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

In re:	§	**Chapter 11**
CORE SCIENTIFIC, INC., *et al.*,	§	**Case No. 22-90341 (DRJ)**
Debtors.[1]	§	**(Jointly Administered)**

NOTICE OF FILING OF DEMONSTRATIVE TO BE USED BY THE DEBTORS AT THE MAY 22, 2023 HEARING AT 1:30 PM (CENTRAL TIME)

PLEASE TAKE NOTICE THAT on May 15, 2023, the Debtors filed the *Notice of Hearing Scheduled for May 22, 2023 at 1:30 p.m. (Prevailing Central Time)* (Docket No. 880) (the "**Notice of Hearing**") detailing a list of motions to be heard on May 22.

PLEASE TAKE FURTHER NOTICE THAT a hearing (the "**Hearing**") is scheduled for May 22, 2023 at 1:30 p.m. (prevailing Central Time) before the Honorable David R. Jones, United States Bankruptcy Judge for the Southern District of Texas, Houston Division to consider the items referenced in the Notice of Hearing.

PLEASE TAKE FURTHER NOTICE THAT the Debtors' undersigned counsel will present a PowerPoint demonstrative, attached hereto as **Exhibit A**, to the Court and other interested parties at the Hearing.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (6074); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors' corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

Dated: May 22, 2023
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

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Attorneys for Debtors
and Debtors in Possession

Certificate of Service

I hereby certify that on May 22, 2023, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez
Alfredo R. Pérez

EXHIBIT A

CORE SCIENTIFIC®

Case Update

May 22, 2023

Weil PJT Partners AlixPartners

Roadmap

1. The Debtors' Business
2. Case and Business Update
3. Exclusivity Extension
4. Next Steps

The Debtors' Business

The Debtors' Business

- The following provides the Court and parties in interest with a brief review of the Debtors' business and key variables that drive the Debtors' financial performance.

The Debtors carefully considered these variables in developing the Business Plan and its underlying assumptions.

The Blockchain Ecosystem: Mining

Mining: The process in which transactions involving cryptocurrency (transfers between users) are verified and added to the blockchain public ledger by solving a computational encryption puzzle. Mining secures the blockchain network and is also the process through which new coins are added to the existing circulating supply.

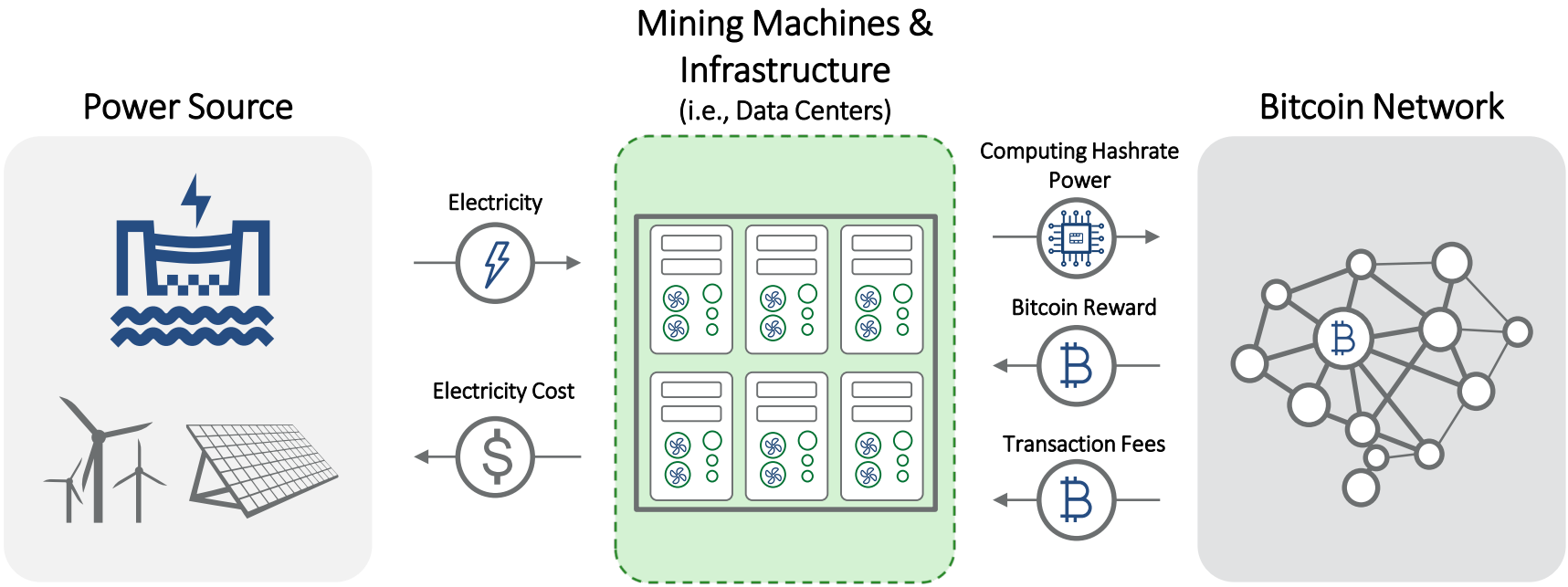
Miner: A specialized computer designed to solve a complex mathematical algorithm and, by doing so, validate and process the transactions on the blockchain.

Mining Process:

Transactions are pooled together in a "block" & encrypted by a complex puzzle	Once a block is formed, miners compete to solve the puzzle	Once the puzzle is solved, the transactions are "verified" by the network	The new block of verified transactions is attached to a chain of prior blocks (the "block chain")	For solving the puzzle, miners are rewarded with cryptocurrency

Blockchain mining at scale is challenging. The unique requirements of blockchain mining necessitate specialized solutions and expertise to effectively and profitably operate at scale.

Bitcoin Mining Overview



As a Company's miners operate, the Company receives Bitcoin ("BTC") as a reward for providing computing power to the Bitcoin network to solve algorithms.

- Mining revenue consists of a "reward" for the block mined plus the "transaction fees," each of which is paid in BTC to miners for confirming transactions.
- Current block reward amounts to 6.25 BTC per block, prior to transaction fees.
- Core's share of block rewards is based on a ratio of its data center's computing power (i.e., the Company's hashrate) to the entire Bitcoin network's computing power (i.e., network hashrate).
- Average time to mine a block is ~10 minutes.
- The block reward is halved every 210,000 blocks (~every 4 years); last halving occurred May 2020 (from 12.5 BTC per block to 6.25); next is expected April 2024 (from 6.25 BTC per block to 3.125).

Key Variables

- The Debtors' profitability is driven by a number of key variables, including, among others:
  - **Bitcoin (or BTC) Price**: U.S. Dollar ($) value of 1 Bitcoin
  - **Hashrate:**
    - **Network Hashrate**: Overall computing (or "hashing") power of the Bitcoin mining network
    - **Core Hashrate**: Total computing power of Core's miners
  - **Hashprice**: Reflects a combination of Network Hashrate, Bitcoin Price, and Reward/Transaction Fees, distilled into one metric, that is expressed as the $ value of Bitcoin derived per 1 Th/s (terahashes per second) of computing power
  - **Electricity Costs**: Cost of electricity necessary to power the Company's miners and other equipment within a mining facility

Key Variables

	Variable		Impact to Profitability[1]
Revenues[2]	Network Hashrate	↑	Decrease
		↓	Increase
	Core's Hashrate	↑	Increase
		↓	Decrease
	BTC Price	↑	Increase
		↓	Decrease
	Reward/Transaction Fees	↑	Increase
		↓	Decrease
Operating Costs	Price of Electricity	↑	Decrease
		↓	Increase
	Corporate Expenses	↑	Decrease
		↓	Increase

(1) Assuming all other variables are held constant.
(2) The two key variables that drive Revenues can be distilled into a single variable that represents revenue derived from a single terahash per second of processing capacity; this variable is known as Hashprice (i.e., $ generated by a single Th/s of processing capacity in a single day).

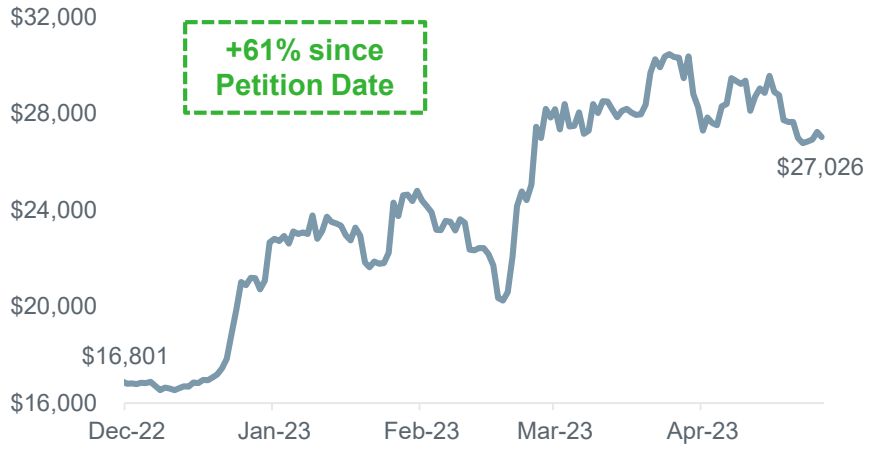
Case and Business Update

Case Update: Changing Conditions Impact Business Plan

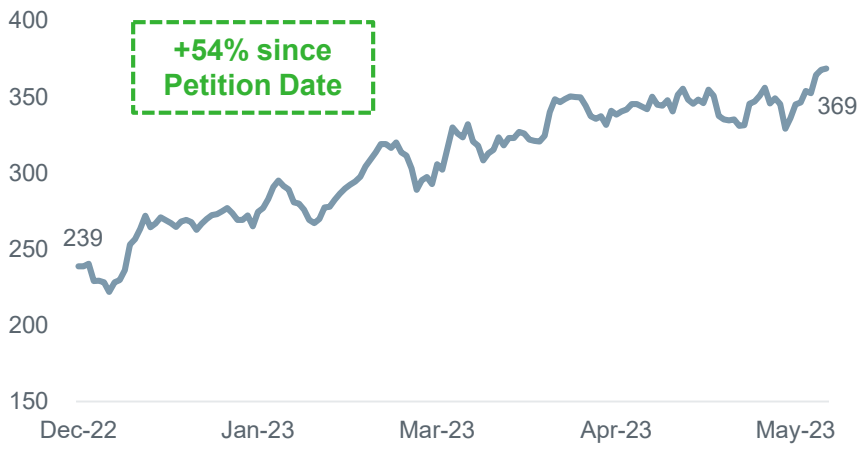
- After transitioning into chapter 11 and obtaining replacement DIP financing on more favorable terms, the Debtors turned their attention to revising their go-forward business plan (the "**Business Plan**").
- A revised Business Plan was necessary due to market conditions that have shifted materially since the Petition Date:
  - Increasing bitcoin prices;
  - Increasing network hashrate; and
  - Decreasing power costs.
- These conditions have also caused the Debtors' liquidity position to improve since the Petition Date.
- These factors, and others, directly impact the Business Plan, including the Debtors' capacity plan, the long-term plan for their facilities (including number, size, and location of facilities), and the allocation of their resources between self-mining and hosting.

Case Update: Changing Conditions & Business Plan (cont'd)

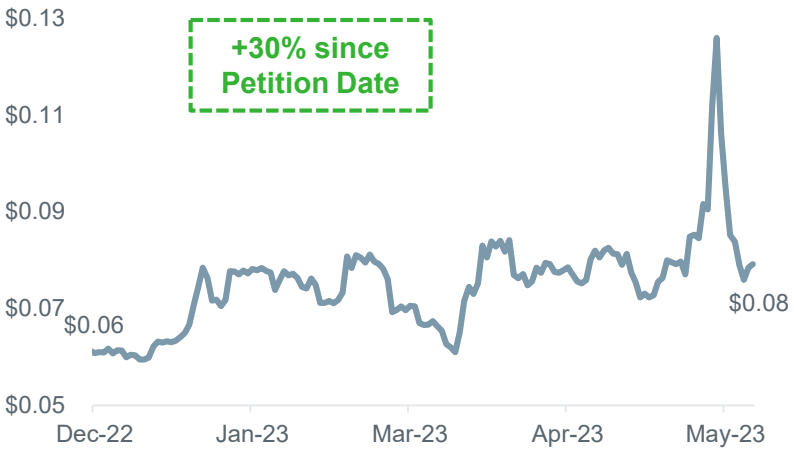
BTC Price ($)



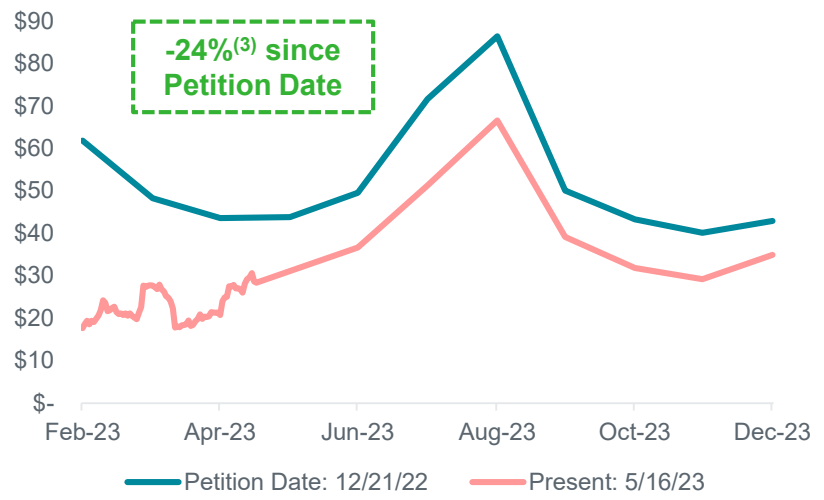
Network Hashrate (EH/s)(1)



Hashprice ($/TH/s)



ERCOT North Power Price Forwards ($/MWh)(2)



Source: Coinmetrics.io and CapitalIQ data as of 5/16/23.

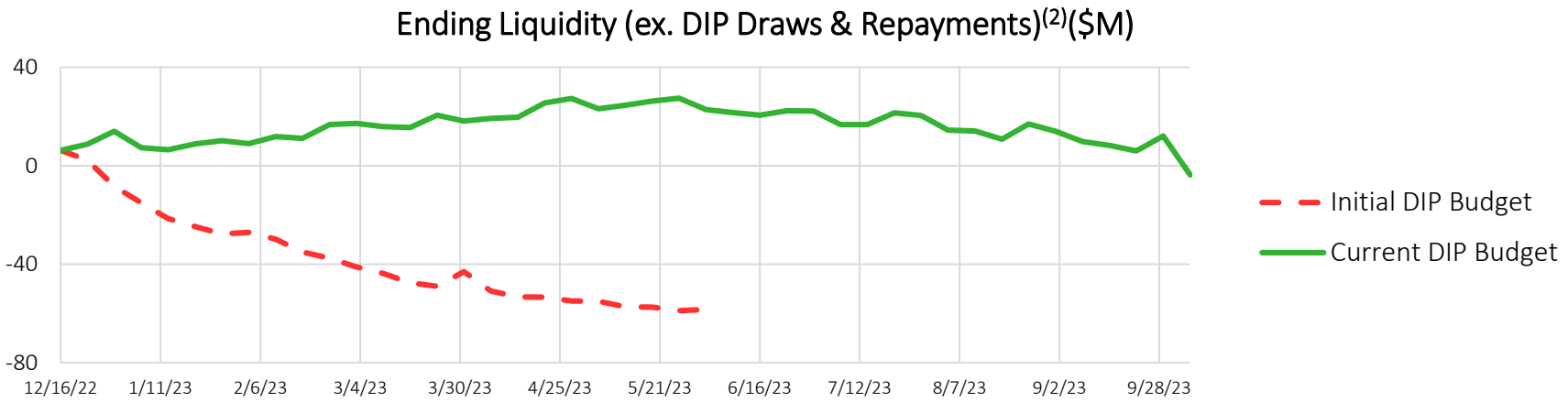
(1) 7-day moving average.

(2) Around-the-Clock ("ATC") ERCOT North Forward Power Index (weighted average of on-peak and off-peak forward prices). Present: 5/16/23 uses 14-day moving average historical prices prior to June 2023.

(3) Average decrease in monthly forward prices for overlapping months on forward curve between Petition Date and May 16, 2023 as of dates.

Case Update: Changing Conditions Impact Business Plan (cont'd)

- The Debtors' liquidity position has improved considerably since filing.
  - Despite extending the projected length of the chapter 11 cases by 4 months, the Debtors' ending liquidity is currently forecasted to be **~$46mm greater** than the initial budget at filing (when excluding all DIP draws and repayments[1]), resulting in materially lower use of DIP funding.
  - In fact, the Debtors recently repaid $6mm of DIP obligations in accordance with the DIP's Excess Cash sweep mechanics.
- Outperformance is primarily related to both realized and projected (1) increase in receipts from self-mining operations and (2) decrease in power disbursements.



(1) DIP repayment cost of $8.9M in February 2023 as a result of replacing the initial DIP is included in the calculation of $46M.
(2) Liquidity reflects cash balance plus BTC held and in-transit.

Case Update: Business Plan Status

- The Debtors have prepared and shared its Business Plan with advisors to their key constituents:
  - the Ad Hoc Noteholder Group;
  - the Creditors' Committee;
  - the Equity Committee;
  - the Equipment Lender group; and
  - the DIP Lender (and largest prepetition unsecured creditor).
- The Debtors' management and advisors met separately with each group of advisors to discuss the Business Plan and are currently engaged in diligence and further discussions about the Business Plan with each advisor group.
- The Debtors will discuss the Business Plan with the constituent principals in the coming days.

Case Update: Plan Negotiations

- The Debtors intend to commence negotiations with their key constituents over the terms of a plan of reorganization (the "**Plan**"), seeking to build as much consensus as possible.
- The Debtors are targeting filing their Plan in the near term.
- After filing the Plan, the Debtors will continue working with their constituents to obtain further support for the Plan.
- The Debtors are currently targeting an emergence from chapter 11 by the **end of September**.
- The Special Committee of independent directors of the Debtors' board of directors is overseeing the Plan formulation and negotiation process.

Illustrative Plan Confirmation Timeline

Event	Illustrative Date[1]	Timing
File Disclosure Statement ("DS") and Plan	June 15, 2023	
DS Objection Deadline	July 13, 2023	> DS and Plan Filed +28
Last Day of Exclusive Right to File Plan (proposed)	*July 19, 2023*	
Hearing on DS / DS Order Entered	July 20, 2023	> DS Objection Deadline + 7 > DS and Plan Filed +35
Solicitation Begins	July 26, 2023	> DS Order Entered + 6 > DS and Plan Filed + 41
Voting Deadline / Plan Objection Deadline	August 30, 2023	> Solicitation Begins + 35 > DS Order Entered + 41 > DS and Plan Filed + 76
Confirmation Hearing	September 11, 2023	> Plan Objection Deadline + 12 > Solicitation Begins + 49 > DS Order Entered + 55 > DS and Plan Filed + 90
Effective Date	September 25, 2023	

(1) Actual dates will depend on the Court's calendar, stakeholders' views of appropriate deadlines, and progress of discussions with various stakeholders.

Case Update: Claims Process

- The Debtors and their advisors have also commenced the claims reconciliation process to size the general unsecured claims pool to make the confirmation process smoother and increase distributions to stakeholders on the Plan effective date.
- To the extent the Debtors are unable to resolve claims objections on a consensual basis, they will prosecute them before the Court as soon as possible.

Exclusivity Extension

Request for Extension of Exclusivity

- The Debtors are requesting a 90-day extension of the Exclusive Periods (Docket No. 773), with a plan filing exclusivity deadline of July 19, 2023.
- The Debtors requested this extension to enable them to finalize their Business Plan and commence negotiations with their stakeholders over a consensual Plan.
- The Debtors have now finalized the Business Plan, shared it with the advisors to their stakeholders (including to counsel to the objecting equipment lenders), and are engaging in follow-up meetings with the advisors to discuss their questions on the Business Plan.

Most of the Debtors' key constituents – including both official committees – support the requested extension of exclusivity.

- Only certain equipment lenders objected. Their objection is essentially premised on their lack of adequate protection payments.

Request for Extension of Exclusivity (cont'd)

- The Court should overrule the Equipment Lender objection:
  - Business Plan has now been finalized and presented to creditor constituent advisors, including equipment lender advisors.
  - Plan negotiations will commence in near term and the Court should let negotiations proceed without threat of competing plan(s).
  - Equipment lenders' dissatisfaction over lack of payment does not warrant termination of exclusivity.
  - They negotiated and received adequate protection package in connection with DIP financing and they acknowledge their collateral value is increasing.
  - Debtors have been responsive to equipment lenders' concerns and have communicated regularly with equipment lenders, including weekly calls with their advisors.
  - Debtors will continue to engage with equipment lenders.

Next Steps

Key Next Steps

1. Negotiate Plan
2. File Plan, DS, and Motion to Approve DS
3. Continue Claims Analysis and Reconciliation (Prosecute Claims Objections as Necessary)
4. Prosecute Plan and Work to Resolve Disputes with Constituents
5. Confirm Plan and Emerge from Chapter 11