



United States Bankruptcy Court for the Southern District of Texas <b>Compute North Holdings, Inc. Claims Processing Center</b> c/o Epiq Corporate Restructuring, LLC P.O. Box 4421 Beaverton, OR 97076 - 4421	Desc Main Document Page 1 of 2 To submit your form online please go to <a href="https://epiqworkflow.com/cases/CPN">https://epiqworkflow.com/cases/CPN</a>  Your Mail ID is as follows: 211496658
<b>Name of Debtor:</b> Compute North, LLC et al. (See addendum) <b>Case Number:</b> 22-90273	<b>RECEIVED</b>  <b>NOV 23 2022</b>  <b>LEGAL SERVICES</b>
 BAR(23) MAILID *** 000211496658 *** CPN (MERGE2.DBF,SCHED_NO) SCHEDULE #: 275009210***** MARATHON ATTN FRED THIEL 1180 NORTH TOWN CENTER DR, STE 100 LAS VEGAS, NV 89144	<input type="checkbox"/> Check box if the address on the envelope sent to you by the court needs to be updated. Identify your replacement address in Part 1 (Section 3) below.
<div style="border: 1px solid black; padding: 5px; display: inline-block;">         Filed: USBC - Southern District of Texas          Compute North Holdings, Inc., Et al (B10)          22-90273 (MI)       </div> <div style="display: inline-block; margin-left: 20px;">   <b>0000000036</b> </div>	
<b>CPN</b>	

## Proof of Claim (Official Form 410)

04/22

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. With the exception of claims under 503(b)(9), do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503. Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. Do not send original documents; they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) that you received.

### Part 1: Identify the Claim

**1. Who is the current creditor?**  
 Name of the current creditor (the person or entity to be paid for this claim): Marathon Digital Holdings, Inc. et al. (See addendum)

Other names the creditor used with the debtor: Marathon Compute North 1 LLC, Marathon Compute North 2 LLC Inc., and Marathon Patent Group, Inc.

**2. Has this claim been acquired from someone else?**  No  Yes. From whom? \_\_\_\_\_

<b>3. Where should notices and payments to the creditor be sent? Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)</b>  <b>Where should notices to the creditor be sent?</b>  <u>Marathon Digital Holdings, Inc.</u> Name <u>1180 North Town Center Dr., Ste. 100</u> Number Street <u>Las Vegas NV 89144</u> City State ZIP Code  Country (if International): _____ Contact phone: <u>(800) 804-1690</u> Contact email: <u>ir@marathondh.com</u>	<b>Where should payments to the creditor be sent? (if different)</b>  Name  Number Street  City State ZIP Code  Country (if International): _____ Contact phone: _____ Contact email: _____	<b>4. Does this claim amend one already filed?</b> <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Claim number on court claims register (if known) _____  Filed on _____ MM / DD / YYYY  <b>5. Do you know if anyone else has filed a proof of claim for this claim?</b> <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Who made the earlier filing? _____
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### Part 2: Give Information About the Claim as of the Date the Case Was Filed

<b>6. Do you have any number you use to identify the debtor?</b> <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: _____	<b>7. How much is the claim?</b> <u>\$ See attached addendum</u> <b>Does this amount include interest or other charges?</b> <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).	<b>8. What is the basis of the claim?</b>  Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card. Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c). Limit disclosing information that is entitled to privacy, such as health care information.  <u>See attached addendum</u>
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9. Is all or part of this claim secured?

No

Yes. The claim is secured by a lien on property.

Nature of property:

Real estate. If the claim is secured by the debtor's principal residence, file a *Mortgage Proof of Claim Attachment* (official Form 410-A) with this *Proof of Claim*.

Motor vehicle

Other. Describe: See attached addendum

Basis for perfection: See attached addendum

Attach redacted copies of documents, if any, that show evidence of perfection of security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)

Value of property: \$ See attached addendum

Amount of the claim that is secured: \$ See attached addendum

Amount of the claim that is unsecured: \$ See attached addendum  
(The sum of the secured and unsecured amounts should match the amount in line 7.)

Amount necessary to cure any default as of the date of the petition: \$ See attached addendum

Annual Interest Rate (when case was filed) See attached addendum %

Fixed  Variable

No  No

Yes. Amount necessary to cure any default as of the date of petition.  Yes. Identify the property: See attached addendum

12. Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?

No

Yes. Check one:

Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). Amount entitled to priority \$ \_\_\_\_\_

Up to \$3,350\* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7). Amount entitled to priority \$ \_\_\_\_\_

Wages, salaries, or commissions (up to \$15,150\*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4). Amount entitled to priority \$ \_\_\_\_\_

Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8). Amount entitled to priority \$ \_\_\_\_\_

Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5). Amount entitled to priority \$ \_\_\_\_\_

Other. Specify subsection of 11 U.S.C. § 507 (a)( ) that applies. Amount entitled to priority \$ \_\_\_\_\_

\* Amounts are subject to adjustment on 4/01/25 and every 3 years after that for cases begun on or after the date of adjustment.

13. Does this claim qualify as an Administrative Expense under 11 U.S.C. § 503(b)(9)?

No

Yes. Amount that qualifies as an Administrative Expense under 11 U.S.C. § 503(b)(9): \$ \_\_\_\_\_

**Part 3: Sign Below**

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

I am the creditor.

I am the creditor's attorney or authorized agent.

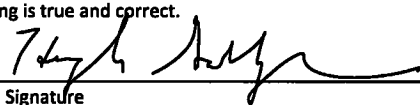
I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.

I am a guarantor, surety, endorser, or other co-debtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this *Proof of Claim* serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this *Proof of Claim* and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on date 11/23/2022 

MM / DD / YYYY Signature

Print the name of the person who is completing and signing this claim:

Name Hugh Gallagher

First name Middle name Last name

Title Chief Financial Officer

Company Marathon Digital Holdings, Inc.

Identify the corporate servicer as the company if the authorized agent is a servicer.

Address 1180 North Town Center Dr., Ste. 100

Number Street

Las Vegas NV 89144

City State ZIP Code

Contact Phone (725) 210-5114 Email hugh@mara.com

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

**In re:** § **Chapter 11**  
§  
**COMPUTE NORTH HOLDINGS, INC.,** § **Case No. 22-90273 (MI)**  
*et al.,* § **(Jointly Administered)**  
§  
**Debtors.**<sup>1</sup> §

**ADDENDUM TO  
MARATHON'S PROOF OF CLAIM**

1. Marathon Digital Holdings, Inc. (together with its affiliates, including Marathon Compute North 1 LLC, Marathon Compute North 2 LLC Inc., and Marathon Patent Group, Inc., "**Marathon**"), submits this addendum to its proof of claim (the "**Proof of Claim**") against the above-captioned debtors, including Compute North LLC ("**Compute North**" and, together with its debtor-affiliates in the above-captioned chapter 11 cases, the "**Debtors**").<sup>2</sup> By submitting this Proof of Claim, Marathon does not waive or modify any claims that it may hold against any of the Debtors, regardless of whether such claims are included on any of the Debtors' Schedules of Assets and Liabilities or Statements of Financial Affairs (as the same may be amended, supplemented, or otherwise modified, from time to time, the "**Schedules and Statements**") and any such claims by Marathon are expressly preserved and incorporated herein.

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Compute North Holdings, Inc. (4534); Compute North LLC (7185); CN Corpus Christi LLC (5551); CN Atoka LLC (4384); CN Big Spring LLC (4397); CN Colorado Bend LLC (4610); CN Developments LLC (2570); CN Equipment LLC (6885); CN King Mountain LLC (7190); CN Minden LLC (3722); CN Mining LLC (5223); CN Pledgor LLC (9871); Compute North Member LLC (8639); Compute North NC08 LLC (8069); Compute North NY09 LLC (5453); Compute North SD, LLC (1501); Compute North Texas LLC (1883); Compute North TX06 LLC (5921); and Compute North TX10 LLC (4238). The Debtors' service address for the purposes of these chapter 11 cases is 7575 Corporate Way, Eden Prairie, Minnesota 55344.

<sup>2</sup> The Debtors have agreed that Marathon may file a single consolidated Proof of Claim on behalf of multiple Marathon entities against multiple Debtor entities.

## **BACKGROUND**

2. On September 22, 2022 (the “**Petition Date**”), each of the Debtors commenced a case by filing a petition for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of Texas (the “**Bankruptcy Court**”), which cases are being jointly administered under the lead Case No. 22-90273 (MI).

3. On September 26, 2022, the Bankruptcy Court entered an order (Docket No. 86) establishing November 23, 2022, as the deadline for all creditors (except Governmental Units (as defined in section 101(27) of the Bankruptcy Code) and certain other exceptions) to file proofs of claim for claims that arose before the Petition Date against the Debtors in these chapter 11 cases.

## **BASIS FOR CLAIM**

4. Marathon is a cutting-edge, digital-currency company that mines bitcoin. To generate bitcoin, Marathon employs high-tech, state of the art, commercial-grade computers, or miners, to constantly run algorithms and decrypt complex mathematical problems for the opportunity to verify transactions on the Bitcoin blockchain, which, once solved, entitle the miner to rewards and transaction fees in the form of additional bitcoin. Marathon operates on an asset-light business model and, rather than building its own data facilities to store, operate and manage its miners, it typically contracts with third parties, like Compute North, which provide facilities and hosting services to keep Marathon’s miners running.

### **A. Claims Arising Under the Hosting Agreements**

5. The Debtors operate or previously operated several facilities that collectively host many thousands of miners purchased and owned by Marathon, which are housed at multiple facilities, including facilities located in Kearney, Nebraska (the “**Kearney Facility**”),

Granbury, Texas (the “**Wolf Hollow Facility**”), McCamey, Texas (the “**King Mountain Facility**”), and South Dakota (the “**South Dakota Facility**”). Marathon is a major customer for the Debtors and the largest customer at the King Mountain Facility.

6. Prior to the Petition Date, Marathon entered into various agreements that governed the Debtors’ operations of Marathon’s miners at these sites, including a Master Service Agreements (each, an “**MSA**”) and Order Forms (together, the “**Hosting Agreements**”).<sup>3</sup> The Hosting Agreements, which are governed under either New York or Minnesota law, set forth the parties’ rights and obligations for each of four sites where the Debtors host, or previously hosted prior to these chapter 11 cases, Marathon’s miners. A chart of the Hosting Agreements is set out below.

<b>Date</b>	<b>Agreement</b>	<b>Compute North Entity</b>	<b>Marathon Entity</b>
1/7/2022	MSA	Compute North LLC	Marathon Compute North 2 LLC
01/25/2021	Order Form	Compute North LLC	Marathon Compute North 2 LLC
1/7/2022	Order Form	Compute North LLC	Marathon Digital Holdings, Inc.
12/01/2021	Order Form	Compute North LLC	Marathon Digital Holdings
10/3/2019	Colocation Agreement	Compute North LLC	Marathon Patent Group, Inc.
10/3/2019	Addendum A	Compute North LLC	Marathon Patent Group, Inc.
12/16/2019	Addendum A	Compute North LLC	Marathon Patent Group, Inc.
06/02/2020	Patent Addendum A	Compute North LLC	Marathon Patent Group, Inc.
07/24/2020	Patent Addendum A	Compute North LLC	Marathon Patent Group, Inc.
11/24/2021	MSA	Compute North LLC	Marathon Digital Holdings Inc.

<sup>3</sup> Certain of the Hosting Agreements have been partially assigned to third parties; however, Compute North remains a party to the Hosting Agreements and is obligated to Marathon to perform whether particular rights and obligations have been assigned or not. *See, e.g.*, Restatement (Second) of Contracts § 318(3) (“Unless the obligee agrees otherwise, neither delegation of performance nor a contract to assume the duty made with the obligor by the person delegated discharges any duty or liability of the delegating obligor.”).

<b>Date</b>	<b>Agreement</b>	<b>Compute North Entity</b>	<b>Marathon Entity</b>
08/04/2022	Order Form	Compute North LLC	TZRC King Mountain LLC.
9/3/2021	MSA	Compute North LLC	Marathon Digital Holdings Inc.
9/3/2021	Order Form	Compute North LLC	Marathon Digital Holdings Inc.
11/30/2021	MSA	Compute North LLC	Marathon Compute North 1 LLC
12/01/2021	Order Form	Compute North LLC	Marathon Compute North 1 LLC
01/07/2022	MSA	Compute North LLC	Marathon Compute North 2 LLC
01/25/2022	Order Form	Compute North LLC	Marathon Compute North 2 LLC

7. As discussed below, the Debtors are in material default under the Hosting Agreements, have converted Marathon’s property in the form of millions of dollars of deposits. Marathon reserves all rights to identify and raise additional claims and issues in connection with the Hosting Agreements or otherwise.

8. Under the Hosting Agreements, the Debtors are obligated to perform a number of services to ensure that Marathon’s miners are fully operational and being maintained in optimal condition to ensure their longevity and productivity. In exchange, Marathon is required to pay monthly fees for these services and also to provide significant deposits to the Debtors.

9. Pursuant to the Hosting Agreements, Marathon deposited and prepaid the Debtors \$42,398,216.55 to host and maintain Marathon’s miners. These deposits were given to the Debtors to ensure that Compute North would promptly install and energize Marathon’s miners, and once installed and energized, it would maintain and continuously operate Marathon’s miners.

10. Marathon paid all deposit amounts required under the Hosting Agreements, totaling at least \$42,398,216.55<sup>4</sup> which, based on representations made by the Debtors, were to

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<sup>4</sup> True and correct copies of the documents—including those Hosting Agreements referenced herein— have been provided to Debtor’s counsel. Debtors have agreed that Marathon may submit the documentation in support of its

be allocated as follows: \$11,544,710.40 to the Wolf Hollow Facility; \$30,182,062.15 to the King Mountain Facility, and \$671,444.00 to the Kearney and South Dakota Facilities.

11. Under the Hosting Agreements, the Debtors are generally required to hold these deposits, except in limited circumstances, and credit the deposits towards the last two or three months (depending on the Agreement) of expenses thereunder. Marathon complied with its obligations under the Hosting Agreements, and in doing so has paid hundreds of millions of dollars 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.

12. Because Marathon continues to learn more facts and circumstances regarding the whereabouts of its deposits, Marathon reserves all rights to amend and supplement this Proof of Claim. The following recent examples are illustrative of Debtors' deposit-related improprieties.

13. First, upon information and belief, the Debtors converted and misappropriated deposits related to the King Mountain Facility. Marathon has over 60,000 miners housed at the King Mountain Facility, which is owned by TZRC LLC (the "**King Mountain JV**"), a joint venture owned 50% by Debtor Compute North Member LLC and 50% by a third party, TZ Capital Holdings, LLC, an affiliate of NextEra Energy Resources ("**NextEra**").

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claims directly to the Debtor's counsel on a confidential basis. Due to the voluminous nature of the documents that are relevant to this Proof of Claim, additional documents can be provided upon request.

14. On November 24, 2021, Compute North LLC and Marathon Digital Holdings, Inc. (“**Digital Holdings**”) signed a Master Agreement (the “**November 2021 MSA**”), governed by New York law, for services related to Marathon’s miners at the King Mountain Facility. Digital Holdings, Inc. and Compute North have signed a number of order forms under the November 2021 MSA, including an order form on August 4, 2022 (the “**August 2022 Order Form**”), which governs service of 60,000 miners at the King Mountain Facility.

15. The August 2022 Order Form required payment by Digital Holdings of a security deposit of \$8,304,887.48 to secure the Renewable Energy Credits (each, a “**REC**”) at the REC price specified in the August 2022 Order Form (the “**REC Security Deposit**”) by November 30, 2022.<sup>5</sup> The Debtors previously represented to Marathon that a portion of the deposits that it previously paid to the Debtors—i.e., a portion of the \$42,398,216.55 total amount—would be allocated to the REC Security Deposit at the King Mountain Facility in an amount sufficient to satisfy substantially all of the requirements under the August 2022 Order Form.

16. On October 19, 2022, however, NextEra demanded payment from Marathon of the full REC Security Deposit by November 30, 2022. NextEra has stated that it has no record of any payment of the REC Security Deposits and have not received any funds from the Debtors in satisfaction of the REC Security Deposits. Marathon has extensive records of such payments to the Debtors and reconciliation to support the same. Therefore, upon information and belief, the Debtors converted Marathon’s property and misappropriated amounts that were supposed to apply to the REC Security Deposits.

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<sup>5</sup> In addition, the August 2022 Order Form also included \$8,847,800.00 as an infrastructure deposit and \$18,172,803.04 as a power deposit.

17. To the extent that Marathon is required to pay the \$8,304,887.48 requested by NextEra to avoid service disruptions at the King Mountain Facility, Marathon is entitled to a claim against Compute North LLC in that amount.

18. Second, upon information and belief, the Debtors converted and misappropriated deposits related to the Wolf Hollow Facility. On October 31, 2022, GC Data Center and Debtor CN Pledgor entered into a Purchase and Sale Agreement (the “PSA”), whereby Debtor CN Pledgor sold 100% of its equity interests in CN Borrower to GC Data Center Equity Holdings, LLC, an affiliate of Generate Lending, LLC (“Generate”). On November 1, 2022, the Court entered the *Order (I) Approving the Sale of Debtor CN Pledgor LLC’s Equity Interests in CN Borrower LLC Free and Clear of All Liens, Claims, and Encumbrances, (II) Authorizing the Assumption and Assignment of Certain Executory Contracts in Connection Therewith, and (III) Granting Related Relief* (Docket No. 362) (the “Generate Sale Order”), which, among other things, approved Debtor CN Pledgor’s entry into the PSA and sale of its equity interests in CN Borrower (the “Generate Sale”).<sup>6</sup> To Marathon’s knowledge, the Generate Sale closed on or about November 2, 2022. See *Notice of Revised Asset Purchase Agreement Relating to Successful Bidder for CN Pledgor Assets* (Docket No. 347).

19. Following the closing of the Generate Sale, Marathon has engaged in commercial discussions with Generate and Generate’s third-party operator to discuss a go-forward arrangement at the Wolf Hollow Facility. During those conversations, Generate conveyed to Marathon that the Debtors did not transfer Marathon’s deposits to Generate directly nor to CN

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<sup>6</sup> The Debtors designated a number of the Hosting Agreements for potential assumption and assignment, including possibly as part of the Generate Sale. Marathon filed an objection and reservation of rights to the potential assumption and assignment of its agreements with the Debtors and to preserve Marathon’s setoff and recoupment rights under those agreement (Docket No. 337) (the “Marathon Objection”).

Pledgor or CN Borrower under the partial assignment agreements between CN Wolf Hollow LLC and Compute North LLC relating to the Hosting Agreements.

20. Unless and until the Debtors provide an accounting for the full \$42,398,216.55 in deposits Marathon prepaid and sufficient proof that such amounts will be applied in accordance with the terms of the Hosting Agreements, Marathon should be entitled to an unsecured claim in the full amount. Marathon also reserves the right to assert subrogation claims, including to the extent duplicative deposits are provided to the Debtors or to any third party, including NextEra, Generate, or otherwise, as the case may be.

**B. Claims Arising Under the Promissory Note**

21. On July 1, 2021, Digital Holdings, as Lender, and Debtor Compute North TX06 LLC, as Borrower, entered into that certain *Senior Secured Promissory Note*, in a principal amount of up to \$67,000,000 (the “**Original Note**”), which Original Note was secured in accordance with the terms thereof and the documents related thereto. A true and correct copy of the Original Note has been provided to Debtors’ counsel.

22. Marathon agreed to restructure the outstanding obligations under the Original Note totaling \$30,000,000. On July 1, 2022, Marathon, as Lender, and Compute North LLC, as Borrower, entered into that certain *Senior Promissory Note*, in the principal sum of \$30,000,000 (the “**Second Note**”), which accrues interest at a rate of 12% per annum and has a maturity date of December 30, 2022. The Second Note replaces the Original Note, which was fully discharged and terminated thereunder. A true and correct copy of the Second Note has been provided to Debtors’ counsel.

23. Pursuant to the terms of the Second Note, the parties agreed to reduce the face value of the Second Note by application of certain of the deposits from Marathon in the

amount of \$9,175,718.40, as further described in Second Note and Order Form, Deal ID 7080053405.<sup>7</sup> A true and correct copy of that Order Form has been provided to Debtors' counsel.

24. The Second Note also includes a repayment schedule, which is set forth in Exhibit 1 to the Second Note. As of the Petition Date, \$21,266,580.63<sup>8</sup> in principal and interest remained outstanding under the Second Note.

25. Marathon should be entitled to a claim, in the full amount of the outstanding principal and interest, including costs and attorneys' fees as provided for in the Second Note.

**C. Claims Arising Under the LOI**

26. On May 21, 2021, Marathon and Compute North LLC executed that certain *Binding Letter of Intent* (the "LOI"), a true and correct copy of which has been provided to Debtors' counsel. Pursuant to the LOI, the Debtors agreed to fulfill Marathon's "significant hosting requirements" for 73,000 miners to be delivered in five batches from September 2021 through January 2022.

27. Among other things, the LOI includes a "Batch Deployment Completion Schedule," which obligated the Debtors to begin deploying Marathon's miners by October 2021, and to have all 73,000 miners installed and energized no later than March 2022. The LOI further stated that "the parties shall undertake all commercially reasonable efforts to achieve and accelerate the completion date."

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<sup>7</sup> For the avoidance of doubt, Marathon asserts the \$9,175,718.40 amount as part of its claim related to the deposits paid by Marathon, as discussed above. To the extent the Debtors did not properly credit Marathon for that deposit, Marathon asserts a claim for the full amount as a result of the conversion and misappropriation of that deposit.

<sup>8</sup> In the *First Day Declaration of Harold Coulby, Chief Financial Officer and Treasurer of the Debtors, in Support of the Chapter 11 Petitions and First Day Pleadings* (Docket No. 22), the Debtors' Chief Financial Officer stated that, "[a]s of the Petition Date, \$21,013,027.03 remains outstanding under the Marathon Note." See Docket No. 22, ¶ 51. In the Schedules and Statements, however, the Debtors listed Marathon's claim on account of the Second Note as "Disputed."

28. In exchange for the Debtors agreeing to install and energize its miners on an expedited timeline, pursuant to the LOI, on May 2021, Marathon paid a total of \$8,000,000.00 in “Expedite Fees” to the Debtors. Further, in exchange for an additional \$6,000,000 in Expedite Fees, Marathon agreed to waive interest for the term of one year under the terms of the Original Note. Thus, Marathon compensated the Debtors for \$14,000,000 worth of expediting services, pursuant to and as described in the LOI.

29. The Debtors failed to deliver on the promised Batch Deployment Completion Schedule, which resulted in significant lost revenues for Marathon (as further described below). Because the Debtors did not comply with the terms of the LOI, Marathon asserts a claim for the full amount of the Expedite Fees—\$14,000,000—that Marathon paid to the Debtors pursuant to the LOI.

**D. Loss of Revenue, Profits and Other Damages Arising From the LOI and Hosting Agreements (collectively, “Lost Revenue Claims”)**

30. The failure to install and energize miners per the LOI terms resulted in substantial additional lost revenue. The Debtors (at Marathon’s expense) have accepted delivery of many thousands of miners that have sat inactive in the Debtors’ data centers for months, despite the Debtors’ contractual duty to promptly install and operate those miners, in some cases, on an expedited basis, including in accordance with the LOI’s bargained-for schedule.

31. Marathon’s miners only function if properly installed, energized, and maintained. Marathon thus relies on the Hosting Agreements with the Debtors to generate revenue using these thousands of miners, which are otherwise unproductive. Put another way, if any miners are not operating, due to lack of installation, lack of energizing, or lack of repair, then Marathon does not make any money with those miners.

32. The Debtors have entirely failed to install, energize, and operate many of Marathon's miners, which should and otherwise would be actively making money for Marathon. Under Compute North's Customer Handbook, which is expressly incorporated into Marathon's contracts, the Debtors promise customers that once "you sign your contract and submit your initial deposit," Compute North's "onsite staff [will] stand ready to start turning up your miners the moment they arrive at our facility." Likewise, several of the MSAs for the Wolf Hollow Facility include language guaranteeing that the Debtors "will provide the Services at the Facility in a professional and workmanlike manner."

33. Despite these and similar contractual obligations, over 14,000 of the miners that Marathon delivered to be installed at the Wolf Hollow Facility have not been installed, and an additional 12,000 miners are installed but not energized—in either case, rather than generating bitcoin (i.e., revenue) for Marathon, they are inactive in spite of notice to the Debtors.

34. With every day that passes, Marathon is losing additional revenue due to the Debtors' failure to perform under the Hosting Agreements. Indeed, these 26,000 miners are inactive, resulting in approximately \$250,000 in lost revenue on a daily basis.

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.

**F. Minimum Estimated Claims**

36. As set forth in detail above, Marathon has claims against Compute North in excess of the following amounts:

<b>Claims</b>	<b>Amount</b>
Claims Arising Under Hosting Agreements	\$42,398,216.55
Claims Arising Under Promissory Note	\$21,266,580.63 plus fees and expenses
Claims Arising from LOI	\$14,000,000.00
Lost Revenue Claims	At least \$1.7 million, and an additional \$250,000 daily

**SETOFF AND RECOUPMENT**

37. Marathon reserves all rights and defenses with respect to setoff and recoupment in connection with the Hosting Agreements and any other contracts or arrangements. Moreover, should any Debtor assert a claim against Marathon, Marathon shall have a secured claim to the extent of its right of setoff under section 553 of the Bankruptcy Code against such claim, with respect to the claims asserted herein and any amendments thereto.

**RESERVATION OF RIGHTS**

38. Marathon does not waive or release, and expressly reserves, all rights and remedies at law or in equity that it has or may have against the Debtors.

39. Marathon reserves the right to amend, modify, supplement, reclassify, or otherwise revise its Proof of Claim at any time and in any respect, including, without limitation, as necessary or appropriate to provide additional detail regarding the claims set forth herein; to

add or include any other Debtor or any other entity which may become a debtor in these chapter 11 cases; to revise, quantify, or correct the amount of the claim; to assert additional grounds for the claims; to assert a further priority, security interest, or similar right with respect to the claims; to reflect any and all additional claims of whatever kind or nature that Marathon has or may have against the Debtors, including, without limitation, claims for interest, fees (including attorneys' fees), and related expenses that are not ascertainable at this time; to file any claims for payment of administrative expenses or other claims arising after the Petition Date; and/or to attach or submit additional documents supporting these claims that may become available after further investigation or discovery.

40. In executing and filing this Proof of Claim, Marathon does not submit itself to the jurisdiction of the Bankruptcy Court for any purpose other than with respect to this Proof of Claim against the Debtors, and the execution and filing of this Proof of Claim is not and shall not be deemed any of the following: (i) a waiver of any rights or remedies of Marathon, or any admission with respect to the appropriateness of any remedy, under any agreement or applicable law; (ii) a waiver of the right to withdraw the reference, or otherwise to challenge the jurisdiction of the Bankruptcy Court, with respect to the subject matter of the claims asserted herein, any objection or other proceeding commenced with respect thereto, or any other proceeding commenced in these cases against or otherwise involving the Debtors; (iii) an admission that any matter is a matter as to which the Bankruptcy Court can enter a final judgment; (iv) a waiver of the right to have final orders entered in matters as to which the Bankruptcy Court lacks the authority to enter final orders only after a *de novo* review by the district court; (v) a consent to the entry by the Bankruptcy Court of final judgment with respect to the claims asserted herein or any other matter; (vi) a waiver or release of Marathon's claims or rights against any other entity or

person that may be liable for all or any part of the claim or any matters related to the claim; (vii) a waiver of any right related to the assumption, assignment and rejection of any of the Hosting Agreements documented herein or otherwise, or an admission as to the executory nature of any of the Hosting Agreements documented herein or otherwise; and/or (viii) a waiver of any right related to the confirmation of any plan of reorganization or liquidation proposed in these chapter 11 cases.

41. Neither this Proof of Claim nor any of its contents shall be deemed or construed as an acknowledgment or admission of any liability or obligation on the part of Marathon. Marathon specifically reserves all of its defenses and rights, procedural and substantive, including, without limitation, its rights with respect to any claim that may be asserted against Marathon or any of its affiliates by any Debtor, person, or entity.

42. Marathon specifically reserves the right to file a claim for rejection damages relating to any of the Hosting Agreements.

43. Marathon further reserves the right to investigate whether fraud or other intentional misconduct occurred giving rise to additional claims, to amend this Proof of Claim and to assert such claims.

**CLAIMS ARISING ON OR AFTER THE PETITION DATE**

44. The filing of this Proof of Claim does not waive, alter, or otherwise affect any rights Marathon may have to assert any claims against the Debtors created or otherwise arising on or subsequent to the Petition Date, including but not limited to, any claims related to any services performed that are entitled to administrative expense priority. Marathon expressly reserves its right to file any and all such claims or similar claims at the appropriate time.

**NOTICE**

Copies of all notices and communications concerning this Proof of Claim should

be sent to:

Marathon Digital Holdings, Inc.  
1180 North Town Center Dr., Ste. 100  
Las Vegas, NV 89144  
Attn: Jolie Kahn  
Email: [jolie@mara.com](mailto:jolie@mara.com)

**With copies to:**

Weil, Gotshal & Manges LLP  
Robert S. Berezin  
Jessica Liou  
Alexander P. Cohen  
767 Fifth Avenue  
New York, NY 10153  
Emails: [Robert.Berezin@weil.com](mailto:Robert.Berezin@weil.com)  
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