

The Honorable, H.M. Davenport, Jr
300 W. 3rd Avenue, Suite 102
Corsicana, TX 75110

Commissioners David Brewer, Eddie Perry, Eddie Moore, and Jason Grant
300 W. 3rd Avenue, Suite 102
Corsicana, TX 75110

CC:
Jackie Sawicky, Texas Coalition Against Cryptomining

Dear Judge Davenport and Commissioners Brewer, Perry, Moore, and Grant:

I am writing to share information uncovered during our investment research into Riot Platforms which we hope will prove useful should Riot choose to re-pursue tax abatements for Riot Corsicana, LLC.

First, we applaud the wisdom shown in denying Riot's initial request for a reinvestment zone in March and urge you to not be moved by Riot's recent public relations campaign and efforts to curry favor with local groups through donations.¹ Please note that Kerrisdale is short shares of Riot and we provide a link to full disclosures at the end of this letter. We are short because much like Commissioner Brewer's view of the Corsicana facility, we don't think Riot is a good investment.² We strongly oppose the awarding of lucrative tax abatements and believe continued skepticism of the project's purported job benefits is warranted.

Concerns Over Operations and Treatment of Workers at Rockdale

Riot often mentions the number of jobs the Corsicana facility will create, but just how good are these jobs? During our research we found numerous instances that raise concerning questions over the quality of Riot's operations, environmental protocols, and management's commitment to health and safety for employees at its existing facility in Rockdale.

We conducted two lengthy interviews with a former operations specialist at Rockdale who recounted his "harrowing" experience working for Riot:

¹ [Riot Reps Speak About Role in Community](#), Corsicana Daily Sun, May 24, 2024.

² [Bitcoin miner's \\$640m megadeal stumbles as Texans sour on industry's promise of jobs and growth](#), DLNews.com, March 22, 2024.

“There was dielectric fluid all over the place, all over the ground... I mean this stuff is flammable...this is not good stuff to breathe in...

*We were building these big vats. These big bathtubs of miners that were basically having the immersion mining fluid that would cover the miners in the bathtub, **but the power distribution units above the machine - those things would be faulty because they weren't coming from Schneider Electric which is obviously the best.** Schneider and Eaton are the best power companies out there, a lot of the American companies are the better ones but if you're taking these from **random Chinese manufacturers** that may or may not put a fuse in those things. Basically, if you don't put a fuse in the power distribution unit between the switch where you turn the switch on with your finger, basically you could get electrocuted...*

*It was such **a ramshackle operation** that there was **fluid on the ground...there was no protocol of using PPE...We weren't required to wear face masks** so we don't breath in all the crazy fluid – you have to realize that when you're in the middle of either one of those immersion miner areas like the actual fluid, **inhaling the fluid causes cancer, I mean it's on the damn label**, so inhaling the fluid causes a lot of problems and when you're in the dry areas, when in the dry rooms a lot of energy is running through these chips – **the dust that's coming off these chips, the microparticles – those can easily can get in your lungs as well. It was a nightmare of health problems and there was no mandate to wear a face mask to protect you from particles like that, nobody would really care.** I understand that....factory workers in the middle of Texas getting paid \$15/hr they're diff people man, never realized these people are out there. **You know you're slippin and sliddin around on dielectric fluid in the middle of an electrical bomb. That's really what the job was and there wasn't a lot of safety protocols there.**” [emphasis added]*

There are several troubling aspects to his description (beyond the obvious). First, the employee provided this photo of the substance used in immersion fluid operations at Rockdale in 2022:



The label (in fine print) and the product’s [safety sheet](#) states, “May be fatal if swallowed and enters airways. Harmful if inhaled. Avoid breathing mist / vapours.” According to the former employee, however, wearing masks while interacting with the fluid (such as leaning over a tank to lift a submerged miner out of the immersion liquid) was neither consistently observed nor enforced. The former employee told us of a time when a co-worker was so overcome with the effects of breathing in vapor from the fluid he vomited into the immersion tank.

The ExxonMobile [datasheet](#) for Spectrasyn 2C states it is a basestock for synthetic lubricants used in passenger car engines, heavy-duty diesel engines, transmissions, gear boxes and a variety of industrial applications. Noticeably absent is specific mention of its use in immersion mining. This would appear because ExxonMobile only launched its product set specifically tailored for data center immersion cooling last [October](#). Spectrasyn 2C is not among the listed solutions. We believe Riot used Spectrasyn 2C at Rockdale because as a [first mover](#) in large-scale immersion-cooled bitcoin mining, it did not have as many [safe, non-toxic](#), and cost-effective immersion fluids as there are on the market now. We have not been able to confirm what type of immersion coolant is used currently at Rockdale or Corsicana but we would implore the Commissioners to find out.

Interviews we conducted with the former employee also raised concerns over Riot’s operational culture. When the former employee voiced concerns over the lack of safety protocols in handling immersion fluid at Rockdale, he said “nobody cared” among his managers. The former employee described a “huge cultural clash” between “crypto bros” among management and the electricians, engineers, and maintenance personnel which ran the facility on a day-to-day basis.

This disconnect between management and those charged with operations at Riot is one we have heard elsewhere. An industry participant familiar with Riot and the Rockdale mine we spoke cautioned, “until you’ve done the job of a \$20/hr tech at a mine, you don’t understand how the game works and the

percentage of execs that have done that is very low.” Note, the former Rockdale employee we spoke with was being paid \$15/hr whereas CEO Jason Les previously founded a Singapore-based software company and was a professional poker player for 13 years.³

The former employee we interviewed worked for Riot for over a year, which he said was actually a relatively long period of time as many ground level workers responsible for miner installation and maintenance wouldn’t last more than a few days. In fact, the employee stated turnover was so high that operations workers were given a “special hoodie” if they made it past two weeks.

Chinese Equipment Suppliers

In addition to concerns over mine safety and operations, we would encourage commissioners to scrutinize Riot’s equipment procurement practices. Riot has agreed to purchase \$453 million in mining equipment from Chinese manufacturer MicroBT.⁴ Riot has promoted how the equipment will be manufactured in Pennsylvania, and therefore supports domestic job creation but we would caution against accepting these claims at face value.

First, the miners are “Made in USA” but as the fine [part-print](#) reads (literally), “with imported parts”. The parts’ shipping records confirm they come from China.



³ [LinkedIn.com](#)

⁴ Riot Platforms, SEC Form 10-K for fiscal year ended December 30, 2023, p.5.

Actual Arrival Date	Supplier ▼	Buyer ▼	Cargo Description	BoI
2024/05/28	LEPIC LTD UNIT A16, 6/F., HUNG TO CENTRE, 94- 96 HOW MING STREET, KWUN TONG, KOWLOO N HONG KONG HK	SYNOS CORP 2101 W PIKE ST HOUSTON PA 15342 US TE AMS	COMPUTER PARTS(CHIP RESISTOR /CHIP CAPACITOR /DIODE/SCREWS /COMPUTER RADIATOR/PCB/COPPER/ IC/ METAL CASE SHELL	OOLU8810778033
2024/05/24	LEPIC LTD UNIT A16, 6/F., HUNG TO CENTRE, 94-96 HOW MING STREET, KWUN TONG, KOWLOON, HONG KONG	SYNOS CORP 2101 W PIKE ST HOUSTON PA15342 USA	COMPUTER PARTS (CHIP RESISTOR /CHIP CAPACITOR /DIODE/ SCREWS /COMPUTER RADIATOR /PCB/ COPPE R/ IC/ METAL CASE SHELL /POWER SUPPLY/ POWER	OOLU2735862980
2024/05/05	LEPIC LTD UNIT A16, 6-F., HUNG TO CENTRE, 94-96 HOW MING STREET, KWUN TONG, KOWLOON, HONG KONG	SYNOS CORP 2101 W PIKE ST HOUSTON PA15342 USA	COMPUTER PARTS (CHIP RESISTOR -CHIP CAPACITO R -DIODE- SCREWS -COMPUTER RADIATOR - PCB- COPPER- IC- METAL CASE SHELL -POWER SUPPLY- POWER	CMDUSHZ6095194
2024/05/05	LEPIC LTD UNIT A16, 6-F., HUNG TO CENTRE, 94-96 HOW MING STREET, KWUN TONG, KOWLOON, HONG KONG	SYNOS CORP 2101 W PIKE ST HOUSTON PA15342 USA	COMPUTER PARTS (CHIP RESISTOR -CHIP CAPACITO R -DIODE- SCREWS -COMPUTER RADIATOR- PCB- COPPER- IC- METAL CASE SHELL -POWER SUPPLY- POWER	CMDUSHZ6095194

Source: Import records for Synos Corp, importkey.com

The “US manufacturer” for MicroBT rigs is its factory partner, Synos Corp.⁵ A recent press release from Northern Data Group (coincidentally, the company from whom Riot purchased the Rockdale facility) states the owner of Synos Corp as Chinese born Xiao (Kirk) Su.⁶ Su would appear to be a busy man as he is also the Chairman of HashHouse Tech, which recently announced a deal for 200 MW of immersion equipment infrastructure with Riot, destined for Corsicana.⁷ According to Hong Kong business listings, the former name of the supplier of computer parts to Synos, Lepic Ltd, was Hash House NB Limited.⁸

Video of Synos’ manufacturing facility posted on [Twitter](https://twitter.com) shows a highly automated manufacturing process that doesn’t appear to require very many high skilled positions (much like bitcoin mining itself). We believe MicroBT’s ~~production~~ [manufacturing](#) strategy is far more about employing a way to bypass import tariffs⁹ by not importing a finished good than it is about employing US workers. The US is an important market for MicroBT but far from the only country it sells to. According to mining industry sources, MicroBT is also “entrenched” in Russia where the bitcoin mining industry is “booming” amid sanctions.¹⁰

⁵ <https://theminermag.com/research/2023-03-18/bitcoin-miner-shipment-us/>. <https://bitcoinist.com/made-in-the-usa-whatsminer-in-american-soil/>

⁶ [Peak Mining](#), a Northern Data Group company, signs \$150m contract for next generation liquid-cooled mining hardware form MicroBT, September 22, 2023. Su’s Facebook page states he is from Yulin, Shaanxi and that he attended Xi’an Gaixin No. 1 High School.

⁷ [HashHouse Tech and Riot Platforms Join Forces for a 200 MW Deployment for their Corsicana Site](#), February 6, 2024.

⁸ [HK Directory](#).

⁹ Companies Find Ways to Bypass Tariffs on Chinese Imports, [Wall Street Journal](#), February 6, 2020.

¹⁰ [Amid Sanctions, Bitcoin Mining Machines are ‘Flowing’ Into Russia, as Industry Thrives](#), Coindesk.com.

So, to summarize, despite Riot’s claims of supporting job creation in Corsicana, the contract manufacturer for assembling \$453 million worth of bitcoin mining computer parts is a Chinese company using a facility in Pennsylvania that also sells considerable amounts of equipment to Russia. The Chinese owner of the manufacturing facility just so happens to also run a company that has a deal to supply Riot with immersion equipment infrastructure. In case this wasn’t enough overlapping Chinese fingerprints, HashHouse’s “Customized Coolant” is listed as Synos Max 21 Immersion Coolant, made by Synos HK Limited (seen below).¹¹



In a report filed on our [website](#) today we detail why we believe Riot’s business model and history of rewarding senior management at the expense of diluting retail investors makes the company an exceptionally poor investment. Given this financial track record, it did not surprise us to learn that Riot also has a questionable history when it comes to facility operations, employee health and safety, and customer relationships.¹²

Kerrisdale urges the Commissioners to approach Riot’s promises of job creation with skepticism and remain steadfast in not approving valuable tax abatements given Chinese companies, and not local citizens of Corsicana, may be the main beneficiaries.

Sincerely,

¹¹ [HashHouse.tech](#).

¹² On April 5, 2023, SBI Crypto Co., Ltd. a hosting customer of Riot’s filed a complaint in the United States District Court for the Western District of Texas (Case No. 6:23-cv-252), which it later amended, alleging breach of contract, fraud, and negligent bailment claims.

Sahm Adrangi
Chief Investment Officer
Kerrisdale Capital Management, LLC

Disclosure: Kerrisdale Capital Management and its affiliates (collectively, "Kerrisdale") are short shares of Riot Platforms and stand to realize gains in the event that the price of the stock decreases. Please read our full disclaimer at [kerrisdalecap.com/legal-disclaimer-3](https://www.kerrisdalecap.com/legal-disclaimer-3).