ECONOMIC DEVELOPMENT AUTHORITY AGENDA

Workshop
City of Brainerd, Minnesota
City Hall, 501 Laurel Street, Council Chambers

Notice to the public in accordance with the open meeting law a quorum of Public Utilities Commission and City Council Members may be in attendance.

Tuesday, August 6, 2024 @ 5:00 PM

The public is invited to attend these meetings in person

1. **Call To Order**

2. **Roll Call**

   ___K. Bevans ___T. Bieser ___J. Grecula ___G. Johnson ___M. Kirsch ___M. O'Day ___P. Sandy ___K. Yeager

3. **Discussion Items**

   A. **VCV Digital Discussion**

4. **Adjourn**

Visit the City's Website at www.ci.brainerd.mn.us

MISSION

"Provide high quality, cost effective public services and leadership in creating a sustainable city"

MEMO

TO: EDA Board of Commissioners, BPU Commission, Mayor and City Council

FROM: James Kramvik, Community Development Director

DATE: August 6th, 2024

RE: VCV Digital Discussion

INTRODUCTION

On March 3, 2022, the EDA conducted a duly noticed public hearing regarding the sale of 1911 Thiesse Drive and 1918 Thiesse Drive to VCV Digital Infrastructure Minnesota LLC for the development of a cryptocurrency mining facility (the "Minimum Improvements"), pursuant to a Purchase and Development Contract, dated March 3, 2022.

The EDA found that the conveyance of the Development Property conformed to the City's comprehensive plan, as approved by the City, and would facilitate the construction of a job-producing facility within the industrial park and increase the tax base of the City, and that the execution of the Contract and performance of the Authority's obligations thereunder, including the conveyance of the Development Property to the Developer, were in the best interest of the City and its residents. Following the public hearing, on March 3, 2022, the Authority approved the form and the execution and delivery of the Contract. The Contract was recorded on January 10, 2024 in the Office of the County Recorder of Crow Wing County.

BPU COMMISSION

During the March 26 Commission meetings discussion had occurred related to unfinished business and pursuing an agreement with VCV Digital related to crypto mining activities. The original contract had expired and staff were instructed to work with VCV to create another agreement. Working with the attorney, the attached agreement was agreed upon by staff, and the finance committee as it relates to VCV Digital. Subsequent to this approval by the finance committee VCV is now working with the City to get building permits.

The PBU Commission ratified the new contract with VCV Digital at the April 30th, 2024 meeting which required VCV to achieved a 15 megawatts minimum load by December 31, 2024. If VCV fails to satisfy the minimum load requirement by December 31, 2024, the Agreement shall automatically terminate as of December 31, 2024.

EDA SPECIAL MEETING – JUNE 26th

The EDA considered VCV's amended PDA request at their June 26th Special Meeting to extend the construction commencement deadline, revise the minimum improvements for 1918 Thiesse Drive, and noted the transfer of the outstanding membership interests of the Developer to Ancheng.

After consideration, the EDA moved and approved denial of the request and directed Staff to send a thirty-day written notice on the default of the agreement that required the developer to commence construction of the Minimum Improvements within one hundred twenty (120) days after closing.

CITY COUNCIL MEETING

The Brainerd City Council denied the Interim Use Permit request for outdoor storage as a principal use at their regularly scheduled July 1st meeting and provided findings through a resolution at the July 15th meeting. Given that the City Council denied the IUP for construction, the default is incurable at this time. The City Council denied the IUP based on sound level concerns to residential properties and for incompatibility with the Comprehensive Plan.

WORKSHOP – AUGUST 5th

VCV and investor BLOCKMETRIX will present an alternative construction plan for a crypto mining facility at 1911 Thiesse Dr. The new plan includes the construction of a data center facility to house the immersion tanks. VCV is looking for the attendees to provide comments for or against the new concept before proceeding with revised construction plans.

BLOCKMETRIX

COMPANY OVERVIEW

CURRENT COMPANY OVERVIEW

- **Experienced Management**
  Reputable management with vast industry experience
  - Overseen the buildout of more than 1.2 gigawats of mining sites
  - Previous mining operation from start-up CEO to exit of $1.46 billion USD

- **Sizable Miner Fleet**
  Purchased and Deployed 5891 Bitcoin miners (0.55 EH/s)

- **Prior Experience in Site Buildout & Management**
  Built and managing a 10MW hosting site in Carrizo Springs, Texas

- **Strong Investor Base & Deployable Capital**
  Management has successfully raised over $56 million in private equity since 2021 for Blockmetrix, and $130 million for prior operations without banking sponsors

PROJECT PLAN

Blockmetrix will build a state-of-the-art immersion-based (SILENT) Bitcoin mining facility in 3 phases

State-of-the-Art Facility

Development of a 25MW greenfield site into a cutting-edge Bitcoin mining operation.

Cutting-Edge Immersion Tech

M66 Immersion Miners: Utilizing the latest M66s immersion miners known for **near-zero noise** production and high efficiency.

Partnership with Rosseau: Collaboration with Rosseau to procure immersion tanks, leveraging their expertise and reputation in the data center industry, including projects with Arti.

PROJECT PHASES

Phase 1
Construct a data center facility to house 50MW of BTC miners and purchase equipment to utilize the first 15MW.

Phase 2
Purchase equipment for the additional 10MW.

Phase 3
Apply for 25MW of additional capacity. If successful, purchase equipment for the additional 25MW.

PROJECT TIMELINE

Note: These dates are estimates and may be subject to change

	Construction Start Date	Construction End Date/Operation Start Date	Size (MW)
Phase 1	1-Oct-24	1-Feb-25	15 MW
Phase 2	1-Feb-25	1-Mar-25	10 MW
Phase 3	1-Jul-25	1-Aug-25	25 MW
Total			***50 MW***

COMPANY MANAGEMENT

Clark Swanson
Chairman and CEO

Mr. Swanson is former Vice Chairman, President & Chief Executive Officer of Blockcap, Inc., and is responsible for taking them from start-up team to their $1.46 billion USD acquisition in 2021. He is also a founder and former Director, Chief Executive Officer and President of Blackline Safety, which achieved an enterprise value of $500 million at the time of exit. Mr. Swanson holds a degrees in Economics from Pepperdine University and a Masters in Business Administration from Graziadio School of Business & Management.

Ro Shirole
COO

Ro is a partner and Chief Commerical Officer for Saxet Infrastructure Group where he has 600 MW in development. Prior, Ro was the Chief Growth Officer for Compass Mining and before that, oversaw the development of 780MW with Compute North. In 2021, Ro was one of 2 outside advisors for MicroBT's nextgen design of miners. Ro has also helped lead the space through speaking engagements and contributing to some of the highest level thinktanks in the industry. Ro was most recently tapped to advise on the Digital Asset Committee for a U.S. Presidential Candidate's campaign. Ro spent over 20 years in private equity focused on tech.

Regan McGrath
CFO

Regan McGrath is the Founding Partner and CEO of Metrics where she has grown the firm into a national leader in the cryptocurrency space. In her role as CFO, Regan brings over 10 years of experience working in financial strategy with small investment funds and high-growth companies. Regan holds her Bachelor of Arts from McGill University, CPA CA from the Canadian Institute of Chartered Accountants, her Certification in Fintech and the Future of Commerce and her Certification in Applied Business Analytics from MIT Sloan School of Management.

Keith Spickelmier
Co-Founder and Executive Director

After a successful career as lawyer for Haynes and Boone and Verner, Liipfert, Bernhard, McPherson and Hand, Mr. Spickelmier established a track record as a capable entrepreneur. He is the Executive Chairman of Sintana Energy, Director and Chairman of the Board of Discovery Energy, and a director of Helix Exploration, an AIM listed company. Also, he co-founded JK Acquisition Corp., a SPAC, and was a founder and chairman of Westside Energy.

Steve Bellotti
Advisor and Board Member

Mr. Bellotti possesses a distinguished career in the development and management of sizable, intricate global market enterprises. His expertise extends deeply into the realms of cryptocurrency and blockchain technology, evidenced by his role as the founder of Trovio Group. Additionally, his strategic insights and leadership have been instrumental in advising prominent organizations in the crypto sector, including Fantom and The Perth Mint.

MAJOR SHAREHOLDERS

David Kiger

Mr. Kiger is the founder and a shareholder of Worldwide Express, a $4 billion US-based shipping and logistics firm (3PL). He's presided over 4 separate private equity transactions for Worldwide. He's also been named in D magazine's D CEO, DALLAS 500 several times. He is an active investor in and board member of several late-stage, privately held companies.

Chris Hadley

Chris Hadley is a prominent figure in the private equity industry, currently serving as the Executive Chairman of Quadrant Private Equity. With a career spanning over three decades, Chris has been instrumental in driving Quadrant's growth, overseeing numerous successful investments across various sectors. Under his leadership, Quadrant Private Equity achieved significant recognition in 2021, being ranked 7th in the world by the HEC-Dow Jones Private Equity Performance Ranking. His strategic vision and expertise in identifying high-potential opportunities have made Quadrant one of the leading private equity firms in the region.

Richard Elmslie

Richard Elmslie co-founded RARE Infrastructure, a specialist investment manager focused on global listed infrastructure securities. With a deep understanding of the infrastructure sector and over 30 years of experience, Richard has been pivotal in steering RARE towards remarkable success. Under his guidance, RARE Infrastructure grew to manage an impressive US$13 billion in assets. His investment philosophy emphasizes sustainable and resilient infrastructure, reflecting his deep commitment to responsible and impactful investing.

Philip Spanton

Philip Spanton is a seasoned entrepreneur and co-founder of Brand Loyalty Holding BV, a global leader in tech-enabled, data-driven consumer loyalty solutions. Brand Loyalty connects retailers with customers through impactful loyalty campaigns, engaging approximately 100 million shoppers annually across over 43,000 stores in more than 37 countries. Philip's innovative approach emphasizes short-term programs that boost sales and foster long-term customer relationships. His extensive experience in international business and strategic insight make him a valuable and strategic investor.

BLOCKMETRIX'S PARTNERSHIP WITH BRAINERD

Economic Development

Local Spending and Job Creation: The project will boost local spending, which will help stimulate business for the town and lead to the creation of both direct and indirect jobs.

Tax Revenue: The operation will contribute to higher local and state tax revenues, funding public services and infrastructure projects.

Infrastructure Investment

Power Development: Investing in the local power grid will improve energy reliability and capacity, benefiting both the Bitcoin mining operation and the wider community by providing a more stable and robust energy infrastructure.

Innovation and Technology

Immersion Tech: Developing cutting-edge immersion solutions for data centers will position Brainerd as a leader in tech innovation. These solutions are applicable across various industries, including AI.

Tech Partnerships: Collaborating with Rosseau and other tech experts will bring advanced technology to the area, enhancing its reputation for innovation.

STRATEGIC PARTNERSHIP: Rousseau Systems

Rousseau has been selected by Blockmetrix for the implementation of mining infrastructure based on their fit and function of the site density and layout, silent operation, and modularity

Rosseau's single-phase immersion cooling

With industry-leading power density (up to 400kW per tank and 12kW per miner), Rousseau Systems have unmatched cooling capabilities, provide future-proof infrastructure, optimal reliability in operations, miner longevity, efficiency and overclocking capability, while minimizing maintenance issues (OpEx)

Computational Fluid Dynamics (CFD)

Rousseau creates optimal data center designs by performing CFD simulations to determine: A) the maximum air inlet temperature to dry/adiabatic cooler, B) the maximum fluid inlet temperature to miners, and C) the resulting hashrate, efficiency, and stability of miners. Their engineering team has previously led data center design for Equinix, QTS, Digital Realty, HP.

INTEREST IN COMMUNTY TIE-INS

We aim to utilize the excess heat generated from our operations to partner with local industries that can benefit from it. This initiative focuses on:

Improving Energy Efficiency:
By providing a consistent source of heat, we can help local industries reduce their energy costs, particularly during the winter months.

Building and Integrating into the Community:
Our partnerships aim to strengthen local ties, support sustainable practices, and contribute positively to the community's economic growth.

Potential Applications for Excess Heat

Greenhouses: Extending growing seasons and supporting local agriculture by maintaining optimal temperatures.

Fish Hatcheries: Reducing heating costs and enhancing energy efficiency for local aquaculture operations.

CONCLUSION

Blockmetrix is investing significantly for the long term in Brainerd, MN.   With an estimated capex of up to $75 million, the mining site will be the flagship location for Blockmetrix growth and success. As the company has undertaken steps to finalize preparation for their upcoming public listing in late fall 2024, Blockmetrix will also avail access to broaden their shareholder base. The company and its shareholders remain committed to the success of Blockmetrix and aim to build a tier 1 enterprise within the power mining infrastructure space.


BLOCKMETRIX