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UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

IN RE: Chapter 11  
8E14 NETWORKS, INC., d/b/a Case No. 22-10708 (BLS)  
ANANDA NETWORKS, Courtroom No. 1  
824 North Market Street  
Wilmington, Delaware 19801  
Debtor. Friday, August 5, 2022  
2:00 P.M.

TRANSCRIPT OF FIRST DAY HEARING  
BEFORE THE HONORABLE BRENDAN L. SHANNON  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtor: Morgan Patterson, Esquire  
WOMBLE BOND DICKINSON (US) LLP  
1313 North Market Street, Suite 1200  
Wilmington, Delaware 19801

For the Subchapter  
V Trustee: Jami Nimeroff, Esquire  
BROWN MCGARRY NIMEROFF LLC  
Two Penn Center, Suite 610  
John F. Kennedy Boulevard  
Philadelphia, Pennsylvania 19102

Audio Operator: LaCrisha Harden

Transcription Company: Reliable  
1007 N. Orange Street  
Wilmington, Delaware 19801  
(302) 654-8080  
Email: gmatthews@reliable-co.com

Proceedings recorded by electronic sound recording, transcript  
produced by transcription service.

1 APPEARANCES (CONTINUED):

2 For the U.S. Trustee: Hannah McCollum, Esquire  
3 UNITED STATES DEPARTMENT OF JUSTICE  
4 OFFICE OF THE UNITED STATES TRUSTEE  
5 844 King Street, Suite 2207  
6 Lockbox 35  
7 Wilmington, Delaware 19801

8 For VMware, Inc.: Benjamin Butterfield, Esquire  
9 MORRISON & FOERSTER LLP  
10 250 West 55th Street  
11 New York, New York 10019  
12  
13 Monique DiSabatino, Esquire  
14 SAUL EWING ARNSTEIN & LEHR LLP  
15 1201 North Market Street, Suite 2300  
16 Wilmington, Delaware 19801

17 Venture Lending &  
18 Leasing IX, Inc.: Howard Cohen, Esquire  
19 FOX ROTHSCHILD LLP  
20 919 North Market Street, Suite 300  
21 P.O. Box 2323  
22 Wilmington, Delaware 19899

23 Pro Se Litigant: Elad Rave  
24 Ilan Shmargad  
25

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1 (Proceedings commenced at 2:08 p.m.)

2 THE COURT: Good afternoon, all. This is Judge  
3 Shannon.

4 I understand from the court reporter that  
5 necessary parties have joined. This is a hearing in the  
6 matter of 8E14 Networks, Inc., a Sub V case, Case No. 22-  
7 10708.

8 This is, effectively, the first day hearing. My  
9 understanding is that there is a single matter that is on for  
10 the court's consideration today which is the DIP financing  
11 motion.

12 I will hear first from counsel for the debtor.

13 MS. PATTERSON: Good afternoon, Your Honor.  
14 Morgan Patterson of Womble Bond Dickinson on behalf of the  
15 debtor.

16 THE COURT: Good afternoon, Ms. Patterson. It is  
17 good to see you.

18 MS. PATTERSON: It is good to see you as well,  
19 Your Honor.

20 I would start out by just saying we very much  
21 appreciate Your Honor and staff taking time on this beautiful  
22 Friday afternoon in the summer. We, frankly, could have  
23 timed this better, but as I'm sure Your Honor knows all too  
24 well these things, sometimes, the timing is just out of our  
25 control.

1           As Your Honor noted, we are here today on the  
2 first day for 8E14 Networks, which is doing business as  
3 Ananda Networks. With me today, in the virtual courtroom, is  
4 my partner Matthew Ward. We also have Eric Daucher and  
5 Rebecca Winthrop who are from Norton Rose Fulbright who will  
6 be special counsel to the debtor; as well as Brian Ayers from  
7 Rock Creek Advisors who will be the debtor's financial  
8 advisor.

9           THE COURT: Very good.

10          MS. PATTERSON: As Your Honor noted, the only  
11 motion that we have on today is the DIP.

12           If it's okay with Your Honor I planned on going  
13 through a bit of background about the company, how we got  
14 here. As I'm sure you noticed, a bit of -- it's a bit  
15 unconventional. So I thought I would walk Your Honor through  
16 the history of how we got here and where we see this case  
17 going.

18          THE COURT: That would be great. Thank you. You  
19 may proceed.

20          MS. PATTERSON: Thank you, Your Honor.

21           So as you noticed, this is one debtor and we  
22 elected to -- we're electing to proceed here under Subchapter  
23 V. The company, led by its founders, developed a  
24 revolutionary technology which will aid many businesses in  
25 operating what is becoming an increasingly remote workforce

1 in this post-pandemic economy. Specifically, the debtor's  
2 intellectual property allows companies to create secure  
3 networks and removing the need for a VPN. This  
4 revolutionizes the networks by allowing it to move up to 25  
5 times faster.

6 I'm sure, Your Honor, that my explanation of the  
7 technology here is not doing it justice, and under normal  
8 circumstances I would allow my company witness to come up  
9 here and answer some of Your Honor's questions. But we plan  
10 to do that at, hopefully, what will be a hearing on a few  
11 first day motions in about a week.

12 THE COURT: That would be fine. I would like to -  
13 - I will hold my questions and thoughts until then. That  
14 sounds fine.

15 MS. PATTERSON: Okay, perfect. Thank you, Your  
16 Honor.

17 The company -- so just to give a little bit more  
18 information on the company, structure and debt the company  
19 does have some customers and revenue at this time, but the  
20 founders really developed the company, this concept, about  
21 two years ago with the mind to monetize the IP and sell the  
22 company in short order. So the company doesn't have a ton of  
23 revenue.

24 Over the past year the company has proceeded  
25 through a number of failed marketing attempts, but much of

1 that failure stemmed from some internal conflicts among the  
2 debtor's founders. Most recently, as the debtor's funding  
3 began to get more and more scarce, it became clear that a  
4 sale was needed to occur very imminently. And the best  
5 possible chance for the company was to maximize the value  
6 through a Chapter 11 process which is how we were led here  
7 today.

8           The company's capital structure is relatively  
9 simple. They have \$1.4 million in prepetition secured debt  
10 from one lender which is Venture Lending & Leasing, and that  
11 is an affiliate of Western Technologies Investments. They  
12 have approximately \$8.5 million in various other forms of  
13 unsecured debt.

14           THE COURT: I wanted to ask, and I assume some of  
15 that must be insider debt or we have some issues with your  
16 eligibility under Sub V.

17           MS. PATTERSON: Yes, Your Honor. I appreciate you  
18 raising that. You are correct that \$3.4 million of that  
19 unsecured debt is the affiliate debt.

20           THE COURT: Okay.

21           MS. PATTERSON: So that allows us to utilize the  
22 Sub V.

23           Prior to filing the debtor was able to line up a  
24 purchaser, which you have seen in the documents, and that  
25 purchaser is an industry leader in the technology space,

1 VMware. VMware has also agreed to provide DIP financing;  
2 however, that financing was not available until the case  
3 commenced. So that is how we got here today having filed the  
4 petition and the DIP motion, but have a few other first days  
5 that will need to (indiscernible), like the company --

6 THE COURT: Hang on. This is Judge Shannon. I  
7 want to ask that anybody that's not addressing the court  
8 please mute your microphone. We're getting some feedback.

9 Ms. Patterson, apologies for the interruption.  
10 You may proceed.

11 MS. PATTERSON: No problem, Your Honor. Thank  
12 you.

13 So as I noted, we do plan to put together a few  
14 first days. I wouldn't say it's the normal slate of ten  
15 motions, but just a couple, I think three or four. Most  
16 importantly is the employee wage motions. The employees are  
17 -- it's no understatement to say they are the lifeblood of  
18 this company and very important not only to the debtor, but  
19 to the purchaser.

20 The proposed APA that we was filed as part of the  
21 DIP motion package reflects a purchase price of \$12.5  
22 million. It reflects --

23 THE COURT: Hang on just a second. I believe  
24 we're getting feedback from a participant who appears on the  
25 screen as Elad Rave. Again, I would ask that that party



1 please place your phone on mute. Any and all parties that  
2 wish to address the court in this hearing will have an  
3 opportunity to do so, but I can't have people disrupting the  
4 audio.

5 Ms. Patterson, again, apologies for the  
6 interruption. You may proceed.

7 MS. PATTERSON: No problem, Your Honor. I  
8 appreciate that.

9 So the purchase price that is contemplated from  
10 VMware is \$12.5 million. The purchase also contemplates  
11 continued employment of all of the employees and continued  
12 business for the debtor's vendors and customers.

13 We anticipate that if everything goes according to  
14 plan the purchase price, even if no higher bids are found  
15 during the case, this would still allow 100 percent or very  
16 close to 100 percent recovery for all creditors.

17 THE COURT: Okay.

18 MS. PATTERSON: So, you know, that is where I  
19 think we're headed for now. I'm happy to save scheduling  
20 issues for the end if Your Honor would prefer and we could  
21 dive right into the DIP motion.

22 THE COURT: I think so; although, you note, I  
23 think correctly, Ms. Patterson, that this is filed with,  
24 obviously, a thin record and a single motion. That's fine.  
25 I think I would ask if, first, has a Subchapter V Trustee

1 been appointed in this proceeding?

2 MS. PATTERSON: Yes, Your Honor. Ms. Nimeroff, I  
3 believe, is on the screen. She was appointed this morning.  
4 We spoke to her earlier to give her a quick rundown. I  
5 certainly won't say she is up to speed, but we gave her a  
6 quick rundown on where things stand.

7 We were also able to give almost two weeks' notice  
8 of the filing to the U.S. Trustees Office. And we were able  
9 to work with Mr. Cudia to work through his comments on the  
10 DIP. So we just have one outstanding comment there. So we  
11 appreciate their efforts, you know, in what is a little bit  
12 of an unorthodox entry into Chapter 11.

13 THE COURT: Okay. Well before we move any  
14 further, Ms. Nimeroff -- I see both Ms. Nimeroff and Ms.  
15 McCollum. I'm happy to hear from both.

16 Ms. Nimeroff, good morning. Welcome aboard. You  
17 and I have about the same exposure to this matter. Good  
18 afternoon. Good to see you.

19 MS. NIMEROFF: You too, Your Honor. Can you hear  
20 me?

21 THE COURT: I sure can, just fine.

22 MS. NIMEROFF: Great. Jami Nimeroff, Subchapter V  
23 Trustee.

24 Your Honor, you hit the nail on the head. We both  
25 are operating with about the same amount of information. I

1 did get an opportunity to speak to Ms. Patterson and she gave  
2 me, sort of, the 30,000 foot view. I didn't get to do,  
3 really, a deep dive into the DIP or anything of that sort.  
4 So I look forward to working with the parties and seeing  
5 where the case goes as these days and weeks go on.

6 THE COURT: Very good. Thank you, Ms. Nimeroff.

7 Ms. McCollum, good afternoon. Good to see you.  
8 Any comments or issues from your office and, of course, we  
9 will be happy to hear you in connection with the substantive  
10 motion, but I figured I'd give you the podium.

11 MS. MCCOLLUM: Good afternoon, Your Honor. Hannah  
12 McCollum for the U.S. Trustee.

13 I am going to ruin the party here and say that I  
14 do have several issues with the DIP. I am happy to address  
15 them if the debtor wants to move forward with the DIP motion  
16 and I can address them at that time, I can weigh them out for  
17 Your Honor now, however Your Honor wants to proceed.

18 THE COURT: I think we will deal with the DIP  
19 motion. I will allow Ms. Patterson to present the motion  
20 and, of course, I'm happy to hear any issues or concerns from  
21 either your office or any other party that wishes to be heard  
22 at the appropriate time.

23 Were there any other either housekeeping or any  
24 other open matters relating to this case from the point of  
25 view of your office?

1 MS. MCCOLLUM: No, Your Honor. Thank you.

2 THE COURT: All right. Again, by way of  
3 introduction and table setting does anyone else wish to be  
4 heard before we turn to the DIP financing motion?

5 MR. RAVE: Yes, Your Honor. This is Elad Rave. I  
6 wish to be heard.

7 THE COURT: Very well. Yes, sir, I can hear you.

8 MR. RAVE: So a little bit of a background, I am  
9 the founder and the largest shareholder (indiscernible). You  
10 know, I (indiscernible). And they asked me to waive my board  
11 seat and give away certain amount of shares, and important  
12 info. If I will not do so they will the company to  
13 bankruptcy.

14 Your Honor, about two or three weeks ago we were  
15 supposed to sign a deal, an asset purchase deal, where it was  
16 agreed that I would receive my share of the company which is  
17 \$4 million in proceeds. The -- it will happen only if I sign  
18 a waiver and if not they will file bankruptcy, and I will get  
19 nothing.

20 Your Honor, this whole notion of bankruptcy is  
21 totally fake and it's in order to sell the company to VMware  
22 without letting VMware aware of all the representatives,  
23 everything that happened in the company and all the illegal  
24 aspects that happened in the company over the last year.

25 Your Honor, we also informed Delaware District

1 Attorney of this matter. That is why they're running this  
2 bankruptcy. It's not really a bankruptcy, just a way for  
3 them to get the deal with VMware and to basically strip me of  
4 my assets and strip me of my rights of the company after they  
5 criminally behaved over the last year or so.

6           On top of that, Your Honor, the court documents  
7 contain misrepresentations. For example, it says in the  
8 court documents that they tried to look everywhere for funds  
9 including debts and they were not able to find it. This is  
10 absolutely false because I, as the ultra-shareholder of the  
11 company, brought a credible investor who wanted to invest in  
12 the company under much better terms. They refused to talk to  
13 him in order to proceed and to try to get rid of me and go to  
14 this bankruptcy.

15           Also, there are also other misrepresentations.  
16 For example, (indiscernible) which they say is  
17 (indiscernible) 15K is -- and also they claim that they have  
18 debts to an individual who is a friend of the CEO of \$1  
19 million, but we do not see it in the documents.

20           On top of that, Your Honor, I requested a cap table  
21 [phonetic] for the company and they sent me a weird cap table  
22 which is not, I guess, the real one. The one that they sent  
23 me has 54 percent of the shares were the (indiscernible)  
24 option plan which is unheard of and its illegal and you  
25 cannot do this without consent.

1           It's very easy to understand that they did this in  
2 order to strip me of my shares. They are only doing this  
3 deal in a way because they failed to execute a legal property  
4 sale deal which was on the verge of being signed, but it was  
5 made clear to them that it was illegal, so they're trying to  
6 legalize it and to make it so using this bankruptcy  
7 proceeding so they can overcome their own illegal and  
8 criminal wrongdoing which was blackmailing and extortion by  
9 the company's lawyer from Norton Rose and the CEO, Adi  
10 Ruppin, and one of the investors (indiscernible).

11           THE COURT: Mr. Rave, if I can just ask, I just  
12 want to confirm, I think you said you were the founder and  
13 you advised that you are the largest shareholder of the  
14 debtor?

15           MR. RAVE: I am the largest shareholder per the  
16 last legitimate cap table, both Adi, the CEO, and myself have  
17 the same amount of shares before Adi's illegal acts to do  
18 many things.

19           Your Honor, I have documents that are -- that can  
20 prove everything that I say. I would be happy to provide  
21 them to court. There are illegal proceedings that are  
22 happening as we speak right now. I stand by everything that  
23 I say and can prove everything.

24           THE COURT: All right. Thank you, Mr. Rave. I  
25 appreciate it. Obviously, we will need to figure out how we

1 move forward here, but I appreciate your comments.

2 Can I ask, sir, obviously, to the extent that you  
3 have a personal stake in this you have the right to represent  
4 yourself, but I think I am obliged to ask have you engaged or  
5 do you expect to engage an attorney to assist you in dealing  
6 with this proceeding?

7 MR. RAVE: Your Honor, I was just informed by  
8 accident that there is this hearing today. I did not receive  
9 any emails. I did not receive any communications from the  
10 company even every share restructure that they did. I happen  
11 to know that this meeting happened about seven hours ago  
12 while I was traveling to their Cleveland clinic. I am  
13 currently in Ohio. And I have not yet had the time to really  
14 consult with a lawyer. I have to have a lawyer that can  
15 represent me in Delaware. That is my understanding.

16 So if it pleases the court I would like to have my  
17 opportunity to have my day in court and to show this to a  
18 lawyer, somebody that can help me figure out what should be  
19 the next step before, again, Adi and the rest of the company  
20 try to strip me of my rights and steal my money.

21 THE COURT: Okay. I understand. Obviously, I  
22 recognize that this is a hearing just very briefly after the  
23 filing of the bankruptcy so I am certainly not faulting  
24 anyone for either not appearing with counsel or otherwise.  
25 The court will certainly afford you an opportunity in due

1 course to be heard. We will deal with the issues that you  
2 have raised, but, again, I appreciate you raising them.

3 I would ask are there other parties that wish to  
4 be heard before we turn to the debtor's request for relief  
5 today.

6 (No verbal response)

7 THE COURT: All right. So, Ms. Patterson, the  
8 debtor has a DIP financing motion and you're advising that  
9 you're going to file additional motions. I guess I want to  
10 start with the threshold question of what relief is it that  
11 you require today and why wouldn't this appropriately wait a  
12 few days until we have a hearing next week on the other  
13 motions you're going to file.

14 MS. PATTERSON: Thank you, Your Honor. This is  
15 Morgan Patterson from Womble Bond Dickinson on behalf of the  
16 debtor.

17 So, Your Honor, essentially, we, as I mentioned in  
18 opening, did not have any funding. The debtor has no funding  
19 whatsoever right now to pay its employees, to pay its  
20 counsel, so it creates a situation where we are were not able  
21 to prepare first days as you would normally do in the run-up  
22 of a bankruptcy case which created this unconventional entry  
23 into the Chapter 11 case.

24 So we filed the DIP motion which is supported by  
25 our affidavit from Brian Ayers at Rock Creek which sets forth



1 the need for the funding. Like any other DIP order from  
2 today through the interim date of 21 days from now the  
3 funding is needed to pay the employees. The funding is  
4 needed to fund the professional reserve, it's needed to fund  
5 operations including Amazon web services which without that  
6 service the entire business would shut down.

7 I would emphasize that the reason we did it this  
8 way was because, as I mentioned, the employees are the  
9 lifeblood of the company. I am not, you know, sure how deep  
10 into all of the documents Your Honor had an opportunity to  
11 get, but I would note that an employee leaving is a default  
12 under both the credit agreement and the APA.

13 THE COURT: I did see that and I didn't -- it's  
14 certainly not typical, but I did see that in the events of  
15 default section.

16 MS. PATTERSON: I agree, Your Honor, that it's not  
17 typical, but I think it stresses how important these  
18 employees are.

19 THE COURT: How many employees are there? I did  
20 not see in the submissions that have been made a description  
21 of the debtor's business operation, the mechanics of how it  
22 operates, who it pays, what they pay. I realize you don't  
23 have a wages order in front of me, but how many employees are  
24 there and are all of them within that -- I didn't necessarily  
25 -- I kind of presumed when I saw the employee event of

1 default provisions in the DIP order I was -- I guess I  
2 intuitively thought that that referred to, you know, a couple  
3 of people, or the beautiful people, or the brains of the  
4 operation, but that is not necessarily clear to me, again,  
5 because of the limited record that I have.

6           What have we got?

7           MS. PATTERSON: I completely understand, Your  
8 Honor. So the structure is a little bit interesting with  
9 respect to the employees. So there are a total of eight  
10 employees; three that would be considered key employees under  
11 the defined terms in the APA and the credit documents, and  
12 five additional employees. A majority of those employees are  
13 employed at a wholly-owned subsidiary and there's an  
14 agreement between the subsidiary and the parent to pay those  
15 employee wages among other things.

16           So we intended to give the court all of that  
17 background in the wage motion and do intend to do so in a  
18 period of days, but, again, we've got to a situation where  
19 there is no funding for anyone to prepare those documents.  
20 So that is how we were led down this path.

21           You know, those employees really -- even as Your  
22 Honor said this is a somewhat unique provision in an APA, and  
23 it just goes to show how important these employees are to  
24 both the debtor and the purchaser. So we think it's extremely  
25 important to get this funding in place so that these

1 employees have certainty that they're going to be paid over  
2 the next few weeks while we get our firm footing into this  
3 bankruptcy, be able to get a bidding procedures motion going,  
4 get a plan on file, and, you know, move things along.

5 THE COURT: All right. I think I understand.

6 MS. PATTERSON: Thank you.

7 THE COURT: You know, I think I'd like to circle  
8 back to Ms. McCollum, if I could, before we turn to the  
9 substance of the DIP motion. If you wouldn't mind I kind of  
10 deferred on you. You had listed that you have some issues  
11 with the financing and if you would, at least, preview them  
12 for me I would appreciate that.

13 MS. MCCOLLUM: Thank you, Your Honor. Yes, I do  
14 have a number of issues with the financing and they start, I  
15 think, with our lack of knowledge, essentially, of what the  
16 debtor is, what it does, how long it's been operating, what  
17 its income and expenses look like because all of that  
18 underlies how much the debtor is going to need in the interim  
19 period and for what.

20 So, for example, what are its sources of revenue,  
21 has it been funded by investments from the beginning or does  
22 it have customer revenue, does it have any profits, has it  
23 ever been profitable. Then physically the mechanics of the  
24 requested funding, where is it going. Do the debtors have  
25 multiple bank accounts, are those bank accounts held at UDA

1 banks. I mean that is something that the U.S. Trustee is  
2 very concerned about because that means that that funding is  
3 collateralized by the bank. If it's not going to be put in a  
4 bank -- in a UDA bank -- in a bank that has signed a UDA with  
5 our office then we are concerned that that money won't be  
6 protected.

7 I am concerned that if you look at the budget it  
8 is unclear how much of the funding that the debtor is asking  
9 for in the interim period -- and I apologize I'm not looking  
10 directly at you because I am looking at my other screen that  
11 has the budget on it, how much of that funding is necessary  
12 in the interim period because the standard is the amount  
13 necessary to avoid immediate and irreparable harm.

14 If you look at the budget it looks like there is  
15 about \$226,000 that needs to be funded on the 1st of August,  
16 but we're now August 5th, has that money been funded, is that  
17 now owed to the employees as back wages or back benefits that  
18 needs to -- that we need more information about in terms of  
19 the caps in the bankruptcy code.

20 I also note that the asset purchase agreement that  
21 is attached to the DIP calls for a \$1.5 million key employee  
22 retention plan or something like that. That money is  
23 supposed to be funded by the buyer, but if you look to the  
24 forecast, the budget forecast for the week of August 22nd,  
25 \$282,000 appears in that week. That looks like it is an

1 anomalous payment. I am questioning whether that is part of  
2 this retention bonus and if it is why is it in the budget if  
3 the buyer is supposed to be responsible for it.

4           The budget itself is lacking in any -- in detail,  
5 essentially, who are the employees, what are the operating  
6 expenses, does the entire \$115,000 called for on the 1st of  
7 August to be paid to Amazon. If that is the case then we  
8 need some information about what it is that Amazon provides  
9 for the debtors, if its web-hosting services, if its cloud  
10 services; that is the kind of information we need because --

11           THE COURT: Where did you get Amazon? I didn't  
12 see that?

13           MS. MCCOLLUM: Ms. Patterson said that Amazon web  
14 services, I think, was one of the debtor's vendors that they  
15 had to pay. It was necessary for their operations.

16           THE COURT: Oh, okay. I must have missed that.

17           MS. MCCOLLUM: I think. My ear just always hears  
18 Amazon and I perk-up, right, because Amazon is everywhere.

19           So those are concerns I have with the budget.  
20 Then the debtor does have a subsidiary and I understand that  
21 subsidiary is not going to be filing for bankruptcy. The  
22 debtor also proposes that this DIP is to be a priming DIP and  
23 it's going to prime the debtor's existing prepetition first  
24 lien lender.

25           If that is the case the record does not have

1 evidence of adequate protection. The APA has been filed, but  
2 there is no actual declaration or anything in the record that  
3 would say, yes, that the purchaser is going to pay the \$12.5  
4 million subject to higher and better bids. They're proposing  
5 to prime the existing lender on the first day with no notice  
6 and the only adequate protection is, essentially, the  
7 anticipated purchase price, but why is it that the existing  
8 prepetition lender has to bear that risk given that the DIP  
9 lender is the proposed purchaser.

10           Given that it's a little unclear, to me, why all  
11 of these -- because we don't have enough information about  
12 the budget or what all these things are, why all this money  
13 is necessary especially on the first day of \$400,000  
14 professional fee reserve that would then prime the first  
15 existing prepetition lender.

16           You know, the U.S. Trustee has some concerns with  
17 the order itself, but that in light of, sort of, our over-  
18 arching concerns, I think, are sort of at this point the tail  
19 wagging the dog. But I did want to preview for Your Honor  
20 that I have quite a few issues and if the debtor has a  
21 witness I do intend to ask the witness questions to develop  
22 the record on this point or these points, I guess.

23           THE COURT: Thank you.

24           MS. MCCOLLUM: Thank you.

25           THE COURT: Ms. Patterson, if I were to capture

1 Ms. McCollum's comments here concerns are that this is not  
2 necessary fully baked for a hearing and meaningful relief  
3 today. I would like your thoughts.

4 MS. PATTERSON: Thank you, Your Honor. For the  
5 record Morgan Patterson of Womble Bond Dickinson on behalf of  
6 the debtor.

7 Your Honor, to say I'm surprised by the U.S.  
8 Trustees comments would be an understatement. We provided  
9 their office two weeks' notice of this filing. We worked  
10 with Mr. Cudia, although I'm sure I'm massacring his last  
11 name so I apologize, but we worked with him over the past  
12 weeks. I provided him, myself, a copy of the DIP documents  
13 on, I believe it was, Monday of this week. He has sent us  
14 two rounds of comments. Never did I receive a request for  
15 any of the information that Ms. McCollum just listed there.

16 Certainly, you know, I understand that we came  
17 into this case in an unorthodox fashion. I have -- you know,  
18 we certainly are not hiding that fact. But that being said,  
19 we certainly tried our best to work with the U.S. Trustee.  
20 We incorporated every comment they have sent over on --

21 THE COURT: Can I ask one question? She touched  
22 on the issue of priming. Is priming consensual here?

23 MS. PATTERSON: So, Your Honor, I will absolutely  
24 allow the prepetition secured lender to answer that, but I  
25 wouldn't -- so we came into this without a consensual deal

1 despite that we have had many meetings with the prepetition  
2 lender; however, right before the hearing we spoke to them  
3 and they did tell us they do not intend to object today to  
4 the interim relief.

5 I don't know exactly why, but certainly we intend  
6 to tell Your Honor about the adequate protection that the  
7 debtor is giving them, not the least of which is a \$12.5  
8 million purchase price providing an enormous equity cushion  
9 for a \$1.4 million debt.

10 THE COURT: Mr. Cohen?

11 MR. COHEN: Good afternoon, Your Honor. Howard  
12 Cohen, Fox Rothschild, on behalf of Venture Lending &  
13 Leasing.

14 As the debtor mentioned, we are the only secured  
15 creditor coming into this bankruptcy case. I myself have  
16 only been involved with this matter for now about two hours.  
17 I did reach out immediately upon seeing this to debtor's  
18 counsel to discuss the situation.

19 It was a positive discussion. I mean, I think from  
20 my client's standpoint we want to see this case move forward  
21 as quickly and efficiently as possible. We don't want to see  
22 this case drift sideways. We understand there is this \$12.5  
23 million purchase price that would allow for payment in full  
24 to my client as well as the material distribution to  
25 unsecured creditors.



1           So I think for purposes of today we're not  
2 planning on objecting. I think we're just going to reserve  
3 our rights in terms of a final DIP hearing. Certainly, we  
4 don't want to see more money go out than is necessary in this  
5 interim period, but I think from our standpoint we're just  
6 going to reserve our rights in terms of a final hearing.

7           THE COURT: Thank you.

8           All right. Here is what we need to do: I would  
9 like to take a short break. We have not turned to the  
10 substance of the motion. We have not elicited testimony and  
11 I'm, frankly, reluctant to travel down the path that the U.S.  
12 Trustee has requested, but I will absolutely permit her to do  
13 that and ask the questions that are presently unanswered, at  
14 least, in the limited record that is before me.

15           I am not faulting counsel for how the case  
16 arrives. We deal with the cases as they come. I know that  
17 counsel does as well.

18           Look, we are here for a DIP motion, it would seem  
19 to me that the primary purpose of the DIP motion is to  
20 provide for the payment to professionals. To the extent that  
21 the concern is that a DIP motion is needed to pay employees I  
22 don't think you can pay employees without an order from me,  
23 at least, for obligations that arose prior to the petition  
24 date. So even if I approved it today, unless I am  
25 misconstruing the circumstances, you can't pay them without

1 an order from me which, again, I will give you at a hearing  
2 on expedited treatment at your convenience early next week.

3 I want to take a 15 minute break because I will --  
4 again, I heard from Mr. Rave, and I believe there may be  
5 others on the phone that wish to be heard, raising issues  
6 that I really am not in a position to comment on. I am  
7 certainly not going to act on his concerns or allegations at  
8 this point, nor am I going to dismiss or disregard them.  
9 These are issues in the case and the court will deal with  
10 them at the appropriate time, but that is not today.

11 What is before me right now is the need to deal  
12 with the debtor's funding request in a manner that addresses  
13 the immediate need of the debtor which, again, at least,  
14 largely relates to the need to provide for professional  
15 services to get the case moving forward. That is a limited  
16 request and would be something that the court would certainly  
17 be open to.

18 If there are additional other expenses that  
19 absolutely need to be addressed between now and, say,  
20 Wednesday then that is a discussion that we would have. I  
21 have reservations in the face of the U.S. Trustees concerns,  
22 issues that have been raised and, again, the limited record  
23 that I have before me in teeing up an interim order that  
24 authorizes \$1.1 million in financing, lays out milestones,  
25 again, that are not remarkable to the court. They're

1 certainly quick, but I'm not going to -- you know, I have  
2 seen worse, I've seen better, that's all fine.

3           You know, I think what we're talking about right  
4 now is limited relief that is going to carry us through for  
5 the next three, four, five days because you are going to be  
6 back in front of me. There is other relief that you need and  
7 we can deal with, again, on a more substantive record the  
8 overall financing need. Again, I think that a record  
9 developed in that regard would be welcome, and helpful, and,  
10 again, would give the court confidence in the process that we  
11 have going forward.

12           So I am going to suggest that we take -- I know I  
13 told you that we have a hard stop at three. I am going to  
14 move that to 3:30, but I do have to leave at 3:30. We're  
15 going to take a 15 minute break and I'm going to ask that the  
16 parties confer. We can leave the line open.

17           I will walk away and I promise, my mic, and  
18 everything else, and my audio will be off. But I would ask  
19 that the parties confer with the thought of what it is that  
20 is necessary and sufficient to get us through to, say,  
21 Wednesday of next week.

22           With that we are going to take a 15 minute break.  
23 We will reconvene at 3 p.m. Eastern.

24           MR. RAVE: Your Honor?

25           THE COURT: Mr. Rave?

1           MR. RAVE: Your Honor, if I may. Yes, if I may  
2 for just a minute. Could you please instruct the parties to  
3 -- two things: one to include me on correspondence as, again,  
4 the largest shareholder of the company and, second, if you  
5 can make sure that I receive the (indiscernible) information  
6 which I have requested from the company, but was denied  
7 access to it.

8           THE COURT: Okay.

9           MR. RAVE: So I can prepare better for the next  
10 hearing.

11           THE COURT: A couple things: Mr. Rave, right now  
12 I am not going to make specific directions to the debtor  
13 about information and communications that they will share  
14 with you. Before we conclude this hearing, which will  
15 reconvene in 15 minutes, we will have a discussion about the  
16 extent to which you wish to see information and I will hear  
17 from the other side about whether or not they are comfortable  
18 providing it.

19           To the extent that you are a significant  
20 stakeholder in this process, and, again, all I have is what  
21 people are telling me so far, then there is certainly the  
22 right to meaningful information and engagement. And you can  
23 expect that I will respect and support that, but right now I  
24 have asked that the parties confer in order to figure out a  
25 path forward. I am not going to direct who it is that is

1 obliged to speak to whom in the next 15 minutes.

2 We are adjourned, 15 minutes. Thank you, counsel.

3 (Recess taken at 2:46 p.m.)

4 (Proceedings resumed at 3:00 p.m.)

5 THE COURT: Good afternoon again. This is Judge  
6 Shannon. We are reconvening in the matter of 8E14 Networks,  
7 d/b/a as Ananda Networks, and this is the court reconvening  
8 after what had been requested short break in order to allow  
9 the parties to confer.

10 And I think I'd start with Ms. Patterson. If you  
11 need more time, I'm willing to afford you a little more time,  
12 or we can move forward, but I think I was clear about the  
13 concern the Court had about the scope of the relief that I  
14 might be willing to entertain today and where we go from  
15 there.

16 I don't know if Ms. Patterson is on another line.  
17 I expect that there were communications.

18 Is Ms. Patterson in the Zoom room?

19 MS. PATTERSON: My apologies, Your Honor. I --

20 THE COURT: No problem.

21 MS. PATTERSON: -- popped out. It's the problem  
22 with having one Zoom account. I apologize.

23 THE COURT: No, not a problem at all. And, again,  
24 it is cumbersome. One of the things that makes this process  
25 a lot easier is encouraging everybody to go outside into the

1 room and, obviously, that's much more difficult -- that's one  
2 of the few things that's more cumbersome virtually than in  
3 person.

4 Ms. Patterson, I'd like your thoughts.

5 MS. PATTERSON: Thank you, Your Honor. I  
6 appreciate the time. For the record, Morgan Patterson of  
7 Womble Bond Dickinson on behalf of the debtors.

8 Your Honor, we caucused with the lenders and we  
9 have agreed that we could drop the request to \$450,000 and  
10 come back. We'll get the employee and other wage motions on  
11 file by Wednesday of next week and come back on the following  
12 Monday, if Your Honor has time. That would be -- as Your  
13 Honor, we have -- to clarify, we have no intention of paying  
14 wages that are in arrears; however, we do want the certainty  
15 to be able to look at the employees and say we have the  
16 funding, we have the money here to pay you. We just are  
17 getting our ducks in a row with the court order and we're --

18 THE COURT: And that's a fair point.

19 MS. PATTERSON: And so we appreciate -- you know,  
20 we certainly appreciate the, you know, posture that we're in  
21 here and we're okay with doing it that way if other parties  
22 are okay with that and if Your Honor has the time to  
23 accommodate that request.

24 THE COURT: Again, I don't want to get ahead of  
25 ourselves, but I would -- I think I would open it up to Ms.

1 McCollum, who I think had made certain specific concerns.  
2 Obviously, I will hear from Mr. Rave in addition, but, Ms.  
3 McCollum, I think a lot of your concerns were about the scope  
4 of the relief that was being sought today and the sufficiency  
5 of the record. And, if I understood Ms. Patterson  
6 accurately, they reduced the request and the idea would be  
7 that further relief would move forward in just over a week's  
8 time and the Court does have time on the 15th for a hearing.  
9 But, Ms. McCollum, I'm interested in your thoughts.

10 MS. MCCOLLUM: Good afternoon, Hannah McCollum for  
11 the U.S. Trustee.

12 First, I just wanted to correct the record. Ms.  
13 Patterson had noted that she provided our office with the DIP  
14 documents in advance of this hearing and I did go back  
15 through my emails, and we received the DIP order, we did not  
16 ever receive a motion or the credit documents or anything.  
17 And so, yes, while we did provide comments, it's very  
18 difficult to do that in a vacuum and we did not know the  
19 scope of what -- you know, what the playing field was; what  
20 everything looked like.

21 So I appreciate your position here and that she  
22 did not get any, you know, notice in advance that we were  
23 going to raise these questions, but that's what we had and  
24 that's what we did.

25 In terms of the limited, the more limited relief,

1 it's -- again, it's very hard for me to comment on it because  
2 I don't know what it is comprised of. So it's \$450,000 and,  
3 again, if you look at the budget, there's about 226,000 for  
4 employees, operating expenses and rent, and is this 450  
5 intended to encompass that number plus, essentially,  
6 \$200,000, give or take, for professional fees.

7 MS. PATTERSON: Your Honor, if I may, that number  
8 would encompass a portion of the professional fee reserve.

9 THE COURT: As well as the other expenses  
10 identified in the budget that you could then tell people I  
11 have the funding necessary to pay it once I get  
12 authorization; do I have that right?

13 MS. PATTERSON: Absolutely, Your Honor. And, to  
14 be clear, the professionals are not -- certainly not seeking  
15 to take that money or try to pay themselves; it's just, you  
16 know, some comfort in what has been certainly an  
17 uncomfortable process thus far.

18 THE COURT: Okay. I've had an opportunity to  
19 review the 20 largest as well, so I certainly appreciate or  
20 understand some of the context in which the matter is  
21 presented.

22 Ms. McCollum, is that responsive to your question?

23 MS. MCCOLLUM: It is. I do have additional  
24 questions, though. I did raise a concern that I don't know  
25 where the money is going. Where is it going to be?



1           THE COURT: Oh, yeah. I mean, normally, we don't  
2 ask like that sort of foundational question, but I assume,  
3 Ms. Patterson, you'll be able to provide Ms. McCollum with  
4 identification on what account the funded amounts would go to  
5 if the Court were to approve and authorize borrowing today.

6           MS. PATTERSON: Yes, absolutely. And one of the  
7 motions that we intend to file by Wednesday, five days from  
8 now, is the cash management motion, which will set forth the  
9 debtors' bank accounts, how the funds flow, and a number of  
10 other related items.

11           THE COURT: All right. Again, not to get ahead of  
12 ourselves, but I would think that Ms. McCollum is probably  
13 entitled to know this afternoon, if indeed the Court is  
14 prepared to approve limited funding, precisely the account  
15 that the monies would go to. I'm sure the lender is going to  
16 know that, I'm sure you know that. If the name of the  
17 account is on a UDA with her office, that's fine. If there  
18 are issues with that, then the parties could get me on the  
19 phone promptly, but I think -- you know, we're getting ahead  
20 of ourselves a little bit, but I think I'm doing that  
21 deliberately because of some of the pressures on my time and  
22 also just in the way that the Court has circumscribed some of  
23 the relief that's being sought.

24           Ms. McCollum, I recognize -- I guess want to start  
25 with recognizing that you actually listed in your

1 presentation, frankly, more thoroughly than I would have many  
2 of the questions that the Court would have. And as Ms.  
3 Patterson I think noted right out of the gate, these are  
4 questions that are routinely answered just in a typical  
5 presentation that would identify both through the declaration  
6 how we got here and what we do, but also through the various  
7 motions saying here's how money moves in our organization and  
8 here are our employees who we need to pay and here are  
9 critical vendors or other people, and we don't necessarily  
10 have that.

11 And, again, I think I've been clear, I'm not  
12 faulting anybody for the circumstances, but there are limits,  
13 obviously, to how much both your office can bless or decline  
14 to challenge and, frankly, what I can authorize on the record  
15 that's before me. And so that really spurred the colloquy  
16 that we had before the break.

17 I think I'd like to -- I think I'd like to hear  
18 from the lender. I presume that we have lender's counsel on.  
19 And we're talking a lot about money and we're talking about  
20 you and we haven't heard from you.

21 So do we have counsel for the lender?

22 MS. DISABATINO: We do, Your Honor. Good  
23 afternoon, Your Honor, Monique DiSabatino from Saul Ewing  
24 Arnstein & Lehr on behalf of VMWare, Inc. I'm pleased to be  
25 here today with my co-counsel from the Morris & Foerster

1 firm, we have Benjamin Butterfield and Alexander Severance.  
2 Their motions for *pro hac vice* admission are currently  
3 pending before the Court and, if Your Honor would permit, I  
4 will turn the podium to Mr. Butterfield to present.

5 THE COURT: That sounds great. Thank you, Ms.  
6 DiSabatino.

7 Good to see you, gentlemen. Obviously, Ms.  
8 DiSabatino touched on the question of admissions *pro hac*.  
9 Consistent with my, I think, pretty long-established  
10 practice, I'm certainly not going to stand on ceremony.  
11 We'll deal with that paperwork as necessary, but I appreciate  
12 you all participating in this afternoon's hearing.

13 And I'd be interested in your thoughts as lender.  
14 I think you've heard, hopefully, loud and clear from the  
15 concerns from the U.S. Trustee, and as well as my own  
16 observations, and I would be happy to hear your comments.

17 MR. BUTTERFIELD: Good afternoon, Your Honor,  
18 Benjamin Butterfield, Morrison & Foerster, for VMWare, the  
19 proposed DIP lender.

20 Look, Your Honor, you know, we think this is some  
21 great IT, we are definitely interested in acquiring it. We  
22 had gone back and forth on a purchase agreement with the  
23 company and, prior to bankruptcy, there was a chance we would  
24 have acquired this IP out of bankruptcy and could have  
25 avoided this process. Unfortunately, it didn't work out that

1 way. You know, there were some backs and forths, the company  
2 did walk away from our proposal at one point, but then they  
3 came back.

4           And, look, we're willing -- we would talk to them.  
5 We said how can we -- what can we do that is constructive  
6 here to make a sale work for you and for us. They said, you  
7 know, we think we need to do this in bankruptcy. I think us,  
8 looking at the situation that exists at the company right  
9 now, we agreed. They needed funding to do it. We asked them  
10 to talk to their investors to get funding, that the investors  
11 were not willing to fund anything. They came back to us,  
12 asked if we would provide DIP financing to get this sale  
13 process through, you know, we agreed. We agreed to allow our  
14 bid to be subject to an option process, we agreed to fund the  
15 professional fees, we agreed to pay the employees and, you  
16 know, the cost of operating the business through a sale  
17 process.

18           And, look, you know, they need cash and we said  
19 show us your budget. And, you know, the budget started out  
20 at one number and it got a little bit bigger and it got a  
21 little bigger, but we just agreed to funding out because we  
22 want to buy this, we think it's a valuable company. We think  
23 this business deserves to live on, it's great IT and, you  
24 know, we're excited about this process and we hope that our  
25 bid will be the best bid.

1 THE COURT: Okay. Can I hear from Mr. Rave? You  
2 had the opportunity to address the Court.

3 Sir, are you still on?

4 (No verbal response)

5 THE COURT: Mr. Rave, are you on the line, sir?

6 (No verbal response)

7 THE COURT: All right.

8 MR. SHMARGAD: Your Honor, it seems that Mr. Rave  
9 is not online. My name is Ilan Shmargad. I would appreciate  
10 if I can address the Court in one minute?

11 THE COURT: Sure, yes.

12 MR. SHMARGAD: Okay. So I was -- I'm a strategic  
13 adviser at the company for the past two years, working  
14 closely with the CEO and the board to actually strategic  
15 partnerships funding, as well as, obviously, the M&A process.  
16 I was the one that was chartered by the board to look for a  
17 buyer and I was able to find more than one that will be  
18 willing to buy the company for \$15 million, plus a retention  
19 package. However, I would like to -- right now to -- a few  
20 issues right now.

21 First of all, I would like to speak in behalf of  
22 the unsecured creditors. The concern that I have with this  
23 process is as following. First of all, as far as the  
24 process, the purchase price was reduced from 15 million to 14  
25 million because of the lengths of the bankruptcy, which is

1 going to take two to three months and need the funding for  
2 employees, as well as the attorneys; \$2 million have been  
3 allocated for that.

4 Third, if we look at the creditors and also the  
5 projection expenses, the lawyers are going to get \$2 million,  
6 will be spent on financial adviser for that merit, the  
7 Delaware attorneys, and RF, which basically will be --  
8 already raise the fees for one million, as well as additional  
9 550 projected.

10 So we're talking about a transaction that actually  
11 \$2 million of that or close to that are allocated for the  
12 attorney, comparing to other alternatives, and that's really  
13 leaving much less for the unsecured creditors, which are in  
14 one of them, and I would like to be heard further by the  
15 Court.

16 I haven't yet appointed my lawyer, a bankruptcy  
17 lawyer, I will have that later on today, but I would like  
18 definitely to have the opportunity to present further data  
19 and present my case in front of the Court as well on behalf  
20 of the unsecured creditors.

21 THE COURT: Okay. Mr. Shmargad, I appreciate it.  
22 And I want to be clear, as I was, I think, with Mr. Rave. I  
23 understand the concerns that have been raised and I believe  
24 that it would be appropriate to afford an opportunity for  
25 those concerns to be heard. And, obviously, I understand,

1 one of the basic things I understand in this job is that  
2 there are two sides to every story. And so I would expect a  
3 response, but those issues will be raised.

4 I've been, I think, as clear as I can this  
5 afternoon that I view my primary and core responsibility to  
6 do no harm and to allow the matter at least to move forward.  
7 And, again, I very much appreciate the engagement between Ms.  
8 Patterson and other stakeholders to kind of read the Court's  
9 comments and to make suggestions about a more limited scope  
10 of relief, with the opportunity to be back in front of me in  
11 just over a week, which to me makes a lot of sense.

12 And so I think I'd like to -- there are a couple  
13 things that I think I want to talk through. We have the  
14 declaration and, Ms. Patterson, I assume you're moving -- you  
15 would propose to move that declaration into evidence; is that  
16 correct?

17 MS. PATTERSON: It is, Your Honor.

18 THE COURT: All right. The Court would afford an  
19 opportunity to cross-examine at the appropriate time, but for  
20 the limited purpose of the relief that's being requested  
21 today I would ask, are there any objections to the admission  
22 of the declaration for purposes of this relief?

23 (No verbal response)

24 THE COURT: All right. The Court notes that the  
25 United States Trustee has indicated no objection and I hear

1 no other objection.

2 (Ayers declaration received in evidence)

3 THE COURT: Here's what I think that we ought to  
4 do. I think Ms. McCollum hit the nail on the head in terms  
5 of the concerns and, again, I think that I translated them  
6 into a request for a narrower scope of relief. There were  
7 issues in the form of order that I had concerns about, but,  
8 again, there were kind of the gating questions raised by Ms.  
9 McCollum of precisely what we're doing and where we're going.

10 I have less concerns over the specifics of those  
11 orders. There were a couple things, though, and I guess I'd  
12 raise them with Mr. Butterfield. And I don't -- we're in  
13 this odd situation, so I'm moving us kind of into a lightning  
14 round, people, because typically we would have a lot of back  
15 and forth, and I'd figure out and kind of draw out where  
16 everybody is, but you have me for about 14 more minutes.

17 And I think I'd like to know -- the primary  
18 concerns that I had related to what seemed to be a 506(c)  
19 waiver effective on the entry of the interim order and I  
20 would find that problematic even with the limited request.  
21 On the 15th, which I assume would be a further interim  
22 hearing, Ms. Patterson, I would certainly entertain that and  
23 we could discuss it. But, Mr. Butterfield, I want to be  
24 clear; I've got concerns regarding that provision, especially  
25 given the limited relief that's being provided. And I would



1 need comfort that --

2 MR. RAVE: Your Honor, this is --

3 THE COURT: Yeah, Mr. Rave.

4 MR. RAVE: -- this is Elad Rave.

5 THE COURT: Yes, sir.

6 MR. RAVE: I could hear you, I could hear until  
7 Ilan started talking, but you couldn't hear me and I was  
8 dropped off the call.

9 So, Your Honor, I have a few things I would like  
10 to say to the Court, if I'm allowed.

11 THE COURT: Yes, you may.

12 MR. RAVE: The first thing is I would like to  
13 receive the required documents so I can prepare the company  
14 cap table and everything being requested from the company.

15 The second thing is there was a \$1 million debt to  
16 the person who just spoke, Ilan Shmargad, that was presented  
17 to us. And, again, everything is in writing and I can show  
18 the Court, if it pleases, which I don't know why there is a  
19 \$1 million debt to him, but now he's not in the list of  
20 people that the company owes the money.

21 Also, I would like to know if there is any  
22 agreement that was not presented to the Court regarding  
23 payments to the CEO, not as part of the asset purchase, which  
24 is what we understand had.

25 And another question is regarding Norton Rose, the

1 law firm. They were hired as Adi's lawyer when Adi and I  
2 were having an issue between us. They were paid -- I don't  
3 know if they were paid, but I am certain that they were not  
4 paid by Adi, but now the company is supposed to pay them for  
5 basically going after me. And now they say that they are the  
6 company's lawyers.

7 We are filing a complaint against that also in the  
8 California Bar Association, but the question is with Adi, did  
9 Adi pay them out of his own money or just the company? Adi  
10 is on the call, he may address this. And the claim is about  
11 their ability to represent Norton Rose.

12 THE COURT: All right, a couple things, Mr. Rave.  
13 First, I appreciate the concerns that you've raised and I  
14 think it's appropriate to share and identify those concerns  
15 with the debtor and with counsel. I am not approving  
16 anyone's retention today and I'm not being asked to do that.  
17 I'm not ruling or commenting on how attorneys will be paid,  
18 if they're entitled to be paid, or who is being retained by  
19 whom or who is eligible to be retained. All of those are  
20 questions that the Court will address in due course over the  
21 course of the next few weeks, but those are not today  
22 questions.

23 So at least, while I understand you may not get  
24 answers to those questions right now, you can also at least  
25 be confident that I am not disposing of those issues right

1 now or removing your ability to raise those concerns.

2           With respect to the request for the cap table, I  
3 think the first question I would ask is, if indeed you're a  
4 stakeholder and I believe that you are, you've identified  
5 yourself as a shareholder, and you intend to participate, you  
6 will have the opportunity to get documents.

7           I think the first question I would ask Ms.  
8 Patterson is if you understand specifically what Mr. Rave  
9 means by a cap table. Are you prepared to share what is  
10 responsive to that request with him?

11           Now, obviously, I'm putting you on the spot and  
12 I'm sensitive to that, but we're proposing to be back in ten  
13 or eleven days, and so I wouldn't want to put Mr. Rave or  
14 lawyers, if he gets them, to emergency letters and motion  
15 practice before me for purposes of getting, you know, basic  
16 documents. If indeed he's objecting to this stuff, you know  
17 as well as I do he's entitled to documentation. I'd like  
18 your thoughts.

19           MS. PATTERSON: Thank you, Your Honor. Morgan  
20 Patterson for the debtor.

21           I would say, you know, for the record, Your Honor,  
22 I think it probably goes without saying, but that the debtor  
23 wholeheartedly disagrees with all of the accusations that are  
24 flying around on this hearing and we certainly look forward  
25 to the day where we can address those in the appropriate

1 hearings and respond to the evidence that these parties are  
2 willing to present.

3           With respect to the question you asked, Your  
4 Honor, I actually am not a hundred percent sure what Mr. Rave  
5 is looking for. I mean, certainly, under the bankruptcy  
6 rules, we will file a list of equity holders, as required by  
7 us, within 14 days. I can endeavor to get that -- you know,  
8 get that filed sooner. I don't think it's a complicated  
9 equity table, if that's what he means by cap table. Perhaps  
10 he could send me an email exactly what he's looking for and I  
11 will -- I will certainly get him whatever I have.

12           I think that it also goes without saying that the  
13 company filed this bankruptcy in order to be as transparent  
14 as possible. That's what Chapter 11 is. We want to -- we  
15 are willing to provide whatever information we have and  
16 certainly will not be holding it back in an effort to be  
17 hiding anything.

18           MR. RAVE: Well, if this was a conspiracy, then  
19 how come I did not even know about this until the rumor mill  
20 started and I knew about this process?

21           THE COURT: All right --

22           MR. RAVE: And I am, as you know, the founder of  
23 the company.

24           THE COURT: Mr. Rave, hang on. So I hear you.  
25 Ms. Patterson has, I think, responded to the request, but

1 also invited you to contact her directly. If there's  
2 information or documents that you're looking for, I would  
3 recommend that you reach out to her promptly and ask for  
4 them. And to the extent that you're not satisfied or  
5 concerned by the -- or you have concerns with the response,  
6 you should be confident that I will be prepared to get on the  
7 phone promptly with people. That's how I deal with these  
8 issues and that is certainly how I deal with them when I've  
9 got matters that are scheduled for a further hearing in --  
10 you know, in such a short period.

11 But I think I've responded to the issues that  
12 you've raised. And, again, I think for all parties the Court  
13 has been clear that my purpose here is to minimize the  
14 prospect of risk to the debtor to allow the case to start to  
15 move forward, but also to minimize the impact on parties that  
16 may have rights and want an opportunity for a more  
17 substantive hearing.

18 And, again, I very much appreciate the engagement  
19 by the U.S. Trustee in articulating some concerns. And,  
20 again, I think everyone's powder is being kept particularly  
21 dry, including Mr. Rave, but also the U.S. Trustee and all  
22 other parties.

23 So what I'm trying to do right now is get to a  
24 point where we can discuss some of the specifics of what  
25 might be a structure that would allow the debtor to move

1 forward for that week and a half period.

2 Mr. Butterfield, I think I had floated a question  
3 to you prior to Mr. Rave rejoining and it related to the  
4 Section 506(c) waiver that was, I believe, proposed to be  
5 effective as of the entry of the interim. I've shared with  
6 you, it's probably not a surprise that I've got some  
7 heartburn about that and I'd like your thoughts.

8 MR. BUTTERFIELD: Thank you, Your Honor. We think  
9 the waiver makes sense, but, you know, it's for reasons that  
10 we don't really have time to talk about now. I don't want to  
11 belabor this point in this context since you have time  
12 constraints. So why don't we just exit out from this like  
13 initial interim order and we can talk about when we come  
14 back.

15 THE COURT: Okay. All right. I'd like to know,  
16 are there other parties that wish to be heard with respect to  
17 the request for financing?

18 (No verbal response)

19 THE COURT: Okay.

20 MS. NIMEROFF: Your Honor?

21 THE COURT: Yes? Oh, Ms. Nimeroff.

22 MS. NIMEROFF: Yeah, hi, Jami Nimeroff again.

23 Your Honor, I don't really have any specific  
24 comments. I mean, I just think, if the idea is at this point  
25 to sort of do no more, that the relief that is provided in

1 the order should be, you know, as sort of minimal as possible  
2 -- let me take that back. I just mean that the things that  
3 we generally get concerned about possibly being deferred to  
4 the final order, that it makes sense that most of those  
5 issues get really deferred.

6 And I'm not sure about the priming lien here, Your  
7 Honor. If the prepetition lender is not objecting to that,  
8 the amount on the table for today is not -- you know, it's  
9 not huge, but I just throw that out there that that still is  
10 an issue about the granting of a priming lien today.

11 THE COURT: I think what I'd like to do is agree  
12 with you and share that I expect that I'll be visiting with  
13 all of you a week from Monday for purposes of a further  
14 interim because, at least on my math, 4001 would require the  
15 entry of a further interim, and we can address some of these  
16 questions. And, again, I think it would be appropriate to  
17 preserve them as best as possible. And, obviously, there's  
18 going to need to be some tinkering to the order, but I  
19 believe -- I'm in agreement with Ms. Nimeroff's concerns and  
20 I would approach any interim order that I'm entering now for  
21 the very limited scope that's been requested and described by  
22 Ms. Patterson and capped at \$450,000 as being, you know, just  
23 the -- you know, just a very limited interim order.

24 And, again, I think, Mr. Butterfield, I appreciate  
25 you accommodating my schedule and I apologize, I would love

1 to have this conversation with you and I expect that we will  
2 in due course, but right now I think it makes sense for the  
3 Court to move forward for the reasons that I've described in  
4 order to allow the case to get up and running and, again,  
5 subject to the rights of all parties to address them.

6 Based upon the record before me and the  
7 declaration that's been submitted, I would be prepared to  
8 approve and authorize post-petition financing and use of cash  
9 collateral on a secured basis pursuant to Bankruptcy Code  
10 Section 361, 363, and 364.

11 And, again, given the limited relief and the  
12 record before me, I'm not going to burden the record with  
13 extensive findings, but rather, simply, find that the debtors  
14 have carried their burden under those particular sections.

15 And Ms. Patterson has described on the record and  
16 I think they'll be some tinkering either with the budget or  
17 with the proposed form of order that will be submitted to the  
18 Court in order to reflect the narrower relief that's being  
19 sought today, with an expectation that we will be back before  
20 the Court at 9:00 a.m. on the 15th of August for purposes of  
21 a further hearing.

22 And at that point, Ms. Patterson, I would be happy  
23 to entertain the motions you've described as the additional  
24 packet of routine first day matters and that may give us then  
25 more of context.



1           So the Court is prepared to approve and authorize  
2 that relief as decreed for interim lending in the amount of  
3 \$450,000. Again, I appreciate everyone's approach to this.  
4 This is not a typical set of issues that we're dealing with,  
5 but we're preserving the status quo for purposes of ensuring  
6 that parties have their opportunity to be heard, but  
7 nevertheless providing necessary and appropriate funding in  
8 order to get the case out of the gate.

9           I also note that the debtor has carried its burden  
10 under Bankruptcy Rule 4001 in that I do find that the limited  
11 financing that's been described here is necessary to avoid  
12 immediate and irreparable harm to the debtors' reorganization  
13 effort.

14           With that, I would look for that order to be  
15 submitted under certification and I would be prepared to  
16 enter that order. And, again, if there are issues with  
17 respect to it, then we can get on the phone promptly, but I'm  
18 hopeful that for the limited relief that's being requested  
19 and sought, parties can look at it for what it is and be able  
20 to come to terms on an order that will carry us to a week  
21 from Monday.

22           Finally, in connection with the issues that were  
23 raised by Mr. Rave and there are others, then we'll deal with  
24 it. But, again, I see a lot of familiar faces on the Zoom  
25 screen in front of me and one of the luxuries that I said I

1 have in this job is able and experienced professionals that  
2 have done this process before and particularly that have  
3 dealt with proceedings in front of me, in expedited matters  
4 particularly, but as a general proposition. I'm not a big  
5 fan of motion practice when it comes to discovery and  
6 requests for information and scheduling and briefing and  
7 those kind of things. If there are issues that the parties  
8 are at loggerheads about, get me on the phone, particularly  
9 if we're trying to get to a hearing next week.

10           And, again, I think Ms. Patterson correctly noted  
11 that a Chapter 11 proceeding is built around the concept of  
12 disclosure and transparency and so parties that are going to  
13 seek information likely are entitled to it. And, again,  
14 while we haven't scheduled or addressed the milestones and  
15 the time lines that have been laid out, I take the cases as  
16 they're presented and the debtors postured this case as a  
17 sale case. And I do know that, at least from the comments  
18 from parties before me, there may be discussions about that,  
19 but right now this debtor is seeking to move forward in a  
20 fairly prompt format in order to achieve a result that, at  
21 least from the debtors point of view and in its submissions,  
22 would be a positive result for holders of unsecured claims,  
23 at least on the debtor's math thus far. I make no comment on  
24 the substance of any of that.

25           And, again, I appreciate Mr. Butterfield's candor

1 and description of his client's view of the process and I  
2 believe that that's helpful. But, again, I think that we're  
3 prepared to enter a financing order today or as soon as it  
4 comes in under certification, and that we'll be back before  
5 the Court again on the 15th at 9:00 a.m.

6           The last observation is, Ms. Patterson, I would  
7 ask that you do what you can to keep my chambers advised  
8 about the state of play in the matters that are coming. I  
9 have a matter scheduled for 11:00 a.m. on the 15th that by  
10 all outward appearances is hotly contested and multiple  
11 witnesses, so we may have some scheduling issues. The last  
12 thing I would want to do is complicate everyone's life by my  
13 schedule. So, if you see it coming that you're going to need  
14 a substantial amount of time, the earlier that you can let  
15 chambers know -- and this goes, frankly, to all parties, but  
16 the earlier that you can let us know, the earlier I can  
17 juggle a little bit in advance and not waste everyone's time.

18           Okay?

19           MS. PATTERSON: Thank you, Your Honor. Would Your  
20 Honor be willing, it may help in that regard, if we could set  
21 an objection deadline for the DIP of maybe Friday, so at  
22 least we're prepared to --

23           THE COURT: Friday at noon.

24           MS. PATTERSON: Perfect. Thank you so much, Your  
25 Honor.

1           THE COURT: Yeah, I think that that would be  
2 helpful. It would certainly let me see it and other folks.

3           All right, any other matters that we need to  
4 address before we conclude? And, again, we'll reconvene in  
5 what I think is ten days.

6           MR. SHMARGAD: Yes, Your Honor, this is Ilan  
7 again. Just for clarity and forgive me for my lack of  
8 professionalism of the process, so should I tell my lawyer  
9 that we should approach you to present or we'll be presenting  
10 on the 15th, or do you prefer email? How are we actually  
11 going about it?

12          THE COURT: Okay. I would start with by having  
13 your attorney, to the extent that you have one, communicate  
14 with Ms. Patterson. Certainly, you're welcome to reach out  
15 to Ms. McCollum, she represents the Office of the United  
16 States Trustee. All of those --

17          MR. RAVE: Okay.

18          THE COURT: -- should be contact information that  
19 you can find on the docket in this proceeding and I'm sure  
20 that if you can get in touch with Ms. Patterson she'd be  
21 happy to give you contact information.

22          As far as the next steps for what you or your  
23 attorney should do, I'm not in -- I'm obviously not in a  
24 position and I'm not authorized to provide you with legal  
25 advice, but if you wish to be heard and interpose objections,

1 to present objections to relief that's being sought or  
2 challenge the path that the debtor is laying out, then you're  
3 going to need to make filings in the court and to appear in  
4 the court for purposes of the hearings, which I presume for  
5 Monday will be by Zoom.

6 And, again, we are tinkering or we're rolling out  
7 with baby steps live hearings. But, again, I'm sensitive to  
8 the burden on the parties and I wouldn't necessarily impose  
9 and require parties to travel for this. So we'll assume that  
10 the hearing on the 15th is via Zoom.

11 And again, Mr. Shmargad, your attorney hopefully  
12 can get in touch with folks on the other side and figure out  
13 the path forward.

14 Are there any other questions?

15 (No verbal response)

16 THE COURT: Very good. Again, I appreciate  
17 everyone's time, I appreciate your truncating a little bit to  
18 accommodate my schedule and I apologize to the parties for  
19 burdening you with my schedule.

20 But, with that, we are adjourned. I will look for  
21 the DIP financing order under certification.

22 Thank you, Counsel. Have a good weekend.

23 COUNSEL: Thank you, Your Honor.

24 (Proceedings concluded at 3:35 p.m.)

25

CERTIFICATION

We certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of our knowledge and ability.

/s/ Tracey J. Williams

August 8, 2022

Tracey J. Williams, CET-914  
Certified Court Transcriptionist  
For Reliable

/s/ Mary Zajackowski

August 8, 2022

Mary Zajackowski, CET-531  
Certified Court Transcriptionist  
For Reliable