

# **EXHIBIT I**

**IN THE UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF MISSOURI  
WESTERN DIVISION**

**FEDERAL TRADE COMMISSION,**     )

**Plaintiff,**     )

**v.**     )

**BF LABS INC., et al.,**     )

**Defendants.**     )

**Case No. 14-CV-0815-W-BCW**

**DECLARATION OF REX BROCKI**

I, Rex Brocki, hereby declare and state as follows:

1. I am Washington State resident.
2. I have been an extremely satisfied customer of Butterfly Labs for nearly three years.
3. Over two years ago, I first invested a little less than \$350 USD for Butterfly Labs' cutting-edge products, namely two "Jalapenos."
4. I understood when preordering the Jalapenos that it was going to take time to receive the product as the product was not fully developed.
5. I was warned not to order the product if I did not want to wait in the queue.
6. Butterfly Labs kept me apprised of all developments related to the development of the Jalapeno and the preorder process.
7. Butterfly Labs has made no false promises, no exaggerated claims, they merely have offered cutting edge equipment for sale at a very competitive price.
8. I have profited off the Jalapeno product.

9. After my experience and the success of the Jalapeno product, I preordered two Monarch cards from BF Labs at approximately \$4980 each.

10. After preordering the Monarch cards, BF Labs made the decision to offer a new upgrade called an Imperial Monarch, which would mine at 1,000 GH/s instead of the 600 GH/s speed of the original design, and to offer, as a reward to its loyal customers who had been waiting in the queue, one Imperial Monarch plus and “ordinary” 600 GH/s Monarch to be sent at a later date.

11. I accepted the offered upgrade with alacrity.

12. BF Labs, also around this same time, offered any customer who had been waiting that long a full refund if they so choose.

13. A few months after the Imperial upgrade offer, BF Labs sent an email out to its customers that due to continuing heat problems, it would be unable to produce proper Imperial Monarch cards for some time, but instead would offer its customers four Monarch cards for each one that was originally ordered.

14. BF Labs also offered one “free” 600 GH/s cloud mining contract for each card originally ordered for the customers to use until their physical cards arrived.

15. I also accepted these upgrades and rewards with gusto and glee, and decided against a refund.

16. I received four Monarch cards from BF Labs on September 18, 2014.

17. I was also supposed to be sent an additional four Monarch cards from BF Labs on September 23, 2014.

18. I really want and need those additional four Monarch cards from BF Labs but understand the Federal Trade Commission shut down BF Labs.

19. This case is a clear example of horrible use of my tax dollars because of the Federal Trade Commission's lack of understanding about bitcoin and the market.

20. In my opinion the Federal Trade Commission's action has had three significant results: (1) causing a number of citizens in the Kansas City area to suddenly become unemployed; (2) disrupting a cutting-edge technology company in a very important high-tech world market; and (3) robbing a large number of customers (my humble self-included) of the gains they properly expected from investing their hard-earned money.

21. I participate in dozens of blogs, forums, and chat rooms on the subject of bitcoins in general and Butterfly Labs in particular and the sentiment about Butterfly Labs is overwhelmingly positive.

22. I have found from experience that most of the people with negative sentiment about Butterfly Labs is because they were upset about the sudden increase in the price of bitcoin from early 2013 to late 2013 and wanted to blame someone, knowing they were preordering a product.

23. In fact, had the price of bitcoin gone down during that time frame, I bet no one would have complained to the Federal Trade Commission.

24. I have also developed my own bitcoin mining equipment in the past.

25. I have attempted to test that equipment on "testnet."

26. While the equipment that I developed myself was able to mine on "testnet," it was unable to mine bitcoins on the live network.

27. I have talked to well over one hundred customers (although less than two hundred customers) about Butterfly Labs testing of products on the live network before

sending the final product to customers and we have all agreed that Butterfly Labs absolutely did the right thing by testing the equipment on the live network.

28. In fact, I would pay more for equipment that has been tested on the live network than for equipment tested on “testnet.”

29. I believe this whole case boils down the Federal Trade Commission not having any idea how mining bitcoin works.

30. I certainly would not call Butterfly Labs “bogus” or “scammers” and the Federal Trade Commission’s use of these terms is complete and utter nonsense.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct. Dated this 11<sup>th</sup> day of November, 2014.



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Rex Brocki