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The Coming HUT Pump and Dump: Management hiding stock ownership through undisclosed related party, a stock-promoter cabal, and a host of left-for-dead assets

- Hut 8 recently merged with U.S. Bitcoin Corp. (USBTC). **We uncover that USBTC is backed by promoters with a history of legal trouble.** In its short existence, USBTC appears to have defaulted on a loan and paid two government fines, one for committing securities violations.¹

- One of USBTC’s largest shareholders is an undisclosed related party.

- Our diligence highlights USBTC’s core asset, purchased from bankrupt Compute North, has historically failed to provide energy and high-speed internet—unquestionably the two most important inputs for mining Bitcoin. **Compute North’s bankruptcy docket showed that no one else wanted the assets, aside from one bankrupt entity, which bid up the price that USBTC ultimately paid.**

- One person highly familiar with USBTC told us, “without the merger, [USBTC] would have done a structured bankruptcy.” Why then did HUT pay $745 mln² to

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² Inclusive of $495 in stock, $160 mln in debt (per S4 February 13, 2023), $40 mln in planned AI purchases, and $50 mln in planned capital expenditure that has not been detailed.
acquire this company and its planned payments? Even worse, we estimate a value for USBTC that’s as much as 70% less. Typically, such egregious over-payments occur only when management is being enriched.

- **USBTC’s co-founder/CEO (now HUT CSO/director)** is a 30-year-old used-car salesman from Vancouver whose history is littered with involvement in SEC-defined pump-and-dumps, sporting share-price declines of 83%. Its other founder, now HUT’s president, has seemingly abandoned several failed start-ups.

- **We reveal a relationship between USBTC and the SEC-charged Honig group stock promoters.** The SEC accused the Honig group of engaging in “classic pump and dump” and “fraudulent schemes.” Stocks the group has been associated with are down an average of 89% from peak.

  - We link the USBTC CEO to multiple Honig group promotes. Under that CEO, Michael Ho, USBTC gave one Honig affiliate a consulting agreement despite “never receiving a resume [or] otherwise vetting her credentials.” We believe that, at worst, this was a plan to steal from shareholders or, at best, a bad process.
  
  - The Honig group members were early investors in USBTC, a fact that USBTC apparently tried to hide. **USBTC was fined over violations of securities law alleging that they hid the identity of stock promoters.**
  
  - In a DOJ plea agreement, the CEO of YesDTC, an earlier Honig group promote, explained how the scheme worked: “Honig wanted to use promotions to drive up the price of YesDTC shares and then sell his shares.”
  
  - **USBTC management hired a 15-year-old “chief meme officer” with family ties to the Honig group and the disgraced Miami mayor, who is under FBI investigation for alleged bribes and more. Investors need to ask why the company employed a child with connections to stock promoters.**

- **We have linked another group of likely stock promoters, the DesLauriers twins, to both of Hut 8’s and USBTC’s CEOs.** We believe that the DesLauriers may also be behind the promotion scheme.

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Limited lock-ups and undisclosed related-party shell corps lead us to believe insiders may soon sell shares.

- **No. 1:** Note that USBTC co-founders locked up only a fraction of their shares.
- **No. 2:** The related party holding shares is the USBTC CEO’s life partner. **She and the CEO appear to have gone to lengths to hide their relationship.** Her LinkedIn page never mentions her “investment firm,” and it uses what is likely to be a fake a name. We suspect that the firm could be a shell corp for the USBTC CEO and that the partners could dump shares quietly on unsuspecting shareholders.
- **No. 3:** Two promoters sold their stock to “other equity holders of USBTC,” though Jonathan Honig, Barry Honig’s brother, remains a shareholder. We think it’s likely that “other equity holders of USBTC” may be a reference to additional shell corp games. **Once again, this seems to be happening to set up a future share dump.**

Hut 8 came to market via reverse merger on the little-known NEX board of the TSXV, home to many scams and frauds.

- **Hut 8 employed Redchip, a PR firm from the Chinese RTO era, as its IR firm.** Certain Redchip clients’ securities registrations have been revoked, and many others are down by upwards of 95%
- **Hut 8’s former auditor, Dale Matheson Carr-Hilton LaBonte LLP, was sanctioned for “violating PCAOB rules and standards”** in 2021, when it was still conducting Hut 8’s audits. Other Dale Matheson clients’ stock prices have declined more than 95%.

Hut 8’s North Bay mining facility has been non-operational for an extended period of time, and problems at its Drumheller facility “have been causing miners to fail.”

We think Hut’s HPC and USBTC’s AI initiatives are nothing more than buzzwords. Hut’s HPC business is floundering, and USBTC is spending $40 mln on “AI equipment” from an unnamed provider. Given this company’s record of poor disclosure, we believe shareholders should ask who is selling this equipment.

The combined entity is a result of a failed merger process in which **no other party contacted was interested in merging with either Hut 8 or USBTC.** Why did other parties walk away but this one did not?

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Behind the promoter network is a slew of left-for-dead assets. The combined company has an industry-low efficiency rate and, post halving, will produce Bitcoin at a loss of close to $20,000 per Bitcoin at current spot prices.

USBTC’s managed services business appears to be at significant risk. It is currently being sued for patent infringement by Lancium, which has been successful in its other lawsuits.

Major dilution ahead: with an estimated $21.4 mln of cash\(^7\) and its Bitcoin subject to the company’s HODL strategy, we expect Hut 8 to raise at least $200 mln in the near term just to stay in business.

Management clearly hasn’t learned from its mistakes. The company already appears to have defaulted once in its short history and yet has taken on another mountain of debt.

Ultimately, we strongly believe that shareholders are likely to feel the pain of being on the wrong side of an over-levered pump-and-dump, only to be left holding the most inefficient Bitcoin miner, which is unprofitable even at a Bitcoin price of over $60,000.

\(^7\) pro forma for the recent $7.1 mln land and substation acquisition

Is Hut 8 the biggest dupe on the exchange? Or did it collude with its merger partner? If Hut 8 had waited one month, USBTC might have been bankrupt.

On November 30, 2023, the Canadian-listed Bitcoin miner Hut 8 merged with the unlisted USBTC creating “New Hut,” now quoted on Nasdaq as HUT. HUT inherited a pile of debt from the U.S. partner. We think it is an obvious “pump and dump” target.

“The merger was a complete godsend for USBTC,” someone deeply involved with the company told us. Without the merger, this person said, USBTC would have been bankrupt within weeks. “It was very much in the cards.”

In early 2023, USBTC gave up almost half its miners, plus $20.7 mln and some other assets, in an apparent default.
The lender was NYDIG, the industry’s biggest lender. Hut 8 disclosed:

On October 3, 2022, USBTC engaged NYDIG ABL LLC (“NYDIG”) via videoconference to discuss its current financial position and debt obligations with NYDIG and to propose a restructuring of its debt obligations with NYDIG.

Our interviewee said that USBTC “begged” NYDIG to forgive the loan but soon after Christmas was forced to surrender assets. Hut 8 managed to characterize this default as a $23.7 mln GAIN on debt extinguishment. But it had started out as a $24.2 mln LOSS that the company “fixed” through an accounting sleight of hand. Abracadabra!

**Brief history of a British Columbia-based RTO reminiscent of many China Hustle pump-and-dumps**

HUT 8 had listed in 2018 through reverse merger on the fly-by-night NEX board of the Toronto Venture Exchange.

Old Hut owned two Bitcoin mining sites with limited capacity in Drumheller and Medicine Hat, Alberta and a third, currently offline site in North Bay, Ontario. Old Hut reported 2.6 Exahash per second (EH/s) of self-mining capacity as of November 15, 2023.

Hut 8 also owned five sites in Canada for cloud, co-location, AI, and managed services, data centers that have been money-losing and look uncompetitive.

USBTC pre-merger owned two mining assets:

- A small, troubled site in Niagara, NY
- 50% of a JV (King Mountain) bought in December 2022.

USBTC also had management contracts for two mining sites, in Kearney, Nebraska and Granbury, Texas.

**We are confused about how many miners USBTC has. The November 2023 Hut 8 operations update claims that USBTC had 46,225 Bitcoin miners deployed for October 2023, and yet at the end of September 2023, USBTC reported operating only 30,200 miners.**

We find this ramp-up extremely unlikely, especially without disclosing new machine orders or deposits for new miners in USBTC’s end September 2023 balance sheet. Remaining construction in progress was far less than the typical purchase value for that many extra machines. Is USBTC telling the truth?

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8 See HUT S4 February 2023 v S4 November 2023.
How do you mine Bitcoin when your power use is plummeting?

In Q3 2023, USBTC claimed that its electricity costs dropped by 82% YoY. Given the very low electricity cost in Q3 2023, low Bitcoin yield, and high cost of sales, we wonder whether US-BTC mined the reported amount of Bitcoin or just bought some in the market.

The combined company expects to achieve 7.3 EH/s of energized capacity, but it has the lowest mining efficiency among all the listed miners we could identify. The mining facilities have been plagued with operational problems.

Part 1: The makings of a pump and dump. A management team with ties to SEC-charged fraudsters and an executive hiding shares via undisclosed related parties

Michael Ho, a glorified used-car salesman with numerous ties to promoters, is the face of USBTC.

We believe he is hiding his true ownership through his life partner, a related party. Anna Kudrjasova, a significant investor in USBTC through “her company,” Anaya Capital Corp., appears to be Michael Ho’s personal partner and therefore may be hiding his interest in New Hut. This is particularly significant, because Ho has committed to a lock-up of 65% of his shares – but not hers. Anaya Capital appears to hold about 3.7 mln shares. The only rationale we can see if Anaya is being used as a conduit is to dump shares quietly.

Documents for different companies list the same address for Ho and Kudrjasova, in Dubai at 5709 Cayan Tower, Dubai Marina, Dubai, UAE 643671.

“(51) Anna Kudrjasova has sole voting and dispositive power over the securities held for the account of this selling stockholder, as director. The selling stockholder’s address is 5709 Cayan Tower, Dubai Marina, Dubai, UAE 643671.”

U.S. Gold Corp Prospectus

“21 The address that Michael Ho gave as President, Secretary, and Treasurer of both Kairos and Ingenium Global Inc. – 5709 Cayan Tower in Dubai – is different from the address he gave to the State of Florida in registering Prive.”

Takata v RIOT page 65

The Hut 8 S-4 acknowledges that Kudrjasova lives in Dubai but lists her address as 1202, Al Barsha Heights, Teacom, Dubai Marina, Dubai, United Arab Emirates, a hotel and managed-

9 https://www.motleyrice.com/sites/default/files/documents/Securities/20190509_073.00_RIOT_CORRECTED%20AMENDED%20COMPLAINT.pdf
Michael Ho’s location is given as Dubai but without a street address. This suggests to us that Hut 8 management may be hiding the nature of their relationship.

The two have been associated for about a decade. Back in 2014, the Vancouver Sun identified Ho and Kudrjasova as a couple.

What is apparently Kudrjasova’s LinkedIn profile indicates a lengthy association with Ho, going back to Vancouver Motorcars in 2014 and continuing to MKH International from 2016-2019. Could the two be more than business partners? We think so. (See Appendix for screenshot.)

One of her current businesses shows a clear tie to Michael Ho. According to a public relations release, the pair raised $1 mln to manufacture a makeup sponge.

Selling out of their entire inventory in less than 2 hours following Tati’s 20-minute YouTube review, Super Sponge founders Ena and Jhordan Stevenson took their vision to the next level. Raising a million dollar round from entrepreneurs Michael Ho and Anya Kudrjasova, the duo established a cutting edge manufacturing facility in Mexico. Housed with custom-built machinery with immaculate precision, the Super Sponge production process is where engineering and art meet.

10 Hut 8 S4, page 210 https://www.sec.gov/Archives/edgar/data/1731805/000110465923091050/tm2322932-2_exh99x2.htm


We note that what appears to be Kudrjasova’s LinkedIn profile fails to mention Anaya Capital, which is her principal investment vehicle. “Anaya Design House” sounds curiously similar to Anaya Capital. We believe that Anaya Capital could be a shell company set up for Michael Ho’s use.

https://www.linkedin.com/in/anya-kay-ab81ab69/details/experience/

We also note that the LinkedIn profile appears to use an alias, Anya Kay. If Kudrjasova has nothing to hide, why is she going by Anya Kay?

Kudrjasova is tied with Ho to a number of questionable stocks via ownership tables.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Ticker</th>
<th>Stock decline from peak to present</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Gold Corp</td>
<td>USAU</td>
<td>-81%</td>
<td>The company has come under multiple investigations over its August 10, 2020 merger agreement with Northern Panther Resource Corp. and August 10, 2020 securities purchase agreement.</td>
</tr>
<tr>
<td>Global Gaming</td>
<td>BLKCF</td>
<td>-99%</td>
<td>BLKCF has been accused of hiring promoters to generate a pump-and-dump scheme.</td>
</tr>
<tr>
<td>Technologies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICC International</td>
<td>WRLD.</td>
<td>-95%</td>
<td>The Vancouver-based ICC International Cannabis Corp. voluntarily delisted from the Canadian Securities Exchange after a proposed acquisition target, Wayland Group, was accused of fraud in 2019 by the Ontario Securities Commission.</td>
</tr>
<tr>
<td></td>
<td>CN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digihost Technology</td>
<td>DGHI</td>
<td>-80%</td>
<td>Kudrjasova, along with Ryan Trasolini (a SurelyWell investor whose address is listed as Dubai), and Marie Trasolini was a significant shareholder of Digihost Technology inc. as of February 2020. Digihost, a blockchain company, after Anaya Capital’s entry in 2021 traded at $9.75. At Anaya’s exit in 2022, shares were $0.36.</td>
</tr>
</tbody>
</table>

Shareholders should be asking themselves: why is Anna and Michael’s relationship not disclosed? And why is Anna, who owns shares and has a close relationship with Michael Ho, not subject to any lock-up? **What else is the company hiding from shareholders?**
History doesn’t repeat itself, but it rhymes: USBTC executives have a long history of engaging in frauds and pump and dumps
HUT’s “chief strategy officer” and director, Michael Ho, is a professional poker player who has registered a half dozen shell companies and is deeply intertwined with the Barry Honig promotional network.

Ho has little experience in Bitcoin mining apart from a mining hobby at age 14, according to an article in the Vancouver Sun.

Prior to USBTC, Ho spent the better part of a decade flipping exotic cars. In January 2012, he began a three-year stint as owner of Vancouver Motorcars, a dealer of used luxury cars. He then formed MKH International, which procured exotic cars for clients in Dubai. The Vancouver Sun, Bloomberg, and the British Columbia government have reported that Vancouver’s second-hand auto market is a tool for money-laundering.

Ho was president of Kairos Global Technology, bought by Riot Blockchain (RIOT), which paid ~$12 mln to acquire Kairos, though the company had existed for only two weeks. His other company, Ingenium, received a consulting arrangement, and a third company, Prive, sold Bitcoin machines to Riot. The Takata action identifies RIOT as part of the Barry Honig “pump-and-dump” network.

We note that David Baazov, an investor in Kairos, recently settled with Canadian authorities over charges of insider trading and market manipulation.

Genoot: no experience in Bitcoin mining and a history of entrepreneurial failures
USBTC co-founder Asher Genoot is a serial entrepreneur in education companies, including

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15 https://vancouversun.com/opinion/columnists/trade-talk-the-entrepreneurial-overdrive

16 See Vancouver Sun 2019, “‘Bags of money' being used to buy luxury cars in B.C., according to new money laundering report”: https://vancouversun.com/business/local-business/bc-govt-to-release-second-independent-report-on-money-laundering-this-time-in-real-estate
Curio, Flagship Endeavors, and Ivy Crest Institute of International Education, apparently an education consulting company. Flagship and Ivy Crest appear to be out of business (see Appendix for detail). There's nothing to suggest that Genoot is the right person to lead a Bitcoin mining company.

**USBTC founders exploited Covid fears with a now-defunct start-up**

From September 2019 to November 2020, Ho and Genoot founded and led a misfire called SurelyWell (now defunct). This company was a Covid19 opportunist that made hand sanitizer and attempted to raise money via crowdfunding. It appears that management ghosted its investors, with no explanation for what happened after raising $350,000 from crowdfunding.

The crowdfunding document lists links to various other sanctioned individuals, including

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18 [https://www.flagshipendeavors.com/](https://www.flagshipendeavors.com/)

19 See crowdfunding memorandum: [https://www.sec.gov/Archives/edgar/data/1820076/000166516020001054/offer-memorandum.pdf](https://www.sec.gov/Archives/edgar/data/1820076/000166516020001054/offer-memorandum.pdf)

20 [https://www.startengine.com/offering/surelywell](https://www.startengine.com/offering/surelywell)
Mark Groussman, who provided a $250,000 loan at zero interest. Groussman was among those who settled an SEC prosecution in 2018. The SEC statement reads: "the settling defendants failed to disclose that they were members of an investor group with respect to their investments in certain public companies, and in so doing, misled investors."  

Other SurelyWell owners included James Duerbeck, who overlapped with Ho for years in selling automobiles in Vancouver, and Ryan Trasolini, who lent SurelyWell $50,000 and was also involved in U.S. Gold Corp, as were Genoot, Ho, and Kudrjasova.

A young team with no experience

USBTC’s strikingly inexperienced team is reminiscent of the dotcom boom, when companies told investors that they would fare better if their executives’ minds were not polluted by the brick-and-mortar world of retailing. Besides Ho and Genoot, there is USBTC’s Vice President of Corporate Strategy Jake Palmer who joined the company as director of research development a year before earning his bachelor’s degree and became a vice president two years later. The company also employed a 13-year-old “meme officer.”

Behind the curtain: SEC-charged Honig group associates appear to be setting up their next pump-and-dump target

A half dozen members of the SEC-charged Honig promotional group are tied to USBTC through its 2021 securities offering.

This group of mostly Florida-based investors have been accused by the SEC in multiple actions of acting as a “stock-promotion ring” and pumping certain stocks then dumping them on the market. The team is behind a dozen stock promotes, including CDXC, Opko Health (OPK), Senesco Technologies Inc. (formerly OTC: SNTI), YesDTC (formerly YESD), IDI Inc. (IDI), a biotech company focusing on human viruses called Cocrystral Pharma (OTC COCP), and many more. (See chart below. Yellow highlight indicates confirmed involvement with USBTC.) The Honig companies we looked at had an average decline of 89%.

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21 “SEC Settles with Multiple Defendants in Market Manipulation Case and Amends Complaint as to Thirteen Remaining Defendants,” March 22, 2019, [https://www.sec.gov/litigation/litreleases/lr-24431](https://www.sec.gov/litigation/litreleases/lr-24431)

22 [https://webfiles.thecse.com/2019-06-14_-CSE_Form_9_0.pdf?qtxtzszBCGUbvbKgy4hdNjgNKyDdWuM5w=](https://webfiles.thecse.com/2019-06-14_-CSE_Form_9_0.pdf?qtxtzszBCGUbvbKgy4hdNjgNKyDdWuM5w=)


### Suspected Honig promotes

<table>
<thead>
<tr>
<th>Individual</th>
<th>Investment vehicle</th>
<th>Target companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Ho</td>
<td>Ingenium, Kairos, Prive</td>
<td>X X X X</td>
</tr>
<tr>
<td>Mark Groussman and Erica Groussman</td>
<td>Melechda...</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td>John Stetson and Tarra Stetson</td>
<td>Stetson Capital Investment Inc. (SCI)</td>
<td>X X X X X X X X</td>
</tr>
<tr>
<td>Jonathan Honig</td>
<td>Titan Multi-Strategy Fund I</td>
<td>X X X X</td>
</tr>
<tr>
<td>Anna Kudrjasova</td>
<td>Anaya Capital</td>
<td>X X X X</td>
</tr>
<tr>
<td>Ryan Trasolini</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John O'Rouke</td>
<td>ATG Capital LLC</td>
<td>X X X X X</td>
</tr>
<tr>
<td>Mohit Bhansali</td>
<td>Equity Stock Transfer, Policy No. 2013-17</td>
<td>X</td>
</tr>
<tr>
<td>Michael Brauser</td>
<td>Grander Holdings Inc.</td>
<td>X X X</td>
</tr>
<tr>
<td>Barry Honig</td>
<td>GRQ 401K</td>
<td>X X X X X</td>
</tr>
<tr>
<td>Alan Honig</td>
<td></td>
<td></td>
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<tr>
<td>Jason Theofilos</td>
<td>JAD Capital Inc.</td>
<td>X X</td>
</tr>
<tr>
<td>Adrian James</td>
<td></td>
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<tr>
<td>Andrew Kaplan</td>
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<tr>
<td>Edward M. Karr</td>
<td>Aifos Capital Management LLC</td>
<td>X X X</td>
</tr>
<tr>
<td>Harvey Kesner</td>
<td>Paradox Capital Partners</td>
<td>X X</td>
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<tr>
<td>Richard Molinsky</td>
<td></td>
<td></td>
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<tr>
<td>Catherine DeFrancesco</td>
<td>Namaste Gorgie Inc., Marcandy Investments Corp., DSB Capital, Delavalco Holdings Inc.</td>
<td>X X</td>
</tr>
<tr>
<td>Jakub Malczewski and David Baazov</td>
<td>Northurst Inc., Ahaka Capital</td>
<td>X X</td>
</tr>
<tr>
<td>Robert O'Braitis</td>
<td></td>
<td></td>
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<tr>
<td>Erick Richardson</td>
<td></td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Share price decline peak to present day</th>
<th>Biozone (COCP)</th>
<th>MGT (MGTI)</th>
<th>Mabvax (MBVA)</th>
<th>PolarityTE (TCITQ)</th>
<th>Pershing Gold (PGZG)</th>
<th>Mundodemia (private)</th>
<th>Marathon (MARA)</th>
<th>U.S. Gold Corp. (USAU)</th>
<th>RIOT (RIOT)</th>
<th>Digihost (DGHI)</th>
<th>USBTC/Hut (HUT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-96%</td>
<td>-99%</td>
<td>-99%</td>
<td>-99%</td>
<td>-78%</td>
<td>-79%</td>
<td>-81%</td>
<td>-94%</td>
<td>-77%</td>
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</table>

Source: Takata v RIOT, Massachusetts Consent Order, J Capital

26 [https://www.motleyrice.com/sites/default/files/documents/Securities/20190509_073.00_RIOT_CORRECTED%20AMENDED%20COMPLAINT.pdf](https://www.motleyrice.com/sites/default/files/documents/Securities/20190509_073.00_RIOT_CORRECTED%20AMENDED%20COMPLAINT.pdf)

27 [https://www.sec.state.ma.us/divisions/securities/download/20220522090340072.pdf](https://www.sec.state.ma.us/divisions/securities/download/20220522090340072.pdf)
In a 2014 *plea agreement*, YesDTC CEO Joseph Noel described how the Honig network operates.

> In the fall of 2009, I met Barry Honig, who I understood was a large investor in small cap companies. Later that fall, Honig suggested that we do a reverse merger to create a publicly traded company to take control of Allay Online’s assets and that I be the CEO of the new company. I was very excited with this opportunity. **Honig had the experience and resources to implement the reverse merger. He proposed that we utilize PR Complete Holdings, Inc., a publicly held shell company that Honig controlled, and that is what we did...**

> ...During 2010, I worked hard as CEO to make YesDTC a successful enterprise. However, I soon realized that it was not Honig’s priority to make YesDTC successful. Instead, I realized that Honig wanted to use promotions to drive up the price of YesDTC shares and then sell his shares. Honig introduced me to David Zazoff who Honig said would promote YesDTC stock. Honig said that Zazoff was a “magic maker,” who could make the price of YesDTC stock rise through his services. Honig made it clear that I should not ask questions about how Zazoff achieved his success.”

We believe that the typical Honig scheme is now in the works at Hut.
Involvement with the “Honig Network” companies

ICC International Cannabis Corp (WRLD)
- Michael Ho: chief strategy officer of HUT
- Anna Kudrjasova: Michael Ho’s partner
- Asher Genoot: president of USBTC since its founding in 2020
- David DesLauriers: investor
- Michael DesLauriers: investor

Pershing Gold (PGL, acquired)
- Barry Honig
- John Stetson

Riot Platforms (RIOT)
- Michael Ho
- Barry Honig
- Jonathan Honig

SurelyWell
- Michael Ho
- Asher Genoot
- James Duerbeck (JD Capital Holdings)
- Ryan Trasolini
- Mark Groussman (Honig associate, former USBTC shareholder)

ICC International Cannabis Corp
- Jonathan Honig: a "beneficial owner of more than 5% of the voting securities of USBTC at the time of the transaction." HUT August 11, 2023 Proxy page I-48

Global Gaming Technologies Group (BLOC.U)
- Michael Ho
- Anna Kudrjasova
- Ryan Trasolini
- David DesLauriers
- Michael DesLauriers

Mabvax (MBVX, acquired)
- Jonathan Honig: a "beneficial owner of more than 5% of the voting securities of USBTC at the time of the transaction." HUT August 11, 2023 Proxy page I-48

YesDTC
- Barry Honig
- Joseph A. Noel (See SEC "pump and dump" litigation)

Marathon Digital (MARA)
- Michael Ho
- Barry Honig
- John Stetson: former USBTC shareholder
- Mark Groussman: early shareholder of HUT

Source: Public documents
Chief meme officer’s father tied to Honig group-associated billionaire and disgraced Miami mayor

We question whether USBTC could be hiding Honig Network involvement through the father of the “chief meme officer.” The now-15-year-old on social media thanks the company for employing him at only age 13. (See Appendix for more)

The chief meme officer frequently thanks his father, Saif Y. Ishoof, on social media for his support.

Ishoof’s previous job was as advisor to Miami Mayor Francis Suarez. During Ishoof’s tenure, Miami invested heavily in cryptocurrency, as did Suarez personally. Suarez is currently under FBI investigation for allegedly taking bribes. Suarez is the “most Bitcoin friendly” politician in the United States and strongly advocated a new crypto currency called “MiamiCoin,” which lost 99% of its value before being delisted. This connection appears suspicious to us, and we believe investors should ask whether Ishoof used his position in Miami improperly.

Ishoof is a multi-year donor to the Phillip Frost Art Museum. Frost is a Miami-based billionaire who has been called by the SEC a participant in a “group of prolific South Florida-based

28 via LinkedIn
31 https://truthout.org/articles/miamis-mayor-went-all-in-on-cryptocurrency-his-constituents-suffered/
microcap fraudsters led by Barry Honig.” Frost settled SEC charges of stock promotion for $5.5 mln plus an agreement to cease trading in penny stocks.33

**USBTC was investigated over violations of securities law**

The Honig promoter network has been accused of taking steps to hide their involvement, and we think that is the case here.34

After USBTC was formed on December 4, 2020, the company went out to raise money. But it did so via an illegal offering that hid the identities of investors.35

In July 2021, USBTC was forced to make an offer to repurchase nearly $6 mln worth of promissory notes from investors in Massachusetts, Maryland, and Virginia. Regulators also fined the company $1 mln.36 (See Appendix for screenshot from the HUT S-4)

The Massachusetts Consent Order was clear about the nature of the USBTC offering. **USBTC, Massachusetts said, was controlled by a group of “bad actors” under securities laws.**

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34 [https://www.sec.state.ma.us/divisions/securities/download/20220322090340072.pdf](https://www.sec.state.ma.us/divisions/securities/download/20220322090340072.pdf)

35 See Massachusetts Consent Order: [https://www.sec.state.ma.us/divisions/securities/download/20220322090340072.pdf](https://www.sec.state.ma.us/divisions/securities/download/20220322090340072.pdf)

36 [https://jcapyresearch.box.com/s/xvepmrvgbxdq9zfwls1cz202839zeyb6](https://jcapyresearch.box.com/s/xvepmrvgbxdq9zfwls1cz202839zeyb6)
Two of the people USBTC failed to disclose were **Mark Groussman and John Stetson, who had been sanctioned by the SEC.** According to a March 25, 2022 news article about USBTC (also called DMG):

Two people who helped to form and promote the company were already sanctioned by the US Securities and Exchange Commission (SEC).

In 2019, John Stetson and Mark Groussman reached a settlement with the SEC over a **$27-million** microcap (read: penny stock) **investment fraud scheme.** They were DMG’s primary investors and debt financiers.

The SEC described the past wrongdoing as a “classic pump-and-dump” scheme that perpetrated “lucrative market manipulation.”

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37 “SCI” refers to Stetson Capital Investment, owned by known promoter John Stetson

38 [https://www.sec.state.ma.us/divisions/securities/download/20220522090540072.pdf](https://www.sec.state.ma.us/divisions/securities/download/20220522090540072.pdf)

We believe management deceived investors about when they found out that shareholders were issued court orders by the SEC, since Mike Ho was named as a non-party in a lawsuit with members of the Honig group. When challenged, USBTC executives claimed ignorance of involvement by investors John Stetson and Mark Groussman⁴⁰ — even though they were publicly named on the first page of a 2019 lawsuit that also includes Michael Ho. Can we believe that Michael Ho did not know these promoters were legally compromised?

The table of contents of that lawsuit reads: “The SEC Has Sued Honig, O’Rourke, Stetson, and Brouser for Recently Engaging in Pump-and-Dump Schemes at Three Companies” and “Defendant Honig’s Brother, Jonathon Honig, and Defendant Groussman Attempt to Dispel Any Notion that Their Ownership in Riot Is Part of a Control Group.”

The Massachusetts Consent Order appears to dispel any doubt that management was initially unaware of Stetson and Groussman’s participation. The two had already been “permanently enjoined from violating certain sections of the Securities Act of 1933” which management appears to have disclosed in a prior 2020 capital raise:

There are two potential conclusions we draw from this: either Michael Ho doesn’t know how to perform due diligence, or he flat-out lied to investors. We believe it’s the latter. We were able to tie USBTC together with these promoters using a handy tool called Google.

USBTC and Hut management appear linked to stock promoters the DesLauriers twins (Appendix)

We believe that David and Michael DesLauriers, who have been involved in many Canadian penny stocks, may be hiding ownership through shell companies.

Our research suggests a long history between the DesLauriers twins and Michael Ho.*

- Both were invested in ICC, down 95% from peak
- Both were invested in Global Gaming Group, down 99% from peak
- Both were invested in ICOX Innovations, down 99% from peak

Hut 8 IR has said “to their knowledge” the DesLauriers are not investors in Hut 8; they were silent on USBTC.

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* See the 2021 lawsuit in which the former CEO of I3 Interactive alleges that the DesLauriers took advantage of shareholders: [https://www.newswire.ca/news-releases/former-ceo-of-i3-interactive-sues-for-wrongful-dismissal-885971437.html](https://www.newswire.ca/news-releases/former-ceo-of-i3-interactive-sues-for-wrongful-dismissal-885971437.html)

The facts:

- Compute North went bankrupt. It had owned 50% of a crypto mining facility in Texas called King Mountain that lacked reliable power and a high-speed data connection.

- USBTC bought 50% of the King Mountain facility for $105 mln, mostly in debt.

- Hut 8 then acquired USBTC for a $655 mln enterprise value. Planned spending of $90 mln brings the amount to be paid to $745 mln.

Our view:

- We believe USBTC is massively over-valued. Its Niagara facility could be worth much less, given that Hut 8 said it was not interested in the merger before USBTC acquired other assets. We spoke with someone familiar with the facility who said that Niagara was “not the crown jewel asset.” In an abundance of caution, we assign a value of $23 mln, based on 50 MW of power times a third-party valuation of $458,000 per MW for mining centers.

- We are highly skeptical that the King Mountain JV is worth the $105 mln paid by USBTC, given reports that the center at the time lacked both reliable power and internet. Nevertheless, we assign what we believe to be an aggressive $105 mln valuation – the price USBTC paid for the facility. This is despite MARA’s recent purchase of Granbury and Kearney, which indicates that the King Mountain JV would be worth only $64 mln.

- Our valuation of USBTC’s Managed Infrastructure Operations (MIO) business is $51 mln, a generous 3x forward revenue.

- **We think USBTC could lose the Kearney and Granbury contracts:** Marathon Digital (MARA) recently purchased the Kearney and Granbury sites and we believe may seek new management. MARA has said several times that it wants to improve efficiency at the sites, and we believe the contracts have limited upside.

- **The Lancium suit could slap a fine on USBTC data centers:** USBTC is facing an ongoing patent infringement lawsuit by Lancium. The lawsuit alleges that USBTC infringes Lancium “behind the meter” (BTM) technologies to manage the energy in data centers. Lancium has a record of success in such actions (see Austin Storms/Bear Box LLC and Layer 1 Technologies cases) We believe that the lawsuit could lead to a fine for Hut 8 or power interruptions at the two crypto mines.

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In total, we value the USBTC operating assets at the high end at $219 mln. **Not only do we suspect that USBTC overpaid for the King Mountain JV, but Hut 8 overpaid again, by a factor of four, for the same facility, along with the Niagara mining facility and the two managed-facility contracts.** New Hut issued 49.7 mln shares in exchange for all USBTC stock – a value of about $495 mln at the time. Hut 8 also took on $160 mln in net debt plus around $90 mln in planned spending commitments ($40 mln for AI equipment and $50 mln in planned capital expenditure) in exchange for the USBTC and Old Hut assets.

**Our valuation of $219 mln is less than one-third of what New Hut investors are paying**

### USBTC Operating Assets Valuation

<table>
<thead>
<tr>
<th>Asset</th>
<th>Value (USD mlns)</th>
<th>Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>King Mountain JV</strong></td>
<td>$105</td>
<td>Value paid by USBTC</td>
</tr>
<tr>
<td><strong>Niagara</strong></td>
<td>$23</td>
<td>50 MWx MARA valuation of $458,000/MW</td>
</tr>
<tr>
<td><strong>Kearney &amp; Granbury contracts</strong></td>
<td>$51</td>
<td>3x 2023 hosting revenue of $17 mln&lt;sup&gt;43&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Self owned mining machines and construction in progress estimated</strong></td>
<td>about $40 mln</td>
<td>estimated as of end September 2023.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$219</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: J Capital

**You can’t bake a cake without sugar and flour, but that is exactly what is happening at King Mountain**

**We are highly skeptical of the King Mountain JV accounts.** When USBTC paid about $105 mln for a 50% interest in this joint venture from TZRC LLC,<sup>44</sup> King Mountain’s owners were bankrupt and the JV without cash and only partially operational, according to bankruptcy filings.

On November 23, 2022, MARA, which was the largest customer for the King Mountain site, filed a motion stating that Compute North at King Mountain had failed to energize its miners and failed to provide an adequate internet connection.

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<sup>43</sup> The HUT S4 reports that the two facilities realize $17 mln in total. See page 104. [https://www.sec.gov/Archives/edgar/data/1964789/000110469322115414/tm235928-38_s4a.htm](https://www.sec.gov/Archives/edgar/data/1964789/000110469322115414/tm235928-38_s4a.htm)

to the Debtors in the form of deposits, monthly fees, and other expenses. The Debtors failed to perform under the Hosting Agreements as promised, by failing to energize thousands of miners, failing to install thousands of miners, and repeatedly delaying the installation and energization of miners it eventually installed and converting for their own use and otherwise misappropriating tens of millions of dollars in deposits that are Marathon’s property.

MARA also said that there was a lack of high-speed connection at the facility. We wonder how anyone is able to mine without energy and without high-speed internet.

35. In addition to the issues outlined above, Compute North also repeatedly failed to provide an adequate high-speed network to allow Marathon’s miners to mine bitcoin at full capacity. This fell short of Compute North’s contractual obligations and Marathon’s reasonable expectations based on its industry experience. Compute North’s failure to provide adequate connection speed, and the resulting shortfall in the miners’ performance, caused Marathon to lose revenues at least in the estimated amount of $1.7 million.

USBTC itself was so disgruntled that it filed suit. Just one month before buying the King Mountain JV, USBTC filed an action against CN King Mountain LLC for failing to find a location where miners could be installed and energized.

5. As of May 31, 2022, the Debtors had failed to identify an Acceptable Site, and had failed to deliver the Acquired Hardware. Accordingly, on June 7, 2022, USBTC delivered to the Debtors a notice (the “Termination Notice”) advising the Debtors that USBTC was exercising its termination right, and demanding the return of the $3.75 million deposit paid by USBTC. A copy of the Termination Notice is attached hereto as Exhibit C.

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Our diligence suggests that the facility now uses a Starlink satellite network instead of a broadband connection to access the internet. **This is unheard of in the Bitcoin mining industry.** Starlink is an expensive and unreliable choice for mining at scale. Said one interviewee who managed a large data center when asked if he would ever use Starlink as primary internet source for Bitcoin mining at scale, he said “never.”

**The company is misleading on the profitability of the JV,** with accounts showing $665,000 of profit while completely ignoring about the $3.2 mln interest expense incurred during the same period.

### U.S. Data Mining Group, Inc. and Subsidiaries
#### Notes to Unaudited Condensed Consolidated Financial Statements

A summarized consolidated income statement and balance sheet for TZRC as of September 30, 2023 follows:

#### Condensed Consolidated Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, net</td>
<td>$32,279</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$17,305</td>
</tr>
<tr>
<td>Net income</td>
<td>$665</td>
</tr>
<tr>
<td>Net income attributable to investee</td>
<td>$303</td>
</tr>
</tbody>
</table>

#### Note 10. Notes Payable

The following is a summary of the Company’s secured promissory notes as of September 30, 2023 and June 30, 2023:

**Notes Payable – September 30, 2023:**

Yet these JV numbers exclude the very expensive interest cost from a promissory note assumed with the acquisition of the JV - this cost is shown elsewhere in the company filings.

<table>
<thead>
<tr>
<th>Issuance Date</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Principal</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Anchorage Loan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 3, 2023</td>
<td>February 2, 2028</td>
<td>14.00%</td>
<td>$46,555</td>
<td>$985</td>
</tr>
<tr>
<td><strong>TZRC Secured Promissory Note</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 6, 2022</td>
<td>April 8, 2027</td>
<td>15.25%</td>
<td>84,292</td>
<td>—</td>
</tr>
<tr>
<td><strong>Third Party Note</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 6, 2022</td>
<td>December 5, 2027</td>
<td>18.0%</td>
<td>10,985</td>
<td>—</td>
</tr>
</tbody>
</table>

**Totals**

$141,832 $985

* = Net of debt issuance costs which totaled approximately $3.7 million.
A prize asset? Nope. We think USBTC bid against itself.

USBTC could probably have paid less for the JV. USBTC “won” the bid only after multiple rounds of bidding against only one other suitor, called Lake Parime.

Baseline Bid for the JV assets. Multiple rounds of overbids by both bidders followed, including breakout discussions between rounds in which the Debtors and Consultation Parties engaged with USBTC and Lake Parime regarding their respective bids. This process ultimately resulted in two final bids. The Debtors and their advisors weighed and discussed both final bids with the

But USBTC was actually bidding against a straw man. The bidder, called Lake Parime, was

47 [link]
nearly bankrupt. The month after the “bid,” Lake Parime was sold to a pop-up company called Statar Mining. At the time of its sale, Lake Parime’s assets were valued at about £140,000 and its debt at £1.36 mln.

Lake Parime’s owner, Sathesan Ganesarajah, was sued along with others in May 2023 for a little less than $17 mln by SCGE Global Energy Canada Ltd., which alleged:

“unjust enrichment and breach of agreement after the plaintiff agreed to buy 8,100 cryptocurrency mining computers from the defendants and made a $30-million pre-payment but has only received 3,070 complete machines and 333 unassembled machines.”

Recall that USBTC was teetering on bankruptcy when Hut 8 picked it up like a chihuahua in a tote bag.

**A merger between two left-for-dead companies, a typical mark of something more nefarious at play.**

The amended S4 prospectus for the merged company details discussions with six potential bidders, three each for Hut 8 and USBTC. None progressed beyond the preliminary stage.

USBTC met with companies its documents term A, E, and F.

- USBTC and Company A “discussed potential strategic transactions, including a partnership and a business combination transaction.” But discussions with Company A “did not progress past a preliminary stage.”

- Discussions with Company E also “did not progress past a preliminary stage.”

- Despite a meeting with the CEO of company F, those discussions also “did not progress past a preliminary stage.”

Hut 8 discloses three potential suitors, termed B, C, and D:

- Company B discussions ended, as Hut 8 determined they “were not going to come to an acceptable agreement.”

- Company C “was determined not to be an attractive option by Hut 8 management.”

- Company D discussions “did not progress past a preliminary stage.”

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48 See the company’s wind-up report at Companies House: [https://rb.gy/m6v8tr](https://rb.gy/m6v8tr)

49 [https://biv.com/article/2023/05/whos-suing-whom-may-5-2023](https://biv.com/article/2023/05/whos-suing-whom-may-5-2023)
What did companies A, E, and F see that Hut 8 missed? Is there some backdoor compensation being hidden from investors?

**In a game of efficiency, the combined company is the least efficient Bitcoin miner on the market.**

Not only have shareholders overpaid for assets, but the assets themselves by any objective standard are poor. Public data indicates that New HUT is 11% less efficient than the average of 11 other public miners. In December, the combined company mined 63 Bitcoin per EH/s deployed, compared with an average for the other 11 companies of 70 Bitcoin mined.

**Bitcoin mined per EH/s as of December 2023**

\[\text{Source: Compass Mining, Company disclosures}\]

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50 Notes:
Argo had not released its December update at the time of publication
This metric indicates that its miners must be old and low quality and/or there are operational and managerial issues.

**Limited disclosures call into question accuracy of financial reporting**

We question whether USBTC’s disclosures can be trusted. USBTC in Q3 2023 claimed its electricity costs had plummeted by 82%, to $2.7 mln compared with $15.1 mln in the same period one year earlier.\(^{51}\)

And yet total mining costs per Bitcoin, using USBTC’s definition, actually rose a little, from $18,700 in Q3 2022 to $19,000 in Q3 2023. Somehow, disclosed electricity costs dropped sharply as a proportion of mining costs, to 25% from nearly 100%. In Q3 2023, USBTC paid the equivalent of $4,882 in electricity costs per Bitcoin mined, while in Q3 2022, the number was $19,713. Yet electricity is by far the most important input for Bitcoin mining.

In contradiction, the company also says in the Q3 2023 disclosure that over 98% of services cost of revenue are for energy:

> The largest component of USBTC’s services cost of revenues is energy and hosting costs, which represented approximately 98.2% and 95.5% of its services cost of revenues for the three months ended September 30, 2023 and 2022, respectively.

To explain the lower electricity costs, USBTC said it had fewer miners operating in Q3 2023 than in the same quarter of 2022. But in Q3 2023, the company reported operating 30,200 self-mining machines compared to 24,300 self-mining machines in Q2 2022 – a significant increase. Maybe not all the new machines were energized throughout the quarter? But even then,

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\(^{51}\) Hut 8 Q3 report [https://www.streetinsider.com/SEC+Filings/Form+10-Q+Hut+8+Corp.+For%3A+Sep+30/22542888.html](https://www.streetinsider.com/SEC+Filings/Form+10-Q+Hut+8+Corp.+For%3A+Sep+30/22542888.html)

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there should not have been such a large decrease in electricity costs.

What is actually going on? Possible scenarios are that USBTC has re-categorized costs, not made full disclosure, or it is not actually mining its Bitcoin.

The most plausible explanation we can think of is that USBTC did not mine much in Q3 2023 and instead bought Bitcoin on the open market, creating a high cost of revenue and low electricity fee. Whatever the explanation, we think investors deserve to know.

Is this thing on? A history of energy problems
All four owned mining sites in New Hut have troubled histories and low efficiency. Contracts for the managed mining sites appear to be imperiled. And the other services – cloud, AI, HFC – are losing money.

From the USBTC side, the mining sites are:

Niagara Falls, NY (“Alpha”):
This USBTC mine is a small site that had about 0.4 EH/s when the companies agreed to merge. The mine has been troubled. The city of Niagara Falls, NY sued USBTC and shut down its Niagara mining facility in 2023 over noise pollution. The company settled in April 2023 but was required to pay a fine and reimburse the city for legal fees. USBTC erected a sound barrier. As noted earlier, Hut 8 had no interest in merging with USBTC when this was the only asset. Someone formerly connected with the company told us “I would not buy U.S. Bitcoin Corp. for Niagara.”

Despite USBTC reporting 30,200 self mining machines at the end of September 2023, a near 25% year-on-year increase, the company managed to mine some 30% less Bitcoin compared to the same quarterly period a year ago. We assume mining difficulty must be a challenge.

King Mountain, TX JV (“Echo”)
The King Mountain JV has been plagued with connectivity problems. In its 2023 Annual Report, published on March 16, 2023, MARA reported “the company experienced significant production downtime in the second and third quarters . . . and delays in energization at King Mountain.” MARA had 60,000 miners at the facility, but according to a Proof of Claim MARA filed in the Compute North bankruptcy case, the miners were never energized. MARA’s Statement of Claim said that King Mountain lacked a high-speed internet connection.

52 Hut 8 presentation on merger, February 7, 2023: https://www.sec.gov/Archives/edgar/data/1731805/000110465023011792/tm235756d2_4325.htm

From the Hut 8 side:

Drumheller, Alberta ("Golf")
At its Drumheller site, Hut 8 has faced "electrical issues" that hit operations in 2022 and 2023. In the Q3 2023 report, Hut 8 said Drumheller is operating at 27% of installed hash rate.

As previously reported, the Company encountered issues at the Drumheller site, primarily stemming from high energy input levels that have been causing miners to fail. This has materially reduced operations, which are currently at approximately 27% of our installed hash rate at the site. Throughout the remediation process, the team implemented new custom firmware across all miner models designed to lower the power supply’s maximum output voltage, ensuring our equipment operates within safe limits; increased repair staff and added an additional repair centre shift; and procured new hardware to expedite repairs and accelerate the speed at which we bring miners back online. The electrical issues at the Drumheller site were compounded by high energy rates in the third quarter which further increased curtailment at the site.

Q3 2023 report[^54]

Medicine Hat, Alberta ("Foxtrot")
This is a 67 MW facility. Hut 8 has not disclosed how many miners are on site or how many EH/s deployed at the site. But as of March 2023, 7,000 of the 9,000 miners moved from North Bay to Medicine Hat remained in storage, according to CEO Leverton on the Q4 2022 earnings call dated that same month. The company has not updated that number but since then says Medicine Hat is now operating “relatively smoothly.”

North Bay, Ontario
Hut 8 developed a crypto mine in North Bay, Ontario together with Validus Power in late 2021. Hut 8 had big plans. CEO Jaime Leverton said the site could build to 100 MW, and the company planned to put some of the 12,000 new MicroBT miners there, costing $58.7 mln.[^56]

But the site operated only briefly and with limited capacity, in Q3 2022. Hut 8 reported in July 2022 that the North Bay had 5,800 miners and 20MW of power, but by November, Hut 8 announced suspension of mining. Validus, Hut 8 said, failed to provide the promised power.

Now Hut 8 has acquired the mining facility and its associated power plant, along with three other power plants, in a stalking horse bid, meaning no one else wanted the assets. That move presumably will stop the mine from looking like a total and abject failure.

[^54]: [https://www.sec.gov/Archives/edgar/data/1731805/000114036123055085/ef20014150_ex99-1.htm](https://www.sec.gov/Archives/edgar/data/1731805/000114036123055085/ef20014150_ex99-1.htm)


Hut 8 figures it will take a few months and infrastructure work ($$$) to get the Bitcoin mine up and running. **Shockingly, there are no meaningful disclosed plans for the other three power plants the company picked up in the deal.**

On the Q3 2023 call,⁵⁷ Leverton said:

“So if you recall, we had just under 40 megawatts stood up at North Bay and so we would be looking to bring that data center capacity online as quickly as possible. And we believe that, if we are successful with the stalking horse bid and we would be able to close that sometime in the next two to three months.

And so we would be looking to bring the North Bay facility back up as quickly as we could, obviously, **infrastructure work needs to be completed.** We need to bring the miners back to site. We will be dealing with the dead of winter in North Bay at that time, most likely as well. **So it will take some time to get us back up and running, but our intention is certainly to bring that site back online.’**

Regarding the other assets, she said;

“And then the other three sites we mentioned, 40 megawatts at Kapuskasing, 110 megawatts in Kingston and 120-megawatt facility in Iroquois Falls. **It remains to be seen what -- how we would provision in and work with those assets.”**

**In other words, they bought assets without a plan on how to use them.**

**Managed sites**

**Kearney, Nebraska and Granbury, Texas (“Charlie” and “Delta”)**

USBTC manages these sites. They belonged to Compute North, which filed for bankruptcy in September 2022. The following November, Generate Capital purchased the sites – loaded with debt - for $5 mln.⁵⁸ In December 2023, MARA bought them, apparently unencumbered, for $178.6 mln.⁵⁹

USBTC had to erect a soundproof wall around its Granbury, Texas site. The Hood County News reported in November 2023 that Matt Prusak, chief commercial officer for US Bitcoin, had told the city that USBTC would make a “multimillion dollar investment” to build the wall.

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⁵⁷ See Q3 transcript: [https://seekingalpha.com/article/4651677-hut-8-mining-corp-hut-q3-2023-earnings-call-tran-script](https://seekingalpha.com/article/4651677-hut-8-mining-corp-hut-q3-2023-earnings-call-transcript)


Based on news reports, bankruptcy filings by Compute North, and MARA disclosures, we estimate that operational EH/s is low compared with energized EH/s at the New Hut facilities.

Should Lancium be successful in its lawsuit, we are not sure this will be part of the business going forward.

**Management clearly hasn’t learned from its mistakes. The company appears to have defaulted once in its short history and yet has taken on another mountain of debt.**

USBTC previously owned a site in Pecos, Texas. USBTC surrendered assets from Pecos and elsewhere, including over 26,000 mining machines plus a deposit of $20.7 mln. In July 2023, Hut 8 reported that 11,050 miners were deployed in Pecos as of June 2022. But in the same disclosure, Hut 8 reported that it had “ex-changed assets” from Pecos to extinguish debt. The Pecos site is no longer included in the company disclosures.

USBTC disclosed that it gave up $39.5 mln worth of PPE in the debt-extinguishment deal. The company in total realized a $23.7 mln gain on extinguishment of debt for the facility.

**Debt at interest rates up to 18%:** As of September 2023, New Hut has taken on debt from the USBTC side of the merger in the form of notes payable at extraordinarily high rates of interest, ranging from 14% to 18%. This is not the kind of borrowing that should be left unpaid until the distant future. Does management know what it’s doing by talking on debt? They couldn’t manage the debt once before.

**Hut paid C$30 mln for loss generating cloud assets that continue to disappoint.**

In January 2022, Hut 8 spent CA$30 mln in cash to buy cloud and colocation assets from TeraGo, a company that has never been able to make money from those services. TeraGo’s revenue peaked in late 2018. In FY21, TeraGo’s cloud and colocation services netted CA$17 mln

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60 See Hut 8 Proxy statement, August 11, 2023, [https://www.sec.gov/Archives/edgar/data/1731805/000110465923091050/tm2322932-2_exh99x2.htm](https://www.sec.gov/Archives/edgar/data/1731805/000110465923091050/tm2322932-2_exh99x2.htm)
in revenue. In FY2022, the business produced almost the same CA$17 mln in revenue for Hut 8. Losses on the assets for 2022 under Hut 8 ownership were CA$4.7 mln ($3.5 mln). We think it is unlikely for this to change in the near term.

We question why Hut 8 bought the assets at all, given that CEO Leverton herself indicated there are no synergies. When Leverton was asked about the AI on the Q3 call, she said:

“So we really have seen this trend coming and believe it’s important to tackle as a robust enterprise-grade solution. It is very, very different compute from a Bitcoin mining, data center, both and how it’s operated, how it needs to be managed, how customers expect it should be serviced. It’s really a different business model altogether and we think we are incredibly well poised to be at this intersection between these two types of high performance computing.”

**USBTC hopping on the AI bandwagon. Are they biting off more than they can chew, or is this a set-up for the pump?**

In October 2023, USBTC ordered $40 mln in “AI equipment” that shareholders will have to pay for. USBTC is “evaluating alternatives to finance the purchase price.” Given the combined company only had just over $21.3 mln in cash in the bank at the end of September 2023 those must be imaginative evaluations.61

New HUT has no AI customers or revenue but says it will “ultimately provide underlying AI workload support to individual customers through its AI data center.”

**We question why USBTC did not name the seller. Companies love to talk about buying recognized AI gear, such as Nvidia chips. Is hut 8 hiding a related-party transaction?**

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61 net of recent $7.1 mln land and substation acquisition
Part 3: An inefficient and unprofitable entity in need of cash. A capital raise is needed to survive.

While Hut 8 called the merger “transformational,” without raiding the Bitcoin piggybank, we expect the new company is going to have to issue shares that will dilute existing shareholders in order to pay the a pile of outstanding debt assumed from the two merging companies plus planned spending sprees, as well as keep itself afloat on an ocean of red ink.

**Merger forecast assumptions were overly generous and misleading**

- **Network exahash is rising very quickly.** That makes Hut 8 a loser in the Bitcoin mining game. The company forecasts total network hashrate of 350-400 EH/s per second. But the network already has more than 500 EH/s. A company’s revenue is a function of its share the network hashrate. We believe Hut 8 used a low hashrate number to artificially inflate its own projected revenue.

- The optimistic financial projections in the merger documents assumed North Bay would come back online in April 2023 – an event that did not happen.

- **New HUT’s combined operational costs and headcount are bloated:** General and administrative expenses were $75.9 mln for the combined company in the year to end June 2023, excluding merger transaction costs. New HUT also has a high headcount: 210 employees. The company does not expect to see synergies from the merger at the operating site level. Instead, 1+1 will equal 2, not 1.5.
Break even only if Bitcoin rises to nearly $62,000: Hut 8, according to our analysis, as a standalone company, would require Bitcoin to be priced at US $61,995 to break even. Our bottom-up calculation estimates break-even at $66,203, assuming a 20% cost reduction in G&A across the board, and very generous assumptions for the number of Bitcoin Hut 8 could mine. In March 2024, the difficulty of mining Bitcoin is set to double, with the amount of Bitcoin rewarded set to halve. That means that, all other things being equal, the effective cost to produce a Bitcoin will double.

Nowhere in their “material assumptions” does USBTC disclose average energy cost or the efficiency of Bitcoin miners. **How are investors expected to assess the financial performance of the combined entities without proper disclosure of the inputs?**

Set-up for the dump: 93% of shares immediately available for sale
Asher Genoot and Michael Ho have agreed to six-month lock-ups affecting 65% of their shares. The two together own 10.8% of New HUT. The lock-up arrangement therefore affects a total of 7% of HUT’s issued stock. 93% is available for immediate sale.

Ho and Genoot are directors of the company as well as executives. We caution investors to pay attention to whether they soon step down from their positions, which would enable them to sell shares without filing reports required of insiders.

The crypto currency world (like cannabis) is replete with stock promoters who identify tiny companies, get them listed through a back door such as an RTO, provide some financing, hire promoters to generate retail excitement, push the stock to dizzying heights, then sell out. Hut 8 bears all the earmarks of this sort of promote.
Other dirty laundry: Hut’s history of paid stock promotion, a previously sanctioned auditor, weakness in internal controls at USBTC, and more

- **Evidence suggests paid stock promotion**: HUT formerly employed RedChip Companies as its investor relations firm.  
  RedChip is a small-cap research and PR firm that came to prominence in the Chinese RTO era with previous engagements that include Longwei Petroleum, L&L Energy, and Worldwide Energy and Manufacturing. More recent engagements include Sorrento Therapeutics, American Lithium, GigaCloud Technologies, PureCycle Technologies, and a slurry of other companies which have been extensively covered.

Online coverage of Hut 8 belongs to various advertisement-riddled “buy now!” stock coverage sites including bestgrowthstocks.com, GuruFocus.com, and investorsplace.com.

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63 https://www.nbcnews.com/id/wbna43377135
64 https://geoinvesting.com/longwei-petroleum-brazen-china-based-u-s-listed-rto-date/
66 https://geoinvesting.com/geoinvesting-blows-the-whistle-on-ll-energy/
68 https://www.sec.gov/litigation/litreleases/lr-22475
70 https://www.jcapitalresearch.com/srne.html
71 https://www.redchip.com/stocks/AMLI#
72 https://www.jcapitalresearch.com/amli.html
73 https://www.redchip.com/stocks/GCT
74 https://img1.wsimg.com/blobby/go/cc91fda7-4669-4d1b-81ce-a0b8d77f25ab/downloads/Culper_GCT_9-28-2023.pdf?ver=1697728519853
75 https://www.redchip.com/stocks/PCT
76 https://hindenburgresearch.com/purecycle/
77 https://bestgrowthstocks.com/comprehensive-analysis-of-the-recent-hut-8-mining-merger/
79 https://investorplace.com/2023/12/5-investors-betting-big-on-hut-8-hut-stock/
Advisors have questionable records: HUT’s auditor is the Vancouver-based Dale Mathe-
son Carr-Hilton LaBonte LLP, and the engagement partner audits such enterprises as
BYDN Cannasoft and the Bearing Lithium Corp. Dale-Carr was sanctioned in 2021 –
when it audited Hut 8 – for “violating PCAOB rules and standards.”

Long list of “weaknesses in internal controls”: USBTC identified material weaknesses
in its internal controls over financing reporting which were not remediated by the time
of merger closing. The company’s list of internal control weaknesses is a long one, in-
cluding accounting for revenue related transactions, income taxes, equity method invest-
ments and complex transactions. Strengthening internal controls may bring restate-
ments rather than good news. The company already had to restate an operating cash
flow due to a large error that included Bitcoin sale proceeds. What next?

Underwriter to the frauds: HUT’s underwriter is Canaccord Genuity and, in 2020,
was Haywood Securities, both companies frequently involved in promotional stocks.
Those promotions include Aphria Inc. (APHA), American Lithium (LI TSX), Global Gaming
Technologies Inc. (BLKCF), and ICOX Innovations. Both Haywood and Canac-
cord own securities in CWRK. Other shareholders in CWRK include the DesLauriers
brothers.

81 https://www.bowenislandundercurrent.com/bc-news/us-arrest-warrant-out-for-ex-vancouver-lawyer-on-pump-and-
dump-charges-4265894
82 https://www.newswire.ca/news-releases/bcsc-settles-with-registered-investment-dealer-for-violating-freeze-or-
der-818899502.html
83 https://www.sec.gov/Archives/edgar/data/1515139/000149315218010116/forms-1a.htm
## Appendix

**Anna Kudrjasova page 6**

LinkedIn Profile

<table>
<thead>
<tr>
<th>Position</th>
<th>Company</th>
<th>Duration</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Founder</td>
<td>Be Bronze Studio</td>
<td>Nov 2018 - Present</td>
<td>Greater Los Angeles Area</td>
</tr>
<tr>
<td>Management Executive</td>
<td>MKH International Ltd.</td>
<td>Jul 2016 - Apr 2019</td>
<td>Dubai, United Arab Emirates</td>
</tr>
<tr>
<td>Co-Founder</td>
<td>GLAM'D LLC</td>
<td>Oct 2016 - Jan 2019</td>
<td>2 yrs 4 mos</td>
</tr>
<tr>
<td>Business Development Manager</td>
<td>Vancouver Motorcars Ltd</td>
<td>Jun 2014 - Jun 2016</td>
<td>2 yrs 1 mo</td>
</tr>
</tbody>
</table>

[https://www.linkedin.com/in/anya-kay-ab81ab69/details/experience/](https://www.linkedin.com/in/anya-kay-ab81ab69/details/experience/)
Kudrjasova appears on the shareholders list of Digihost:

<table>
<thead>
<tr>
<th>Name and Municipality of Residence of Securityholder</th>
<th>Number of Corporation securities held in escrow</th>
<th>Percentage of class</th>
</tr>
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<tbody>
<tr>
<td>27 Squared, LLC   New York, NY</td>
<td>2,751,077</td>
<td>6.81%</td>
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<tr>
<td>089623 BC Ltd.   Vancouver, BC</td>
<td>1,909,207</td>
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<tr>
<td>Anaya Capital Ltd. Dubai, UAE</td>
<td>2,898,359</td>
<td>7.17%</td>
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<tr>
<td>Annie Campbell   Los Angeles, CA</td>
<td>36,366</td>
<td>0.09%</td>
</tr>
<tr>
<td>Anthony Benoit   Marseille, France</td>
<td>104,552</td>
<td>0.26%</td>
</tr>
<tr>
<td>Arleen Cohen     North Woodmere, NY</td>
<td>136,372</td>
<td>0.34%</td>
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<tr>
<td>Caerus Investment Holdings Ltd. Dubai, UAE</td>
<td>3,229,288</td>
<td>7.99%</td>
</tr>
<tr>
<td>Chuck Pacheco    Beverly Hills, CA</td>
<td>90,915</td>
<td>0.22%</td>
</tr>
<tr>
<td>Darryn Garson    New York, NY</td>
<td>54,549</td>
<td>0.13%</td>
</tr>
<tr>
<td>Fred Banjout     Marrakech, Morocco</td>
<td>363,659</td>
<td>0.90%</td>
</tr>
<tr>
<td>Logan Maggiolino Frameries, Belgium</td>
<td>309,110</td>
<td>0.76%</td>
</tr>
<tr>
<td>Marc Garson      New York, NY</td>
<td>140,918</td>
<td>0.35%</td>
</tr>
<tr>
<td>Marie Trasolini  Vancouver, BC</td>
<td>927,329</td>
<td>2.29%</td>
</tr>
<tr>
<td>Natasha Collins  Surrey, BC</td>
<td>43,537</td>
<td>0.11%</td>
</tr>
<tr>
<td>Patrick Gray     Niskayuna, NY</td>
<td>43,537</td>
<td>0.11%</td>
</tr>
<tr>
<td>Paul Ciullo      Albany, NY</td>
<td>43,537</td>
<td>0.11%</td>
</tr>
<tr>
<td>Remy Giovannacci Paris, France</td>
<td>309,110</td>
<td>0.76%</td>
</tr>
<tr>
<td>Reunion Trading Company Limited Tsimshatsui, Hong Kong</td>
<td>927,329</td>
<td>2.29%</td>
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<tr>
<td>Ryan Trasolini   Dubai, UAE</td>
<td>2,491,061</td>
<td>6.16%</td>
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<tr>
<td>Serge Choukroun Mid-Levels, Hong Kong</td>
<td>90,915</td>
<td>0.22%</td>
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<tr>
<td>Sungwoo Kim      La Mirinda, CA</td>
<td>36,366</td>
<td>0.09%</td>
</tr>
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</table>
Curio's WeChat site:

Flagship Endeavors:

**This site can’t be reached**

Check if there is a typo in www.flagshipendeavors.com.

DNS_PROBE_FINISHED_NXDOMAIN

https://www.icgusaedu.com/en:

**Whitelabel Error Page**

This application has no explicit mapping for /error, so you are seeing this as a fallback.

Sat Jan 06 09:27:00 CST 2024
There was an unexpected error (type=Not Found, status=404).
No message available
(iv) pay an administrative fine in the amount of $1.0 million. With respect to the requirement to offer rescission, USBTC resent the Rescission Offer provided in July 2021, with additional Massachusetts-specific disclaimers, to the five Massachusetts residents, who collectively held 4,335 Series A Shares, in April 2022. The Massachusetts investors reconfirmed their declination of the offer to rescind. In April 2022, USBTC paid the $1.0 million administrative fine.

S-4 page 50 https://www.sec.gov/Archives/edgar/data/1964789/000110465923019807/tm235928-1_s4.htm

**USBTC has completed a rescission offer of privately issued securities, with one offeree choosing to accept USBTC’s rescission offer to date (the “Rescission Offer”).**

In July 2021, USBTC offered to repurchase 31,422 shares of Series A Preferred Stock of USBTC (the “Series A Shares”), 62,431 shares of common stock of USBTC sold during the USBTC’s “founder” round (the “Founder Common Shares”), 37,510 shares of common stock of USBTC sold during the USBTC’s “seed” round (the “Seed Common Shares,” and together with the Founder Common Shares, the “Rescission Offer Common Shares,” and the Series A Shares, the “Rescission Shares”) and up to an aggregate principal amount of $5.87 million promissory notes outstanding plus applicable accrued interest outstanding (the “Promissory Notes,” and together with the Rescission Shares, the “Rescission Securities”). The Rescission Securities were originally purchased in private transactions by certain persons who are or were residents of California, Florida, Illinois, Maryland, Massachusetts, Pennsylvania, Nevada, New Jersey, New York, Texas, Virginia, Washington, Puerto Rico, Canada, the Cayman Islands, Hong Kong and the United Arab Emirates at the time such Rescission Securities were purchased.
On social media, XXX Ishoof calls himself USBTC’s “chief meme officer.”

Why the company would need a meme officer is never made clear. Ishoof’s Twitter account states that he worked Social, Content, and Outreach for USBTC. USBTC’s current Twitter account has a single post.

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84 https://twitter.com/nabs_labs?lang=en
85 https://twitter.com/USBitcoinCorp/
Connections between the DesLauriers and Hut 8 Page 15

The DesLauriers are contributors to HUT CEO Jamie Leverton's charity, ComKids.

Both DesLauriers were invested in now-delisted ICOX Innovation along with Michael Ho.

<table>
<thead>
<tr>
<th>Name of Selling Stockholder</th>
<th>Shares Owned by the Selling Stockholder before the Offering(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Paes-Braga</td>
<td>500,000(67)</td>
</tr>
<tr>
<td>Todd Eymann</td>
<td>120,000(69)</td>
</tr>
<tr>
<td>Scott Townsend</td>
<td>116,666(71)</td>
</tr>
<tr>
<td>0896323 B.C. Ltd.(^{(73)})</td>
<td>150,000(74)</td>
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<tr>
<td>Pouya Joudaki</td>
<td>25,000(76)</td>
</tr>
<tr>
<td>Aaron Chan(^{(78)})</td>
<td>250,000(79(80)</td>
</tr>
<tr>
<td>Hagen Ho(^{(82)})</td>
<td>50,000(83(84)</td>
</tr>
<tr>
<td>Oceanside Strategies Inc.(^{(86)})</td>
<td>1,359,476(87)</td>
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<tr>
<td>Hospitality Investors Special Situation Group Pvt. Ltd.(^{(89)})</td>
<td>1,334,000(90(91)</td>
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<tr>
<td>Justin Sleiman</td>
<td>16,666(93)</td>
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<tr>
<td>Anthony Ricci</td>
<td>16,666(95)</td>
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<tr>
<td>David DesLauriers</td>
<td>833,333(97)</td>
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<tr>
<td>Michael DesLauriers</td>
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<tr>
<td>Pamela DesLauriers</td>
<td>833,333(101)</td>
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<tr>
<td>Paul DesLauriers</td>
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<td>Brett Whalen</td>
<td>41,667(105(106)</td>
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<tr>
<td>James Crawford</td>
<td>30,000(108)</td>
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<tr>
<td>Corey Shewchuk</td>
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<tr>
<td>Muhammed Fatih Uran</td>
<td>20,000(112)</td>
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<tr>
<td>Michelle Shewchuk</td>
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<tr>
<td>Ryan Lailey</td>
<td>20,000(116)</td>
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<td>Ryder L. Holdings Ltd.(^{(118)})</td>
<td>20,000(119)</td>
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<tr>
<td>Shafik Hirani</td>
<td>20,000(121)</td>
</tr>
<tr>
<td>Neil Shanks</td>
<td>20,000(123)</td>
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</table>
The DesLauriers generally involve themselves with penny stocks that delist and leave little trace in the markets. There was ICC: (add minus x% from peak)

<table>
<thead>
<tr>
<th>Name of Selling Stockholder</th>
<th>Shares Owned by the Selling Stockholder before the Offering(1)</th>
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</thead>
<tbody>
<tr>
<td>Criterion Capital Corp. (237)</td>
<td>20,000(137)(238)</td>
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<tr>
<td>Theresa H. Sheehan</td>
<td>20,000(137)(240)</td>
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<tr>
<td>Jesse Levesque</td>
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<tr>
<td>Brent Bonney</td>
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<tr>
<td>Capital Event Management Ltd. (246)</td>
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<tr>
<td>Melvyn Ackerman</td>
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<tr>
<td>William T. Ellis</td>
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<tr>
<td>Daniel Balter</td>
<td>25,000(137)(253)</td>
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<tr>
<td>Pamela Parmar</td>
<td>16,666(255)</td>
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<tr>
<td>Millennium Trust Co., LLC Custodian FBO Paul E. Roupiniin ROTH IRA (257)</td>
<td>18,334(259)</td>
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<td>Timothy LeDoux</td>
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<td>Angelique G. Brunner Living Trust (263)</td>
<td>20,000(264)</td>
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<td>Michael Ho</td>
<td>41,667(266)</td>
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<tr>
<td>Shawn Pergar</td>
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</tr>
<tr>
<td>Bryan Henry</td>
<td>30,000(137)(270)</td>
</tr>
<tr>
<td>Minicucci Financial Freedom Corp. (272)</td>
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<tr>
<td>Calvin Everett</td>
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<tr>
<td>MM Ventures BV (277)</td>
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<td>Nicholas Watters</td>
<td>20,000(289)</td>
</tr>
<tr>
<td>David Berg</td>
<td>25,000(282)</td>
</tr>
<tr>
<td>Charlene Berg</td>
<td>25,000(284)</td>
</tr>
<tr>
<td>Dino Minicucci</td>
<td>30,000(286)</td>
</tr>
<tr>
<td>Erminia Minicucci</td>
<td>30,000(288)</td>
</tr>
</tbody>
</table>
The Lancium suit page 17
The complaint accuses both the King Mountain JV and the managed Granbury site of infringement:

“On October 24, 2022, Lancium sent a letter to Compute North Holdings, Inc. notifying it that “certain Compute North affiliates are operating, and other affiliates intend to operate, bitcoin mining facilities that infringe one or more patents covering Lancium’s technology.” (Exhibit 16). The letter specifically identified Compute North’s King Mountain facility in McCamey, Texas operated by joint venture affiliate TZRC LLC as infringing Lancium’s patent rights. (Id.). This facility is now identified by Defendants as the Echo site. The letter also identified Compute North’s Wolf Hollow planned facility in Granbury, Texas as likely to infringe. (Id.). Defendants now refer to that facility as the Delta site.”

The complaint notes that USBTC knew of the IP accusation when it acquired interest in the Compute North site.

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