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Core Scientific, Inc. (CORZ): Rigged Deals

“When people show you who they are, believe them.”

We are short Core Scientific (“CORZ”, “Core”, “the Company”), as we think Core has wildly oversold both its mining and hosting businesses, which it cobbled together in a series of questionable transactions before dumping onto the public markets via SPAC. Core’s acquired mining business, Blockcap, was formed in December 2020 with just \$58.5 million, then flipped to Core for just 7 months later for \$1.46 billion in connection with Core’s go-public. We estimate Blockcap insiders made 20-25x their money. On Monday, Core disclosed that its board waived the 180-day lockup on over 282 million shares, making them free to be dumped just 5 trading days from today. We believe this shows insiders have abandoned any pretense of care for minority shareholders.

Core Scientific is the brainchild of Chairman Darin Feinstein, who founded Core in 2017 and founded Blockcap, which became Core’s largest customer, in 2020. Feinstein now owns over 41 million CORZ shares worth \$317 million. To our knowledge Feinstein has never been found guilty of a crime. We aren’t here to impugn his business acumen either; after all, he did help turn ~\$58 million into over \$1 billion in just 7 months. However, we did notice how uncanny it is that Feinstein’s business associates often show up in criminal operations:

- Feinstein owned the Viper Room, which hosted the infamous “Molly’s Game” illegal poker ring. This ring was then tied to a \$100 million plus Russian money laundering operation [prosecuted by the DOJ](#) in 2013.¹
- Feinstein is a long-time business partner of Bevan Cooney, who [in 2019 was sentenced](#) to 30 months in prison for the fraudulent issuance of over \$60 million of tribal bonds. Cooney co-owned the Viper Room and ran several other entities with Feinstein all the way back to their late-90’s “Audiotistic” music festival.
- Feinstein is also a long-time owner of several FAT Brands (FAT) restaurants, whose CEO Andrew Wiederhorn pled guilty in the mid-aughts to two felonies, and served 15 months in prison in connection with what was [called](#) “one of the worst pension frauds ever committed by an investment adviser.” Just days ago, FAT [disclosed that](#) Wiederhorn is now once again under investigation for money laundering.
- Blockcap’s “Lead Advisor” through April 2021 was Mark Elenowitz of TriPoint Global Equities, which also raised money for Blockcap. TriPoint went bankrupt after hawking a “can’t lose” concert ticket resale “investment opportunity” turned out to be a Ponzi scheme. TriPoint’s public deals include IPIC (-100% since IPO), GRIL (-89% since IPO), YGYI (-98% all-time), YCBD (-87% since IPO), and MYO (-98% since IPO).

Core as we know it today was formed by the acquisition of Blockcap in July 2021, just 7 months after Blockcap was formed. We find this series of transactions littered with governance red flags and conflicts of interest:

- We believe that the 5 insider-managed entities that came together to form Blockcap in December 2020 range from suspect to outright shells. For example, BEP 999, LLC was formed just 3 weeks earlier, held zero operating assets, had generated zero revenues, and had not ordered any bitcoin miners. Blockcap issued over 7 million shares for this entity.

¹ Though Feinstein’s ownership of the Viper Room was known, he was never prosecuted in connection with these events.

- Then just 7 months later, Core claimed its July 2021 acquisition of Blockcap for \$1.46 billion² – 25x the \$58.5 million previously paid for the 5 entities – was “a result of arms-length negotiations between Core Scientific, Blockcap and their respective representatives”. It’s unclear to us, given numerous incestuous ties, exactly how these deals are considered arms-length. Feinstein owned greater than 5% of Core Scientific and approximately 12% of Blockcap, and was considered the controlling shareholder in Blockcap as of December 2020. Co-Founder and Board Member Matthew Minnis also held 6.17% of Blockcap, and numerous other CORZ insiders were also Blockcap shareholders and optionholders. We find it telling that in its SPAC merger negotiation disclosures, Core Scientific never names exactly which individuals represented which parties in these discussions.

We think Core is no exception to what’s become a steady drumbeat of egregious projections made by many SPACs. We think both Core’s hosting business and its self-mining business have been wildly overhyped, and it’s no wonder that insiders can’t even wait 6 months to clamor for the exits.

Core’s hosting business has been heralded for its supposed “stability” against fluctuating BTC prices, but we think Core’s largest would-be hosting customer, Gryphon Digital Mining / Sphere 3D (ANY)³ is itself a stock promotion which won’t fill its promised 230 MW of capacity (55% of Core’s current hosting capacity):

- Gryphon remains on the hook for \$220.7 million in payments for miners on order, yet holds just \$106.1 million of cash on its balance sheet. Simply put, we don’t think Gryphon has the cash to buy the miners which it claims will be put into Core’s facilities.
- In February 2022, Gryphon announced an agreement with NuMiner to purchase \$1.7 billion of 440 TH/s miners., which we think outed the company’s comical stock promotion. We think these miners don’t exist and are merely a tool in ANY’s stock promotion kit. NuMiner is meant to provide \$1.1 billion in vendor financing to ANY to purchase these miners, yet NuMiner’s Taiwanese documents show it was capitalized with just ~\$40,000 USD, and these same documents show NuMiner’s Director as Xu Yuancheng, who was previously arrested in connection with a counterfeit USD banknote scheme. We present several additional smoking guns to support our view that these “NuMiner NM440” miners are a total fabrication: ripped-off product renderings, supposed “partners” denying any affiliation with NuMiner, and more.
- Sphere’s CEO Peter Tassiopoulos previously consulted to at least 5 dot-com era promotions, at least two of which were tied to SEC and DOJ charges. For example, Tassiopoulos consulted for Playandwin, whose founder Peter Berney was indicted by the DOJ for securities fraud and money laundering, fled the country to Switzerland, was extradited, and later faced separate felony charges for incest involving minors.

This wouldn’t be the first time Core touted a customer we view as a stock promotion. In 2019, Core formed an agreement with Squire Mining Ltd. (CSE:SQR) to host 41,166 miners. Yet Squire’s deal to acquire the miners fell through, and they never made it to Core facilities. Squire had also previously touted a next-gen miner under development through its JV named “AraCore”, yet we found no evidence to suggest that AraCore’s executives ever actually existed (they were represented by stock photos) and Squire never launched the miner. Squire’s former CEO Taras Kulyk – who touted the failed next-gen rig – is now Core’s SVP of Blockchain Business Development, while Core’s former CEO Kevin Turner was also an advisor to Squire. We wonder why Turner, who was reportedly

² Core seems to provide conflicting disclosures regarding the actual consideration for Blockcap; see our views on page 7.

³ In June 2021, Sphere and Gryphon announced a merger agreement whereby Gryphon would go public via merger with Sphere (ANY), but the deal has yet to close.

brought on as Core CEO in order to bring the Company public, resigned from the Company in May 2021 – in the midst of the Company’s SPAC negotiations and just prior to Core’s considering a Blockcap merger.

We also think Core has wildly overhyped the profitability of its self-mining business, where we estimate all-in breakeven costs of \$41,723 per BTC vs. the Company’s SPAC claims of \$2,700 just in power costs per BTC. As such, we see Core as effectively using public markets to throw good money after bad while insiders set themselves up to dump billions worth of stock:

- Core benefitted from a sweetheart deal in its Dalton, Georgia operations which account for approximately 170 to 185 MW of capacity. This \$0.042 per kwh pricing cap expired at year-end 2021, just in time for the SPAC closing. Based on current Dalton Utilities pricing, we think power costs could roughly double.
- Core assumed a BTC network hash rate of just 106 EH/s, which has since ballooned to 197.2 EH/s, while Core’s own executives have [separately claimed](#) they anticipate this will continue to grow aggressively. We thus estimate Core’s actual go-forward breakeven costs for power alone (excluding miner D&A, facilities capex and maintenance, G&A, R&D) are \$10,845 per BTC, or 4x the Company’s SPAC claims.
- Core’s claim of a \$2,700 breakeven also ignored the actual costs of miners and operating expenses. After we account for these rudimentary line items, we estimate Core’s breakeven all-in cost of mining is \$41,723, making Core’s entire mining operation one that barely makes money at today’s prices.

We think Core has foisted itself onto the public markets at a vastly inflated valuation, further aided by a disingenuous “discount to peers” pitch on the basis of both EV to Hash Rate and EV to Revenues:

- Core compared itself to RIOT Blockchain (RIOT) and included its own hosting business in this comparison yet excluded RIOT’s hosting business.
- Similarly, Core compared itself to Marathon Patent Group (MARA), claiming MARA would generate just \$481 million in “December 2022 annualized adjusted revenues” to justify CORZ’s supposed discounted valuation. However, consensus 2022 revenues at the time were \$551 million (which have since risen to over \$700 million), implying that “December 2022 annualized revenues” should be even higher, given miner deployments throughout the year. It’s unclear to us how Core arrived at this \$481 million figure.

Additional governance red flags we’ve uncovered include:

- Core Scientific’s hosting business leans heavily on related parties, which generated \$43 million in hosting & equipment sale revenues for the 9 months ended Q3 2021 (26% of total hosting & equipment sales). Core disclosed that its insiders hold ownership stakes in several customers, yet in the case of Gilley Enterprises and UnionJack LLC, our review of these entities’ corporate documents also revealed that Gilley was formed by Core Scientific’s then-Treasurer, while UnionJack listed an address shared by Core Scientific. We feel this presents additional questions as to the extent of Core’s involvement in its customers’ formation and operations.
- Core disclosed that board member Matthew Minnis runs “Minnis Investments, LLC” yet failed to disclose “Levitt Minnis Investments, LLC”, run by Minnis and Core CFO Michael Levitt and which pre-dates the sole Minnis vehicle. In our view, this presents both disclosure issues and questions of board independence.

Core's Path to Public Markets: The Blockcap Shuffle

5 Insider-Managed Entities Come Together to Form Blockcap

We've found Core's go-public process littered with related party transactions which call into question Core's governance, the nature of so-called arms-length transactions, and Core's ultimate go-public valuation.

Today's Core Scientific was formed by the July 2021 merger of Blockcap and Core Scientific. Blockcap was formed just 6 months prior in December 2020, through a series of 5 acquisitions of insider-managed entities:

Date of Inception	Entity Acquired	Insider Connection
19-Feb-19	RME Black 88, LLC	Darin Feinstein - Managing Member
16-Apr-20	RME Black 100, LLC	Darin Feinstein - Managing Member
27-Apr-20	RME Black 200, LLC	Darin Feinstein - Managing Member
1-Jun-20	BEP 888, LLC	Matthew Minnis - Managing Member
5-Nov-20	BEP 999, LLC	Matthew Minnis - Managing Member

We see these transactions as problematic both for their apparent lack of fundamental value, and for rampant conflicts of interest. Consider that BEP 999, LLC was formed as a Nevada corporation on November 5, 2020, less than a month before being acquired by Blockcap. Financials revealed just \$980,375 in members' equity, consisting of cash offset by liabilities to related parties:

BEP 999, LLC Balance Sheet As of November 30,		2020
Assets		
Current assets		
Cash		\$ 1,150,000
Total assets		<u>\$ 1,150,000</u>
Liabilities and members' equity		
Current liabilities		
Due to related parties		\$ 169,625
Total liabilities		169,625
Members' equity		
Ownership interests		3,600,000
Investors' equity receivable		(2,450,000)
Accumulated deficit		<u>(169,625)</u>
Total members' equity		980,375
Total liabilities and members' equity		<u>\$ 1,150,000</u>

Notes to BEP 999's financial statements also disclose that "**the Company had no material operations** as the Company **had not made any acquisitions of mining equipment nor derived any revenue.**" As such, the entity appears to us to be effectively a ~\$1M insider-tied cash box bought by Blockcap for \$3.45 million.

We find the other 5 transactions similarly suspect. As shown in our table below, Blockcap issued shares at the time worth a total of \$58.5 million to acquire just \$12.3 million in equity which generated \$2.8 million in net losses:

Note as shown above, despite claiming that the financials of RME Black 88, LLC would be included in the prospectus, Core Scientific never disclosed these financials, but made only a reference to RME Black 88 having generated losses of \$100,793.

Entity Acquired	Shares Issued (Ms)	Value/Share	Value (\$Ms)	Equity (\$Ms)	Multiple of Equity	Revenues (\$Ms)	Net Income (\$Ms)
RME Black 88, LLC	43.7	\$0.48	\$21.0	ND	ND	ND	-\$0.10
RME Black 100, LLC	30.7	\$0.48	\$14.7	\$3.82	3.9x	\$4.01	-\$0.43
RME Black 200, LLC	26.8	\$0.48	\$12.9	\$3.47	3.7x	\$3.37	-\$0.29
BEP 888, LLC	13.5	\$0.48	\$6.5	\$4.01	1.6x	\$0.15	-\$1.84
BEP 999, LLC	7.2	\$0.48	\$3.4	\$0.98	3.5x	\$0.00	-\$0.17
TOTAL	122		\$58.5	\$12.28		\$7.54	-\$2.83

The [August 11, 2021 prospectus](#) also discloses that in December 2020, the time at which Blockcap formed its hosting services agreement with Core, “Feinstein, an owner of greater than 5% of Core Scientific’s capital stock and the Co-Chair of Core Scientific’s board of directors, **was the controlling shareholder in Blockcap.**” We find it interesting to note that this sentence was never included in subsequent amended offering documents.

Core Purchases Blockcap for \$1.46 Billion in Connection with Its Go-Public

In July 2021 – just 7 months after these transactions – Blockcap was acquired by Core Scientific for approximately \$1.46 billion in “Legacy Core” shares in connection with Core’s SPAC go-public process. In December 2020, Blockcap shares were valued at just \$0.48, yet by July 2021, Legacy Core shares were valued at \$19.33 each⁴ and were exchanged at a rate of 0.5074 per share,⁵ **implying Core paid ~20-25x the December 2020 valuation.** Core Scientific claimed in its prospectuses that:

“The terms of the Core/Blockcap merger agreement were the result of arms-length negotiations between Core Scientific, Blockcap and their respective representatives.”

However, while disclosures we’ve reviewed for other SPACs often name the individuals involved in discussions, Core’s prospectus offered only this vague mention of “representatives” from the varying parties. This is particularly interesting to us given that numerous CORZ insiders held interests in Blockcap:

- While Darin Feinstein held neither an executive or board member role with Core or Blockcap, he owned greater than 5% of Core Scientific, and approximately 12% of Blockcap. Feinstein then became the combined Company’s Chairman of the Board.
- Matthew Minnis – now CORZ independent Board Member – held 6.17% of Blockcap; and
- Core Scientific’s CEO (both then and now) Michael Levitt owned 0.07% of Blockcap.

⁴ See Legacy Core [historical financials](#), page 13.

⁵ See [prospectus](#), page 223. “...each share of common stock of Blockcap outstanding immediately prior to the effective time of such merger would be entitled to receive 0.5074 shares of Core Scientific common stock...”

- Numerous additional Core Scientific executives were also optionholders in Blockcap, including James Cleveland (Chief Power Officer), Jeff Pratt (Senior Vice President of Operations and Finance), Sharon Orlopp (Chief Human Resources Officer), Russell Cann (then-titled Chief Customer Success Officer, now EVP, Client Services), and Taras Kulyk (SVP of Blockchain Business Development).

We also find it worthwhile to note that Core’s internal valuation assumption of \$19.33 varies between prospectuses – in some instances, Core references a price of \$16.18 per share. For example, page 25 of the [January 3, 2022 prospectus](#) states that:

Acquisition of Blockcap (page 300)

On July 30, 2021, Core Scientific acquired Blockcap, Inc. (“Blockcap”), one of its largest hosting customers. The estimated consideration of \$1,460.4 million consisted of approximately 72 million shares of Core Scientific common stock valued at \$19.33 per share for a total of \$1,395.4 million, approximately 4 million shares of Core Scientific restricted stock and approximately 5 million options to purchase shares of Core Scientific common stock. In addition, Core Scientific issued replacement stock-based awards to employees of Blockcap, estimated at \$65.0 million, that will be recognized as stock compensation expense in future periods.

However, page 100 of the same prospectus references a value of \$16.18 per share, which was estimated by an “independent valuation specialist” who “weighted the outcomes of scenarios...based on both public company valuations and private company valuations.” However, Core once again offers no further disclosures of this model.

Consideration (in thousands):

72,186 common shares valued at \$16.18 per share (1) (2)	1,167,965
Fair value of replaced Blockcap share-based payments attributable to pre-combination service (3)	21,941
Settlement of pre-existing contracts (4)	(60,522)
Total Consideration:	\$1,129,384

- (1) 72,186 common shares represent the equivalent Core Scientific common shares issued to Blockcap shareholders as consideration for the purchase.
- (2) The price per share of our common shares was estimated to be \$16.18. As the Core Scientific common shares were not listed on a public marketplace, the calculation of the fair value of the common shares was subject to a greater degree of estimation. Given the absence of a public market, an estimate of the fair value of the common shares was required at the time of the Blockcap Acquisition. Objective and subjective factors were considered in determining the estimated fair value and because there is no active trading of the Core Scientific equity shares on an established securities market, an independent valuation specialist was engaged. The valuation was determined by weighting the outcomes of scenarios estimating share value based on both public company valuations and private company valuations. Both a market approach and common stock equivalency model were used to determine a range of outcomes, which were weighted based on probability to determine the result.

Similarly, Core’s earlier [Form S-4 filed on August 11, 2021](#) cites a \$19.33 per share valuation in its preliminary purchase price allocation, while its disclosures of how it got to this number remained similarly vague:

Consideration (in thousands):

72,186 common shares valued at \$19.33 per share (1) (2)	\$ 1,395,350
Fair value of replaced Blockcap share-based payments attributable to pre-combination service (3)	65,016
Total Consideration (4):	\$ 1,460,395

- (1) 72,186 common shares represent the equivalent Core Scientific common shares issued to Blockcap shareholders as consideration for the purchase.
- (2) **Our price per share of our common shares was estimated to be \$19.33.** As our common shares were not listed on a public marketplace, the calculation of the fair value of our common shares was subject to a greater degree of estimation. Given the absence of a public market, we were required to estimate the fair value of the common shares at the time of the Blockcap Acquisition. We considered objective and subjective factors in determining the estimated fair value and because there is no active trading of our equity shares on an established securities market, we engaged an independent valuation specialist to assist us. The valuation was determined by weighting the outcomes of scenarios estimating share value based on both public company valuations and private company valuations. Both a market approach and common stock equivalency model were used to determine a range of outcomes, which were weighted based on probability to determine the result.

Core's Board Tosses Aside Any Pretense of Care for Minority Shareholders, Waives Lock-Up

We think our research has been corroborated by Core's own actions, as on February 24, 2022, Core's Board of Directors voted to waive the lock-up on 282.3 million shares, which are now eligible to be dumped starting at the open of trading on March 10, 2022.

We find it worthwhile to note that the [Form 8-K disclosed](#) that the vote occurred last Thursday. As such, Core could have disclosed this material information that same Thursday, or on Friday, or on the following Monday morning, February 28. Instead, the Company sat on this the entire weekend and until after hours on Monday before alerting the market to this material news.

The Form 8-K claimed the waiver was a means "to provide an orderly and measured flow of shares to the public markets" which we find a ridiculously insulting euphemism given insiders' newfound ability to dump billions onto SPAC holders who thought that they might be protected by a 180-day lock-up. Core's most recent ownership disclosures for top insiders⁶ are below; at current prices, insiders could walk away with 9 figures each while SPAC holders remain holding the bag:

Shareholder / Representative	Beneficial Ownership (Shares)
Darin Feinstein	41,148,716
Matthew Minnis	30,711,804
Michael Levitt	22,055,357
XPDI Sponsor LLC	11,965,834

We Think Core's Largest Would-Be Hosting Customer, ANY, is a Stock Promotion

In October 2021, Core Scientific [formed](#) its largest ever [hosting deal](#) with Gryphon Digital Mining for 230 MW of capacity, which can support up to 71,000 machines (7.1 EH/s).⁷ However, Gryphon appears to us to be a stock promotion, with little financial wherewithal to purchase or install its miners in Core's facilities, hence leaving Core holding the bag. Gryphon most recently [disclosed that](#) as of January 6, 2022, the company had just 3,000 S19J Pro machines. The [agreement](#) provides for deployment of the miners as per the table below:

⁶ Including their various investment vehicles and trusts.

⁷ Gryphon is executing a reverse merger agreement with Sphere 3D (ANY) which was announced in June 2021 yet has not closed. We refer to them interchangeably.

Deployment Month	Quantity & Type of Unit (the "Units")
OCT 2021	100 S19 or equivalent
NOV 2021	100 S19 or equivalent
DEC 2021	100 S19 or equivalent
JAN 2022	100 S19 or equivalent
FEB 2022	100 S19 or equivalent
MAR 2022	2,500 S19 or equivalent
APR 2022	5,000 S19 or equivalent
MAY 2022	7,500 S19 or equivalent
JUN 2022	10,000 S19 or equivalent
JUL 2022	10,000 S19 or equivalent
AUG 2022	10,000 S19 or equivalent
SEP 2022	10,000 S19 or equivalent
OCT 2022	10,000 S19 or equivalent
NOV 2022	4,500 S19 or equivalent

We don't think these miners will ever make it to Core's facilities. The miners appear to originate via Sphere's July 2021 agreement with FuFu Technology Limited ("BitFuFu") for the purchase of 60,000 miners for \$305.7 million. Yet of the total price, Sphere has paid only \$85.0 million, while the remaining \$220.7 million remains payable "over the next 12 months".⁸ As far as the remainder, we don't think ANY has the cash: pro forma cash for the combined company as of Q3 2021 was just \$106.1 million, far short of the \$220.7 million in remaining payments Gryphon must make for the miners. Sphere has also not been able to file a 10-Q for the entirety of 2021, and the Company's last audited financials were for year-end 2020.

In February 2022, ANY's promotion kicked into high gear as the company announced that it entered into an agreement with "NuMiner" to purchase \$1.7 billion worth of "NM 440" 440 TH/s miners. We think these miners do not exist, will never exist, and NuMiner is run by a Taiwanese criminal. Please see our appendix for full documentation which supports each of our opinions below:

- NuMiner's rendering of its miners is a laughably juvenile rip-off of the CS-2 by Cerebras, not a bitcoin mining rig but a 660lb supercomputer. Cerebras has since [publicly admonished](#) NuMiner and claimed no affiliation with the Company.⁹
- NuMiner has also issued a feeble attempt at third-party validation, claiming its miners were tested and verified by TUV Nord (a German company) to BTL standards.¹⁰ However, we inquired with both TUV Nord and with BTL, who each disclaimed this theory. BTL stated that NuMiner was prohibited from using their mark. TUV Nord claimed to have "no entry in our database about a customer named NuMiner".^{11 12}
- NuMiner has claimed that TSMC is a production partner, but we inquired with TSMC who stated to us that "We can confirm to you that Numiner is not a direct customer of TSMC."

⁸ Per the [January 2022 registration statement](#)

⁹ On February 10, NuMiner issued a [statement](#) claiming that its original image "was drawn for marketing purposes and was recently made aware of a similarity in the product's image to another product on the market..."

¹⁰ BTL is BACNet Testing Laboratories, which commonly validates products such as HVAC systems, not crypto miners.

¹¹ In the same February 10 statement, NuMiner revised its claim that "TUV Nord's certified lab BACnet Testing Laboratories" independently validated the NM 440 to claim instead that Taiwan-based "[BTL Inc](#)" validated the claims. It's unclear to us how NuMiner could have made such a juvenile error, yet regardless, TUV Nord had no record of NuMiner.

¹² We've seen rumors that the Taiwanese "BTL Inc" has confirmed NuMiner is a customer, yet even these rumors do not support the view that a hash rate of 440 EH/s has been independently validated as claimed.

- NuMiner has also claimed Xilinx as a production partner, yet when we inquired with Xilinx, a representative told us that “I’m not sure if they have our permission to use our logo... That’s typically reserved for folks who participate in our Xilinx Partner Program.” NuMiner does not appear in Xilinx’s partner list and thus does not appear to be a participant in the partner program.
- NuMiner’s Taiwanese corporate documents disclose Xu Yuancheng as Director. In 2016, Yuancheng was arrested for his role in a scheme to counterfeit millions of dollars of US banknotes.



[Xu Yuancheng, a member of the fake US banknote group](#)

- Taiwanese corporate documents also disclose that NuMiner was capitalized with just ~\$40,000 USD, suggesting to us that the group has little ability to produce these miners, nor to provide the contemplated \$1.1 billion in vendor financing to Sphere to purchase them, even if they existed.
- We find Sphere’s CEO Peter Tassiopoulos something of a stock promoter extraordinaire. We count Tassiopoulos as having “consulted to” at least 5 dot-com era stock promotions, many of which involved criminals and led to both SEC and DOJ charges.

In sum, we view Core Scientific as having lent itself to a blatantly transparent stock promotion, and doubt that Sphere will ever fill out the 230 MW capacity called of it in its hosting agreement.

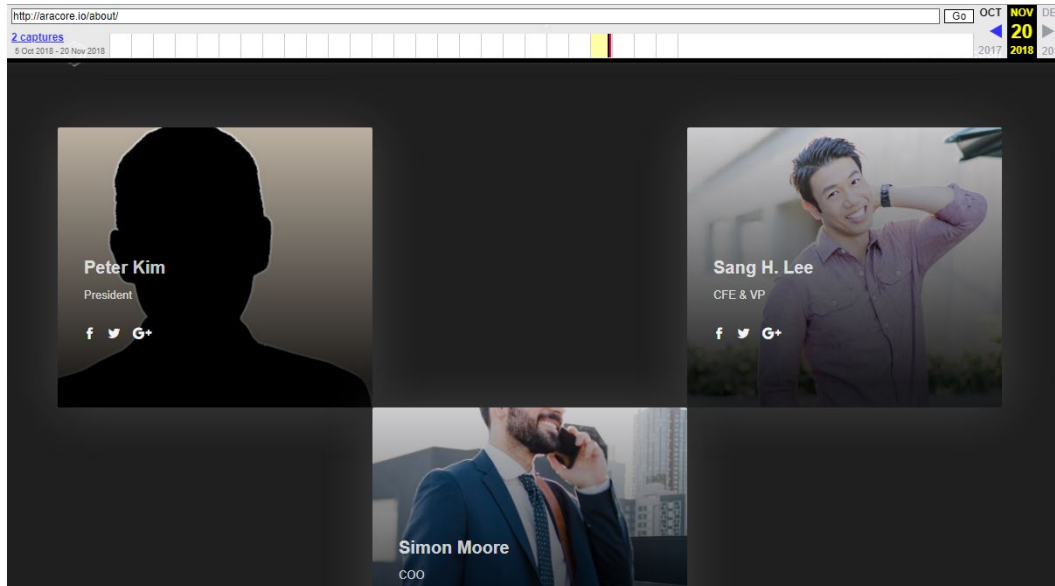
Core Also Signed a Failed Deal with Squire Mining (CSE:SQR), Whose CEO Now Serves at CORZ

Core executives seem to us to be all too familiar with crypto-related stock promotions. CORZ SVP of Blockchain Business Development, Taras Kulyk, was previously CEO of Squire Mining, Ltd (CSE:SQR),¹³ which itself touted a non-existent next-gen miner and hosting relationships with Core Scientific which never came to fruition. Ex-CORZ CEO Kevin Turner was also an advisor to Squire.

Squire’s “next-generation” miner was meant to be under development via [a June 2018 Joint Venture](#) called Aracore, owned 33.3% by “Peter Kim”. Squire named Kim as “a highly qualified executive with extensive

¹³ Squire has since been renamed TAAL Distributed Information Technologies (CNSX:TAAL)

experience in chip design and system architecture, developing IT solutions and support, vendor sourcing and project management.” However, for our part, we are unable to find any evidence that Aracore or its team existed at all. See that Aracore didn’t offer a photo of Kim on its website, while supposed team members “Sang H. Lee” and “Simon Moore” are both portrayed by stock photos which can be [found elsewhere across the internet](#):



Nevertheless, Taras Kulyk joined Squire as CEO in October 2018 and didn’t hesitate to continue promoting the prospects of this supposed next-gen chip. In the same month, Squire [claimed to hold a “chip day”](#) in Seoul, South Korea. Yet again, these claims seemed more to us like stock promotion than real development:

- Squire’s claims didn’t pass the smell test: Squire claimed to have developed a chip with an efficiency of between 32 and 44 W/TH – comparable specs weren’t available from Bitmain until nearly 3 years later.
- Squire’s claims didn’t pass the laugh test: Squire called its chip an “FPGA Prototype ASIC Microchip”. A Field Programmable Gateway Chip (FPGA) is programmable for a wide array of functions, while an Application Specific Integrated Chip (ASIC) is programmed for a single use – the chip cannot be both.

Kulyk was quoted in Squire’s press release as claiming that:

“Aracore’s time and investment to date have been validated by the impressive results of this new microchip. Once completed, we believe the speed and efficiency of our ASIC microchip combined with our respective mining systems powered by this Samsung manufactured microchip together have the potential to substantially increase the profitability of enterprise mining facilities around the globe.”

In November 2018, Squire [announced a letter of intent](#) to acquire the IP and mining equipment of CoinGeek, Kulyk’s prior employer, for \$60.3 million CAD. Kulyk stated in the associated press release that Squire “would seek to have [its chip] commercial within 2019.” Yet just two months later in January 2019, Squire [disclosed](#) that its chip “produced results inconsistent with design parameters” and Kulyk resigned.

In June 2019, Core Scientific [entered](#) a binding letter of intent to host 41,166 of Squire’s miners. CORZ’s then-CEO Kevin Turner [joined Squire](#) as an advisor the following month. However, Squire never hosted the miners with Core

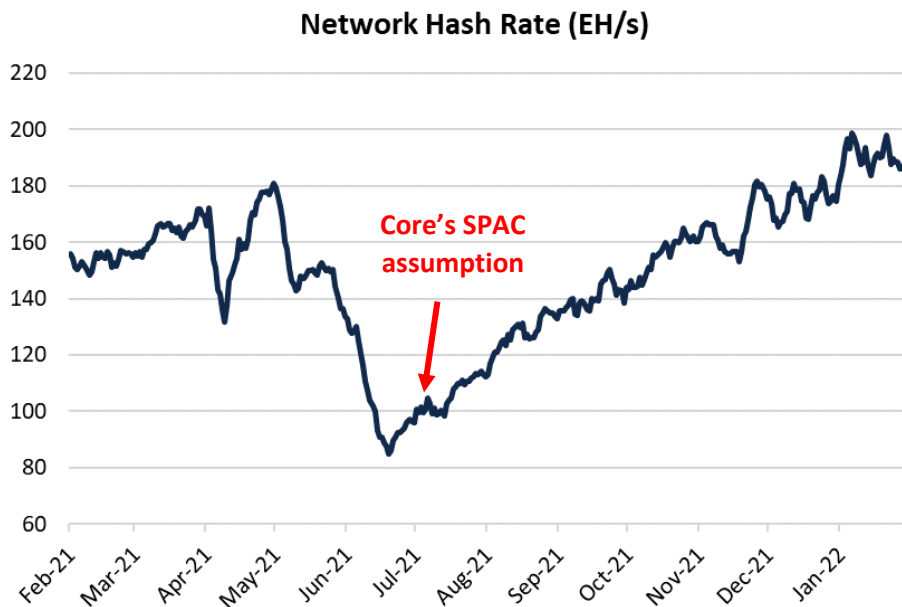
Scientific, as Squire’s deal to purchase the miners fell through. In April 2020, Turner stepped down as an advisor, while Squire renamed itself “TAAL Distributed Information Technologies” and entered into arbitration with an unnamed hosting provider citing unpaid fees. A settlement was reached in the ensuing months.

We Think Core Wildly Overstates the Profitability of its Self-Mining Operations

Core’s SPAC presentation touted a mining breakeven of \$2,700 in power costs per bitcoin, yet we estimate Core’s true go-forward power costs are \$10,845 per BTC – or 4x this figure – and the Company’s all-in cost to mine (including miner costs and G&A) is \$41,723 per bitcoin.

Core Assumed a Network Hash Rate of Just 106 EH/s

Core’s first mining breakeven assumption is a network hash rate of 106 EH/s. We believe Core took advantage of what we view as a temporary depression in the BTC network hash rate to artificially inflate purported self-mining profitability. In the meantime, hash rate has almost doubled to 197.2 EH/s. Moreover, Core’s own Michael Levitt [has stated that he anticipates](#) the global hash rate will continue to grow at an aggressive pace. Sell-side models we reviewed also expect global hash rate to continue growing, while the next halving event is [currently estimated](#) at just over 2 years away. As such, we see this 106 EH/s assumption as cherry-picking a very convenient data point, yet wholly unreflective of the economics of Core’s go-forward economics.



Core’s Sweetheart Power Agreement Price Cap Expired at Year-End 2021

Core’s cost of mining is primarily determined by its power costs, which are governed by its power agreements at each of its facilities. We find that Core’s commentary on such agreements does not disclose its approximate monthly power bills for the Dalton, Georgia facilities as it does for each of the others:

Power Agreement	Description Offered by Core Scientific
Murphy Electric Power Board	Capacity of up to 10,000 kW ... Core Scientific currently pays Murphy on average approximately \$450,000 per month for its provision of the power capacity, taking into effect any bill credits...
Duke Energy Carolinas	The ESA provides for an electrical power capacity of 24,000kW, which can be adjusted based on Core Scientific's consumption, but will not exceed 48,000kW. Core Scientific agreed to pay to Duke in accordance with certain service rate schedules as modified or replaced from time to time by agreement between the parties. Core Scientific currently pays Duke on average approximately \$92,000 per month for its provision of the power capacity
Dalton Utilities	... Boring Drive Site provides for an electrical power capacity of up to 120,000kW, and the agreement for the Industrial South Site provides for an electrical power capacity of up to 50,000kW. Under each agreement, Core Scientific agreed to pay to Dalton \$0.0364 ... not to exceed \$0.042 prior to December 31, 2021. [No monthly payment details disclosed.]
Tennessee Valley Authority	... power capacity of 125,000kW of firm power... Core Scientific currently pays TVA on average approximately \$625,000 per month for its provision of the power capacity, taking into effect any bill credits available to Core Scientific pursuant to the TVA IP Product Agreement, as defined and summarized below.

We think it's possible that Core avoided such disclosures to sidestep scrutiny of its Boring Drive and Industrial South sites, which we find have been aided by a sweetheart power deal that was set to expire at year-end 2021:

"On October 11, 2018, Core Scientific, through its wholly-owned subsidiary, American Property Acquisitions VII, LLC, entered into an Amended and Restated Electric Service Agreement with The Board of Water, Light and Sinking Fund Commissioners of the City of Dalton, Georgia (d/b/a Dalton Utilities, "Dalton") for the supply of electric power to each of its hosting sites located at Boring Drive, Dalton, Georgia (the "Boring Drive Site") and Industrial South, Dalton, Georgia (the "Industrial South Site"). The agreement for the Boring Drive Site provides for an electrical power capacity of up to 120,000kW, and the agreement for the Industrial South Site provides for an electrical power capacity of up to 50,000kW. Under each agreement, Core Scientific agreed to pay to Dalton \$0.0364 on a kW per hour basis as modified from time to time, **but not to exceed \$0.042 prior to December 31, 2021.**"

The Georgia [rate survey](#) showed Dalton Utilities held a Winter 2021 rate of \$0.0962 per kWh. Thus, illustratively, Core's fully-baked costs for its Georgia facilities at full capacity¹⁴ would more than double:

Georgia Facility Illustrative Economics	Old Rate	New Rate
Cost per KWH	\$0.0420	\$0.0962
Cost per MWH	\$42.0	\$96.2
MW	175	175
MWH Usage	1,533,000	1,533,000
Electricity Costs (\$ millions)	\$64	\$147
Incremental Costs (\$ millions)		\$83

¹⁴ Core's investor presentation states 185 MW at Dalton. Its power agreements sum to 170 MW. We assume 175 MW.

We assume power costs of \$0.06 per kWh, a network hash rate of 220 EH, a 2% pool fee, and 95% uptime, which results in **energy costs of \$10,845 per BTC, or 4.0x what the Company touted** in its investor presentation:

Culper Research Economic Estimates	
Network Hashrate	220.00 EH
Block Reward	6.44
Machine Name	Antminer S19 Pro
ASIC Hashrate (<i>in TH</i>)	110.0
ASIC Power Draw (<i>in Watts</i>)	3,250
Cost of Electricity per kwh	\$0.0600
Pool Fee	2.00%
Uptime	95%
Mining Reward per Day (<i>BTC</i>)	0.00043152 BTC
Marginal Cost of Production	\$10,845

Core's Analysis Ignores Miner Costs and Operating Expenses

However, Core's supposed "breakeven" figures also ignored the cost of miners and operating expenses, relatively fundamental items to running a bitcoin mining operation.

Consider that a 100 TH/s miner can be expected to mine 0.158 BTC per year. Core executive Taras Kulyk [has stated that](#) miners ought to last 24 to 36 months, so we assume a 2.5 year useful life of the Company's miners.¹⁵ While secondary market prices for S19 Pro miners are \$10,000 to \$15,000 as of late, we assume conservatively that Core pays \$6,000 per 110 TH/s miner. We thus estimate rig costs of \$15,238 per BTC mined:

Culper Research Economic Estimates	
Miner Cost (110 TH/s miner)	\$6,000
Useful life (years)	2.5
Annual cost of miner	\$2,400
Annual BTC mined per miner	0.158
BTC breakeven cost (miners)	\$15,238

Finally, consider that in 2020, Core spent \$16,847 in operating expenses for each BTC mined,¹⁶ while for the 9 months ended Q3 2021, this figure was remarkably similar at \$16,328 in operating expenses per BTC mined:

CORZ Operating Expenses	FY 2020	9 mo Q3 21
Operating Expenses (\$ millions)	21.6	53.4
BTC mined	1,282	3,271
Opex per BTC mined (\$)	\$16,847	\$16,328

¹⁵ This is also in line with D&A schedules for Core and its peers.

¹⁶ On January 5, 2022, Core stated that the Company "minted ... 5,769 bitcoins in the full year [2021], representing year-over-year increases ... of 350%, respectively" thus implying 1,282 BTC were mined in 2020.

Thus, when fully accounting for the Company’s power costs, miner costs, and operating expenses, we estimate that Core’s true “economic” breakeven cost to mine a single BTC is \$41,723, making its entire operation barely profitable at current BTC prices:

Culper Estimates - CORZ Breakeven Costs	
Miner Costs per BTC Mined	\$15,238
Power Costs per BTC Mined	\$10,485
Operating Expenses per BTC Mined	\$16,000
BTC Price for CORZ Economic Breakeven	\$41,723

Darin Feinstein: “Venture Capitalist and Philanthropist”

Core Scientific Co-Founder and Co-Chairman Darin Feinstein is characterized by the Company as “an entrepreneur, venture capitalist and philanthropist”. However, our research has uncovered Feinstein has a seemingly uncanny ability to find business associates who end up involved in criminal operations..

Bevan Cooney: Long-Time Feinstein Partner Imprisoned for Fraudulent Sale of Tribal Bonds

Feinstein appears to be a long-time associate of now-imprisoned Bevan Cooney, where the [pair founded](#) a music festival called “Audiotistic” in the late-90s. See Cooney, Feinstein, and a third partner, Meelo Solis, below. Cooney and Feinstein were bankers, and Solis was a club promoter:



This was not Feinstein and Cooney’s only venture. The [Nevada Secretary of State](#) shows that in 2002, “Stake LLC” was registered by Feinstein and Cooney. Stake’s last filing was made in 2007. In October 2005, the dynamic duo also registered Blackrock Capital, LLC [in the State of California](#). Business filings described the venture as related to “real estate investment”:

NAME AND COMPLETE ADDRESS OF ANY MANAGER OR MANAGERS, OR IF NONE HAVE BEEN APPOINTED OR ELECTED, PROVIDE THE NAME AND ADDRESS OF EACH MEMBER (Attach additional pages, if necessary.)			
7. NAME	ADDRESS	CITY AND STATE	ZIP CODE
Darin Feinstein	9165 Sunset Boulevard, Suite 200	West Hollywood, CA	90069
8. NAME	ADDRESS	CITY AND STATE	ZIP CODE
Bevan Cooney	9165 Sunset Boulevard, Suite 200	West Hollywood, CA	90069
9. NAME	ADDRESS	CITY AND STATE	ZIP CODE

In 2003, Cooney and Feinstein [took over](#) the Los Angeles-based [Viper Room](#), a nightclub which became the scene of an illegal gambling operation then tied to a Russian-American organized crime ring. In 2013, [the DOJ charged](#) the group¹⁷ with money laundering:

FOR IMMEDIATE RELEASE

Tuesday, April 16, 2013

**Manhattan U.S. Attorney Charges 34 Members And Associates
Of Two Russian-American Organized Crime Enterprises With
Operating International Sportsbooks That Laundered More
Than \$100 Million**

One of the poker players, Bradley L. Ruderman, was also [charged by the SEC](#) for having operated a “Ponzi-like” scheme which raised at least \$38 million from about 20 investors. Feinstein was featured in Ruderman’s bankruptcy litigation (see: Ehrenberg v. Feinstein; case number 2:11-ap-01912-ER):

SEC HALTS BEVERLY HILLS HEDGE FUND FRAUD

On April 29, 2009, the Securities and Exchange Commission obtained a court order halting a hedge fund fraud based in Beverly Hills, California. The SEC’s complaint, filed in federal court in Los Angeles, alleges that Bradley L. Ruderman (“Ruderman”) raised at least \$38 million from about twenty investors since at least 2002 through his two hedge funds, Ruderman Capital Partners and Ruderman Capital Partners A. The SEC alleges that Ruderman defrauded his hedge fund investors by misrepresenting to them the hedge funds’ investment returns and the assets under management.

After this embarrassing illegal gambling and money laundering debacle, from 2014 to 2016, Cooney went on to – [in the words of the DOJ](#) – “orchestrate a complex and corrupt scheme to defraud a Native American community and the clients of two asset management firms.” In July 2019, Cooney was sentenced to 30 months in prison:

¹⁷ Feinstein was not charged among this group.

FOR IMMEDIATE RELEASE

Wednesday, July 31, 2019

Bevan Cooney Sentenced To 30 Months In Prison For The Fraudulent Issuance And Sale Of More Than \$60 Million Of Tribal Bonds

Audrey Strauss, Attorney for the United States, Acting Under Authority Conferred by 28 U.S.C. § 515, announced that BEVAN COONEY was sentenced today by the U.S. District Judge Ronnie Abrams to 30 months in prison for defrauding a Native American tribal entity and various investment advisory clients of tens of millions of dollars in connection with the issuance of bonds by the tribal entity and the subsequent sale of those bonds through fraudulent and deceptive means.

Blockcap's Fundraiser and "Lead Advisor": FINRA-Sanctioned Mark Elenowitz / TriPoint

Core's [October 2018 Form D](#) discloses that the predecessor worked with TriPoint Global Equities, LLC – a now-defunct bucket shop specializing in capital formation (and incineration). TriPoint was run by Mark Elenowitz, who was also "Lead Advisor" [to Blockcap](#) through at least April 2021:

Mark Elenowitz, through TriPoint Capital Management, is the lead advisor for the Company. Mark is a Wall Street veteran with over 29 years experience. He co-founded a boutique investment bank that was based in Manhattan and its online capital formation platform BANQ* (www.banq.co), both which have been instrumental in laying down the framework for Regulation A+ crowdfunding offerings. The methodology Mark Elenowitz structured is what led the first successful Reg A+ IPO to list on a National Securities Exchange – the New York Stock Exchange – with other Reg A+ offerings following the blazing trail. He is a noted speaker at Small Cap and Reg A events, including the SEC Small Business Forum, and has been profiled in BusinessWeek, CNBC, and several other publications.

We find TriPoint/Elenowitz's presence in Blockcap's ranks as a series of red flags:

- TriPoint appears to us to be a bucket shop broker which was early to hawking deadbeat Reg A+ offerings and a slew of other ShitCo's which have left shareholders with massive losses. Over the past 5 years alone, TriPoint raised capital for companies such as:
 - [iPic Entertainment](#) (OTC:IPIC) which now trades at \$0.0002 per share (-100% since IPO).
 - [Muscle Maker, Inc.](#) (NASDAQ:GRIL), which now trades at \$0.4671 per share (-89% since IPO).
 - [Youngevity](#) (OTC:YGYI) which was delisted from NASDAQ in 2020 and trades at \$0.13 per share.
 - [Level Brands](#) (ASE:YCBD) which trades at \$0.83 per share (-85% since IPO).
 - [Myomo](#) (ASE:MYO) which IPO'd in 2018 and executed a 1-for-30 split (-98% since IPO).

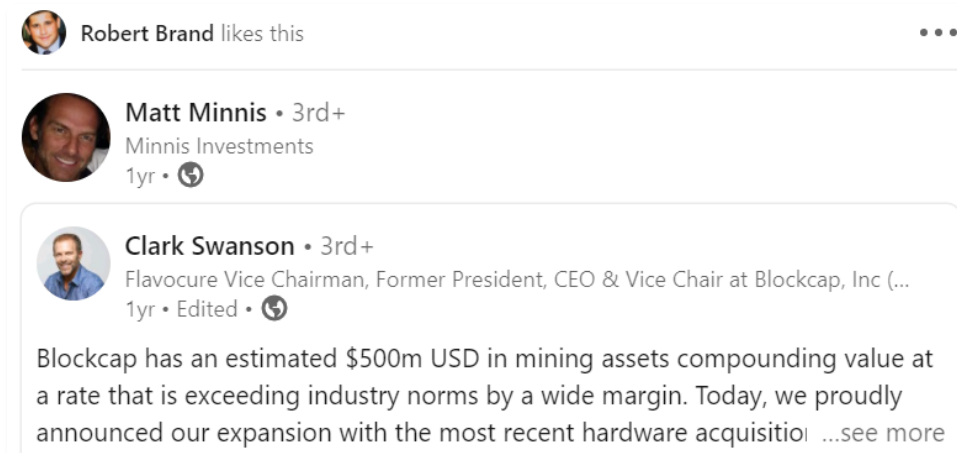
We don't think any of this bodes well for current CORZ investors, and question why, if Core were truly intent on becoming a leading BTC miner, the Company couldn't find more reputable partners and advisors.

- TriPoint also [raised money for Fat Brands, Inc](#) (FAT) whose founder Andrew Wiederhorn previously served 15 months in prison after pleading guilty to two felonies. As [reported](#) by Forbes:

“Andrew Wiederhorn was accused of being at the center of one of the worst pension frauds ever committed by an investment adviser. As much as \$160 million was drained from a Portland, Ore. investment company, and investors charged some of the money financed his lavish lifestyle, including renovating his \$5 million mansion with such items as a \$15,000 bathroom mirror. He pleaded guilty to charges of filing a false tax return and giving an illegal gratuity. Last year he finished his federal sentence after serving nearly 16 months and returned to Portland.”

- Just days ago, [Wiederhorn was once again accused](#) of securities fraud, money laundering, and tax evasion. Coincidentally, Darin Feinstein is also a long-time owner of several Fatburger franchises per both [his biography](#) provided by Black Star Investments and [separate reports](#). As a key longstanding franchisee, it seems that Feinstein knows FAT Chairman and CEO Andrew Wiederhorn well. In 2012, FAT and Feinstein [partnered](#) to renovate his Vegas location.

We find it worthwhile to note that FAT Brands’ VP of Finance, [Robert Brand](#), was also a former employee of TriPoint from 2015 to February 2020, just before joining FAT in February 2020. He also [appears cozy with](#) CORZ insiders such as Matthew Minnis:



- Absent its numerous public markets charades, TriPoint also [solicited investors](#) for an \$81 million concert ticket resale scheme, which lawsuits later alleged was described as a “no-brainer”, “can’t lose” situation touted by Elenowitz. In reality, the so-called “can’t lose” investment was [found to be a Ponzi scheme by the SEC and DOJ](#), which pressed charges against the operators, while FINRA followed suit with sanctions against TriPoint. See from a resulting lawsuit, (Blank et al v. TriPoint Global Equities, case number: 1:17-cv-00876-ALC-GWGL):

42. Summing up his feelings about the situation – supposedly gleaned from his own firm’s due diligence and relationships with the principals – Elenowitz represented to Blank that [Plaintiffs] “can’t lose with this investment.”

- In March 2019, [FINRA sanctioned TriPoint](#) for failure to maintain efficient anti money laundering (AML) controls in its penny stock trading business, and “ignored the numerous AML red flags that were present in [the TriPoint client’s] trading activity.”
- In March 2020, TriPoint’s [FINRA registration was terminated](#), and in September 2020, the firm filed for Chapter 7 liquidation. TriPoint listed assets up to just \$21,524 and debts of up to \$6,619,930.

It’s unclear to us by what merits Core Scientific and Blockcap found Elenowitz a suitable capital raiser and advisor, given his association with these numerous scams over the years, but perhaps that’s exactly why they were chosen.

Additional Governance Red Flags

Core’s Hosting Business Is Dominated by Related Parties

Core’s hosting business is dominated by related party customers, including not only Blockcap, but several other insider-tied entities. See per the table below.

Core Customer	Culper Research Views ¹⁸
Gilley Enterprises	<p>Disclosed: Jeff Pratt, SVP of Operations and Finance is a shareholder in Gilley, as well as James Cleveland, CORZ Chief Power Officer. Gilley pays approximately \$41,300 per month in hosting fees.</p> <p>Undisclosed: Gilley’s Washington State documents list Christy Barwick, Core’s then-Treasurer, as a governor of the entities. This role is not disclosed by Core, suggesting to us that Core itself may have had a role to play in Gilley’s formation and/or operations.</p>
UnionJack LLC	<p>Disclosed: Former Core CEO Kevin Turner and current Board Member Matthew Bishop are shareholders and board members, respectively, of UnionJack, which pays Core approximately \$45,000 per month in hosting fees.</p> <p>Undisclosed: UnionJack listed an address at 2800 Northup Way, Bellevue, WA – Core’s corporate headquarters at the time. We thus again question what role Core itself had to play in this customer’s formation and operations.</p>
GEM Mining	<p>Disclosed: Core’s SVP, Client Services Russell Cann serves as “Partner – Corporate Strategy” at GEM Mining, which claims to have 30,000 miners, and utilizes Core for hosting services. Legacy Core is paid approximately \$76,800 per month in hosting fees.</p>
BCV Entities	<p>Disclosed: Feinstein is the leading shareholder of the BCV Entities, while Kevin Turner, Michael Levitt, Matthew Minnis, and Russell Cann are all also shareholders in the BCV entities. The BCV entities in turn hold stakes in the “RME Entities”, which have purchased both mining equipment and hosting services from Core Scientific.</p>

¹⁸ See Appendix 2 for supporting documentation.

Blockcap-related entities not only hosted their equipment with Core, but purchased their miners from Core as well. In 2020, Blockcap purchased \$3.1 million of equipment from Core, RME Black 100 purchased \$6.4 million of equipment from Core, and RME Black 200 purchased \$6.3 million of equipment from Core.

Undisclosed Ties Between Board Member and Executive: Levitt Minnis Investments

Finally, as Co-Founder, Co-Chairman, and CEO of CORZ, Mike Levitt appears to serve as Director of an undisclosed investment vehicle managed by Board Member Matthew Minnis, appropriately named “Levitt Minnis Investments, L.L.C.” See information directly from the Texas Secretary of State below:

LEVITT MINNIS INVESTMENTS, L.L.C.	
Texas Taxpayer Number	32065078092
Mailing Address	3663 N SAM HOUSTON PKWY E STE 600 HOUSTON, TX 77032-3611
Right to Transact Business in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	10/09/2017
Texas SOS File Number	0802832608
Registered Agent Name	CRAIG FOSTER
Registered Office Street Address	24624 IH-45 NORTH #200 SPRING, TX 77386

Title	Name and Address
MANAGER	MATTHEW P MINNIS P O BOX 22549 HOUSTON, TX 77227
DIRECTOR	MICHAEL J LEVITT 5516 LACEBACK TERRACE AUSTIN, TX 78738

Minnis’s Company-provided biography refers to him as acting, “prior to this endeavor [Core], as the CEO and President of Minnis Investments LLC.” However, Texas Secretary of State shows that “Minnis Investments LLC” was formed only on April 29, 2021, **well after the October 2017 formation of Levitt Minnis Investments, LLC**. As such, it appears to us that Core Scientific may be wishing to conceal that its Co-Founder and CEO has been involved in outside business interests alongside a supposedly independent Board Member.

We Think Core Disingenuously Promoted a Bogus “Discount to Peers” Narrative

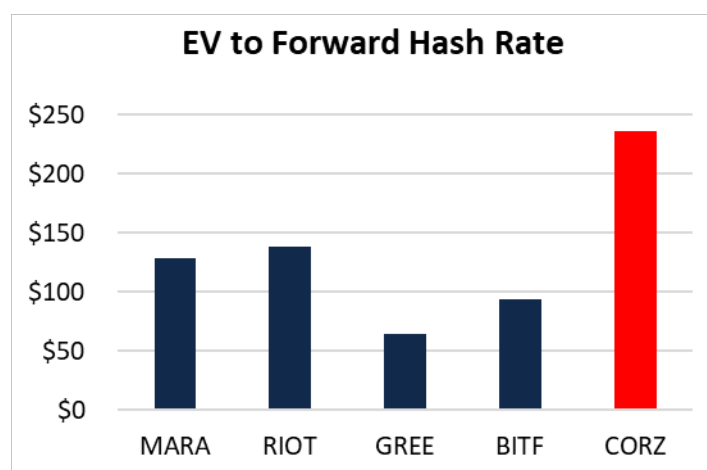
We believe Core is not only a governance nightmare which partnered with dubious customers and touted misleading economics, but that Core disingenuously represented itself vs. competitors while pushing its SPAC. Core’s SPAC valuation pitch – as pictured below – considered the Company vs. peers on the basis of “EV to December 2022 annualized revenues” and on “estimated December 2022 total hash rate.”

We think Core disingenuously compared itself to MARA on the basis of EV to “December 2022 annualized adjusted revenue.” Core estimated MARA’s December 2022 annualized revenues at just \$481 million, yet consensus full-year 2022 revenues as of July 16, 2021 were already at \$551 million, per Bloomberg. Moreover, “December 2022 annualized revenues” should be significantly higher than any given full-year figure, as miners are added throughout the year. To that end, MARA’s [December 2021 investor presentation](#) also claimed that once all miners on order are deployed, the company will mine 66 BTC per day, implying \$1,084 million in annualized revenues at \$45,000 per BTC. It’s unclear to us where Core obtained the \$481 million figure; no source is provided.

	Core Scientific ⁽¹⁾	Riot ⁽²⁾	Marathon ⁽³⁾
Year-to-date 6/30/21 Self-Mining Bitcoin Mined (#)	1,683	1,167	846
December 2022 Estimated Self-Mining Hash Rate (EH/s)	14.8	7.7	10.4
December 2022 Estimated Hosting Hash Rate (EH/s)	16.3	NA	0
December 2022 Estimated Total Hash Rate (EH/s)	31	NA	10.4
December 2022 Annualized Self-Mining Bitcoin Mined (#)(4)	21,807	11,381	15,327
December 2022 Annualized Hosting Bitcoin Mined (#)(4)	24,060	NA	0
December 2022 Annualized Total Bitcoin Mined (#)	45,867	NA	15,327
December 2022 Annualized Adjusted Revenue (\$ in millions)			
Self-Mining at Current Bitcoin Price ⁽⁵⁾	685	358	481
Hosting	241	105	0
DeFi Platform	99	0	0
Hardware (Net) ⁽⁶⁾	48	0	0
December 2022 Annualized Adjusted Revenue	1,072	462	481
Enterprise Value (Last 20 Trading Days VWAP as of July 16, 2021)	4,341	3,037	2,342
Enterprise Value / December 2022 Annualized Adjusted Revenue	4.0x	6.6x	4.9x
Implied Core Scientific Discount (%)		(38%)	(17%)
Implied Core Scientific Pro Forma Share Price (\$) ⁽⁷⁾		15.60	11.85

Core projected an estimated 31 EH/s total hash rate, yet we also find this comparison disingenuous as Core added in its hosting hash rate, while ignoring RIOT’s hosting business, [Whinstone US](#), which holds power capacity of up to 750 MW.

Given our view that Core’s largest hosting customer is highly unlikely to fill out its capacity, we instead look out to year-end 2022 self-mining rates of each company¹⁹ and find that Core is grossly overvalued vs. peers. We think Core deserves to trade far lower, and apparently its insiders can’t wait to sell shares either.



¹⁹ MARA claims 13.3 EH/s “mid-2022” and 23.3 EH/s in “early 2023”: we assume 18.3; RIOT claims 12.8 EH/s by Q4 2022, we exclude Whinstone; GREE claims 4.7 EH/s by December 2022 per Nov 2021 presentation; BITF claims 8.0 EH/s by YE22.

Appendix 1: We View Sphere 3D / Gryphon Digital (ANY) as a Stock Promotion

We Think The \$1.7 Billion NuMiner 440 Deal Is A Total Sham

On February 3, 2022, Sphere announced a deal with “NuMiner” to purchase \$1.7 billion worth of NuMiner’s supposedly groundbreaking “NM 440” 440 TH/s crypto miners. The deal is meant to be structured with \$29 million in cash, roughly \$400 million in ANY-equivalent shares, \$1.1 billion in vendor financing (at an abusive rate of 9% interest and 18% of all bitcoins mined), and \$185 million in milestone payments. We think this deal is totally contrived and will never happen.

NuMiner’s “Miner” Isn’t a Real Miner, It’s a Ripped-Off Rendering of a CS-2

A picture is worth 1,000 words. NuMiner claims its miners are being built by Foxconn, Xilinx, and TSMC, yet a side-by-side of NuMiner’s rendering with the CS-1/CS-2 offered by [Cerebras](#) reveals the rendering to be a sloppy graphic design project:

Cerebras CS-1 / CS-2



NuMiner’s NM440



Cerebras has issued its [own statement](#) in response to Sphere’s misappropriation of its machine, and disclaimed any association with NuMiner:



We find it laughable that [CS-2's datasheet](#) claims the machine has dimensions of 15 RU²⁰ x 445mm x 1005mm, while boasting a weight of 300 kg, or 660 lbs, hence making it a massive machine vs. the standard mining rig:


Dimensions

15 RU x 445mm x 1005mm

- Fits in standard EIA 19" 1200 mm (47") deep rack
- Depth-adjustable support rails and brackets

300 kg (660 lbs)

- ~20kg/RU (44lb/RU)



For example, see the [specifications](#) of an S19 Pro, which holds a net weight of just 15.2 kg, or roughly one-twentieth the machine produced by Cerebras:

Hardware Configuration	
Network connection mode	RJ45 Ethernet 10/100M
Miner Size (Length*Width*Height, w/o package), mm(2-1)	370*195.5*290
Miner Size (Length*Width*Height, with package), mm	570*316*430
Net weight, kg (2-2)	13.2
Gross weight, kg	15.2

For context, here's [Buffalo Bills Offensive Tackle Daryl Williams](#), who clocks in at 330 lbs. Sphere's rip-off is equivalent to two NFL offensive tackles. Even if NuMiner's machine were real (we don't think it is), then perhaps the reason it boasts such robust specifications is because it's roughly 20x heavier than a standard bitcoin mining rig.

²⁰ RU = Rack Units; 1 Rack Unit is equivalent to 1.75 inches or 4.4 cm.

NuMiner's "Validation" Claims Fall Similarly Flat

NuMiner has [also claimed](#) of the NM440 that it's "market-leading capabilities" have been BTL-certified, yet we see this claim as an empty attempt at third-party validation:

VERIFICATIONS AND CERTIFICATIONS



Market-leading capabilities validated by leading global testing company TÜV Nord's certified lab "BTL."

BTL verified that the NM440 delivers a hash rate as high as 440 TH/s and a power efficiency ratio of 20.2 J/TH.

We inquired with TUV Nord, who told us that they had zero entry of NuMiner:

TNCERT-Q-Kontrolle [redacted]@tuev-nord.de>

to me ▾

Dear Mr. [redacted]

There is no entry in our database about a customer named NuMiner, therefore I cannot verify that the company has been certified by us.

Best regards,

Nikola Mikulic

TÜV NORD CERT GmbH

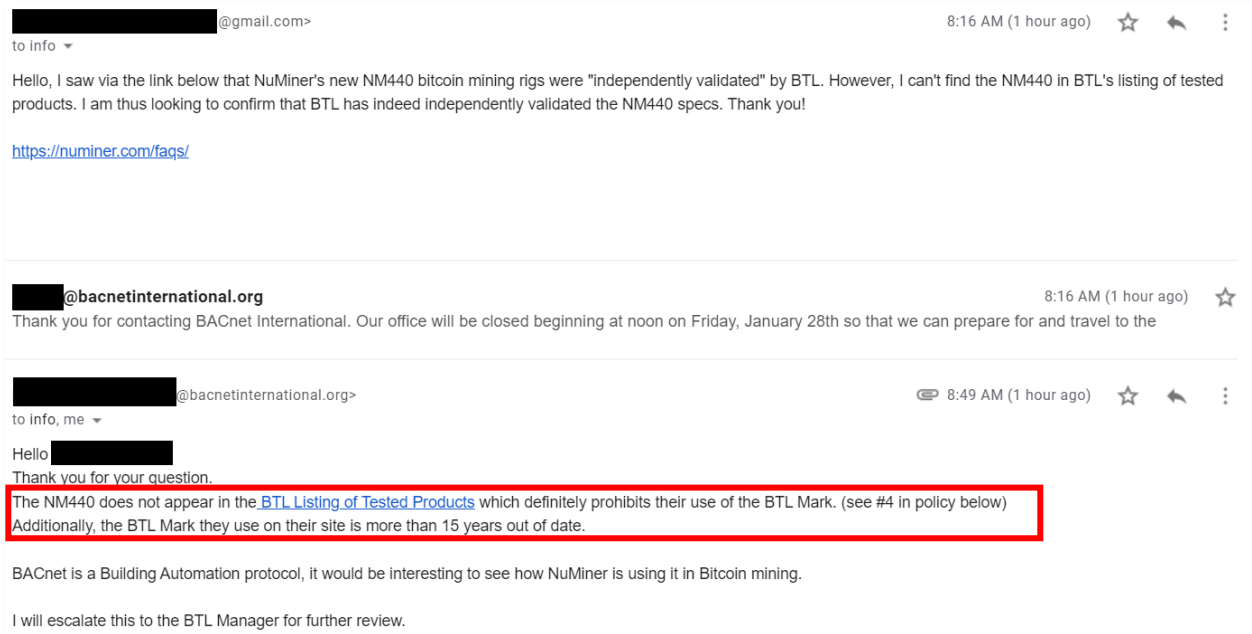
Q-Control

Tel.: +49 [redacted]

E-mail: [nm\[redacted\]@tuev-nord.de](mailto:nm[redacted]@tuev-nord.de)

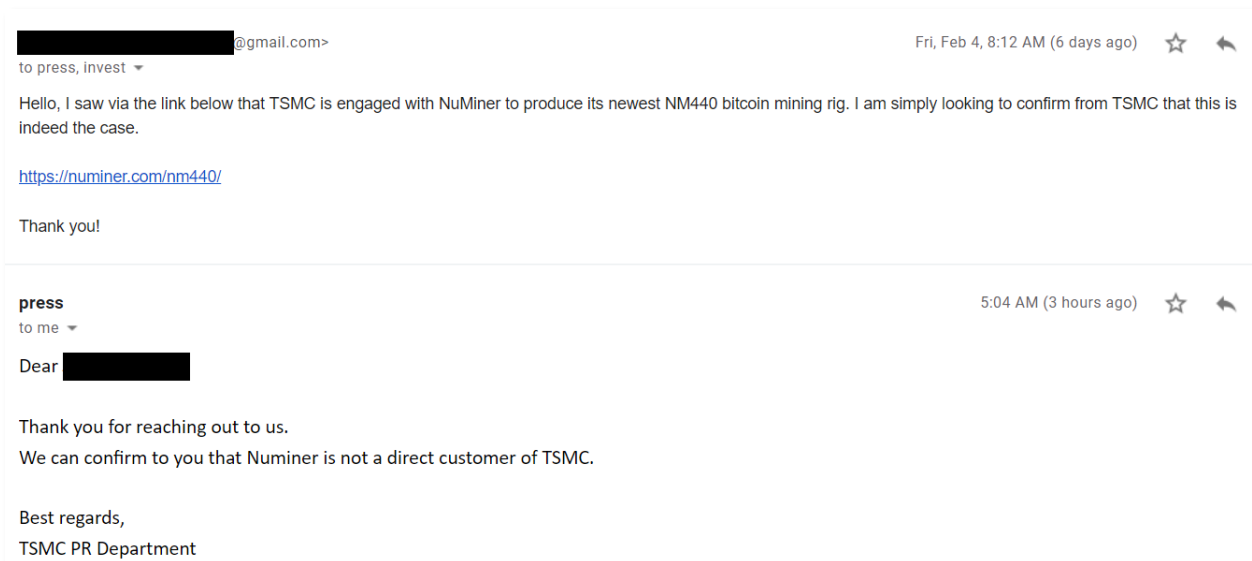
TÜV®

We also inquired with BAC International to confirm that independent third-party testing was done, yet a representative instead appeared entirely unaware that NuMiner was using the BTL mark, which they said would be "definitely prohibited", given the NM440 is not listed among BTL's tested products:



NuMiner's Supposed Manufacturing Partners Claim They Don't Work with NuMiner

Despite the miner mock-up being a blatant rip-off of Cerebras' machine, NuMiner claims that its miners are being produced "in coordination with leading technology and manufacturing suppliers, including Taiwan Semiconductor Manufacturing Company ("TSMC"), Foxconn and Xilinx." We inquired with each of the manufacturers, and TSMC confirmed to us that "NuMiner is not a direct customer of TSMC."



Similarly, Xilinx told us that:

“We don’t usually do joint development unless it’s a very large deal, but it doesn’t preclude someone from using our technology. I’m not sure if they have our permission to use our logo... That’s typically reserved for folks who participate in our Xilinx Partner Program.”

We found no indication that NuMiner is participating in the Partner Program; they are once again unlisted among Xilinx’s partners.

NuMiner’s Taiwan Operations Appear to be Run by Con Men and Crypto Scammers

While NuMiner purports to be a US-based operation with US-based proxy figures, our diligence suggests that NuMiner is a thinly-capitalized Taiwanese entity run by a scam artist, wholly incapable of producing the miners it claims, nor capable of funding ANY’s purchase of them.

In its February 3, 2022 [press release](#), NuMiner discloses both its US-based operations in “NuMiner Global, Inc.” and what appears to us to be a Taiwanese entity, “NuMiner Technologies Ltd.” [NuMiner’s Delaware LLC was created](#) on just September 20, 2021 – just months ago as ANY’s promotion reached full swing:

File Number:	6245797	Incorporation Date / Formation Date:	9/20/2021 (mm/dd/yyyy)
Entity Name:	NUMINER GLOBAL, INC.		
Entity Kind:	Corporation	Entity Type:	General
Residency:	Domestic	State:	DELAWARE

Similarly, NuMiner’s US-facing operations appear hastily thrown together:

- NuMiner’s website was [created](#) in March 2021, and last updated on February 5, 2022.
- NuMiner’s Twitter account was [created](#) in December 2021, and posted nothing prior to February 3, 2022.
- NuMiner’s LinkedIn [account](#) has just 2 employees, and similarly failed to post prior to February 3, 2022.
- NuMiner discloses an address at a virtual office space in New York City, yet fails to provide any information regarding where its machines are being produced. Presumably not in a virtual office.

To us, this all appears to be a thin veneer concealing NuMiner’s ties to Taiwanese con artists.

[Taiwanese corporate documents](#) show NuMiner Technologies Ltd. as having been created in July 2019, with capital of NT\$ 1.125 million, equivalent to roughly \$40,000 USD, and established by “Xu Yuancheng”:

Dacheng Big Data Technology Co., Ltd.

NuMiner Technologies Ltd. Co.: 82920379

Name of Representative : Xu Yuancheng

Tel : 0939555353

Address : 7F., 7F., No. 270, Section 4, Zhongxiao East Road, Daan District, Taipei City, NO. 270, SEC. 4, ZHONGXIAO E. RD., DA-AN DIST., TAIPEI CITY 106652, TAIWAN (ROC) approved the establishment

Company Profile

Copy company URL 999

Unified Business No. / Tax ID	82920379
Company Status	approval of establishment
Company Name	NuMiner Technologies Ltd.
Company Name in English	NuMiner Technologies Ltd.
Amount of Capital(NT\$)	1,125,000
Company Representative	xuyuan city
Registered address	7F., NO. 270, SEC. 4, ZHONGXIAO E. RD., DA-AN DIST., TAIPEI CITY Y 106652, TAIWAN (R.O.C.) 7F., NO. 270, SEC. 4, ZHONGXIAO E. RD., DA-AN DIST., TAIPEI CITY 106652, TAIWAN (R.O.C.)
Date of Registration	2019-07-11

Given this paltry capitalization figure, we find it difficult to believe that NuMiner has the ability to provide ANY with \$1.1 billion of vendor financing as contemplated in the deal.

Moreover, [in 2016, Xu Yuancheng was arrested](#) in connection with a scheme to counterfeit millions of US banknotes. Of the 80 million NT dollars counterfeited, only 14.44 million was recovered.




[Xu Yuancheng, a member of the fake US banknote group](#)

Xu Yuancheng has also been the Chief Technology Officer (CTO) of Sozhou Hongchain (“Hongchain”), which may be affiliated with TTChain Technology (“TTChain”):

- [Forum writers claim](#) to have “invested in the TTchain coin of this company [Hongchain]” and “After a year, I asked about it and told me that the project was gone...” TTChain’s [website](#) cannot currently be reached.
- Moreover, Shitang (“Nick”) Huang [lists a role](#) as CEO of TTChain Technology and of Hongchain.

Alongside Yuancheng is Kevin Wu, COO of NuMiner. Wu does not hold out his COO role on [LinkedIn](#), yet does disclose he was the Co-Founder and COO of TTChain Technology (“TTChain”), hence connecting NuMiner insiders to yet another apparently defunct crypto project:



Co-founder and Chief Operations Officer
 TTChain technology · Full-time
 May 2019 - Nov 2021 · 2 yrs 7 mos
 Taipei City, Taiwan

Lead Marketing, Business Development, Community Development, and Operations of TTChain, a blockchain cross-chain company focusing on bringing cross-chain solutions with lightning transactions to change the blockchain world.
 We've completed cross-chained with BTC, ETH, and USDT-Omni with TTChain public chain and a multi-crypto wallet with lightning speed for transactions.
 Welcome any partnership and investment opportunities.

Finally, Wayne Chang also holds himself out as “Senior Software Development Engineer” at NuMiner. His previous roles also include TTChain and Grace Intelligent Blockchain Technology Co., Ltd., where Xu Yuancheng is a director. In sum, NuMiner’s Taiwan-based operations appear to be a group of scammers that have moved from one crypto-related swindle to the next, all while hidden from the view of ANY’s US investors.

Sphere 3D CEO Peter Tassiopoulos: Stock Pump Extraordinaire

- Peter worked as a “[freelance PR spokesman](#)” for Taylor Rand Inc (TRND), which became Sheridan Reserve Incorporated, then “Nevadabobs.com Inc., in the height of the dot-com bubble, then Loncor Resources in 2008. The stock has floundered about in penny-stock territory for years.
- Tassiopoulos also served as an “[outside advisor](#)” to Bach-Hauser, Inc., receiving 200,000 shares worth ~\$71,000 for his services. The SEC would later [charge a separate stock promoter](#) for misrepresentations made in numerous stocks, including Bach-Hauser.
- Tassiopoulos [also consulted](#) for Playandwin, receiving 350,000 shares. Peter Berney [was a founder](#) of Playandwin, and was convicted of fraud by the Department of Justice for his having “created and/or sold more than 60 boxed shell companies for proceeds in excess of \$35 million.” Peter then fled the country to Switzerland, yet was extradited to the United States. He later pled guilty to [felony charges of incest](#) involving several of his eight children.
- Tassiopoulos also bought control of Koda Resources (TSXV:KOD.H) a dormant shell, alongside Steve Garner of Playandwin fame. Tassiopoulos was issued common stock for his “consulting” work, yet the Company went bankrupt in the ensuing 18 months.
- Tassiopoulos consulted for Nova Growth Corp. (NGCO), a Canada-based shell company which issued a series of press releases touting pending acquisitions, yet none of which actually closed. Court documents would later [explicitly call out](#) Tassiopoulos as having been “retained...to promote the Nova Growth stock” and suggested that he made money trading on MNPI in the stock. The ruling states that “I believe their [Tassiopoulos’s] evidence was in large part reconstruction.”

Tassiopoulos then turned from “consulting” to become an insider at yet more stock promotions:

- COO of Biosign from 2009 to January 2011, and then served as CEO for 4 months from January to April 2011. A local [news article suggested](#) that Tassiopolos left as he developed a heart condition, yet Biosign’s own April 2011 press release states instead that he “was relieved of his duties.”



- In December 2012, Tassiopoulos became a director of Argentium Resources, which became Northern Sphere Mining Corp (CSE:NSM). He [resigned](#) in December 2016.



Appendix 2: Related Parties Supporting Documentation

Gilley Enterprises

Core Scientific discloses of Gilley Enterprises that two of its executives – Jeff Pratt and James Cleveland – are shareholders in Gilley:

“In July 2019, Core Scientific entered into an ongoing commercial relationship with one of its customers, Gilley Enterprises, LLC (“Gilley”), where Gilley purchases hosting services from Core Scientific on an ongoing basis. Jeff Pratt, Core Scientific’s Senior Vice President of Operations and Finance is a shareholder

in Gilley. James Cleveland, Core Scientific's Chief Power Officer is a shareholder in Gilley. Pursuant to the arrangement, Core Scientific is paid on average approximately \$41,300 per month in hosting fees.

However, Core does not disclose the involvement of its former Treasurer, Christy Barwick. See from the State of Washington business filings that Gilley Enterprises, LLC was formed in [formed in July 2019](#), and that Christy Barwick was listed as an executor:

EXECUTOR

Title	Executor Type	Entity Name	First Name	Last Name	Address
EXECUTOR	INDIVIDUAL		TED	STEFFEN	1138B 10TH AVE E, SEATTLE, WA, 98102-4322, UNITED STATES
EXECUTOR	INDIVIDUAL		CHRISTY	BARWICK	19341 NE 200TH ST, WOODINVILLE, WA, 98077-8802, UNITED STATES

Christy Barwick is also listed on the formation documents for "Gilley Digital LLC" which was also formed in July 2019 in the State of Washington:

Attention:

CHRISTY BARWICK


Email:

CHRISTY@GILLEYENT.COM

Address:


19341 NE 200TH ST, WOODINVILLE, WA, 98077-8802, UNITED STATES

Barwick [was Core Scientific's SVP, Treasurer](#) from 2018 to 2021:




Christy Barwick
CFO, Celsius Mining


Experience



CFO, Celsius Mining
Celsius · Full-time
Nov 2021 - Present · 4 mos



VP Treasurer
Cybereason
Feb 2021 - Oct 2021 · 9 mos



SVP Treasurer
Core Scientific
2018 - 2021 · 3 yrs
Bellevue, Washington

Barwick's lack of disclosure makes us question in what capacity or under whose agency Barwick is associated with Gilley – whether she represents herself, CORZ insiders, or CORZ itself.

UnionJack LLC

Core Scientific discloses of UnionJack LLC that:

“In October 2019, Core Scientific entered into an ongoing commercial relationship with one of its customers, UnionJack LLC (“UnionJack”), where UnionJack purchases hosting services from Core Scientific on an ongoing basis. Kevin Turner, Core Scientific’s former President and Chief Executive Officer, and a former member of Core Scientific’s board of directors, is a shareholder in UnionJack. Matthew Bishop, a member of Core Scientific’s board of directors, serves as director of UnionJack. Pursuant to the arrangement, Core Scientific is paid approximately \$45,000 per month in hosting fees.”

However, see again that Core does not disclose that UnionJack LLC’s [State of Wyoming filings](#) listed an address at 2800 Northup Way – the same address as Core’s headquarters:



2: Principal Office Address
2800 Northup Way, Suite 100
Bellevue, WA 98004

Phone: (426) 803-9947
Email: accounting@bighornsent.com

This again suggests to us that Core may have played a role at UnionJack above and beyond UnionJack being merely an outside business interest of its executives.