. The Liquidating Trust will, however, seek to provide windows where Customers can express a desire to sell their Securities and if the Liquidating Trust can sell those underlying securities, it will remit the cash to those Customers in satisfaction of their interest.

**The Closed-End Fund**

28. Customers who need the ability to easily sell their interests can instead elect the Closed-End Fund. The Closed-End Fund will be registered and publicly traded, so interests can easily be bought and sold: Customers will be able to sell their equity in the Closed-End Fund at will on a public exchange.

29. However, the Closed-End Fund **will not** track the individual holdings of each Customer that elects into it. Instead, the Closed-End Fund will hold the pool of all Customer Securities contributed into it, and each Customer will own a percentage of that whole. So a customer that held only one kind of stock will, upon electing the Closed-End Fund, instead have an interest in *all* securities contributed to the Closed-End Fund.

30. It is the Debtors' view that the Closed-End Fund will provide greater value and liquidity to Customers than the Liquidating Trust; however, the Committee does not currently have a position in this regard.

31. The Settlement delivers, in the Committee's view, the best possible result for Customers given the historical fraud perpetrated by Linqto during the period it was led by William Sarris. It preserves Customer entitlements to Customer Securities, and provides Customers with a choice.

**The Committee Supports The Case Funding Contained In The Settlement.**

32. Linqto Customers should have rode through these cases, facing no risk to their investments. Because of Linqto's fraud, they cannot. To deliver the benefits of the Settlement, the costs of this Chapter 11 proceeding must be paid – and unfortunately, there is currently no way to do so that does not require the use of Customer Securities or the proceeds of the wrongful and fraudulent sale of Ripple securities owned by Customers (the "**Ripple Proceeds**").

33. Absent funding these cases, the Committee sees no viable path to return Customer Securities to Customers. A liquidation of Customer Securities and distribution in cash, through a Chapter 7 process, would likely be inevitable – and the cash distributed might be capped at the value of those securities as of the date Linqto filed for bankruptcy. Linqto simply does not have assets today to fund these cases without using Customer Securities or the Ripple Proceeds.

34. However, the original Financing Motions required a finding that Customers were merely unsecured creditors, and Customer Securities were “property of the estate.” This was unacceptable to the Committee, as it would potentially create significant limitations on Customer recoveries, *in addition* to the use of their assets without their consent.

35. Further, the size of the budget was unacceptable: the Committee estimates that under the original Financing Motions, Customers would lose approximately 9% of their Customer Securities.

36. The revised Financing Motions resolve the first concern: there is no “property of the estate” finding. The Financing Motions instead seek a finding that these costs are actual and necessary costs of preserving Customer Securities for Customers, and in the best interests of Customers as a whole.

37. The revised Financing Motions do not fully resolve the second concern. The Committee and the Debtors worked hard to slash the budget for these cases. But there is still an anticipated charge against Customer Securities of approximately 5% - in other words, for every 100 securities of a particular company a Customer owned, they will receive approximately 95. Importantly, this excludes Ripple – Ripple Customers will *not* be charged 5% *on top of* the existing 3% shortfall in the Ripple securities (for a total shortfall of 8%). Instead, the goal will be for Ripple Customers to face the same 5% (or less) total shortfall as everyone else.

38. This 5% charge is unacceptable and the result of fraud. As set forth below, the Committee will seek to recover this 5% from the parties responsible for this fraud.

**The Parties That Defrauded Customers Will Be Held to Account.**

39. Customers were defrauded. Customers have been damaged; at a minimum, by the 5% that they are likely to pay under the Financing Motions. Linqto also appears to have made a

practice (under former management) of other activities, including charging excessive and undisclosed markups, that may also give rise to additional claims.

40. The Committee intends to hold each and every party responsible for this fraud liable for the full damages they have caused Customers, and Linqto itself. As discussed above, because the wrongful actions appear to have taken place throughout Linqto's history (under previous management), the Committee is investigating every aspect of that fraud. The Debtors' current management has fully cooperated with and assisted the Committee's investigation.

41. Further, all unsecured creditors have also been prejudiced by this fraud. Other than litigation claims, it appears all undisputed assets of Linqto that could otherwise go to such claimants will be spent on these Chapter 11 cases. Little, if any, funds will be left over for unsecured creditors on the effective date of a Plan. Such creditors also deserve to have their legitimate claims paid and have been damaged by the fraudulent conduct that led to these cases.

42. All claims will be placed in a Litigation Trust (separate from the Liquidating Trust) and pursued on behalf of Linqto Customers and creditors. Customers will be entitled to recover their 5% against the funds recovered from those who contributed to or participated in this fraud; as will unsecured creditors of Linqto who otherwise face going unpaid. The Committee will be investigating those claims and turn over the results of its investigation, and all documents collected, to the Litigation Trust; as will the Debtors.

43. The Committee and the Debtors will be moving expeditiously to propose a Chapter 11 plan (the "**Plan**") consistent with the Settlement. Each Customer and creditor will be entitled to vote on the Plan. The Committee and the Debtors intend to propose the Plan and seek to have it confirmed before the end of this year, so as to speed the return of Customer Securities

to Customers, and the process of holding wrongdoers to account for the fraud that caused these bankruptcy cases.

**CONCLUSION**

**WHEREFORE**, for the foregoing reasons, the Committee respectfully requests that the Court: (i) approve the Settlement; (ii) approve the Financing Motions; and (iii) grant the Committee such other and further relief as is just and proper.

Dated: September 26, 2025  
Houston, Texas

Respectfully submitted,

By: Ryan C. Wooten

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**CERTIFICATE OF SERVICE**

I hereby certify that on the 26<sup>th</sup> day of September 2025, I caused a true and correct copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas on all parties receiving ECF notice.

/s/ Ryan C. Wooten

Ryan C. Wooten