
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For transition period from to

Commission File Number 001-40931

Stronghold Digital Mining, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

86-2759890

(I.R.S. Employer
Identification Number)

**595 Madison Avenue, 28th Floor
New York, New York**

(Address of principal executive offices)

10022

(Zip Code)

Registrant's telephone number, including area code: (845) 579-5992

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock	SDIG	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

The aggregate market value of the registrant's Class A common stock held by non-affiliates on June 30, 2023 (based upon the closing price of the registrant's Class A common stock on Nasdaq Stock Market LLC), was approximately \$23 million.

As of February 29, 2024, the registrant had outstanding 12,645,479 shares of Class A common stock, par value \$0.0001 per share, 5,990 shares of Series C convertible preferred stock, par value \$0.0001 per share, 0 shares of Series D convertible preferred stock, par value \$0.0001 per share, and 2,405,760 shares of Class V common stock, par value \$0.0001 per share. On May 15, 2023, the Company effected a 1-for-10 reverse stock split ("Reverse Stock Split") of its Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$0.0001 per share. All share and per share amounts and related stockholders' equity balances presented herein have been adjusted to reflect the Reverse Stock Split.

Table of Contents

	Page No.
Part I	2
Item 1. Business	3
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	51
Item 1C. Cybersecurity	52
Item 2. Properties	52
Item 3. Legal Proceedings	53
Item 4. Mine Safety Disclosures	53
Part II	54
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	54
Item 6. [Reserved]	54
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	55
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	81
Item 8. Financial Statements and Supplementary Data	81
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	123
Item 9A. Controls and Procedures	124
Item 9B. Other Information	124
Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections	124
Part III	125
Item 10. Directors, Executive Officers and Corporate Governance	125
Item 11. Executive Compensation	125
Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters	125
Item 13. Certain Relationships and Related Transactions, and Director Independence	125
Item 14. Principal Accounting Fees and Services	125
Part IV	126
Item 15. Exhibits, Financial Statement Schedules	126
Item 16. Form 10-K Summary	131
Signatures	131

Cautionary Statement Regarding Forward-Looking Statements

This Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”)), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In particular, statements pertaining to our trends, liquidity, capital resources, and future performance, among others, contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all).

Forward-looking statements may include statements about:

- the hybrid nature of our business model, which is highly dependent on the price of Bitcoin;
- our dependence on the level of demand and financial performance of the crypto asset industry;
- our substantial indebtedness and its effect on our results of operations and our financial condition;
- our ability to manage our growth, business, financial results and results of operations;
- uncertainty regarding our evolving business model;
- our ability to raise capital to fund our business and growth;
- our ability to maintain sufficient liquidity to fund operations, growth and acquisitions;
- uncertainty regarding the outcomes of any investigations or proceedings;
- our ability to retain management and key personnel and the integration of new management;
- our ability to enter into purchase agreements, acquisitions and financing transactions;
- our ability to maintain our relationships with our third-party brokers and our dependence on their performance;
- our ability to procure crypto asset mining equipment from foreign-based suppliers;
- developments and changes in laws and regulations, including increased regulation of the crypto asset industry through legislative action and revised rules and standards applied by The Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act and the Investment Company Act;
- the future acceptance and/or widespread use of, and demand for, Bitcoin and other crypto assets;
- our ability to respond to price fluctuations and rapidly changing technology;
- our ability to operate our coal refuse power generation facilities as planned;
- our ability to develop and monetize our carbon capture project to generate meaningful revenue, on a timely basis or at all;
- our ability to avail ourselves of tax credits for the clean-up of coal refuse piles; and
- legislative or regulatory changes, and liability under, or any future inability to comply with, existing or future energy regulations or requirements.

We caution you that the forward-looking statements contained in this Form 10-K are subject to a variety of risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, decline in demand for our products and services, the seasonality and volatility of the crypto asset industry, our acquisition strategies, the inability to comply with developments and changes in regulation, cash flow and access to capital, maintenance of third party relationships, and the other risks described in this Form 10-K. Should one or more of the risks or uncertainties described in this Form 10-K occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Form 10-K are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Any forward-looking statement that we make in this Form 10-K speaks only as of the date of such statement. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Form 10-K.

Part I

Item 1. Business

Overview

Stronghold Digital Mining, Inc. ("Stronghold Inc.," the "Company," "we," "us," or "our") was incorporated as a Delaware corporation on March 19, 2021. The Company is a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin and environmental remediation and reclamation services. The Company wholly owns and operates two coal refuse power generation facilities that it has upgraded: (i) the Company's first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which the Company acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant"); and (ii) a facility located near Nesquehoning, Pennsylvania, which the Company acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). The Company is committed to generating energy and managing its assets sustainably, and the Company believes that it is one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

We believe that our integrated model of owning our own power plants and Bitcoin mining data center operations helps us to produce Bitcoin at a cost that is attractive versus the price of Bitcoin, and generally below the prevailing market price of power that many of our peers must pay and may have to pay in the future during periods of uncertain or elevated power pricing. Due to the environmental benefit resulting from the remediation of the sites from which the waste coal utilized by our two power generation facilities is removed, we also qualify for Tier II renewable energy tax credits ("RECs") in Pennsylvania. These RECs are currently valued at approximately \$28 per megawatt hour and help reduce our net cost of power. We believe that our ability to utilize RECs in reducing our net cost of power further differentiates us from our public company peers that purchase power from third-party sources or import power from the grid and that do not have access to RECs or other similar tax credits. Should power prices weaken to a level that is below the Company's cost to produce power, we have the ability to purchase power from the PJM Interconnection Merchant Market ("PJM") grid pursuant to Electricity Sales and Purchase Agreements at each of our Plants with Champion Energy Services LLC to ensure that we are producing Bitcoin at the lowest possible cost. Conversely, we are able to sell power to the PJM grid instead of using the power to produce Bitcoin, as we have recently done, on an opportunistic basis, when revenue from power sales exceeds Bitcoin mining revenue. We operate as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. Our ability to sell energy in the wholesale generation market in the PJM RTO provides us with the ability to optimize between selling power to the grid and mining for Bitcoin. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors. We intend to leverage these competitive advantages to continue to grow our business through the opportunistic acquisition of additional power generating assets and miners.

Stronghold Inc. operates in two business segments – the *Energy Operations* segment and the *Cryptocurrency Operations* segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"). This segment presentation is consistent with how the Company's CODM, its chief executive officer, evaluates financial performance and makes resource allocation and strategic decisions about the business.

Energy Operations

The Company operates as a qualifying cogeneration facility ("Facility") under the provisions of the Public Utilities Regulatory Policies Act of 1978 and sells its electricity into the PJM grid under a Professional Services Agreement ("PSA") with Customized Energy Solutions ("CES"), effective July 27, 2022. Under the PSA, CES agreed to act as the exclusive provider of services for the benefit of the Company related to interfacing with PJM, including handling daily marketing, energy scheduling, telemetry, capacity management, reporting, and other related services for the Plants. The initial term of the agreement is two years, and then will extend automatically on an annual basis unless terminated by either party with 60 days written (or electronic) notice prior to the current term end. The Company's primary fuel source is waste coal which is provided by various third parties. Waste coal tax credits are earned by the Company by generating electricity

utilizing coal refuse. In addition to the Company earning Tier II RECs for its use of coal refuse as its primary fuel source, the Company also earns waste coal tax credits for generating electricity utilizing coal refuse.

Cryptocurrency Operations

The Company is also a vertically-integrated digital currency mining business. The Company buys and maintains a fleet of Bitcoin miners, as well as the required infrastructure, and provides power to third-party digital currency miners under hosting agreements. The digital currency mining operations are in their early stages, and digital currencies and energy pricing mining economics are volatile and subject to uncertainty. The Company's current strategy will continue to expose it to the numerous risks and volatility associated with the digital mining and power generation sectors, including fluctuating Bitcoin-to-U.S.-Dollar prices, the costs and availability of miners, the number of market participants mining Bitcoin, the availability of other power generation facilities to expand operations, and regulatory changes.

Environmental Matters

Our operations are subject to stringent federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste management and disposal and other environmental matters. Numerous governmental entities, including the U.S. Environmental Protection Agency ("EPA") and the Pennsylvania Department of Environmental Protection, have the power to enforce compliance with these laws and regulations. The more significant of these existing environmental laws include the following, as amended from time to time:

- the CAA, which imposes standards that restrict the emission of air pollutants, including greenhouse gases ("GHGs") and hazardous air pollutants ("HAPs"), from certain sources and imposes various pre-construction, operational, monitoring, permitting and reporting requirements;
- the Federal Water Pollution Control Act, also known as the Clean Water Act ("CWA"), which regulates discharges of pollutants from facilities to state and federal waters and establishes the extent to which waterways are subject to federal jurisdiction and rulemaking as protected waters of the United States;
- the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), which imposes liability on generators, transporters, disposers and arrangers of hazardous substances at sites where hazardous substance releases have occurred or are threatening to occur; and
- the Resource Conservation and Recovery Act ("RCRA"), which governs the generation, treatment, storage, transport and disposal of hazardous and nonhazardous solid waste, classifies coal combustion residuals ("CCRs") as nonhazardous wastes, and establishes standards for landfill and surface impoundment placement, design, operation and closure, groundwater monitoring, corrective action, and post-closure care;

Compliance with these laws and the conditions of permits issued thereunder may require us to incur significant capital and operating expenses. Any failure by us to comply with federal, state, or local environmental laws, regulations, permits, or ordinances may result in the assessment of sanctions, including administrative, civil, and criminal penalties; the imposition of investigatory, remedial, and corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects; and the issuance of injunctions restricting or prohibiting some or all of our activities in a particular area. Historically, our environmental compliance costs have not had a material adverse impact on our financial condition and results of operations; however, there can be no assurance that such costs will not be material in the future.

Coal refuse is a non-renewable fossil fuel often generated as a waste product of historical coal mining operations. The combustion of coal refuse as fuel at our power generation facilities results in air emissions, including carbon dioxide ("CO₂"), nitrogen oxides ("NOx"), sulfur dioxide, particulate matter and certain HAPs, regulated under the CAA and analogous state law. Additionally, the management and disposal of coal residues following the combustion of coal refuse is regulated under RCRA, the CWA, and analogous state laws. We believe the reclamation of legacy coal refuse piles for power generation is an environmentally beneficial aspect of our power generation operations. Because coal refuse is not a renewable source, the economic sustainability of the use of coal refuse at our power generation facilities is dependent upon the continued availability and economic transport of coal refuse across Pennsylvania. Additionally, because the combustion of coal refuse results in certain offsetting adverse impacts to the environment, including pollutant emissions and coal

residual waste products, our use of coal refuse as a fuel source is dependent upon its continued inclusion as a Tier II Alternative Energy Source.

Over time, the trend in environmental laws and regulations is typically to place more restrictions and limitations on activities that may adversely affect the environment. Examples of environmental laws or regulatory initiatives that impact our ability to operate through the firing of coal refuse include the following:

Coal Refuse Emissions

The EPA published a final rule in April 2020 establishing a new subcategory in the Mercury and Air Toxic Standards (“MATS”) applicable to a narrow set of existing power generation facilities in Pennsylvania and West Virginia that fire eastern bituminous coal refuse. Our Scrubgrass and Panther Creek Plants are included in this subcategory, which only establishes emission standards for acid gas HAPs. Our ability to operate our facilities in an economic manner may depend on the continued existence of this subcategory. If the EPA were to reconsider the continued existence of this subcategory, or if Pennsylvania, under applicable state law, were to implement more rigid standards in the future that limited the utility of this MATS subcategory, we could experience increased costs of complying with applicable requirements that could have material adverse impacts to our business and results of operations.

Our operations are also subject to several state-wide and regional air quality regulatory initiatives, including:

- Pennsylvania’s State Implementation Plan (“SIP”) for attaining and maintaining National Ambient Air Quality Standards (“NAAQS”) set by the EPA for six criteria air pollutants;
- the CAA’s Acid Rain Program, which includes a cap-and-trade emission reduction program for sulfur dioxide emissions from power plants and requirements for power plants to reduce nitrogen oxides emissions through the use of available combustion controls;
- the EPA’s Cross-State Air Pollution Rule (“CSAPR”), which seeks to reduce power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states through a cap-and-trade emission reduction program and other requirements; and
- the EPA’s Regional Haze Rule, which is intended to reduce haze and protect visibility in certain National Parks and wilderness areas and sets guidelines for determining the best available retrofit technology at affected facilities.

To date, our compliance costs associated with these regulations have not been material, however these programs or the requirements thereunder may be reviewed and amended from time to time, and the imposition of more stringent standards or requirements may require us to incur additional compliance costs. For example, the EPA is currently considering revisions to the ground-level ozone NAAQS and any corresponding updates to Pennsylvania’s SIP could require us to implement additional emissions control technology or practices. Emissions budgets under the EPA’s Acid Rain Program and CSAPR are also subject to revision and a reduction in available allowances could result in increased costs to acquire those allowances. Additionally, Pennsylvania missed its 2021 deadline to submit a revised Regional Haze SIP and any forthcoming proposed SIP or proposed federal implementation plan (as proposed by the EPA in lieu of the state plan) could impose more stringent requirements that affect our facilities.

Coal Combustion Residuals

Pursuant to a 2015 EPA-published final rule regulating the disposal of CCR from electric utilities, CCR is classified as “nonhazardous waste” and allowed for beneficial use, with some restrictions. The regulation establishes standards in respect of design, structural integrity, assessment criteria, monitoring protection and remedial procedures for new and existing landfills and surface impoundments receiving CCR as well as existing surface impoundments located at stations generating electricity (regardless of fuel source), which were no longer receiving CCR but contain liquids as of the effective date of the rule. This final rule was amended in 2018 (referred to as “Phase 1, Part 1”) in regard to certain closure deadlines and groundwater protection standards but left unchanged the primary requirements for groundwater monitoring, corrective action, inspections and maintenance, and closure. The Phase I, Part 1 rule was challenged by environmental groups and a federal court subsequently remanded certain provisions of the rule back to the EPA without vacatur. The EPA has since issued rulemakings related to CCR surface impoundment and unit closure consistent with the court’s remand order. Separately, the EPA completed a review of the Phase 1 Part 1 rule in response to an executive order issued by President Biden and determined the most environmentally protective option available was to implement the rule. More recently, in May 2023, the EPA proposed to extend a subset of the requirements of the 2015 CCR rule to CCR disposed of

on land outside of previously regulated CCR units. Legacy CCR impoundments continue to also be regulated by the states, including Pennsylvania.

Coal-Fired Power Plant Wastewater Discharges

Current EPA regulations issued in 2020 limit the obligation of many coal-fired power plants to mitigate the discharge of lead, mercury and selenium, among other constituents, into surface waters. However, in March 2023, the EPA issued a proposed rule that would establish more stringent discharge standards for several wastewater types commonly generated at coal-fired power plants. The proposed rule also established new standards for legacy wastewater in existing surface impoundments. While we are currently evaluating the potential effect of this proposed rule on our operations, and the ultimate form and substance of this proposed rule is uncertain, the implementation of new rules imposing more stringent wastewater discharge limits for coal-fired power plants, including ours, could result in increased compliance costs at our facilities.

Climate Change

The threat of climate change continues to attract considerable attention in the United States and around the world. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG disclosure obligations and regulations that directly limit GHG emissions from certain sources. In addition, President Biden identified addressing climate change and the energy transition as priorities under his Administration. He has issued, and may continue to issue, executive orders and regulatory directives related to climate change, and has recommitted the United States to long-term international goals to reduce emissions. In recent years, the U.S. Congress has considered legislation to reduce emissions of GHGs and has included climate change considerations in its funding bills. For example, the IRA, which appropriates significant federal funding for renewable energy initiatives, was signed into law in August 2022 and could accelerate the transition away from fossil fuels. These laws, initiatives, and associated regulations or other national or regional commitments to reduce GHG emissions could adversely affect coal production and consumption, require the installation of emissions control technologies, and increase the expense associated with the purchase of emissions reduction credits or allowances to comply with current or future emissions reduction programs.

At the federal level, the EPA has also adopted rules that, among other things, establish construction and operating permit reviews, emissions control standards, and monitoring and annual reporting for GHG emissions from certain large stationary sources. In November 2021, the Biden Administration released "The Long-Term Strategy of the United States: Pathways to Net-Zero Greenhouse Gas Emissions by 2050," which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency, decarbonizing energy sources via electricity, hydrogen and sustainable biofuels, eliminating subsidies provided to the fossil fuel industry, reducing non-CO2 GHG emissions and increasing the emphasis on climate-related risks across government agencies and economic sectors. Additionally, from time to time the EPA has proposed, revised, and adopted rules establishing new source performance standards ("NSPS") for certain pollutants from coal-fueled electric generating plants.

We note that the implementation of the rule depends, in part, on the widespread development, adoption, and availability of CCS technology and solutions, which may not be certain at this time. We also note that this proposed rule is subject to intense political debate and its adoption or implementation could be impacted by the results of the 2024 election cycle. While no final rule has been published to date, this proposed rule and any other new agency action or rulemaking that applies to our facilities could increase our compliance costs or otherwise materially restrict our operations.

At the international level, the United States re-entered the United Nations-sponsored "Paris Agreement," a non-binding agreement for nations to limit their greenhouse gas emissions through individually-determined reduction goals every five years after 2020, shortly after President Biden took office in February 2021. Then, in April 2021, President Biden announced a new, more rigorous nationally determined emissions reduction level of 50%-52% reduction from 2005 levels in economy-wide net GHG emissions by 2030. The international community has since gathered again in November 2021, November 2022, and December 2023 for the annual United Nations Climate Change Conference of the Parties, where the United States, the European Union, and other partners announced reaffirmed their emissions reduction commitments and made further climate change goals. Most recently, the parties agreed to transition "away from fossil fuels in energy systems in a just, orderly and equitable manner" and increase renewable energy capacity so as to achieve net zero by 2050, although no timeline for doing so was set. The impacts of these orders, pledges, agreements and any legislation or regulation

promulgated to fulfill the United States' commitments under the Paris Agreement or other international conventions cannot be predicted at this time.

Governmental, scientific, and public concern over the threat of climate change arising from GHG emissions has resulted in increasing financial, political, and litigation risks in the United States and we anticipate that initiatives to reduce GHG emissions and restrict coal production and consumption will continue to develop. Certain states, municipalities, community coalitions, and other parties, including proponents of renewable energy that are opposed to the burning of fossil fuels, including coal, have sought to further restrict GHG emissions and recover damages from fossil fuel companies through lawsuits regardless of federal legislative and regulatory initiatives on the matter. Moreover, financial risks could increase, as stockholders and bondholders currently invested in fossil fuel energy companies concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non-fossil fuel energy related sectors. Institutional investors who provide financing to fossil fuel energy companies also have become more attentive to sustainability issues and some of them may elect not to provide funding for fossil fuel energy companies in the future. These litigation and financial risks may result in restrictions or cancellations in our development activities, reduce demand for energy from fossil fuels, including coal, or otherwise adversely impact our ability to raise capital and develop additional coal refuse power generation facilities. Enhanced public and private support for low-carbon power sources and products could impact the public perception of our business. Additionally, there is increased competitiveness of alternative energy sources (such as Tier I Alternative Energy Sources, including wind and solar photovoltaic) that do not generally have the adverse impact to the environment that is associated with the combustion of coal and also are not subject to as much regulatory scrutiny as are facilities that combust fossil fuels.

Additionally, increasing concentrations of GHG in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods, rising sea levels and other climatic vents. These climatic events have the potential to cause physical damage to our facilities or disrupt our supply chains. Consequently, one or more of these developments could have an adverse effect on our business, financial condition, results of operations, and cash flows.

Finally, crypto asset mining has become more heavily scrutinized from a climate change and energy consumption perspective in recent years. Politicians, environmental groups, and climate activists alike have called for increased oversight, regulation, and reporting of energy use and GHG emissions of crypto asset mining companies, among other measures. Certain members of the U.S. Congress and other non-governmental organizations have made investigations into, and published claims and reports regarding, the crypto asset mining industry's impact on global GHG emissions and energy consumption and raised concerns over the diversion of power sources for crypto mining and possible impacts on consumer electricity prices. These individuals and groups have also urged regulatory agencies to investigate energy and climate impacts of mining companies and to consider regulations requiring the monitoring and reporting of emissions and energy consumption by certain crypto asset operations. For example, the Crypto Asset Environmental Transparency Act was introduced to the U.S. Senate on March 6, 2023, and, if passed, would impose emissions reporting obligations on mining operations that consume electricity above a specified threshold and would direct the EPA to investigate the environmental and climate impacts of the crypto asset mining industry. Separately, in September 2022, the Biden Administration released its report on Climate and Energy Implications of Crypto-Assets in the United States, which recommends that the federal government take action to develop environmental performance standards for crypto asset technologies, assess the impact of crypto asset mining on electricity system reliability, and minimize emissions and other environmental impacts associated with crypto asset mining, among other recommendations. More recently, in January and February 2024 the U.S. Energy Information Administration ("EIA") initiated a mandatory commercial cryptocurrency miner energy use survey. However, a federal district court granted a temporary restraining order prohibiting the EIA from collecting data from certain Texas-based cryptocurrency miners who filed a lawsuit against the energy use survey. Concurrently, the EIA has voluntarily paused the survey in the rest of the country. Certain state governments have also introduced legislation imposing restrictions on the crypto asset mining industry, citing similar concerns. We are unable to predict whether currently proposed legislation or regulatory initiatives will be implemented, but any action by the federal government or states in which we operate to restrict, limit, condition, or otherwise regulate our power production or crypto asset mining operations, whether as part of a climate change or energy transition policy initiative or otherwise, could adversely affect our business, financial condition, and results of operations. Similarly, public statements by government officials and non-governmental organizations regarding the impact of crypto asset mining on global energy consumption, GHG emissions and grid stability, whether valid or not, could harm our reputation and stakeholder goodwill.

Customers

We are not dependent on any one customer or group of customers. However, we use a third party to collect, analyze, and advise the Company regarding energy market operations and the receipt of revenue from PJM and to a lesser extent, other entities. CES accounted for approximately 97% of our energy operations segment revenues for the year ended December 31, 2023. Additionally, during 2023 and 2022, we utilized one and three mining pools, respectively, that accounted for 100% of our cryptocurrency mining revenues for the years then ended. Approximately 11% of the Company's total revenue for the year ended December 31, 2023, was derived from services provided to one customer.

Remediation Activities

We conduct business on properties that have been used for coal-fired power generation facility operations for many years. The properties we own or operate were acquired from third parties whose actions with respect to the management and disposal or release of coal, wastes or other hazardous substances at or from such properties were not under our control prior to acquiring them. Additionally, we are responsible under applicable federal and state rules for the disposal of CCRs in operating landfills and surface impoundments and closure of such units associated with our operations, including location restrictions, design and operating criteria, groundwater monitoring, corrective action and closure requirements, and post-closure care. Under environmental laws and regulations such as CERCLA and the RCRA or analogous state laws, we could incur strict joint and several liability due to damages to natural resources or for remediating CCR, coal, wastes or other hazardous substances disposed of or released, including by prior owners or operators. Moreover, an accidental release of materials into the environment during the course of our operations may cause us to incur significant costs and liabilities. We also could incur costs related to the clean-up of third-party sites to which we sent regulated substances for disposal and for damages to natural resources or other claims related to releases of regulated substances at or from such third-party sites.

Cooling Water Intake

Our operations are subject to a variety of rules governing water use and discharge including, in particular, the CWA Section 316(b) rule issued by the EPA that seeks to protect fish and other aquatic organisms by requiring existing steam electric generating facilities to utilize the best technology available ("BTA") for cooling water intake structures. In 2014, the EPA published its final standards based on CWA Section 316(b) that require certain subject facilities to choose among seven BTA options to reduce fish impingement. In addition, certain facilities must conduct studies to assist permitting authorities to determine whether and what site-specific controls, if any, are required to reduce entrainment of aquatic organisms. It is possible that this decision-making process, which includes permitting and public input, could result in the need to install closed-cycle cooling systems (closed-cycle cooling towers), or other technology. Finally, the standards require that new units added to an existing facility to increase generation capacity are required to reduce both impingement and entrainment.

Intellectual Property

We use specific hardware and software for our crypto asset mining operation. In certain cases, source code and other software assets may be subject to an open-source license, as much technology development underway in this sector is open source. For these works, we intend to adhere to the terms of any license agreements that may be in place.

We do not currently directly own any patents in connection with our existing and planned blockchain and crypto asset related operations or carbon capture initiative. In the future we may pursue patents in connection our blockchain and crypto assets or carbon capture initiative, but do not have immediate plans to do so. We do expect to rely heavily upon trade secrets, trademarks, service marks, trade names, copyrights and other intellectual property rights and expect to license the use of intellectual property rights owned and controlled by others. In addition, we have developed and may further develop certain proprietary software applications for purposes of our crypto asset mining operations.

Competition

In crypto asset mining, companies, individuals and groups generate units of crypto assets through mining. Miners can range from individuals to professional mining operations with dedicated data centers. Miners may organize themselves in mining pools. The Company competes or may in the future compete with other companies that focus all or a portion of their activities on owning or operating crypto asset exchanges, developing programming for the blockchain, and mining activities. At present, the information concerning the activities of these enterprises is not readily available as the vast majority of the participants in this sector do not publish information publicly or the information may be unreliable.

Published sources of information include “bitcoin.org” and “blockchain.info”; however, the reliability of that information and its continued availability cannot be assured.

Several public companies (traded in the U.S. and internationally), such as the following, may be considered to compete with us, although we believe there is no company, including the following, which engages in the same scope of activities with a focus on environmentally beneficial operations as we do.

- Marathon Digital Holdings, Inc (MARA)
- Riot Platforms Inc. (RIOT)
- Cleanspark Inc (CLSK)
- Bitfarms Ltd (BITF)
- Hive Blockchain Technologies Ltd (HIVE)
- Hut 8 Mining Corp. (HUT)
- Argo Blockchain Plc (ARBK)
- Terawulf Inc (WULF)
- Bit Digital Inc (BTBT)
- Greenidge Generation Holdings Inc. (GREE)
- Iris Energy Ltd (IREN)
- Cipher Mining Inc (CIFR)
- Mawson Infrastructure Group Inc (MIGI)
- Northern Data AG (NB2 GY)

While there is limited available information regarding our non-public competitors, we believe that our recent acquisition and deployment of miners (as discussed further above) positions us well among the publicly traded companies involved in the crypto asset mining industry. The crypto asset industry is a highly competitive and evolving industry and new competitors and/or emerging technologies could enter the market and affect our competitiveness in the future.

Human Capital Resources

As of December 31, 2023, we had 115 employees across our entities, of which 111 were full-time employees and four were part-time employees. Eight employees are located in our corporate office in New York City, NY, seven employees are located in our corporate office in Pittsburgh, 47 employees are located at the Scrubgrass Plant, and 53 employees are located at our Panther Creek Plant.

General Digital Asset Market Conditions

The prices of cryptocurrencies, including Bitcoin, have experienced substantial volatility. For example, the price of Bitcoin ranged from a low of approximately \$16,000 to a high of approximately \$48,000 during 2022 and ranged from approximately \$17,000 to approximately \$45,000 during 2023. Throughout 2022 and in 2023, a number of companies in the crypto assets industry have declared bankruptcy, including Core Scientific Inc. (“Core Scientific”), Celsius Network LLC (“Celsius”), Voyager Digital Ltd. (“Voyager Digital”), Three Arrows Capital, BlockFi Lending LLC (“BlockFi”), FTX Trading Ltd. (“FTX”), and Genesis Global Holdco LLC (“Genesis Holdco”). Such bankruptcies have contributed, at least in part, to previous price decreases in Bitcoin, a loss of confidence in the participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly. To date, aside from the general decrease in the price of Bitcoin and in our and our peers stock price that may be indirectly attributable to the bankruptcies in the crypto assets industry, we have not been indirectly or directly materially impacted by such bankruptcies. As of the date hereof, we have no direct or material contractual relationship with any company in the crypto assets industry that has experienced a bankruptcy. Additionally, there has been no impact on our hosting agreement or relationship with Foundry Digital, LLC or trading activities conducted with Genesis Global Trading, Inc. (“Genesis Trading”), an entity regulated by the New York Department of Financial Services and the SEC, that engages in the trading of our mined Bitcoin. The hosting agreement is performing in line with our expectations, and we continue to work towards the previously disclosed acquisition of the miners subject to the hosting agreement in exchange for cash, equity and profit share. Upon acquisition of these miners, the hosting arrangement would cease. The bankruptcy of Genesis Holdco, which is affiliated with the parent entity of Foundry and Genesis Trading, has not materially impacted this acquisition or the currently existing hosting arrangement, nor has it impacted trading activities with Genesis Trading. Additionally, we have had no direct exposure to Celsius, First Republic Bank, FTX, Signature Bank, Silicon Valley Bank, or Silvergate Capital Corporation. We continue to conduct diligence, including into liquidity or insolvency issues, on third-parties in the crypto asset space with whom we have potential or ongoing relationships. While we have not been materially impacted by any liquidity or insolvency issues with such third parties to date, there is no guarantee that our counterparties will not experience liquidity or insolvency issues in the future.

We safeguard and keep private our digital assets, including the Bitcoin that we mine, by utilizing storage solutions provided by Anchorage Digital Bank ("Anchorage"), which requires multi-factor authentication. While we are confident in the security of our digital assets held by Anchorage, given the broader market conditions, there can be no assurance that other crypto asset market participants, including Anchorage as our custodian, will not ultimately be impacted. Further, given the current conditions in the digital assets ecosystem, we generally liquidate our mined Bitcoin often, and at multiple points every week through Anchorage. We continue to monitor the digital assets industry as a whole, although it is not possible at this time to predict all of the risks stemming from these events that may result to us, our service providers, our counterparties, and the broader industry as a whole. We cannot provide any assurance that we will not be materially impacted in the future by bankruptcies of participants in the crypto asset space. See "*—Crypto Asset Mining Related Risks— Our crypto assets may be subject to loss, damage, theft or restriction on access*" for additional information.

Corporate Information

We are subject to the informational requirements of the Exchange Act and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The website address of the SEC is www.sec.gov. We make available free of charge on or through our website at www.strongholddigitalmining.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with or otherwise furnish it to the SEC. In addition to our reports filed or furnished with the SEC, we also publicly disclose material information from time to time in our press releases, at annual meetings of stockholders, in investor presentations, and through our website. References to our website in this Form 10-K are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference into this Form 10-K of the information contained on, or available through, our website, and such information should not be considered part of this Form 10-K.

Information About Our Executive Officers and Directors

Executive Officers

Gregory A. Beard has served as our Chief Executive Officer, President and Chairman of our Board of Directors (the "Board") since March 2021. Mr. Beard was the Global Head of Natural Resources, a Senior Partner, Member of the Management Committee, and Senior Advisor at Apollo Global Management from 2010 to 2020. In such roles, Mr. Beard oversaw Apollo's investment activities in the energy, metals and mining and agriculture sectors. Prior to Apollo, Mr. Beard was a senior Managing Director at Riverstone Holdings, an energy, power and infrastructure-focused private equity firm. He began his career as a Financial Analyst at Goldman Sachs, where he played an active role in energy-sector principal investment activities. The funds where Mr. Beard held these senior leadership positions have invested billions of dollars in natural resources related investments. During his career, Mr. Beard sourced and managed some of the most profitable deals in the energy private equity sector. Mr. Beard is a founding and managing member of Q Power. He previously served as the Chief Executive Officer of Beard Energy Transition Acquisition Corp., a special purpose acquisition company from November 2021 to December 2023. He also currently serves on the board of directors of Scrubgrass Reclamation Company, L.P. (f/k/a Scrubgrass Generating Company, L.P.), the board of directors/advisors of Double Eagle Energy Holdings III, Skeena Resources Ltd., Andros Capital Partners LLC, and Parallaxes Capital, as well as the board of directors of The Conservation Fund, a non-profit focused on land conservation. He previously served on the boards of more than 25 public and private companies, including Spartan Energy Acquisition Corp. (now Fisker Inc., NYSE: FSR), Athlon Energy, Inc. (NYSE: ATHL), CDM Resource Management, Mariner Energy, Apex Energy, Caelus Energy, CSV Midstream, Double Eagle I / II, EP Energy Corporation, Jupiter Resources, Roundtable Energy, Talos Energy Inc. (NYSE: TALO), Pegasus Optimization, Northwoods Energy and Tumbleweed Royalty. Mr. Beard received his Bachelor of Arts from the University of Illinois at Urbana. We believe Mr. Beard's extensive background in the energy industry makes him well qualified to serve on our Board.

Matthew J. Smith has served as the Chief Financial Officer of the Company since 2022 and remains a member of our Board. Previously, he served as the Founder and Managing Partner of Deep Basin Capital LP since January 2017. Mr. Smith has over 16 years of investment management experience in the energy, renewable, power and utility sectors across both public and private investments, including the roles of portfolio manager at Citadel's Surveyor Capital Ltd. from June 2010 through January 2016, senior analyst in the energy and other cyclical sectors for Highfields Capital Management LP from January 2009 to December 2009 and Copper Arch Capital LLC from July 2005 to December 2007, and as a financial analyst at Equity Office Properties Trust from August 2001 to May 2003. Mr. Smith is a CFA Charterholder. Mr. Smith currently serves as an independent director and audit committee member on the board of Spartan Acquisition Corp III

(NYSE: SPAQ), a role that he has held since May 2021. He holds a M.S. in Finance from the University of Wisconsin-Madison's Applied Security Analysis Program (ASAP) and a B.B.A. from the University of Iowa Tippie College of Business. We believe Mr. Smith is well qualified to serve as a director due to his extensive experience in the energy, renewable, power and utility sectors across both public and private investments.

Richard J. Shaffer has served as our Senior Vice President – Asset Manager since March 2021. Prior to that, Mr. Shaffer served as General Manager of the Scrubgrass Plant since March 2016. Mr. Shaffer has management responsibilities that include safety and environmental compliance, plant operations and maintenance, supply contracts, and compliance with PJM, Federal Energy Regulatory Commission, and National Electric Reliability Council (NERC). From 2013 to 2016, Mr. Shaffer was the Fuel and Environmental Manager for the Scrubgrass Plant. Mr. Shaffer started at the Scrubgrass Plant in 2003 as the Environmental Manager and was responsible for environmental compliance of the facility. Mr. Shaffer worked with the PADEP on several major permitting projects for the facility to give it both operational flexibility and to cause it to be a top emissions performer. Mr. Shaffer's reputation earned him an appointment as an industry member to the PADEP Air Quality Technical Advisory Committee in 2015, an appointment he still holds. Prior to his employment at the Scrubgrass Plant, Mr. Shaffer worked for an environmental remediation and consulting company that provided remediation and service work to industry. Mr. Shaffer graduated from Thiel College with a Bachelor of Arts in Environmental Science.

Non-Employee Directors

Sarah James has served as a member of our Board since October 2021. From November 2021 to December 2023, Ms. James served as Chief Financial Officer for Beard Energy Transition Acquisition Corporation (NYSE: BRD). From March 2020 to July 2021, Ms. James served as Chief Financial Officer for Alussa Energy Acquisition Corporation (NYSE: ALUS). From February 2013 to April 2020, Ms. James served as a vice president of finance and business development at Caelus Energy Alaska, LLC, a private company specializing in oil and gas exploration and production. Ms. James oversaw the company's business development strategy, debt and equity fundraising and ongoing financial reporting functions. From January 2008 to August 2010, she served as a private equity associate at Riverstone Holdings, an energy, power and infrastructure-focused private equity firm. Prior to that, Ms. James served as an analyst at JPMorgan Securities, Inc., in the diversified industrials and natural resources group. Ms. James currently serves on the board of directors of North American Helium Inc. Ms. James holds a Bachelor of Arts degree in Economics and English from Duke University and a Master of Business Administration and Master of Science: School of Earth Sciences from Stanford University. We believe Ms. James' financial expertise and experience makes her well qualified to serve on our Board.

Thomas J. Pacchia has served as a member of our Board since October 2021. Mr. Pacchia is a Bitcoin and crypto asset specialist with over eight years of dedicated industry experience. In 2017, Mr. Pacchia founded HODL Capital, a digital asset hedge fund focused on the crypto and hash rate markets. Additionally, Mr. Pacchia serves as an advisor to a number of early stage companies building critical infrastructure across the crypto asset ecosystem. Prior to founding HODL Capital, Mr. Pacchia was a Director of Fidelity Investment's Bitcoin/Blockchain Incubator from 2016 to 2017 and a founding team member of Fidelity Digital Asset Services. Mr. Pacchia was also an early product developer at blockchain software company Digital Asset Holdings in 2015. Prior to his career in Bitcoin, Mr. Pacchia was a swap and derivative lawyer at Cadwalader Wickersham & Taft LLP from 2012 to 2013. Mr. Pacchia holds an M.Sc. in Finance from New York University's Stern School of Business, a J.D. from Washburn University School of Law, an L.L.M. in Intellectual Property from Maastricht University, and a Bachelor of Arts degree from Trinity College. We believe Mr. Pacchia's experience in the crypto industry makes him well qualified to serve on our Board.

Thomas R. Trowbridge, IV has served as a member of our Board since October 2021. Mr. Trowbridge is a co-founder of Fluence Labs, which has developed and launched a decentralized computing protocol and programming language optimized for building, hosting and running peer-to-peer applications. From December 2019 to June 2020, Mr. Trowbridge served as President of Triterras, Inc. Prior to that, Mr. Trowbridge helped found and from 2017 to 2019 served as President of Hedera Hashgraph (HBAR) ("Hedera"), a leading enterprise-grade public ledger that is currently the most used distributed ledger with over 4 million transactions a day. As President, Mr. Trowbridge drove the business from concept to main net launch with a \$124 million capital raise at a \$6 billion valuation, a global team in eight countries, and a governing council that includes Google, LG, IBM, Deutsche Telekom, Nomura Holdings, Inc., DLA Piper and Tata Communications among others. Before launching Hedera, Mr. Trowbridge served as the Head of North American Marketing and started and managed the New York office for Odey Asset Management from 2013 to 2017. Prior to his time at Odey Asset Management, Mr. Trowbridge served as the Head of U.S. Marketing for Lombard Odier from 2010 to 2012. Mr. Trowbridge has been advising technology companies since 1996, when he started his career as an investment banker in the telecom group of Bear, Stearns & Co. and began investing in early-stage technology companies in 1998 as a member of the private equity and venture capital firm Alta Communications. Mr. Trowbridge received his Bachelor of Arts degree from

Yale University and his MBA from Columbia University. We believe Mr. Trowbridge's experience in the crypto industry makes him well qualified to serve on our Board.

Thomas Doherty has served as a member of our Board since March 2023. Mr. Doherty is a managing partner of Argus Management, a financial advisory company with focuses on business analysis and forecasting, liquidity management and investment banking. Mr. Doherty has been with Argus Management since 1998. During that period, he has led over 200 turnaround efforts as financial advisor or interim CEO, CRO, COO or CFO in businesses ranging from \$20 million to \$10 billion in revenues. Mr. Doherty has also served as a board member, or advisory board member, of over a dozen companies in the past 25 years. His role on these boards has proved vital to the success of those businesses. Mr. Doherty is a graduate of Suffolk University where he majored in Finance and Banking. He graduated Magna Cum Laude from its school of business management. We believe Mr. Doherty is well qualified to serve as a director due to his extensive experience as an advisor and his previous experience on other company boards.

Indira Agarwal has served as a member of our Board since April 2022. Ms. Agarwal has served as Vice President, Chief Accounting Officer and Controller at HF Sinclair Corporation since May 2020 and Director, Consolidations and SEC Reporting from April 2018 to May 2020. Previously, Ms. Agarwal served as Vice President of North America Accounting at Cardtronics, Inc. (now part of NCR Corporation), the world's largest ATM owner and operator, from 2013 to April 2018. Additionally, Ms. Agarwal has experience in the energy sector with various accounting and finance positions at Direct Energy (now part of NRG Energy, Inc.). Ms. Agarwal has held roles of increasing responsibilities in retail and telecommunication sectors as well. Ms. Agarwal is a member of the Fellowship of Chartered Certified Accountants, U.K. We believe Ms. Agarwal is well qualified to serve as a director due to her extensive experience in financial reporting, SEC reporting, accounting and the energy sector.

Item 1A. Risk Factors

Summary Risk Factors

Investing in our Class A common stock involves risks. You should carefully read the section of this Form 10-K entitled "Risk Factors" below for an explanation of these risks before investing in our Class A common stock. In particular, the following considerations may offset our competitive strengths or have a negative effect on our strategy or operating activities, which could cause a decrease in the price of our Class A common stock and a loss of all or part of your investment.

- We have a hybrid business model which is highly dependent on the price of Bitcoin. A decline in the price of Bitcoin could result in significant losses.
- If we fail to effectively manage our growth, our business, financial condition and results of operations would be harmed.
- We have an evolving business model which is subject to various uncertainties.
- Our loss of any of our management team or workforce, our inability to execute an effective succession plan, or our inability to attract and retain qualified personnel, could adversely affect our business.
- We may be unable to successfully enter into definitive purchase agreements for or close on the additional plants or miners described herein, or any other potential acquisition, on the terms described or at all.
- We are dependent on third-party brokers and direct suppliers to source some of our miners and we have experienced delays in the delivery of some of the miners we have purchased from certain brokers and suppliers, which delays have had, and additional delays could continue to have, a material adverse effect on our business, prospects or operations.
- If we are unable to comply with the covenants or restrictions contained in the Credit Agreement with our senior secured lender, the lender could declare all amounts outstanding under the Credit Agreement to be due and payable and foreclose on its collateral, which could materially adversely affect our financial condition and operations.
- Our existing operations and future development plans require substantial capital expenditures, which we may be unable to provide.
- The open-source structure of the certain crypto asset network protocol, including Bitcoin, means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage that network and an investment in us.
- The further development and acceptance of crypto asset networks and other crypto assets are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of crypto asset systems may adversely affect an investment in us.

- We may not be able to compete with other companies, some of whom have greater resources and experience.
- The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.
- The loss or destruction of private keys required to access any crypto assets held in custody for our own account may be irreversible. If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any crypto assets, it could cause regulatory scrutiny, reputational harm, and other losses.
- The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies. If financial accounting standards undergo significant changes, our operating results could be adversely affected.
- The Bitcoin reward for successfully uncovering a block will halve several times in the future and Bitcoin value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.
- Our future success will depend upon the value of Bitcoin; the value of Bitcoin may be subject to pricing risk and has historically been subject to wide swings.
- Cryptocurrencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.
- If the Bitcoin reward for solving blocks and transaction fees is not sufficiently high, we may not have an adequate incentive to continue mining and may cease mining operations.
- Natural or man-made events may cause our power production to fall below our expectations.
- We may not be able to operate the power generation facility as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.
- Land reclamation requirements may be burdensome and expensive.
- Changes in tax credits related to coal refuse power generation could have a material adverse effect on our business, financial condition, results of operations and future development efforts.
- Competition in power markets may have a material adverse effect on our results of operations, cash flows and the market value of our assets.
- Our business is subject to substantial energy regulation and may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future energy regulations or requirements.
- Our operations are subject to a number of risks arising out of the threat of climate change, and environmental laws, energy transitions policies and initiatives and regulations relating to emissions and coal residue management, which could result in increased operating and capital costs for us and reduce the extent of our business activities.
- Operation of power generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on our revenues and results of operations, and we may not have adequate insurance to cover these risks and hazards. Our employees, contractors, customers and the general public may be exposed to a risk of injury due to the nature of our operations.
- We are exploring using our beneficial ash for carbon capture opportunities, but there is no assurance that we will be able to monetize such opportunities.
- Our inability to qualify for, obtain, monetize or otherwise benefit from Section 45Q tax credits (as defined below) could materially reduce our ability to develop carbon capture and sequestration projects and, as a result, may adversely impact our business, results of operations and financial condition.
- Our management team has limited experience with carbon capture programs and initiatives.
- We are dependent on third-parties, including consultants, contractors and suppliers to develop and advance our carbon capture program and initiatives, and failure to properly manage these relationships, or the failure of these consultants, contractors and suppliers to perform as expected, could have a material adverse effect on our business, prospects or operations.
- Our contemplated carbon capture program is anticipated to be cash flow negative for the foreseeable future as we build out the necessary infrastructure. Such project could comprise a meaningful share of our cash flow
- We are a holding company whose sole material asset is our equity interests in Stronghold LLC; accordingly, we will be dependent upon distributions from Stronghold LLC to pay taxes, make payments under the Tax Receivable Agreement and cover our corporate and other overhead expenses.
- We previously identified a material weakness in our internal control over financial reporting and, despite the fact that such weakness has been remedied, we may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls.
- In certain cases, payments under the Tax Receivable Agreement ("TRA") may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

- We may issue preferred stock whose terms could adversely affect the voting power or value of our Class A common stock.
- We have a limited operating history, with operating losses as we have grown. To date, we have not achieved positive net earnings and we have relied on additional equity and debt financing, in addition to operating cash flow, to fund our operations; if we are unable to raise additional equity and debt financing in the future, our ability to continue to operate as a going concern could be adversely affected.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of the following risks were to actually occur, our business, financial condition, and results of operations could be materially and adversely affected. The headings provided in this Item 1A. are for convenience and reference purposes only and shall not affect or limit the extent or interpretation of the risk factors. See –“Risk Factors” immediately following this summary for a more thorough discussion of these and other risks and uncertainties we face.

Risks Related to Our Business

Inflation in the global economy could negatively impact our business and results of operations.

General inflation in the United States, Europe and other geographies has risen to levels not experienced in recent decades. General inflation may negatively impact our business by increasing our operating costs. As a result of inflation, we have experienced and may continue to experience, cost increases. Although we may take measures to mitigate the impact of this inflation, if these measures are not effective, our business, financial condition, results of operations, and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost of inflation is incurred.

We have a limited operating history, with operating losses as we have grown. To date, we have not achieved positive net earnings and we have relied on additional equity and debt financing, in addition to operating cash flow, to fund our operations; if we are unable to raise additional equity and debt financing in the future, our ability to continue to operate as a going concern could be adversely affected.

We have undergone a transformation of our business in recent years and began Bitcoin mining in May 2018. We have experienced recurring losses from operations in prior years, and to date, we have not achieved positive net earnings. We have also relied on additional equity and debt financings, in addition to operating cash flow, to fund our operations. Our Bitcoin mining business is in its early stages, and Bitcoin and energy pricing and Bitcoin mining economics are volatile and subject to uncertainty. Our current strategy will continue to expose us to the numerous risks and volatility associated with the Bitcoin mining and power generation sectors, including fluctuating Bitcoin to U.S. Dollar prices, the costs of Bitcoin miners, supply chain constraints and other factors that cause delays in miner deliveries, the number of market participants mining Bitcoin, network hash rates, interruptions in the operation of power generation facilities due to wear and tear or other factors and the need for investment in repairs and maintenance, the availability of other power generation facilities to expand operations and regulatory changes. If we are unable to raise additional equity and debt financing in the future, including due to restrictions in our existing contractual agreements, debt documents and covenants related to the maintenance of certain liquidity thresholds and leverage ratios, or if our operating cash flow is insufficient, our ability to continue to operate as a going concern could be adversely affected.

We have a hybrid business model which is highly dependent on the price of Bitcoin. A decline in the price of Bitcoin could result in significant losses.

We have a hybrid business model. We are an independent power generation company that maintains the flexibility to both sell power to PJM, a regional transmission organization that coordinates the movement of wholesale electricity in all or part of 13 states and the District of Columbia, at higher prices and draw on PJM at lower prices. During 2018 and 2019, we began providing Bitcoin mining services to third parties and also began operating our own Bitcoin mining equipment to generate Bitcoin, which we then exchange for U.S. Dollars. Our Bitcoin mining business is in its early stages, and Bitcoin mining economics are volatile and subject to uncertainty. For example, the price of Bitcoin ranged from a low of approximately \$16,000 to a high of approximately \$48,000 during 2022 and ranged from approximately \$17,000 to approximately \$45,000 during 2023. Additionally, it is expected that the halving will occur in 2024. If the dollar value of Bitcoin decreases, including relative hash rate, we could incur future losses and these losses could be significant as we incur costs and expenses associated with recent investments and potential future acquisitions, as well as legal and administrative related expenses. We are closely monitoring our cash balances, cash needs and expense levels, but significant expense increases may not be offset by a corresponding increase in revenue or a significant decline in Bitcoin prices, including relative hash rate, could significantly impact our financial performance. Our mining operations are costly

and our expenses may increase in the future. This expense increase may not be offset by a corresponding increase in revenue. Our expenses may be greater than we anticipate, and our investments to make our business more efficient may not succeed and may outpace monetization efforts. Increases in our costs without a corresponding increase in our revenue would increase our losses and could seriously harm our business and financial performance.

If we fail to effectively manage our growth, our business, financial condition and results of operations would be harmed.

We are a development stage company with a small management team and are subject to the strains of ongoing development and growth, which will place significant demands on our management and our operational and financial infrastructure. Although we may not grow as we expect, if we fail to manage our growth effectively or to develop and expand our managerial, operational and financial resources and systems, our business and financial results would be materially harmed.

We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify all emerging trends and growth opportunities in this business sector and we may lose out on those opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations.

We have an evolving business model which is subject to various uncertainties.

We operate two coal refuse power generation facilities and crypto asset mining operations in Pennsylvania and are evaluating potential acquisitions of additional power generation facilities in and around Pennsylvania. Future regulations may require us to change our business in order to comply fully with federal and state laws regulating power generation, crypto asset (including Bitcoin) mining, or provision of Bitcoin and crypto asset mining services to third parties. In order to stay current with the industry, our business model may need to evolve as well. From time to time, we may modify or expand aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business.

Our loss of any of our management team or workforce, our inability to execute an effective succession plan, or our inability to attract and retain qualified personnel, could adversely affect our business.

Our success and future growth will depend to a significant degree on the skills and services of our management team, including Gregory A. Beard, Matthew J. Smith and Richard J. Shaffer. The loss of key members of our management team could inhibit our growth prospects. Additionally, we will need to continue to grow our management team in order to alleviate pressure on our existing team and in order to continue to develop our business and execute on our business plans. If our management team, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Furthermore, if we fail to execute an effective contingency or succession plan with the loss of any member of management team, the loss of such management personnel may significantly disrupt our business. William Spence, former Co-Chairman of our Board, and now an independent consultant, is a pancreatic cancer survivor and is currently in remission. Mr. Spence is continuing to fulfill his responsibilities as an independent consultant with no interruption.

Further, as we continue to develop and expand our operations, we may require personnel with different skills and experiences, and specifically those who have a sound understanding of our business and the Bitcoin industry. The market for highly qualified personnel in this industry is very competitive and we may be unable to attract such personnel. If we are unable to attract such personnel, our business could be harmed.

We are exploring using our beneficial ash to capture carbon, but there is no assurance that we will be able to monetize such opportunities.

We produce beneficial ash, as a byproduct of the combustion process in our two plants. We are exploring opportunities in carbon capture to see if our beneficial ash can capture CO₂ from ambient air. We are in the early stages of installing direct air capture pilot units at our Scrubgrass Plant, following prior lab-controlled testing by a third-party. We do not have sufficient data from our pilot unit to determine the amount of CO₂ that can be captured. We expect to incur additional costs and expenses with establishing and running our pilot program, and if we ultimately decide to expand the program, such costs and expenses may be material.

We are also exploring opportunities to monetize our carbon capture process, including sales of carbon credits in the private market or applying for certain tax credits. However, our pilot program is in its early stages, and we cannot make any assurances as to how successful the program may be. Additionally, to the extent the program is able to be scaled on a larger

basis, we cannot accurately estimate the associated costs, or any capital expenditures or operational expenditures that may be required. Further, sales of carbon credits in the private market may require certain applications and audits, which can take time to complete. There are also other risks associated with the nature of voluntary carbon credits, and there is no assurance as to whether we will be able to obtain favorable pricing for our voluntary CO₂ removal. Further, even if we were to be able to monetize any such carbon credits in the private market, there is no assurance that we will be able to do so, either on a timely basis or at dollar-per-ton thresholds sufficient to offset the cost to operate any future carbon capture program, including the potential need for increased employees.

Even after we spend time and resources exploring such opportunities, there is no assurance that we will be able to monetize such opportunities either at all or at levels sufficient to offset the cost of capital or continued operations. Any of the foregoing may adversely affect our business, financial condition, results or operations and prospects. New programs with new and developing technologies can carry risks associated with design or process changes, development of new parts or tools, availability of parts or servicing, delivery schedules and unique contractual requirements, supplier performance, and our ability to accurately estimate associated expenses. We may also experience other problems or delays in establishing our carbon capture program.

Our contemplated carbon capture program is anticipated to be cash flow negative for the foreseeable future as we build out the necessary infrastructure. Such project could comprise a meaningful share of our cash flow.

We are not expecting to generate meaningful revenues from our contemplated carbon capture program until, at the earliest, 2025. In the interim, we will be incurring costs for the testing and development of the carbon capture infrastructure, including to see, if successful, whether the process is replicable on a larger scale. Although we believe that the program could be profitable for the Company over time, there are numerous risks and uncertainties that make its timing and quantification difficult to accurately predict. The financial impact of our expending capital on these activities before realizing cash flows could negatively impact our financial condition and operational results in future periods.

Our inability to qualify for, obtain, monetize or otherwise benefit from Section 45Q tax credits could materially reduce our ability to develop carbon capture and sequestration projects and, as a result, may adversely impact our business, results of operations and financial condition.

Our ability to successfully monetize our carbon capture program may depend on our ability to benefit from certain financial and tax incentives. In particular, on August 16, 2022, the Inflation Reduction Act ("IRA") was enacted in the United States, which, among other things, expanded opportunities to earn tax credits provided under Section 45Q of the Internal Revenue Code of 1986, as amended (the "Code" and such credits, "Section 45Q tax credits"), which generally provides a tax credit for qualified CO₂ that is captured using carbon capture equipment and disposed of in secure geological storage or utilized in a manner that satisfies a series of regulatory requirements. The availability or nature of any additional future guidance with respect to the Section 45Q tax credit, and the potential for any other legislative or regulatory changes, is not fully known and the tax law is subject to change and to regulatory guidance which may be unfavorable for us.

The Company is exploring whether its carbon capture initiatives are eligible to qualify for Section 45Q tax credits. The earliest the Company would be in position to qualify for Section 45Q tax credits is 2025, or more likely, in 2026, if the Company is able to qualify for Section 45Q tax credits at all. Qualification for Section 45Q tax credits requires satisfaction of the applicable statutory and regulatory requirements, including, for example, that we use carbon capture equipment to capture qualified CO₂ and that we physically or contractually ensure the disposal of the qualified CO₂ in secure geological storage or, if we pursue the CO₂ utilization credit under Section 45Q of the Code, that we utilize the qualified CO₂, and that such utilization is characterized and verified by a lifecycle analysis. The amount of Section 45Q tax credits from which we may benefit is dependent upon, among other things, our ability to satisfy certain wage and apprenticeship requirements, which we cannot assure you that we will satisfy. We cannot make any assurances that we will be successful in satisfying such requirements or otherwise qualifying for or obtaining the Section 45Q tax credits currently available or that we will be able to effectively benefit from such tax credits. Certain Section 45Q tax credits are also subject to recapture with respect to any CO₂ that ceases to be disposed of in secure geological storage, which recapture is treated as an increase in tax liability for the year in which the recapture occurs. The recapture period for Section 45Q tax credits is limited to a 3-year lookback period preceding the date that sequestered CO₂ escapes from its secure geological storage.

Additionally, even if we otherwise qualify for Section 45Q tax credits, our ability to monetize those Section 45Q tax credits is not certain. Either the owner of the carbon capture equipment or the sequester must have the ability to use the Section 45Q tax credit itself, or the owner of the carbon capture equipment must utilize direct pay (which is limited to the first five years of the twelve-year credit period), procure tax equity financing, or transfer the credits to another taxpayer. The

accessibility of direct pay, tax equity financing, and the credit transfers market for tax credits provided under the IRA is still developing and is subject to further guidance from the IRS, and there are therefore uncertainties and complexities with respect to our ability to efficiently monetize any Section 45Q tax credits.

The availability of Section 45Q tax credits may expire or be reduced, modified or eliminated as a matter of legislative or regulatory policy. There can be no assurance that Section 45Q tax credits will not be reduced, modified or eliminated in the future. Any such reduction, modification or elimination of Section 45Q tax credits, or our inability to otherwise benefit from Section 45Q tax credits, could materially reduce our ability to develop and monetize our carbon capture program. These and any other changes to government incentives that could impose additional restrictions or favor certain projects over our projects could increase costs, limit our ability to utilize tax benefits, reduce our competitiveness, and/or adversely impact our growth. Any of these factors may adversely impact our business, results of operations and financial condition.

Our management team has limited experience with carbon capture programs and initiatives.

Members of our management team have limited experience with carbon capture programs, initiatives, and the related and required infrastructure to develop such programs or initiatives. Our management team may not successfully or efficiently manage the Company's carbon capture programs or initiatives. These new obligations to potentially develop and manage the Company's carbon capture programs and initiatives will require significant attention from our management team and other employees and could divert their attention away from the day-to-day management of other aspects of our business, which could adversely affect our business and financial performance.

Our management team has limited experience managing a public company.

Members of our management team have limited experience serving as executive officers or directors of a public company and interacting with public company investors, and may not have experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws as well as the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business and financial performance.

We are dependent on third-parties, including consultants, contractors and suppliers to develop and advance our carbon capture program and initiatives, and failure to properly manage these relationships, or the failure of these consultants, contractors and suppliers to perform as expected, could have a material adverse effect on our business, prospects or operations.

We currently rely on third-party consultants, contractors and suppliers to assist with the development of our carbon capture program and initiatives. We have no assurance that business interruptions will not occur as a result of the failure by these or consultants, contractors or suppliers to perform as expected. We cannot ensure that our consultants, contractors or suppliers will continue to perform services to our satisfaction or on commercially reasonable terms. The recent increased demand for carbon capture components and services may limit the supply of components that brokers may source for us. Our consultants, contractors or suppliers may also decline our orders to fulfill those of our competitors, putting us at competitive harm. Further, resource constraints or regulatory actions could also impact our ability to obtain and receive components needed to advance our carbon capture program and initiatives. If our consultants, contractors or suppliers are not able to provide the agreed services at the level of quality and quantity we require, we may not be able to replace such consultants, contractors and suppliers in a timely manner. Any delays, interruption or increased costs could have a material adverse effect on our business, prospects or operations.

We may be unable to successfully enter into definitive purchase agreements for or close on the additional plants or miners described herein, or any other potential acquisition, on the terms described or at all.

There is no assurance that we will enter into a definitive purchase agreement for the additional plants or miners described herein, or any other potential acquisition. We could determine through a market analysis, a review of historical and projected financial statements of the company or other due diligence that the target assets do not meet our investment standards. We also may be unable to come to an agreement. Additionally, there is no assurance that we will successfully close an acquisition once a purchase agreement has been signed, or that we will realize the expected benefits from any potential acquisition.

While we are considering strategic acquisitions of additional power assets, we have not identified, and there are no assurances that we will be able to identify or acquire, additional power assets. If we do not acquire additional power assets, certain of the miners that we have purchased, or expect to purchase, to date may not be utilized, and we may not achieve our anticipated hash rates.

We are dependent on third-party brokers and direct suppliers to source some of our miners and we have experienced delays in the delivery of some of the miners we have purchased from certain brokers and suppliers, which delays have had, and additional delays could continue to have, a material adverse effect on our business, prospects or operations.

We rely on third-party brokers and direct suppliers to source some of our miners. We have experienced significant delays in the delivery of certain of the miners we have purchased in prior periods, which delays have materially adversely affected us. Refer to *Note 11 – Commitments and Contingencies* in the notes to our consolidated financial statements for more information regarding the delayed miner deliveries from MinerVa and resulting impairments and litigation that followed.

Further, we could experience delays in shipment or losses related to seizures by the U.S. Customs and Border Control with respect to miners that are being delivered from international locations. Many of the competitors in our industry have historically purchased mining equipment at scale, which at times, has caused a world-wide shortage of mining equipment and extended the corresponding delivery schedules for new miner purchases. We cannot ensure that our brokers or suppliers will perform services to our satisfaction or on commercially reasonable terms. Our brokers or suppliers may also decline our orders to fulfill those of our competitors, putting us at competitive harm. There are no assurances that any miner manufacturers will be able to keep pace with the surge in demand for mining equipment. Further, resource constraints or regulatory actions could also impact our ability to obtain and receive miners. For example, China has been experiencing power shortages, and certain of our miner suppliers have been impacted by related intermittent power outages. Additionally, certain companies, including Bitmain, may move their production of miners out of China and into other countries following the September 2021 blanket ban on crypto mining and transactions by Chinese regulators. Such power outages and production relocations could result in cancellations or delays and may negatively impact our ability to receive mining equipment on a timely basis or at all. If our brokers or suppliers are not able to provide the agreed services at the level of quality and quantity we require or become unable to handle the volume of miners we seek, we may not be able to replace such brokers or suppliers in a timely manner. Any delays, interruption or increased costs could have a material adverse effect on our business, prospects or operations.

We may not be able to compete with other companies, some of whom have greater resources and experience.

We may not be able to compete successfully against present or future competitors. We do not have the resources to compete with larger providers of similar services at this time. The carbon capture and sequestration industry has attracted various high-profile and well-established operators, some of which have substantially greater liquidity and financial resources than we do. With the limited resources we have available, we may experience great difficulties in advancing our carbon capture programs and initiatives to remain competitive. Competition from existing and future competitors, including those that have access to competitively priced energy, could result in our inability to secure acquisitions and partnerships that we may need to expand our business in the future. This competition from other entities with greater resources, experience and reputations may result in our failure to maintain or expand our business, as we may never be able to successfully execute our business plan, including with respect to our carbon capture programs and initiatives. If we are unable to expand and remain competitive, our business could be negatively affected which would have an adverse effect on the trading price of our Class A common stock, which would harm investors in our Company.

We cannot predict the outcome of the legal proceedings with respect to our current and past business activities. An adverse determination could have a material adverse effect on our business, financial condition and results of operations.

We are involved in legal proceedings, claims and litigation arising out of our business operations, including disputes with suppliers of raw materials to our power generation facility, with truckers on whom we rely for the delivery of coal refuse and other raw materials, labor and employment disputes, and other commercial disputes. For example, on May 9, 2022, an arbitration award in the amount of \$5,042,350 plus interest computed as of May 15, 2022, in the amount of \$793,194 was issued in favor of the claimant, a trucking company, against one of our subsidiaries in a commercial dispute over a trucking contract between the claimant and our subsidiary. In addition, on April 14, 2022, we and certain of our current and former directors, and officers, as well as the underwriters in our initial public offering, were named in a putative class action complaint filed in the United States District Court for the Southern District of New York relating to a drop in our stock price following our disclosure about the delays we have experienced in the delivery of certain miners we have purchased from MinerVa and other operational issues that have adversely affected our results of operations. We and certain of our

directors have also been named in derivative suits related to the class action. On November 19, 2021, the Company received from PJM a notice of breach by Scrubgrass of the Interconnection Service Agreement – No. 1795 (the “ISA”) relating to an alleged failure by Scrubgrass to provide advance notice under the ISA of certain modifications made to the Scrubgrass Plant. On May 11, 2022, the Division of Investigations of the FERC Office of Enforcement (“OE”) informed the Company that the OE was conducting a non-public preliminary investigation concerning Scrubgrass’ compliance with various aspects of the PJM tariff. These regulatory proceedings are ongoing. For more detail regarding these proceedings and other matters, see Note 11 — “Commitments And Contingencies” in the notes to our consolidated financial statements. We cannot predict the ultimate outcome of these types of matters before they are resolved, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

COVID-19 or any pandemic, epidemic or outbreak of an infectious disease in the United States or elsewhere may adversely affect our business.

The COVID-19 virus has had unpredictable and unprecedented impacts in the United States and around the world. The World Health Organization has declared the outbreak of COVID-19 as a “pandemic,” or a worldwide spread of a new disease. Many countries around the world have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus. During 2020 and 2021, in the United States, federal, state and local governments enacted restrictions on travel, gatherings, and workplaces, with exceptions made for essential workers and businesses. We may experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs. If we are unable to effectively service our miners, our ability to mine Bitcoin will be adversely affected as miners go offline, which would have an adverse effect on our business and the results of our operations.

China has limited the shipment of certain products in and out of its borders, which could negatively impact our ability to receive mining equipment from China-based suppliers. Third-party manufacturers, suppliers, sub-contractors and customers have been and may continue to be disrupted by worker absenteeism, quarantines, restrictions on employees’ ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our supply chain, shipments of parts for our existing miners, as well as any new miners we purchase, may be delayed. As our miners require repair or become obsolete and require replacement, our ability to obtain adequate replacements or repair parts from their manufacturer may therefore be hampered. Supply chain disruptions could therefore negatively impact our operations. The impact of the COVID-19 global pandemic could have a material adverse effect on our business.

We are opportunistically evaluating opportunities to purchase additional miners to replenish our miner fleet but there can be no assurances as to the timing of such sales, if at all, or the availability of miners at opportunistic prices.

As of February 29, 2024, we operate more than 42,000 crypto asset miners with hash rate capacity of approximately 4.1 EH/s, which includes approximately 10,000 Bitcoin miners that we host and do not own. We are opportunistically evaluating opportunities to purchase additional miners. However, we have experienced significant delays in the delivery of certain of the miners we have purchased, including from MinerVa, and there is no assurance that we will not experience additional delays (including delays or seizure of equipment by U.S. Customs and Border Control). Further, our brokers or suppliers may not be able to secure additional miners on our behalf to our satisfaction or on commercially favorable terms, if at all. We also may be unable to upgrade our current fleet of miners to more efficient models. If we are not able to secure additional miners, we may not be able to mine at operational capacity, which could have an adverse effect on our revenue and financial conditions.

Risks Related to Our Indebtedness and Liquidity

We may be unable to raise additional capital needed to grow our business.

We have operated and expect to continue to operate at a loss as we continue to establish our business model and if Bitcoin prices decline. In addition, we expect to need to raise additional capital to fund our working capital requirements, expand our operations, pursue our growth strategies and to respond to competitive pressures. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. The global economy, including credit and financial markets, has recently experienced extreme volatility and disruptions, including diminished credit availability, rising interest and inflation rates, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. Such macroeconomic conditions could also make it more difficult for us to incur additional debt or obtain equity financing. Further, the crypto assets industry has been negatively impacted by recent events such as the bankruptcies of Core Scientific, Celsius, Voyager Digital, Three Arrows Capital, BlockFi, FTX, and Genesis Holdco. In response to these

events, the digital asset markets, including the market for Bitcoin specifically, have experienced extreme price volatility and several other entities in the digital asset industry have been, and may continue to be, negatively affected, further undermining confidence in the digital assets markets and in Bitcoin. In light of conditions impacting our industry, it may be more difficult for us to obtain equity or debt financing in the future.

If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our Class A common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of our Class A common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, take other actions including accepting terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders. Additionally, under the December Purchase Agreement (as defined below), we are prohibited from certain equity issuances until 30 days after the December Resale Registration Statement is effective, and there is no guarantee when that will be. This therefore may restrict our ability to obtain additional equity financing.

If we are unable to comply with the covenants or restrictions contained in the Credit Agreement with our senior secured lender, the lender could declare all amounts outstanding under the Credit Agreement to be due and payable and foreclose on its collateral, which could materially adversely affect our financial condition and operations.

As previously announced, on October 27, 2022, we entered into a secured credit agreement (the "Credit Agreement") with WhiteHawk Finance LLC ("WhiteHawk") to refinance the equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC ("Stronghold LLC") and WhiteHawk (the "WhiteHawk Financing Agreement") effectively terminating the WhiteHawk Financing Agreement. The Credit Agreement consists of \$35.1 million in term loans and \$23.0 million in additional commitments (such additional commitments, the "Delayed Draw Facility"). Such loans under the Delayed Draw Facility were drawn on the closing date of the Credit Agreement. The Credit Agreement and Delayed Draw Facility together reduce monthly principal payments and added approximately \$21 million of cash to our balance sheet following our draw down on the full amount of the Delayed Draw Facility. The full amount of the WhiteHawk Financing Agreement has been drawn as of the date hereof. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments" for more information on the Credit Agreement.

The financing pursuant to the Credit Agreement (such financing, as amended by the First Amendment, Second Amendment and Third Amendment, the "WhiteHawk Refinancing Agreement") was entered into by Stronghold LLC as Borrower (the "Borrower") and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

The covenants and other restrictions contained in the Credit Agreement and other current or future debt agreements could, among other things, restrict our ability to dispose of assets, incur additional indebtedness, pay dividends or make other restricted payments, create liens on assets, make investments, loans or advances, make acquisitions, engage in mergers or consolidations and engage in certain transactions with affiliates. These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. In addition, substantially all of our borrowed money obligations are secured by certain of our assets.

A failure to comply with any restrictions or covenants in our debt agreements, or to make payments of interest or principal when due or make other payments we are obligated to make under our debt agreements, could have serious consequences to our financial condition or result in a default under those debt agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these debt agreements and to foreclose upon collateral securing the debt, among other remedies. Furthermore, an event of default or an acceleration under one of our debt agreements could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. We may not be granted waivers or other amendments to these debt agreements if for any reason we are unable to comply with these debt agreements, and we may not be able to restructure or refinance our debt on terms acceptable to us, or at all. Whether or not those kinds of actions are successful, we might seek protections of applicable bankruptcy laws. Additionally, all of our indebtedness is senior to the existing common stock in our capital structure. If we were to seek certain restructuring transactions, our creditors would experience better returns as compared to our equity holders. Any of these actions could have a material adverse effect on the value of our equity and on our business, financial performance, and liquidity.

Our substantial indebtedness could adversely affect our results of operations and financial condition and prevent us from fulfilling our financial obligations.

As of December 31, 2023, we had principal amount of indebtedness outstanding of approximately \$56.5 million. As of February 29, 2024, we had principal amount of indebtedness outstanding of approximately \$55.8 million. Our outstanding indebtedness could have important consequences such as:

- limiting our ability to obtain additional financing to fund growth, such as mergers and acquisitions; working capital; capital expenditures; debt service requirements; future asset and power-generation facility purchases; or other cash requirements, either on more favorable terms or at all;
- requiring much of our cash flow to be dedicated to interest or debt repayment obligations and making it unavailable for other purposes;
- causing us to need to sell assets or properties at inopportune times;
- exposing us to the risk of increased interest costs if the underlying interest rates rise on our variable rate debt;
- limiting our ability to invest operating cash flow in our business (including to obtain new assets and power-generation facilities or make capital expenditures) due to debt service requirements;
- limiting our ability to compete effectively with companies that are not as leveraged and that may be better positioned to withstand economic downturns, operational challenges and fluctuations in the price of cryptocurrency;
- limiting our ability to acquire new assets and power-generation facilities needed to conduct operations; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and general economic and market conditions.

Subject to restrictions in our existing debt documents, we may incur substantially more debt in the future. If our indebtedness is further increased, the related risks that we now face, including those described above, would increase. In addition to the principal repayments on outstanding debt, we have other demands on our cash resources, including significant maintenance and other capital expenditures and operating expenses. Our ability to pay our debt depends upon our operating performance. If we do not have enough cash to satisfy our debt service obligations, we may be required to refinance all or part of our debt, restructure our debt, sell assets, limit certain capital expenditures, or reduce spending or we may be required to issue equity at prices that dilute our existing shareholders. Whether or not those kinds of actions are successful, we might seek protections of applicable bankruptcy laws. We may not be able to, at any given time, refinance our debt or sell assets and we may not be able to, at any given time, issue equity, in either case on acceptable terms or at all. Additionally, all of our indebtedness is senior to the existing common stock in our capital structure. As a result, if we were to seek certain restructuring transactions, either within or outside of Chapter 11, our creditors would experience better returns as compared to our equity holders. Any of these actions could have a material adverse effect on the value of our equity.

Our existing operations and future development plans require substantial capital expenditures, which we may be unable to provide.

Our existing operations and future plans are in part dependent upon our acquisitions of additional assets and power-generations facilities, and maintenance of our current assets and facilities, which require substantial capital expenditures. We have experienced higher than-anticipated maintenance costs related to one of our plants, and we may continue to experience higher than-anticipated maintenance costs for any of our plants in the future. We also require capital for, among other purposes:

- equipment and the development of our mining operations, including acquiring miners and data center buildouts;
- capital renovations;
- maintenance and expansions of plants and equipment; and
- compliance with environmental laws and regulations.

To the extent that cash on hand and cash generated from operations are not sufficient to fund capital requirements, we will require proceeds from asset sales or additional debt or equity financing. However, the opportunity to sell assets or obtain additional debt or equity financing may not be available to us or, if available, may not be available on satisfactory terms. Additionally, our debt agreements may restrict our ability to obtain such financing. If we are unable to obtain additional capital, we may not be able to maintain or increase our existing hashing rates and we could be forced to reduce or delay capital expenditures or change our business strategy, sell assets or restructure or refinance our indebtedness, all of which could have a material adverse effect on our business or financial condition.

Regulatory Related Risks

We are subject to a highly-evolving regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations could adversely affect our business, prospects or operations.

Our business is subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, crypto asset custody, exchange and transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the Internet, mobile technologies, crypto assets and related technologies. As a result, they do not contemplate or address unique issues associated with the cryptoeconomy, are subject to significant uncertainty, and vary widely across U.S. federal, state and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the cryptoeconomy requires us to exercise our judgement as to whether certain laws, rules and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with our conclusions. To the extent we have not complied with such laws, rules and regulations, we could be subject to significant fines and other regulatory consequences, which could adversely affect our business, prospects or operations. As Bitcoin has grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the CFTC, SEC, the Financial Crimes Enforcement Network ("FinCEN") and the Federal Bureau of Investigation ("FBI")) have begun to examine the operations of the Bitcoin network, Bitcoin users and the Bitcoin exchange market. Regulatory developments and/or our business activities may require us to comply with certain regulatory regimes. For example, to the extent that our activities cause us to be deemed a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement certain anti-money laundering programs, make certain reports to FinCEN and maintain certain records.

Ongoing and future regulatory actions may impact our ability to continue to operate, and such actions could affect our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations.

The cryptoeconomy is novel and has little to no access to policymakers or lobbying organizations, which may harm our ability to effectively react to proposed legislation and regulation of crypto assets or crypto asset platforms adverse to our business.

As crypto assets have grown in both popularity and market size, various U.S. federal, state, and local and foreign governmental organizations, consumer agencies and public advocacy groups have been examining the operations of crypto networks, users and platforms, with a focus on how crypto assets can be used to launder the proceeds of illegal activities, fund criminal or terrorist enterprises, and the safety and soundness of platforms and other service providers that hold crypto assets for users. Many of these entities have called for heightened regulatory oversight, and have issued consumer advisories describing the risks posed by crypto assets to users and investors. For instance, in July 2019, then-U.S. Treasury Secretary Steven Mnuchin stated that he had "very serious concerns" about crypto assets. Members of Congress have made inquiries into the regulation of crypto assets, and Gary Gensler, Chair of the SEC, has made public statements regarding increased regulatory oversight of crypto assets. Outside the United States, several jurisdictions have banned so-called initial coin offerings, such as China and South Korea, while Canada, Singapore, and Hong Kong have opined that token offerings may constitute securities offerings subject to local securities regulations. In July 2019, the United Kingdom's Financial Conduct Authority proposed rules to address harm to retail customers arising from the sale of derivatives and exchange-traded notes that reference certain types of crypto assets, contending that they are "ill-suited" to retail investors due to extreme volatility, valuation challenges and association with financial crimes. In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading, and in September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. In January 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading, and on March 8, 2022, President Biden announced an executive order on cryptocurrencies which seeks to establish a unified federal regulatory regime for currencies.

The crypto economy is novel and has little to no access to policymakers and lobbying organizations in many jurisdictions. Competitors from other, more established industries, including traditional financial services, may have greater access to lobbyists or governmental officials, and regulators that are concerned about the potential for crypto assets for illicit usage may affect statutory and regulatory changes with minimal or discounted inputs from the cryptoeconomy. As a result, new laws and regulations may be proposed and adopted in the United States and internationally, or existing laws and regulations

may be interpreted in new ways, that harm the cryptoeconomy or crypto asset platforms, which could adversely impact our business.

Bitcoin's status as a "security," a "commodity" or a "financial instrument" in any relevant jurisdiction is subject to a high degree of uncertainty and if we are unable to properly characterize a crypto asset, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.

The SEC and its staff have taken the position that certain crypto assets fall within the definition of a "security" under the U.S. federal securities laws. To date, the SEC staff have treated Bitcoin as a commodity. The legal test for determining whether any given crypto asset is a security is a highly complex, fact-driven analysis that evolves over time, and the outcome is difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular crypto asset as a security. Furthermore, the SEC's views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ether are securities (in their current form). Bitcoin and Ether are the only crypto assets as to which senior officials at the SEC have publicly expressed such a view. Moreover, such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other crypto asset. With respect to all other crypto assets, there is currently no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a "security" under applicable laws. Similarly, though the SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given crypto asset is a security in April 2019, this framework is also not a rule, regulation or statement of the SEC and is not binding on the SEC.

Several foreign jurisdictions have taken a broad-based approach to classifying crypto assets as "securities," while other foreign jurisdictions, such as Switzerland, Malta, and Singapore, have adopted a narrower approach. As a result, certain crypto assets may be deemed to be a "security" under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of crypto assets as "securities." If Bitcoin or any other supported crypto asset is deemed to be a security under any U.S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such supported crypto asset. For instance, all transactions in such supported crypto asset would have to be registered with the SEC or other foreign authority, or conducted in accordance with an exemption from registration, which could severely limit its liquidity, usability and transactability. Moreover, the networks on which such supported crypto assets are utilized may be required to be regulated as securities intermediaries, and subject to applicable rules, which could effectively render the network impracticable for its existing purposes. Further, it could draw negative publicity and a decline in the general acceptance of the crypto asset. Also, it may make it difficult for such supported crypto asset to be traded, cleared, and custodied as compared to other crypto assets that are not considered to be securities.

If our current, or any of our future, custodians file for bankruptcy, crypto assets held in their custody could be determined to be property of a bankruptcy estate and we could be considered a general unsecured creditor thereof.

The treatment of Bitcoins and other crypto assets held by custodians that file for bankruptcy protection is uncharted territory in U.S. Bankruptcy law. We cannot say with certainty whether Bitcoins and other crypto assets held in custody by a bankrupt custodian would be treated as property of a bankruptcy estate and, accordingly, whether the owner of that Bitcoin would be treated as a general unsecured creditor.

Our interactions with a blockchain may expose us to SDN or blocked persons and new legislation or regulation could adversely impact our business or the market for cryptocurrencies.

The Office of Financial Assets Control ("OFAC") of the U.S. Department of Treasury requires us to comply with its sanction program and not conduct business with persons named on its specially designated nationals ("SDN") list. However, because of the pseudonymous nature of blockchain transactions we may inadvertently and without our knowledge engage in transactions with persons named on OFAC's SDN list. Our policy prohibits any transactions with such SDN individuals, and while we have internal procedures in place, we may not be adequately capable of determining the ultimate identity of the individual with whom we transact with respect to selling cryptocurrency assets. Moreover, the use of cryptocurrencies, including Bitcoin, as a potential means of avoiding federally-imposed sanctions, such as those imposed in connection with the Russian invasion of Ukraine or the Israeli-Palestinian conflict. For example, on March 2,

2022, a group of United States Senators sent the Secretary of the United States Treasury Department a letter asking Secretary Yellen to investigate its ability to enforce such sanctions vis-à-vis Bitcoin, and on March 8, 2022, President Biden announced an executive order on cryptocurrencies which seeks to establish a unified federal regulatory regime for cryptocurrencies. We are unable to predict the nature or extent of new and proposed legislation and regulation affecting the cryptocurrency industry, or the potential impact of the use of cryptocurrencies by SDN or other blocked or sanctioned persons, which could have material adverse effects on our business and our industry more broadly. Further, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties as a result of any regulatory enforcement actions, all of which could harm our reputation and affect the value of our common stock.

Our business is subject to substantial energy regulation and may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future energy regulations or requirements.

Our business is subject to extensive U.S. federal, state and local laws. Compliance with, or changes to, the requirements under these legal and regulatory regimes may cause us to incur significant additional costs or adversely impact our ability to compete on favorable terms with competitors. Failure to comply with such requirements could result in the shutdown of a non-complying facility, the imposition of liens, fines, and/or civil or criminal liability and/or costly litigation before the agencies and/or in state or federal court.

The regulatory environment has undergone significant changes in the last several years due to state and federal policies affecting wholesale competition and the creation of incentives for the addition of large amounts of new renewable generation and, in some cases, transmission. These changes are ongoing, and we cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on our business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, as well as proposals to reinstate the vertically-integrated monopoly model of utility ownership or to require divestiture by generating companies to reduce their market share. If competitive restructuring of the electric power markets is reversed, discontinued, delayed or materially altered, our business prospects and financial results could be negatively impacted. In addition, since 2010, there have been a number of reforms to the regulation of the derivatives markets, both in the United States and internationally. These regulations, and any further changes thereto, or adoption of additional regulations, including any regulations relating to position limits on futures and other derivatives or margin for derivatives, could negatively impact our ability to hedge its portfolio in an efficient, cost-effective manner by, among other things, potentially decreasing liquidity in the forward commodity and derivatives markets or limiting our ability to utilize non-cash collateral for derivatives transactions.

Our combustion of coal refuse at our power generating facilities is subject to environmental, safety and energy transition risks that could result in significant liabilities and adversely impact our business, financial condition and results of operations.

Our operations and use of coal refuse as feedstock at our power generating facilities, including the combustion, storage, and transportation of coal refuse, present a series of environmental and human health and safety risks. Such risks, including the accidental release of coal refuse and other materials into the environment, among others, may not be fully avoidable and could cause us to incur significant clean-up costs and liabilities. We may not be able to recover some or any of these costs from insurance. Our combustion of coal refuse is also subject to stringent federal, state and local laws and regulations governing air and water quality, hazardous and solid waste disposal and other environmental matters. Compliance with these requirements requires significant expenditures for the installation, maintenance and operation of pollution control equipment, monitoring systems and other equipment or facilities.

Furthermore, the Biden administration has pursued, and may continue to pursue, policy initiatives and regulatory programs that would increase electric power generation from renewable sources such as wind, solar, nuclear and hydro energy in replacement of power from fossil fuel sources, including coal. The Biden administration has also stated a goal to achieve a carbon pollution-free electric power sector by 2035 and to put the United States on a path to a net-zero carbon emissions economy by 2050. See “— Business – Environmental Matters” for more discussion on these matters. Any policy initiatives or directives, either at the federal or state level, limiting our ability to use coal refuse as feedstock at our power generating facilities could adversely impact our operations and potentially reduce the extent of our business, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our operations are subject to a number of risks arising out of the threat of climate change and environmental laws, energy transition policies and initiatives, and regulations relating to emissions and coal residue management, which could result in increased operating and capital costs for us and reduce the extent of our business activities.

The threat of climate change continues to attract considerable attention in the United States and foreign countries and, as a result, our operations are subject to regulatory, political, litigation and financial risks associated with the use of fossil fuels, including coal refuse, and emission of GHGs. The Biden administration has already issued a series of executive orders and regulatory initiatives focused on climate change, including rejoining the Paris Agreement, pursuant to which the administration has announced a goal of halving U.S. GHG emissions by 2030. The EPA also recently proposed new NSPS

rules for the regulation of GHGs from coal-fired electric generating units which could materially impact our power generation facilities and require us to incur significant capital expenditures. See “— Business – Environmental Matters” for more discussion on the risks associated with attention to the threat of climate change and restriction of GHG emissions. New or amended legislation, executive actions, regulations or other regulatory initiatives pertaining to GHG emissions and climate change, as described in the “Business - Environmental Matters” section, could result in the imposition of more stringent standards, and could result in increased compliance costs or costs of operations. Additionally, political, financial and litigation risks may result in us restricting, delaying or canceling the extent of our business activities, incurring liability for infrastructure damages as a result of climatic changes, or impairing the ability to continue to operate in an economic manner. Fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternative energy sources (such as Pennsylvania’s Tier I Alternative Energy Sources, including solar photovoltaic energy, wind power, and low-impact hydropower) that do not generally have the adverse environmental impact or regulatory scrutiny associated with the combustion of coal or other fossil fuels could also reduce demand for coal refuse power generation facility activities. The occurrence of one or more of these developments could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, crypto asset mining has become subject to increased scrutiny regarding its energy consumption and impact on global emissions. For example, in September 2022, the Biden Administration released its Climate and Energy Implications of Crypto-Assets in the United States, which recommends that the federal government take action to develop environmental performance standards for crypto asset technologies, assess the impact of crypto asset mining on electricity system reliability, and minimize emissions and other environmental impacts associated with crypto asset mining, among other recommendations. Separately, a group of U.S. Senators have proposed legislation requiring emissions and energy use reporting, written letters to federal agencies, including the EPA and Department of Energy, urging those agencies to adopt similar reporting requirements and further investigate crypto asset mining operations, and have solicited emissions and energy use data directly from crypto asset mining companies. On February 1, 2024, we received a letter from the Department of Energy noting that we have been selected as a respondent by the EIA and are required to submit Form EIA-862 including data on our energy usage as a commercial cryptocurrency mining facility. While this data submission requirement is temporarily paused in connection with ongoing related litigation filed against the EIA by a group of Texas-based cryptocurrency miners, this and other investigative inquiries cause us to incur costs and could lead to further regulatory initiatives.

Various environmental activist groups and non-governmental organizations have also lobbied for emissions and energy use monitoring and reporting requirements for crypto asset mining companies or even more extensive regulation of the crypto asset mining sector. These efforts have the potential to lead to increased regulatory burdens on our mining operations and cause us reputational harm by highlighting crypto asset mining’s impact, however proportionate or disproportionate compared to other economic sectors, on global emissions. We are unable to predict whether currently proposed legislation or regulatory initiatives will be implemented, but any action by the federal government or states in which we operate to restrict, limit, condition, or otherwise regulate our power production or crypto asset mining operations, as part of a climate change or energy transition policy initiative or otherwise, could adversely affect our business, financial condition, and results of operations.

Our cost of compliance with existing and new environmental laws relating to the operation of our power generating facilities could have a material adverse effect on us.

We are subject to extensive environmental regulation by governmental authorities, including the EPA, and state environmental agencies and/or attorneys general. We may incur significant additional costs beyond those currently contemplated to comply with these regulatory requirements. If we fail to comply with these regulatory requirements, we could be forced to reduce or discontinue operations or become subject to administrative, civil or criminal liabilities and fines. Existing environmental regulations could be revised or reinterpreted, new laws and regulations could be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions, all of which could result in significant

additional costs beyond those currently contemplated to comply with existing requirements. Any of the foregoing could have a material adverse effect on us.

The EPA has recently finalized or proposed several regulatory actions establishing new requirements for control of certain emissions and wastewater discharges from electricity generation facilities. In the future, the EPA may also propose and finalize additional regulatory actions that may adversely affect our existing generation facilities or our ability to cost-effectively develop new generation facilities. See the “— Business -- Environmental Matters” section for additional discussion of these regulations. Such regulations may require significant capital expenditures for additional pollution control or treatment equipment, or result in higher operating and fuel costs and production curtailments. These costs and expenditures could have a material adverse effect on us.

We may not be able to obtain or maintain all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals, if we fail to obtain, maintain or comply with any such approval or if an approval is retroactively disallowed or adversely modified, the operation of our generation facilities could be stopped, disrupted, curtailed or modified or become subject to additional costs. Any such stoppage, disruption, curtailment, modification or additional costs could have a material adverse effect on us.

In addition, we may be responsible for any on-site liabilities associated with the environmental condition of facilities that we have acquired, leased, developed or sold, regardless of when the liabilities arose and whether they are now known or unknown. In connection with certain acquisitions and sales of assets, we may obtain, or be required to provide, indemnification against certain environmental liabilities. Another party could, depending on the circumstances, assert an environmental claim against us or fail to meet its indemnification obligations to us.

The availability and cost of emission allowances due to the cost of coal refuse could adversely impact our costs of operations.

We are required to maintain, through either allocations or purchases, sufficient emission allowances for sulfur dioxide, CO₂ and NO_x to support our operations in the ordinary course of operating our power generation facilities. These allowances are used to meet the obligations imposed on us by various applicable environmental laws. If our operational needs require more than our allocated allowances, we may be forced to purchase such allowances on the open market, which could be costly. If we are unable to maintain sufficient emission allowances to match our operational needs, we may have to curtail our operations so as not to exceed our available emission allowances or install costly new emission controls. As we use the emission allowances that we have purchased on the open market, costs associated with such purchases will be recognized as operating expense. If such allowances are available for purchase, but only at significantly higher prices, the purchase of such allowances could materially increase our costs of operations in the affected markets.

Our future results may be impacted by changing customer and stakeholder expectations and demands including heightened emphasis on environmental, social and governance(“ESG”) concerns.

Our business outcomes are influenced by the expectations of our customers and stakeholders. Those expectations are based on the core fundamentals of reliability and affordability but are also increasingly focused on our ability to meet rapidly changing demands for new and varied products, services and offerings. Additionally, the risks of global climate change and the energy transition continue to shape our customers' and stakeholders' sustainability goals and energy needs. We also may suffer reputational harms, receive increased investigative scrutiny, or be subject to private litigation or activist campaigns resulting from regulatory, activist, or community perceptions, whether valid or not, regarding the impact of crypto asset mining on global energy consumption and GHG emissions. Failure to meet stakeholder expectations or to adequately address the risks and external pressures from regulators, investors and other stakeholders may impact favorable outcomes in future rate cases, our ability to raise capital and our results of operations. Additionally, while we believe our operations provide certain environmental benefits related to the reclamation of coal refuse piles and reuse of historical coal mining wastes, certain stakeholders may disagree as to the extent of those benefits. The use of coal as a fuel source continues to generate increasing scrutiny from environmental groups, regulators, and policy-makers. Any initiatives designed to restrict or phase-out the use of coal as a fuel in response to climate change or energy transition concerns may increase our operating costs, reduce demand for the power we produce, and restrict our ability to acquire supplies of coal refuse, thus adversely impacting our financial performance. We may receive pressure to commit to additional environmental mitigation measures or voluntary environmental targets. While we may elect to seek out various voluntary environmental or sustainability targets in the future, such targets are aspirational. We may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including as a result of unforeseen costs or technical difficulties associated with achieving such results.

Increasing scrutiny and changing expectations from investors, lenders, customers, government regulators and other market participants with respect to our ESG policies may impose additional costs on us or expose us to additional risks.

Companies across all industries and around the globe are facing increasing scrutiny relating to their ESG policies. Investors, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. In February 2021, the Acting Chair of the SEC issued a statement directing the Division of Corporation Finance to enhance its focus on climate-related disclosure in public company filings and in March 2021 the SEC announced the creation of a Climate and ESG Task Force in the Division of Enforcement. The increased focus and activism related to ESG may hinder our access to capital, as investors and lenders may reconsider their capital investment allocation as a result of their assessment of our ESG practices. If we do not adapt to or comply with investor, lender or other industry shareholder expectations and standards and potential government regulations, which are evolving but may relate to the suitable deployment of electric power, or which are perceived to have not responded appropriately to the growing concern for ESG issues, our reputation may suffer which would have a material adverse effect on our business, financial condition and results of operations.

Crypto Asset Mining Related Risks

The open-source structure of the certain crypto asset network protocol, including Bitcoin, means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage that network and an investment in us.

The Bitcoin network, for example, operates based on an open-source protocol maintained by contributors, largely on the Bitcoin Core project on GitHub. As an open-source project, Bitcoin is not represented by an official organization or authority. As the Bitcoin network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the Bitcoin network protocol. Although the MIT Media Lab's Digital Currency Initiative funds the current maintainer Wladimir J. van der Laan, among others, this type of financial incentive is not typical. The lack of guaranteed financial incentive for contributors to maintain or develop the Bitcoin network and the lack of guaranteed resources to adequately address emerging issues with the Bitcoin network may reduce incentives to address the issues adequately or in a timely manner. Changes to a crypto asset network which we are mining on may adversely affect an investment in us.

The further development and acceptance of crypto asset networks and other crypto assets, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of crypto asset systems may adversely affect an investment in us.

Crypto assets built on blockchain technology were only introduced in 2008 and remain in the early stages of development. The use of crypto assets to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs crypto assets, including Bitcoin, based upon a computer-generated mathematical and/or cryptographic protocol. The further growth and development of any crypto assets and their underlying networks and other cryptographic and algorithmic protocols governing the creation, transfer and usage of crypto assets represent a new and evolving paradigm that is subject to a variety of factors that are difficult to evaluate, including:

- continued worldwide growth in the adoption and use of crypto assets as a medium to exchange;
- governmental and quasi-governmental regulation of Bitcoin and its use, or restrictions on or regulation of access to and operation of the Bitcoin network or similar crypto asset systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network, including software updates and changes to network protocols that could introduce bugs or security risks;
- the increased consolidation of contributors to the Bitcoin blockchain through mining pools;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting crypto assets for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to crypto assets;
- environmental restrictions on the use of power to mine Bitcoin and a resulting decrease in global Bitcoin mining operations;
- an increase in Bitcoin transaction costs and a resultant reduction in the use of and demand for Bitcoin; and
- negative consumer sentiment and perception of Bitcoin specifically and crypto assets generally.

The outcome of these factors could have negative effects on our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations as well as potentially negative effect on the value of any Bitcoin we mine or otherwise acquire or hold for our own account, which would harm investors in our securities.

Our reliance on a third-party mining pool service provider for our mining revenue payouts may have a negative impact on our operations such as a result of cyber-attacks against the mining pool operator and/or our limited recourse against the mining pool operator with respect to rewards paid to us.

We receive crypto asset mining rewards from our mining activity through a third-party mining pool operator. Mining pools allow miners to combine their processing power, increasing their chances of solving a block and getting paid by the network. The rewards are distributed by the pool operator, proportionally to our contribution to the pool's overall mining power, used to generate each block. Should the pool operator's system suffer downtime due to a cyber-attack, software malfunction or other similar issues, it will negatively impact our ability to mine and receive revenue. Furthermore, we are dependent on the accuracy of the mining pool operator's record keeping to accurately record the total processing power provided to the pool for a given Bitcoin mining application in order to assess the proportion of that total processing power we provided.

While we have internal methods of tracking both our power provided and the total used by the pool, the mining pool operator uses its own recordkeeping to determine our proportion of a given reward. We have little means of recourse against the mining pool operator if we determine the proportion of the reward paid out to us by the mining pool operator is incorrect, other than leaving the pool. If we are unable to consistently obtain accurate proportionate rewards from our mining pool operators, we may experience reduced reward for our efforts, which would have an adverse effect on our business and operations.

We may face risks of Internet disruptions, which could have an adverse effect on the price of Bitcoin.

A disruption of the Internet may affect the use of Bitcoin and other crypto assets and subsequently the value of our Class A common stock. Generally, Bitcoin and our business of mining Bitcoin is dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of Bitcoin and our ability to mine Bitcoin.

The impact of geopolitical and economic events on the supply and demand for crypto assets, including Bitcoin, is uncertain.

Geopolitical crises may motivate large-scale purchases of Bitcoin and other crypto assets, which could increase the price of Bitcoin and other crypto assets rapidly. Our business and the infrastructure on which our business relies is vulnerable to damage or interruption from catastrophic occurrences, such as war, civil unrest, terrorist attacks, geopolitical events, disease, such as the COVID-19 pandemic, and similar events. Specifically, the uncertain nature, magnitude, and duration of hostilities stemming from Russia's military invasion of Ukraine or the Israeli-Palestinian conflict, including the potential effects of sanctions limitations, retaliatory cyber-attacks on the world economy and markets, and potential shipping delays, have contributed to increased market volatility and uncertainty, which could have an adverse impact on macroeconomic factors that affect our business. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in Bitcoin as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, Bitcoin, which is relatively new, is subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in our Class A common stock. Political or economic crises may motivate large-scale acquisitions or sales of Bitcoin either globally or locally. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

Governmental actions may have a materially adverse effect on the crypto asset mining industry as a whole, which would have an adverse effect on our business and results of operations.

China has historically been the world's largest producer of Bitcoin and has housed the large majority of the world's crypto asset mining power (some observers estimate that China produced as high as 80% of the world's crypto asset mining power at certain points in time). In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading. In September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. In January 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading. We cannot quantify the effects of this regulatory action on our industry as a whole. If further regulation follows, it is possible that our industry may not be able to cope with the sudden and extreme loss of mining power.

On March 8, 2022, President Biden announced an executive order on cryptocurrencies which seeks to establish a unified federal regulatory regime for cryptocurrencies. Because we are unable to influence or predict future regulatory actions taken by governments in China, the United States, or elsewhere, we may have little opportunity or ability to respond to rapidly evolving regulatory positions which may have a materially adverse effect on our industry and, therefore, our business and results of operations. On November 23, 2022, the governor of New York signed into law a two year moratorium on new or renewed permits for certain electricity-generating facilities that use fossil fuel and provide energy for proof-of-work digital asset mining operations. While this action does not directly impact our current operations, as our power generation plans are exclusively located in Pennsylvania, it may be the beginning of a new wave of climate change regulations aimed at preventing or reducing the growth of Bitcoin mining in jurisdictions in the United States, potentially including jurisdictions in which we now operate or may in the future operate. The above-described developments could also demonstrate the beginning of a regional or global regulatory trend in response to environmental and energy preservation or other concerns surrounding crypto assets, and similar action in a jurisdiction in which we operate or in general could have a devastating effect on our operations. If further regulation follows, it is possible that the Bitcoin mining industry may not be able to adjust to a sudden and dramatic overhaul to our ability to deploy energy towards the operation of mining equipment. We are not currently aware of any legislation in Pennsylvania being a near-term possibility. If further regulatory action is taken by various governmental entities, our business may suffer and investors in our securities may lose part or all of their investment.

The properties included in our mining network may experience damages, including damages that are not covered by insurance.

Our current mining operations in Venango County in Western Pennsylvania and Carbon County in Eastern Pennsylvania are, and any future mining operations we establish will be, subject to a variety of risks relating to physical condition and operation, including:

- the presence of construction or repair defects or other structural or building damage;
- any noncompliance with or liabilities under applicable environmental, health or safety regulations or requirements or building permit requirements;
- any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms; and
- claims by employees and others for injuries sustained at our properties.

For example, our mining operations could be rendered inoperable, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the facilities where miners are located. The security and other measures we take to protect against these risks may not be sufficient. Our property insurance covers both plant and mining equipment, and includes business interruption for both power plant and mining operations, subject to certain deductibles. Therefore, our insurance may not be adequate to cover the losses we suffer as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the mines in our network, such mines may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues anticipated to be derived from such mines. The potential impact on our business is currently magnified because we are only operating from a single location.

The Bitcoin reward for successfully uncovering a block will halve several times in the future and Bitcoin value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.

Halving is a process incorporated into many proof-of-work consensus algorithms that reduces the coin reward paid to miners over time according to a pre-determined schedule. This reduction in reward spreads out the release of crypto assets over a long period of time resulting in an ever smaller number of coins being mined, reducing the risk of coin-based inflation. At a predetermined block, the mining reward is cut in half, hence the term "halving." For Bitcoin, the reward was

initially set at 50 Bitcoin currency rewards per block and this was cut in half to 25 on November 28, 2012, at block 210,000, then again to 12.5 on July 9, 2016, at block 420,000. The most recent halving for Bitcoin happened on May 11, 2020, at block 630,000 and the reward reduced to 6.25. The next halving will likely occur in April of 2024. This process will reoccur until the total amount of Bitcoin currency rewards issued reaches 21 million, which is expected to occur around the year 2140. While the price of Bitcoin has had a history of fluctuating around the halving of its rewards, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of Bitcoin or a proportionate decrease in mining difficulty does not follow these anticipated halving events, the revenue we earn from our Bitcoin mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations.

Acceptance and/or widespread use of Bitcoin and other crypto assets is uncertain.

Currently, there is a relatively limited use of any crypto assets, with Bitcoin being the most utilized, in the retail and commercial marketplace, thus contributing to price volatility that could adversely affect an investment in our Class A common stock. Banks and other established financial institutions may refuse to process funds for Bitcoin transactions, process wire transfers to or from Bitcoin exchanges, Bitcoin-related companies or service providers, or maintain accounts for persons or entities transacting in Bitcoin. Conversely, a significant portion of Bitcoin demand is generated by investors seeking a long-term store of value or speculators seeking to profit from either the short- or long-term holding of the asset. Price volatility undermines Bitcoin's role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Market capitalization for Bitcoin as a medium of exchange and payment method may always be low.

The relative lack of acceptance of Bitcoin in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of Bitcoin we mine or otherwise acquire or hold for our own account.

The characteristics of crypto assets have been, and may in the future continue to be, exploited to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware scams; if any of our customers do so or are alleged to have done so, it could adversely affect us.

Digital currencies and the digital currency industry are relatively new and, in many cases, lightly regulated or largely unregulated. Some types of digital currency have characteristics, such as the speed with which digital currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, the irreversible nature of certain digital currency transactions and encryption technology that anonymizes these transactions, that make digital currency particularly susceptible to use in illegal activity such as fraud, money laundering, tax evasion and ransomware scams. Two prominent examples of marketplaces that accepted digital currency payments for illegal activities include Silk Road, an online marketplace on the dark web that, among other things, facilitated the sale of illegal drugs and forged legal documents using digital currencies and AlphaBay, another darknet market that utilized digital currencies to hide the locations of its servers and identities of its users. Both of these marketplaces were investigated and closed by U.S. law enforcement authorities. U.S. regulators, including the SEC, CFTC, and Federal Trade Commission, as well as non-U.S. regulators, have taken legal action against persons alleged to be engaged in Ponzi schemes and other fraudulent schemes involving digital currencies. In addition, the FBI has noted the increasing use of digital currency in various ransomware scams.

While we believe that our risk management and compliance framework, which includes thorough reviews we conduct as part of our due diligence process, is reasonably designed to detect any such illicit activities conducted by our potential or existing customers, we cannot ensure that we will be able to detect any such illegal activity in all instances. Because the speed, irreversibility and anonymity of certain digital currency transactions make them more difficult to track, fraudulent transactions may be more likely to occur. We or our potential banking counterparties may be specifically targeted by individuals seeking to conduct fraudulent transfers, and it may be difficult or impossible for us to detect and avoid such transactions in certain circumstances. If one of our customers (or in the case of digital currency exchanges, their customers) were to engage in or be accused of engaging in illegal activities using digital currency, we could be subject to various fines and sanctions, including limitations on our activities, which could also cause reputational damage and adversely affect our business, financial condition and results of operations.

It may be illegal now, or in the future, to acquire, own, hold, sell or use Bitcoin or other crypto assets, participate in blockchains or utilize similar crypto assets in one or more countries, the ruling of which would adversely affect us.

Although currently crypto assets generally are not regulated or are lightly regulated in most countries, countries such as China and Russia have taken harsh regulatory action to curb the use of crypto assets and may continue to take regulatory action in the future that could severely restrict the right to acquire, own, hold, sell or use these crypto assets or to exchange them for fiat currency. In September 2021, China instituted a blanket ban on all crypto transactions and mining, including services provided by overseas crypto exchanges in mainland China, effectively making all crypto-related activities illegal in China. In other nations, including Russia, it is illegal to accept payment in Bitcoin or other crypto assets for consumer transactions, and banking institutions are barred from accepting deposits of Bitcoin. In January 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading. Such restrictions may adversely affect us as the large-scale use of Bitcoin as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, ultimately harming investors.

There is a lack of liquid markets, and possible manipulation of blockchain/crypto assets.

Cryptocurrencies that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers; requiring them to be subjected to rigorous listing standards and rules, and monitor investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform's controls and other policies. The laxer a distributed ledger platform is about vetting issuers of crypto asset assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of the ledger due to a control event. These factors may decrease liquidity or volume or may otherwise increase volatility of investment securities or other assets trading on a ledger-based system, which may adversely affect us. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, and harm investors.

Crypto assets may have concentrated ownership and large sales or distributions by holders of such crypto assets could have an adverse effect on the market price of such crypto asset.

As of December 31, 2023, the largest 111 and 2,103 Bitcoin wallets held approximately 15% and 44%, respectively, of the Bitcoin in circulation. Moreover, it is possible that other persons or entities control multiple wallets that collectively hold a significant number of Bitcoins, even if they individually only hold a small amount, and it is possible that some of these wallets are controlled by the same person or entity. Similar or more concentrated levels of concentrated ownership may exist for other crypto assets as well. As a result of this concentration of ownership, large sales or distributions by such holders could have an adverse effect on the market price of Bitcoin and other crypto assets.

Our operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in Bitcoin.

We compete with other users and/or companies that are mining Bitcoin and other potential financial vehicles, including securities backed by or linked to Bitcoin through entities similar to us. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in other financial vehicles, or to invest in Bitcoin (or Bitcoin linked exchange-traded funds) directly, which could limit the market for our shares and reduce their liquidity. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applicable to us and impact our ability to successfully pursue our strategy or operate at all, or to establish or maintain a public market for our securities. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, and harm investors.

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether. Our business utilizes presently existent digital ledgers and blockchains and we could face difficulty adapting to emergent digital ledgers, blockchains, or

alternatives thereto. This may adversely affect us and our exposure to various blockchain technologies and prevent us from realizing the anticipated profits from our investments. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, and harm investors.

The loss or destruction of private keys required to access any crypto assets held in custody for our own account may be irreversible. If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any crypto assets, it could cause regulatory scrutiny, reputational harm, and other losses.

Crypto assets are generally controllable only by the possessor of the unique private key relating to the digital wallet in which the crypto assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the crypto assets held in such a wallet. To the extent that any of the private keys relating to our hot wallet or cold storage containing crypto assets held for our own account is lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the crypto assets held in the related wallet. Further, we cannot provide assurance that our wallet will not be hacked or compromised. Digital assets and blockchain technologies have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our crypto assets could adversely affect our ability to access or sell our crypto assets, and subject us to significant financial losses. As such, any loss of private keys due to a hack, employee or service provider misconduct or error, or other compromise by third parties could hurt our brand and reputation, result in significant losses, and adversely impact our business. The total value of crypto assets in our possession and control is significantly greater than the total value of insurance coverage that would compensate us in the event of theft or other loss of funds. Further, while we do not currently hold any crypto assets for our customers (including hosting customers), as all mined crypto assets go directly to their accounts, we have held crypto assets for customers in the past and may resume such practices in the future. There are a number of risks associated with such practice, particularly in light of recent events affecting the broader digital assets market, and management will evaluate such risks prior to resuming such practices in the future, if at all.

The price of Bitcoin may be affected by the sale of Bitcoin by other vehicles investing in Bitcoin or tracking Bitcoin markets.

The global market for Bitcoin is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which Bitcoin is mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in Bitcoin or tracking Bitcoin markets form, such as Bitcoin linked exchange-traded

funds, and come to represent a significant proportion of the demand for Bitcoin, large redemptions of the securities of those vehicles and the subsequent sale of Bitcoin by such vehicles could negatively affect Bitcoin prices and therefore affect the value of the Bitcoin inventory we hold. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies. If financial accounting standards undergo significant changes, our operating results could be adversely affected.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. In addition, the accounting policies of many companies are being subjected to heightened scrutiny by regulators and the public, and we have received comments from the staff of the SEC's Division of Corporation Finance Office of Crypto Assets (the "Staff") during fiscal year 2023 related to the accounting of our Bitcoin-related operations, among other things. See "Item 1B—, Unresolved Staff Comments ." A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Further, there has been limited precedents for the financial accounting of crypto assets and related valuation and revenue recognition. As such, there remains significant uncertainty on how companies can account for crypto asset transactions, crypto assets, and related revenue. Uncertainties in or changes to in regulatory or financial accounting standards, particularly as they relate to the Company, the financial accounting of our Bitcoin-related operations, and the SEC comments we have received in respect of such matters, could

result in the need to changing our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition. Recent additional FASB and additional guidance may also impact our business, including our accounting policies and procedures. In addition, receipt of SEC comments as a result of the limited precedent set for financial accounting of digital assets may impact or delay our ability to register certain securities and our ability to access capital markets needed to fund our ongoing growth and operations.

Since there has been limited precedent set for financial accounting of digital assets, including Bitcoin, it is unclear how we will be required to account for transactions involving digital assets.

Because there has been limited precedent set for the financial accounting of cryptocurrencies and related revenue recognition and no official guidance has yet been provided by the Financial Accounting Standards Board or the SEC for Bitcoin miners, it is unclear how Bitcoin miners may in the future be required to account for cryptocurrency transactions and assets and related revenue recognition. A change in regulatory or financial accounting standards or interpretations by the SEC, particularly as they relate to the Company and the financial accounting of our Bitcoin-related operations, could result in changes in our accounting and the necessity to restate our financial statements. In addition, the accounting policies of many companies are being subjected to heightened scrutiny by regulators and the public, and we have received comments from the Staff during fiscal year 2023 related to the accounting of our Bitcoin-related operations. See *Item 1B, Unresolved Staff Comments* for more details. Such continued uncertainty with regard to financial accounting matters, particularly as they relate to the Company, the financial accounting of our bitcoin-related operations and the SEC comments we have received in respect of such matters, could negatively impact our business, prospects, financial condition and results of operations and our ability to raise capital. In addition, receipt of SEC comments may impact or delay our ability to register certain securities and our ability to access capital markets needed to fund our ongoing growth and operations.

There are risks related to technological obsolescence, the vulnerability of the global supply chain to Bitcoin hardware disruption, and difficulty in obtaining new hardware which may have a negative effect on our business.

Our mining operations can only be successful and ultimately profitable if the costs of mining Bitcoin, including hardware and electricity costs, associated with mining Bitcoin are lower than the price of a Bitcoin. The anticipated halving in April of 2024 may impact our economics. As our mining facility operates, our miners experience ordinary wear and tear and general hardware breakdown, and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. The physical degradation of our miners will require us to, over time, replace those miners which are no longer functional. Furthermore, a small number of miners delivered to date have not performed at the levels we initially anticipated; these and any future unanticipated performance issues could negatively affect our operating results. Additionally, as the technology evolves, we may be required to acquire newer models of miners to remain competitive in the market. Reports have been released which indicate that players in the mining equipment business adjust the prices of miners according to Bitcoin mining revenues, so the cost of new machines is unpredictable but could be extremely high. As a result, at times, we may obtain miners and other hardware from third parties at premium prices, to the extent they are available. In order to keep pace with technological advances and competition from other mining companies, it will be necessary to purchase new miners, which will eventually need to be repaired or replaced along with other equipment from time to time to stay competitive. This upgrading process requires substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis. Also, because we expect to depreciate all new miners, our reported operating results will be negatively affected.

The global supply chain for Bitcoin miners has previously been constrained due to unprecedented demand coupled with a global semiconductor (including microchip) shortage and further exacerbated due to the COVID-19 pandemic, with a significant portion of available miners being acquired by companies with substantial resources. Semiconductors are utilized in various devices and products and are a crucial component of miners; supply chain constraints coupled with increasing demand has led to increased pricing and limited availability for semiconductors. Prices for both new and older models of miners have been on the rise and these supply constraints are expected to continue for the foreseeable future. China, a major supplier of Bitcoin miners, has seen a production slowdown as a result of COVID-19. One of our suppliers, MinerVa, was unable to meet its original delivery schedule of 15,000 miners under an agreement entered into in April 2021 that provided for the delivery of such miners by December 31, 2021, due to supply chain, manufacturing and other issues. In December 2021, we extended the delivery date of the remaining approximately 14,000 miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and has only delivered approximately 3,200 of the originally scheduled 15,000 miners. To date, we have received 12,700 miners from MinerVa. We do not expect to receive any additional miners from MinerVa. Should continued disruptions to the global supply chain for Bitcoin hardware occur, we

may not be able to obtain adequate replacement parts for our existing miners or to obtain additional miners on a timely basis, if at all, or we may only be able to acquire miners at premium prices. Such events could have a material adverse effect on our ability to pursue our strategy, which could have a material adverse effect on our business and the value of our securities.

Moreover, we may experience unanticipated disruptions to operations or other difficulties with our supply chain due to volatility in regional markets where our miners are sourced, particularly China and Taiwan, changes in the general macroeconomic outlook, political instability, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war or natural disasters. For example, our business operations may be adversely affected by the current and future political environment in the Communist Party of China. China's government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading. Our ability to source miners from China may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, import and export tariffs and other matters.

Our future success will depend upon the value of Bitcoin and other crypto assets; the value of Bitcoin may be subject to pricing risk and has historically been subject to wide swings.

Our operating results will depend on the value of Bitcoin because it is the only crypto asset we currently mine. Specifically, our revenues from our Bitcoin mining operations are based on two factors: (1) the number of Bitcoin rewards we successfully mine and (2) the value of Bitcoin. In addition, our operating results are directly impacted by changes in the value of Bitcoin, because under the value measurement model, both realized and unrealized changes will be reflected in our statement of operations (i.e., we will be marking Bitcoin to fair value each quarter). This means that our operating results will be subject to swings based upon increases or decreases in the value of Bitcoin. Further, our current miners are principally utilized for mining Bitcoin and do not generally mine other crypto assets, such as Ether, that are not mined utilizing the "SHA-256 algorithm." If other crypto assets were to achieve acceptance at the expense of Bitcoin causing the value of Bitcoin to decline, or if Bitcoin were to switch its proof of work encryption algorithm from SHA-256 to another algorithm for which our miners are not specialized, or the value of Bitcoin were to continue to be low or decline further, particularly if such decline were significant or over an extended period of time, our operating results would be adversely affected, and there could be a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations, and harm investors. Further, because we do not currently hedge our investment in Bitcoin and do not intend to for the foreseeable future, we are directly exposed to Bitcoin's price volatility and surrounding risks.

The market price of Bitcoin has historically and recently been volatile. While we have the ability to sell power and are not wholly reliant on the crypto asset space, our operating results do depend on the market price of Bitcoin. The market price of Bitcoin is impacted by a variety of factors (including those discussed herein), and is determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of Bitcoin, or our share price, inflating and making their market prices more volatile or creating "bubble" type risks for both Bitcoin and shares of our securities. Approximately 26% of our generated power was supplied to customers under hosting arrangements in 2023. Should Bitcoin price become depressed, it could lead to less demand for our hosting services. While we believe we could instead divert such power and sell back to the grid, there is no guarantee that we will be able to recover the same amount of revenue as we would have expected under any hosting arrangements. Further, volatility in crypto asset pricing could lead to other impacts such as increased risks of legal proceedings or governmental scrutiny of us and our affiliates, customers, suppliers, and partners, either in the United States or in other jurisdictions. Continued fluctuations and volatility in the crypto asset industry could adversely affect an investment in our securities.

Demand for Bitcoin is driven, in part, by its status as the most prominent and secure crypto asset. It is possible that crypto assets other than Bitcoin could have features that make them more desirable to a material portion of the crypto asset user base, resulting in a reduction in demand for Bitcoin, which could have a negative impact on the price of Bitcoin and adversely affect an investment in us.

Bitcoin, as an asset, holds "first-to-market" advantages over other crypto assets. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest mining power in use to secure its blockchain and transaction verification system. Having a large mining network results in greater user confidence regarding the security and long-term stability of a crypto asset's network and its blockchain; as a result, the advantage of more users and miners

makes a crypto asset more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

Despite the marked first-mover advantage of the Bitcoin network over other crypto asset networks, it is possible that another crypto asset could become materially popular due to either a perceived or exposed shortcoming of the Bitcoin network protocol that is not immediately addressed by the Bitcoin contributor community or a perceived advantage of an altcoin that includes features not incorporated into Bitcoin. If a crypto asset obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce Bitcoin's market share as well as other crypto assets we may become involved in and have a negative impact on the demand for, and price of, such crypto assets and could adversely affect an investment in us. It is possible that we will mine alternative crypto assets in the future, but we may not have as much experience to date in comparison to our experience mining Bitcoin, which may put us at a competitive disadvantage.

We may not be able to realize the benefits of forks. Forks in a crypto asset network may occur in the future which may affect the value of Bitcoin held by us.

To the extent that a significant majority of users and miners on a crypto asset network install software that changes the crypto asset network or properties of a crypto asset, including the irreversibility of transactions and limitations on the mining of new crypto asset, the crypto asset network would be subject to new protocols and software. However, if less than a significant majority of users and miners on the crypto asset network consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "fork" of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the crypto asset running in parallel, yet lacking interchangeability and necessitating exchange-type transaction to convert currencies between the two forks. Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset. Different metrics adopted by industry participants to determine which is the original asset include: referring to the wishes of the core developers of a crypto asset, blockchains with the greatest amount of hashing power contributed by miners or validators; or blockchains with the longest chain. A fork in the Bitcoin network could adversely affect an investment in our securities or our ability to operate.

We may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect an investment in our securities. If we hold Bitcoin at the time of a hard fork into two crypto assets, industry standards would dictate that we would be expected to hold an equivalent amount of the old and new assets following the fork. However, we may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, we may determine that there is no safe or practical way to custody the new asset, that trying to do so may pose an unacceptable risk to our holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new crypto asset exceed the benefits of owning the new crypto asset. Additionally, laws, regulation or other factors may prevent us from benefiting from the new asset even if there is a safe and practical way to custody and secure the new asset.

There is a possibility of Bitcoin mining algorithms transitioning to proof of stake validation and other mining related risks, which could make us less competitive and ultimately adversely affect our business and the value of our stock.

Proof of stake is an alternative method for validating Bitcoin transactions. Should Bitcoin's algorithm shift from a proof of work validation method to a proof of stake method, mining would require less energy and may render any company that maintains advantages in the current climate (for example, from lower priced electricity, processing, real estate, or hosting) less competitive. We, as a result of our efforts to optimize and improve the efficiency of our Bitcoin mining operations, may be exposed to the risk in the future of losing the benefit of our capital investments and the competitive advantage we hope to gain from this as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

Cryptocurrencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.

As with any computer code generally, flaws in crypto asset codes, including Bitcoin codes, may be exposed by malicious actors. Several errors and defects have been found previously, including those that disabled some functionality for users and exposed users' information. Exploitation of flaws in the source code that allow malicious actors to take or create money have previously occurred. Additionally, as artificial intelligence ("AI") capabilities improve and are increasingly adopted, we may see cyberattacks created through AI. These attacks could be crafted with an AI tool to directly attack

information systems with increased speed and/or efficiency than a human threat actor or create more effective phishing emails. Despite our efforts and processes to prevent breaches, our devices, as well as our miners, computer systems and those of third parties that we use in our operations, are vulnerable to cyber security risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our miners and computer systems or those of third parties that we use in our operations. As technological change occurs, the security threats to our cryptocurrencies will likely change and previously unknown threats may emerge. Human error and the constantly evolving state of cybercrime and hacking techniques may render present security protocols and procedures ineffective in ways which we cannot predict. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

If the Bitcoin reward for solving blocks and transaction fees, is not sufficiently high, we may not have an adequate incentive to continue mining and may cease mining operations, which will likely lead to our failure to achieve profitability.

As the number of Bitcoins awarded for solving a block in a blockchain decreases, our ability to achieve profitability worsens. Decreased use and demand for Bitcoin rewards may adversely affect our incentive to expend processing power to solve blocks. If the award of Bitcoin rewards for solving blocks and transaction fees are not sufficiently high, we may not have an adequate incentive to continue mining and may cease our mining operations. Miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to a blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Bitcoin network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on a blockchain, potentially permitting such actor or botnet to manipulate a blockchain in a manner that adversely affects our activities. A reduction in confidence in the confirmation process or processing power of the network could result and be irreversible. Such events could have a material adverse effect on our ability to continue to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

Transactional fees may decrease demand for Bitcoin and prevent expansion that could adversely impact an investment in us.

As the number of Bitcoins currency rewards awarded for solving a block in a blockchain decreases, the incentive for miners to continue to contribute to the Bitcoin network may transition from a set reward to transaction fees. In order to incentivize miners to continue to contribute to the Bitcoin network, the Bitcoin network may either formally or informally transition from a set reward to transaction fees earned upon solving a block. This transition could be accomplished by miners independently electing to record in the blocks they solve only those transactions that include payment of a transaction fee. If transaction fees paid for Bitcoin transactions become too high, the marketplace may be reluctant to accept Bitcoin as a means of payment and existing users may be motivated to switch from Bitcoin to another crypto asset or to fiat currency. Either the requirement from miners of higher transaction fees in exchange for recording transactions in a blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for Bitcoin and prevent the expansion of the Bitcoin network to retail merchants and commercial businesses, resulting in a reduction in the price of Bitcoin that could adversely impact an investment in our securities. Decreased use and demand for Bitcoins that we have accumulated may adversely affect their value and may adversely impact an investment in us.

Because the number of Bitcoin awarded for solving a block in the Bitcoin network blockchain continually decreases, miners must invest in increasing processing power to maintain their yield of Bitcoins, which might make Bitcoin mining uneconomical for us.

The award of new Bitcoin for solving blocks continually declines, so that Bitcoin miners must invest in increasing processing power in order to maintain or increase their yield of Bitcoin. If the pricing of Bitcoin were to decline significantly, there can be no assurance that we would be able to recover our investment in the computer hardware and processing power required to upgrade our mining operations. There can, moreover, be no assurance that we will have the resources to upgrade our processing power in order to maintain the continuing profitability of our mining operations. Also, the developers of the Bitcoin network or other programmers could propose amendments to the network's protocols and software that, if accepted, might require us to modify our Bitcoin operations, and increase our investment in Bitcoin, in order to maintain profitability. There can be no assurance, however, that we will be able to do so.

Bitcoin mining is capital intensive.

Remaining competitive in the Bitcoin mining industry requires significant capital expenditure on new chips and other hardware necessary to increase processing power as the Bitcoin network difficulty increases. If we are unable to fund our capital expenditures, either through our revenue stream or through other sources of capital, we may be unable to remain competitive and experience a deterioration in our result of operations and financial condition.

Our crypto assets may be subject to loss, damage, theft or restriction on access. Further, digital asset exchanges on which crypto assets trade are relatively new and largely unregulated, and thus may be exposed to fraud and failure. Incorrect or fraudulent cryptocurrency transactions may be irreversible.

There is a risk that part or all of our crypto assets could be lost, stolen or destroyed. Crypto assets are stored in crypto asset sites commonly referred to as “wallets” which may be accessed to exchange a holder’s crypto assets. Access to our Bitcoin assets could also be restricted by cybercrime (such as a denial of service attack) against a service at which we maintain a hosted wallet. We believe that our crypto assets will be an appealing target to hackers or malware distributors seeking to destroy, damage or steal our crypto assets. Hackers or malicious actors may attempt to steal Bitcoins, such as by attacking the Bitcoin network source code, exchange miners, third-party platforms, storage locations or software, our general computer systems or networks, or by other means. We cannot guarantee that we will prevent loss, damage or theft, whether caused intentionally, accidentally or by act of God. Access to our crypto assets could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack).

It is possible that, through computer or human error, theft or criminal action, our crypto assets could be transferred in incorrect amounts or to unauthorized third parties or accounts. In general, Bitcoin transactions are irrevocable, and stolen or incorrectly transferred cryptocurrencies may be irretrievable, and we may have extremely limited or no effective means of recovering such Bitcoins.

Further, digital asset exchanges on which cryptocurrencies trade are relatively new and, in most cases, largely unregulated. Many digital exchanges do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, cryptocurrency exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading. Throughout 2022 and 2023, a number of companies in the crypto industry have declared bankruptcy, including Core Scientific, Celsius, Voyager Digital, Three Arrows Capital, BlockFi, FTX, and Genesis Holdco. In June 2022, Celsius began pausing all withdrawals and transfers between accounts on its platform, and in July 2022, it filed for Chapter 11 bankruptcy protection. Further, in November 2022, FTX, one of the major cryptocurrency exchanges, also filed for Chapter 11 bankruptcy. Such bankruptcies have contributed, at least in part, to price decreases in Bitcoin, a loss of confidence in the participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly, and other participants and entities in the digital asset industry have been, and may continue to be, negatively affected. These events have also negatively impacted the liquidity of the digital assets markets as certain entities affiliated with FTX engaged in significant trading activity.

We have not been directly impacted by any of the recent bankruptcies in the crypto asset space, as we have no contractual privity or relationship to the relevant parties. However, we are dependent on the overall crypto assets industry, and such recent events have contributed, at least in part, to decreases and volatility to our and our peers stock price as well as the price of Bitcoin. If the liquidity of the digital assets markets continues to be negatively impacted, digital asset prices (including the price of Bitcoin) may continue to experience significant volatility and confidence in the digital asset markets may be further undermined. A perceived lack of stability in the digital asset exchange market and the closure or temporary shutdown of digital asset exchanges due to business failure, hackers or malware, government-mandated regulation, or fraud, may reduce confidence in digital asset networks and result in greater volatility in cryptocurrency values. These potential consequences of a digital asset exchange’s failure could adversely affect an investment in us.

We safeguard and keep private our digital assets, including the Bitcoin that we mine, by utilizing storage solutions provided by Anchorage, which requires multi-factor authentication. While we are confident in the security of our digital assets held by Anchorage, given the broader market conditions, there can be no assurance that other crypto asset market participants, including Anchorage as our custodian, will not ultimately be impacted by recent market events. Further, given the current conditions in the digital assets ecosystem, we are liquidating our mined Bitcoin often, and at multiple points every week through Anchorage. If Anchorage were to limit or halt services, we would need to find another custodian. While we have not been directly impacted by any of the recent bankruptcies in the crypto asset space as we had no contractual privity or relationship to the relevant parties, we are dependent on the overall industry perception tied to these recent bankruptcy events, and this is reflected in our and our peers stock price as well as the price of Bitcoin. We cannot

provide any assurance that we will not be materially impacted in the future by bankruptcies of participants in the crypto asset space, such as the recent bankruptcy filings by Core Scientific, Celsius, Voyager Digital, Three Arrows Capital, BlockFi, FTX, and Genesis Holdco, or by potential liquidity or insolvency issues of our service providers and other counterparties. We continue to monitor the digital assets industry as a whole, although these events are continuing to develop and it is not possible at this time to predict all of the risks stemming from these events that may result to us, our service providers, including custodians and wallets, our counterparties, and the broader industry as a whole. At this time, Anchorage is the only custodian we use to store our digital assets, but we also intend to use Coinbase Custody Trust Company, LLC going forward in order to increase flexibility. In the past, we have used other custodians and may do so again in the future, subject to diligence on the security of any such custodian.

Any of these events may adversely affect our operations and results of operations and, consequently, an investment in us.

Digital assets held by us are not subject to FDIC or SIPC protections and are not insured.

We do not hold our crypto assets with a banking institution or a member of the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC") and, therefore, our crypto assets are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. Further the crypto assets held by us are not insured. Therefore, a loss may be suffered with respect to our crypto assets which is not covered by insurance and for which no person is liable in damages which could adversely affect our operations and, consequently, an investment in us.

Intellectual property rights claims may adversely affect the operation of some or all crypto asset networks.

Third parties may assert intellectual property claims relating to the holding and transfer of crypto assets and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in some or all crypto asset networks' long-term viability or the ability of end-users to hold and transfer crypto assets may adversely affect an investment in us. Additionally, a meritorious intellectual property claim could prevent us and other end-users from accessing some or all crypto asset networks or holding or transferring their crypto assets. As a result, an intellectual property claim against us or other large crypto asset network participants could adversely affect an investment in us.

Power Generation Related Risks

Our financial performance, as relating to both our power sales and Bitcoin mining operations, may be impacted by price fluctuations in the wholesale power market, as well as fluctuations in coal markets and other market factors that are beyond our control.

Our revenues, cost of doing business, results of operations and operating cash flows generally may be impacted by price fluctuations in the wholesale power market and other market factors beyond our control. Market prices for power, capacity, ancillary services, natural gas, coal and oil are unpredictable and tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility due to supply and demand imbalances, especially in the day-ahead and spot markets. Long- and short-term power prices may also fluctuate substantially due to other factors outside of our control, including:

- changes in generation capacity in our markets, including the addition of new supplies of power as a result of the development of new plants, expansion of existing plants, the continued operation of uneconomic power plants due to state subsidies, or additional transmission capacity;
- environmental regulations, permit terms and legislation;
- electric supply disruptions, including plant outages and transmission disruptions;
- changes in power transmission infrastructure;
- fuel transportation capacity or delivery constraints or inefficiencies and changes in the supply of fuel;
- changes in law, including judicial decisions;
- weather conditions near our facilities or those of our equipment suppliers, including extreme weather conditions and seasonal fluctuations, including the effects of climate change;
- changes in commodity prices and the supply of commodities, including but not limited to natural gas, coal and oil;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices, distributed generation, and more efficient end-use technologies;
- development of new fuels, new technologies and new forms of competition for the production of power;
- fuel price volatility;
- economic and political conditions;

- supply and demand for energy commodities;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal and customer-usage of energy-efficient equipment that reduces energy demand;
- ability to procure satisfactory levels of inventory, such as coal refuse; and
- changes in capacity prices and capacity markets.

Such factors and the associated fluctuations in power and prices could affect wholesale power generation profitability and cost of power for crypto asset mining activities.

Maintenance, expansion and refurbishment of power generation facilities involve significant risks that could result in unplanned power outages or reduced output and could have a material adverse effect on our Bitcoin mining and power sales revenues, results of operations, cash flows and financial condition. We are subject to liability risks relating to our competitive power generation business operations.

Our current power generation facility and plants that we may acquire in the future require periodic maintenance and repair. During the course of 2023, we experienced higher-than-anticipated maintenance costs related to each of the Scrubgrass Plant and Panther Creek Plant, and we may continue to experience unexpected expenses at these plants or our other facilities in the future. These or any other such expected or unexpected plant expenses or failures, including failures associated with breakdowns, forced outages or any unanticipated capital expenditures, could have an adverse impact on our financial conditions.

We cannot be certain of the level of capital expenditures that will be required due to changing environmental and safety laws (including changes in the interpretation or enforcement thereof), needed facility repairs and unexpected events (such as natural disasters or terrorist attacks). The unexpected requirement of large capital expenditures could have a material adverse effect on our liquidity and financial condition. If we significantly modify a unit, we may be required to install the best available control technology or to achieve the lowest achievable emission rates as such terms are defined under the new source review provisions of the federal CAA, as amended from time to time, which would likely result in substantial additional capital expenditures. The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Natural or man-made events may cause our power production to fall below our expectations.

Our electricity generation depends upon our ability to maintain the working order of our coal refuse power generation facility. A natural or man-made disaster, severe weather such as snow and ice storms, or accident could impede our ability to access the coal refuse that is necessary for our plant to operate, damage our transmission line preventing us from distributing power to the PJM grid and our miners or require us to shut down our plant or related equipment and facilities. To the extent we experience a prolonged interruption at our plant or a transmission outage due to natural or man-made events, our electricity generation levels could materially decrease. We may also incur significant repair and clean-up costs associated with these events. The effect of the failure of our plant to operate as planned as described above could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to operate the power generation facility as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Our operation of the power generation facility, information technology systems and other assets and conduct of other activities subjects us to a variety of risks, including the breakdown or failure of equipment, plant downtimes and related maintenance costs, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased or unexpected costs, expenses or losses. Planned and unplanned outages at our power generation facilities may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them. Having to purchase power at then-market rates could also have a negative impact on the cost structure of our crypto asset mining operations.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us fully in the event losses occur and no assurance can be given that such insurance coverage will be maintained.

Changes in tax credits related to coal refuse power generation could have a material adverse effect on our business, financial condition, results of operations and future development efforts.

Our profitability depends, in part, on the continued availability of state renewable energy tax credits offered by the Commonwealth of Pennsylvania through programs such as the one established under The Alternative Energy Portfolio Standards Act of 2004 or the Coal Refuse Energy and Reclamation Tax Credit Program established by Act 84 of July 13, 2016. These tax credit programs could be changed or eliminated as a result of state budget considerations or otherwise. Reduction or elimination of such credits could materially and adversely harm our business, financial condition, results of operations and future development efforts.

Land reclamation requirements may be burdensome and expensive.

We operate in partnership with the PADEP and local environmental authorities to reclaim coal refuse piles. Reclamation may include requirements to control dispersion of potentially deleterious effluents, treat ground and surface water to drinking water standards and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations, we must allocate financial resources that might otherwise be spent on implementing our business plan. We have established reserves for our reclamation obligations, but these reserves may not be adequate. If the costs associated with our reclamation work are higher than we anticipate, our financial position could be adversely affected.

Fluctuations in fuel costs could affect our business, financial condition and results of operations.

We rely on third-party carriers for delivery of the coal refuse used at our plant. The price and supply of fuel is unpredictable and fluctuates based on events beyond our control, including among others, geopolitical developments, supply and demand for oil and gas, sanctions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. Because fuel is needed to deliver coal refuse to our facility, any future increases in shipping rates could have a material adverse effect on our business, financial condition and results of operations.

Competition in power markets may have a material adverse effect on our results of operations, cash flows and the market value of our assets.

We have numerous competitors in all aspects of our business, and additional competitors may enter the industry. New parties may offer wholesale electricity bundled with other products or at prices that are below our rates.

Other companies with which we compete may have greater liquidity, greater access to credit and other financial resources, lower cost structures, more effective risk management policies and procedures, greater ability to incur losses or greater flexibility in the timing of their sale of generation capacity and ancillary services than we do. Competitors may also have better access to subsidies or other out-of-market payments that put us at a competitive disadvantage.

Our competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to marketing of wholesale power than we can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. There can be no assurance that we will be able to compete successfully against current and future competitors, and any failure to do so would have a material adverse effect on our business, financial condition, results of operations and cash flow.

Changes in technology may negatively impact the value of our power generation facility.

Research and development activities are ongoing in the industry to provide alternative and more efficient technologies to produce power. There are alternate technologies to supply electricity, most notably fuel cells, micro turbines, batteries, windmills and photovoltaic (solar) cells, the development of which has been expanded due to global climate change concerns. Research and development activities are ongoing to seek improvements in alternate technologies. It is possible that advances will reduce the cost of alternative generation to a level that is equal to or below that of certain central station production. Also, as new technologies are developed and become available, the quantity and pattern of electricity usage by customers could decline, with a corresponding decline in revenues derived by generators. These alternative energy sources could result in a decline to the dispatch and capacity factors of our plants. As a result of all of these factors, the value of our generation facilities could be significantly reduced.

Our results of operations and financial condition could be materially and adversely affected if energy market participants continue to construct additional generation facilities (i.e., new-build) or expand or enhance existing generation facilities despite relatively low power prices and such additional generation capacity results in a reduction in wholesale power prices.

Given the overall attractiveness of certain of the markets in which we operate, and certain tax benefits associated with renewable energy, among other matters, energy market participants have continued to construct new generation facilities (i.e., new-build) or invest in enhancements or expansions of existing generation facilities despite relatively low wholesale power prices. If this market dynamic continues, and/or if our crypto asset mining competitors begin to build or acquire their own power plants to fuel their crypto asset mining operations, our results of operations and financial condition could be materially and adversely affected if such additional generation capacity results in a cheaper supply of electricity to our crypto asset mining competitors.

We sell capacity, energy, and ancillary services to the wholesale power grid managed by PJM. Our business may be affected by state interference in the competitive wholesale marketplace.

We sell capacity, energy, and ancillary services to the wholesale power grid managed by PJM. The competitive wholesale marketplace may be impacted by out-of-market subsidies provided by states or state entities, including bailouts of uneconomic nuclear plants, imports of power from Canada, renewable mandates or subsidies, mandates to sell power below its cost of acquisition and associated costs, as well as out-of-market payments to new or existing generators. These out-of-market subsidies to existing or new generation undermine the competitive wholesale marketplace, which can lead to premature retirement of existing facilities, including those owned by us. If these measures continue, capacity and energy prices may be suppressed, and we may not be successful in our efforts to insulate the competitive market from this interference. Our wholesale power revenue may be materially impacted by rules or regulations that allow regulated utilities to participate in competitive wholesale markets or to own and operate rate-regulated facilities that provide capacity, energy and ancillary services that could be provided by competitive market participants.

We have experienced unexpected operational downtime or outages at our power generation facilities and may experience such downtime or outages again in the future, resulting in increased expenses and reduced revenues.

The operation of our power generation facilities, information technology systems and other assets and conduct of other activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply, failure to receive spare parts in a timely manner, and performance below expected levels. Planned and unplanned outages at our power generation facilities may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them. Having to purchase power at then-market rates could also have a negative impact on the cost structure of our crypto asset mining operations. Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us fully in the event losses occur.

We are required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits and licenses from federal, state and local governmental agencies. The process of obtaining and renewing necessary permits and licenses can be lengthy and complex and can sometimes result in the establishment of conditions that make the project or activity for which the permit or license was sought unprofitable or otherwise unattractive. In addition, such permits or licenses may be subject to denial, revocation or modification under various circumstances. Failure to timely obtain or comply with the conditions of permits or licenses, or failure to comply with applicable laws or regulations, may result in the delay or temporary suspension of our operations and electricity sales or the curtailment of our delivery of electricity to our customers and may subject us to penalties and other sanctions. Although various regulators routinely renew existing permits and licenses, renewal of our existing permits or licenses could be denied or jeopardized by various factors, including, among others: (i) failure to provide adequate financial assurance for closure, (ii) failure to comply with environmental, health and safety laws and regulations or permit conditions, (iii) local community, political or other opposition and (iv) executive, legislative or regulatory action.

Our inability to procure and comply with the permits and licenses required for our operations, or the cost to us of such procurement or compliance, could have a material adverse effect on us. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws, may cause activities at our facilities to need to be changed to avoid violating applicable laws and regulations or elicit claims that historical activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in the case of any such violations, we may

be required to undertake significant capital investments and obtain additional operating permits or licenses, which could have a material adverse effect on us.

Operation of power generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on our revenues and results of operations, and we may not have adequate insurance to cover these risks and hazards. Our employees, contractors, customers and the general public may be exposed to a risk of injury due to the nature of our operations.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of equipment and delivering electricity to transmission and distribution systems, including the transmission lines that run from our power generation facility to our Bitcoin mining operations and operating the pods that house our miners at our power generation facilities. In addition to natural risks such as earthquake, flood, lightning, hurricane and wind, other human-made hazards, such as nuclear accidents, dam failure, gas or other explosions, mine area collapses, fire, structural collapse, machinery failure and other dangerous incidents are inherent risks in our operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant, equipment, and transmission lines, contamination of, or damage to, the environment and suspension of operations. Further, our employees and contractors work in, and customers and the general public may be exposed to, potentially dangerous environments at or near our operations. As a result, employees, contractors, customers and the general public are at risk for serious injury, including loss of life.

The occurrence of any one of these events may result in us being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental cleanup costs, personal injury and property damage and fines and/or penalties. We maintain an amount of insurance protection that we consider adequate, but we cannot provide any assurance that our insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject and, even if we do have insurance coverage for a particular circumstance, we may be subject to a large deductible and maximum cap. A successful claim for which we are not fully insured could hurt our financial results and materially harm our financial condition. Further, due to rising insurance costs and changes in the insurance markets, we cannot provide any assurance that our insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Any losses not covered by insurance could have a material adverse effect on our financial condition, results of operations or cash flows.

Adverse economic conditions could adversely affect our wholesale power business, financial condition, results of operations and cash flows.

Adverse economic conditions and declines in wholesale energy prices, partially resulting from adverse economic conditions, may impact the results of our operations. The breadth and depth of negative economic conditions may have a wide-ranging impact on the U.S. business environment, including our wholesale power businesses. In addition, adverse economic conditions also reduce the demand for energy commodities. Reduced demand from negative economic conditions continues to impact the key domestic wholesale energy markets we serve. The combination of lower demand for power and increased supply of natural gas has put downward price pressure on wholesale energy markets in general, further impacting our energy marketing results. In general, economic and commodity market conditions will continue to impact our unhedged future energy margins, liquidity, earnings growth and overall financial condition. In addition, adverse economic conditions, declines in wholesale energy prices, reduced demand for power and other factors may negatively impact the value of our securities and impact forecasted cash flows, which may require us to evaluate its goodwill and other long-lived assets for impairment. Any such impairment could have a material impact on our financial statements.

Our use of hedging instruments could impact our liquidity.

We use various hedging instruments, including forwards, futures, financial transmission rights, and options, to manage our power market price risks. These hedging instruments generally include collateral requirements that require us to deposit funds or post letters of credit with counterparties when a counterparty's credit exposure to us is in excess of agreed upon credit limits. When commodity prices decrease to levels below the levels where we have hedged future costs, we may be required to use a material portion of our cash or liquidity facilities to cover these collateral requirements. Additionally, existing or new regulations related to the use of hedging instruments may impact our access to and use of hedging instruments.

Financial, Tax and Accounting-Related Risks

Future developments regarding the treatment of crypto assets for U.S. federal income and foreign tax purposes could adversely impact our business.

Due to the new and evolving nature of crypto assets and the absence of comprehensive legal guidance with respect to crypto asset products and transactions, many significant aspects of the U.S. federal income and foreign tax treatment of transactions involving crypto assets, such as Bitcoin, are uncertain, and it is unclear what guidance may be issued in the future on the treatment of crypto asset transactions, including mining, for U.S. federal income and foreign tax purposes. Current Internal Revenue Service ("IRS") guidance indicates that crypto assets such as Bitcoin should be treated and taxed as property, and that transactions involving the payment of crypto assets such as Bitcoin for goods and services should be treated as barter transactions. While this treatment creates a potential tax reporting requirement for circumstances in which a Bitcoin passes from one person to another, usually by means of Bitcoin transactions (including off-blockchain transactions), it preserves the right to apply capital gains (as opposed to ordinary income) treatment to those transactions generally.

There can be no assurance that the IRS or other foreign tax authority will not alter its existing position with respect to crypto assets in the future or that a court would uphold the treatment of Bitcoin or other crypto assets as property, rather than currency. Any such alteration of existing IRS and foreign tax authority positions or additional guidance regarding crypto asset products and transactions could result in adverse tax consequences for holders of digital assets and could have an adverse effect on the value of crypto assets and the broader crypto assets markets. Future technological and operational developments that may arise with respect to crypto assets may increase the uncertainty of the treatment of crypto assets for U.S. federal income and foreign tax purposes. The uncertainty regarding the tax treatment of crypto asset transactions, as well as the potential promulgation of new U.S. federal income, state or foreign tax laws or guidance relating to crypto asset transactions, or changes to existing laws or guidance, could adversely impact the price of Bitcoin or other crypto assets, our business and the trading price of our Class A common stock.

Changes to applicable U.S. tax laws and regulations or exposure to additional income tax liabilities could affect our and Stronghold LLC's business and future profitability.

We have no material assets other than our equity interests in Stronghold LLC, which holds, directly or indirectly, all of the operating assets of our business. Stronghold LLC generally is not subject to U.S. federal income tax, but may be subject to certain U.S. state and local and non-U.S. taxes. We are a U.S. corporation that is subject to U.S. corporate income tax on our worldwide operations, including our share of income of Stronghold LLC. Moreover, our operations and customers are located in the United States, and as a result, we and Stronghold LLC are subject to various and evolving U.S. federal, state and local taxes. New U.S. laws and policy relating to taxes may have an adverse effect on us and our business and future profitability.

U.S. federal, state and local tax laws, policies, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us or Stronghold LLC, in each case, possibly with retroactive effect, and may have an adverse effect on our business and future profitability. For example, several tax proposals have been set forth that would, if enacted, make significant changes to U.S. tax laws. Such proposals include the Biden Administration's budget proposal, released on March 9, 2023, which includes (i) an increase in the U.S. federal income tax rate applicable to corporations from 21% to 28%, (ii) an increase in the excise tax on stock repurchases, originally enacted as part of the IRA, from 1% to 4%, (iii) the imposition of an excise tax of up to 30 percent of the costs of electricity used in digital asset mining, and (iv) the imposition of information reporting requirements with respect to digital assets and digital asset brokers. The U.S. Congress may consider, and could include, some or all of these proposals in connection with tax reform that may be undertaken. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals and other similar changes in U.S. federal income tax laws could adversely affect our or Stronghold LLC's business and future profitability.

Further, the Infrastructure Investment and Jobs Act (the "IIJA"), enacted November 15, 2021, contains, among other things, an expanded definition of the term "broker" for certain tax and information reporting obligations that could require cryptocurrency miners, including us, to provide to the IRS information relating to cryptocurrency transactions, and in August 2023, the U.S. Treasury Department and the IRS released proposed regulations under the IIJA. If the new rules under the IIJA are applicable to us, whether under the proposed Treasury Regulations, any future final Treasury Regulations or other administrative guidance, we may be required to invest substantially in new compliance measures, which could adversely affect our financial position, and if we are not able to obtain any information required to be reported, such compliance may be difficult or potentially impossible.

In the event our business expands internationally or domestically, including to jurisdictions in which tax laws may not be favorable, our and Stronghold LLC's obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect our or Stronghold LLC's after-tax profitability and financial results.

In the event our operating business expands domestically or internationally, our and Stronghold LLC's effective tax rates may fluctuate widely in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. GAAP, changes in deferred tax assets and liabilities, or changes in tax laws. Additionally, we may be subject to tax on more than one-hundred percent of our income and Stronghold LLC may be subject to tax on more than one-hundred percent of its income as a result of such income being subject to tax in multiple state, local or non-U.S. jurisdictions. Factors that could materially adversely affect our and Stronghold LLC's future effective tax rates include, but are not limited to: (a) changes in tax laws or the regulatory environment, (b) changes in accounting and tax standards or practices, (c) changes in the composition of operating income by tax jurisdiction and (d) pre-tax operating results of our business.

Additionally, we and Stronghold LLC may be subject to significant income, withholding and other tax obligations in the United States and may become subject to taxation in numerous additional state, local and non-U.S. jurisdictions with respect to income, operations and subsidiaries related to those jurisdictions. Our and Stronghold LLC's after-tax profitability and financial results could be subject to volatility or be affected by numerous factors, including (a) the availability of tax deductions, credits, exemptions, refunds and other benefits to reduce tax liabilities, (b) changes in the valuation of deferred tax assets and liabilities, if any, (c) the expected timing and amount of the release of any tax valuation allowances, (d) the tax treatment of stock-based compensation, (e) changes in the relative amount of earnings subject to tax in the various jurisdictions, (f) the potential business expansion into, or otherwise becoming subject to tax in, additional jurisdictions, (g) changes to our existing intercompany structure (and any costs related thereto) and business operations, (h) the extent of intercompany transactions and the extent to which taxing authorities in relevant jurisdictions respect those intercompany transactions and (i) the ability to structure business operations in an efficient and competitive manner. Outcomes from audits or examinations by taxing authorities could have an adverse effect on our or Stronghold LLC's after-tax profitability and financial condition. Additionally, the IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our or Stronghold LLC's intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we or Stronghold LLC, as applicable, do not prevail in any such disagreements, our profitability may be adversely affected.

Our or Stronghold LLC's after-tax profitability and financial results may also be adversely affected by changes in relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions and interpretations thereof, in each case, possibly with retroactive effect.

Our net operating loss ("NOL") carryforwards will be subject to one or more limitations, and such limitations could result in an increase to our future tax liabilities.

As of December 31, 2023, we have U.S. federal and state NOL carryforwards of approximately \$ 90.3 million and \$76.1 million, respectively. NOL carryforwards are subject to various limitations under the U.S. federal and state income tax laws, including upon the occurrence of certain events and, in some cases, may be subject to expiration. Section 382 of the Code ("Section 382") generally imposes an annual limitation on the amount of NOL carryforwards that may be used to offset taxable income when a corporation has undergone an "ownership change" (as determined under Section 382). An ownership change generally occurs if one or more stockholders (or groups of stockholders) who are each deemed to own at least 5% of such corporation's stock have a cumulative change in their ownership of more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. The Company determined that it underwent an ownership change for purposes of Section 382 as of December 31, 2022, and the Company may undergo additional ownership changes in the future. Although any unused annual limitation may be carried over to later years, the limitation could result in a portion of the Company's NOL carryforwards expiring prior to their utilization. We expect that one or more of such limitations will apply to reduce our ability to utilize our NOL carryforwards to reduce income or gain we generate in the future. As a result, our future income tax expense may be increased, which could adversely affect our operating results and cash flows.

Risks Relating to Us and Our Organizational Structure

We are a holding company whose sole material asset is our equity interests in Stronghold LLC; accordingly, we will be dependent upon distributions from Stronghold LLC to pay taxes, make payments under the Tax Receivable Agreement and cover our corporate and other overhead expenses.

We are a holding company and we have no material assets other than our equity interests in Stronghold LLC and no independent means of generating revenue or cash flow. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fifth Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the "Stronghold LLC Agreement") requires Stronghold LLC to make cash distributions to holders of units of Stronghold LLC ("Stronghold LLC Units"), including us and Q Power, in an amount sufficient to allow us to pay our taxes and to make payments under the TRA. We generally expect Stronghold LLC to fund such distributions out of available cash, and if payments under the TRA are accelerated, we generally expect to fund such accelerated payment out of the proceeds of the change of control transaction giving rise to such acceleration. When Stronghold LLC makes distributions, the holders of Stronghold LLC Units are entitled to receive distributions based on their respective interests in Stronghold LLC at the time of such distribution. In addition, the Stronghold LLC Agreement requires Stronghold LLC to make non-pro rata payments to us to reimburse us for our corporate and other overhead expenses, which payments are not treated as distributions under the Stronghold LLC Agreement. To the extent that we need funds and Stronghold LLC or its subsidiaries do not have sufficient funds, or are restricted from making such distributions or payments under applicable law or regulation or under the terms of any current or future financing arrangements, or are otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected.

Moreover, because we will have no independent means of generating revenue, our ability to make tax payments and payments under the TRA is dependent on the ability of Stronghold LLC to make distributions to us in an amount sufficient to cover our tax obligations and obligations under the TRA. This ability, in turn, may depend on the ability of Stronghold LLC's subsidiaries to make distributions to it. The ability of Stronghold LLC, its subsidiaries and other entities in which it directly or indirectly holds an equity interest to make such distributions will be subject to, among other things, (i) the applicable provisions of Delaware law (or other applicable jurisdiction) that may limit the amount of funds available for distribution and (ii) restrictions in relevant debt instruments issued by Stronghold LLC or its subsidiaries and other entities in which it directly or indirectly holds an equity interest. To the extent that we are unable to make payments under the TRA for any reason, such payments will be deferred and will accrue interest until paid.

We are required to make payments under the Tax Receivable Agreement for certain tax benefits that we may receive or be deemed to receive, and the amounts of such payments could be significant.

We entered into a TRA on April 1, 2021, with Q Power and an agent named by Q Power. Additionally, on March 14, 2023, we executed a joinder agreement with an additional holder (together with Q Power, the "TRA Holders") who thereby became a party to the TRA. This agreement generally provides for the payment by us to the TRA Holders (or their permitted assignees) of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that we actually realize (or are deemed to realize in certain circumstances) as a result of the acquisition of Stronghold LLC Units pursuant to an exercise of the Redemption Right (as defined herein) or the Call Right (as defined under the TRA) and payments under the TRA, and certain benefits attributable to imputed interest. We will retain the remaining net cash savings, if any.

The term of the TRA commenced on April 1, 2021, and will continue until all tax benefits that are subject to the TRA have been utilized or expired, and all required payments are made, unless we exercise our right to terminate the TRA (or the TRA is terminated due to other circumstances, including our breach of a material obligation thereunder or certain mergers or other changes of control), in which case we will make the termination payment specified in the TRA. In addition, payments we make under the TRA will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return. In the event that the TRA is not terminated early, the payments under the TRA are anticipated to continue for several years after the date of the last redemption of Stronghold LLC Units.

The payment obligations under the TRA are our obligations and not obligations of Stronghold LLC, and we expect that the payments we will be required to make under the TRA will be substantial. Estimating the amount and timing of our realization of tax benefits subject to the TRA is by its nature imprecise. The actual increases in tax basis covered by the TRA, as well as the amount and timing of our ability to use any deductions (or decreases in gain or increases in loss) arising from such increases in tax basis, are dependent upon future events, including but not limited to the timing of redemptions of Stronghold LLC Units, the value of our common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming member's tax basis in its Stronghold LLC Units at

the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount, character, and timing of taxable income we generate in the future, the timing and amount of any earlier payments that we may have made under the TRA, the U.S. federal income tax rate then applicable, and the portion of our payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis. Accordingly, estimating the amount and timing of payments that may become due under the TRA is also by its nature imprecise. For purposes of the TRA, net cash savings in tax generally are calculated by comparing our actual tax liability (determined by using the actual applicable U.S. federal income tax rate and an assumed combined state and local income tax rate) to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the TRA. Thus, the amount and timing of any payments under the TRA are also dependent upon significant future events, including those noted above in respect of estimating the amount and timing of our realization of tax benefits. Any distributions made by Stronghold LLC to us to enable us to make payments under the TRA, as well as any corresponding distributions made to the other holders of Stronghold LLC Units, could have an adverse impact on our liquidity.

Payments under the TRA are not conditioned upon a holder of rights under the TRA having an ownership interest in us or Stronghold LLC. In addition, certain rights of the holders of Stronghold LLC Units (including the right to receive payments) under the TRA are transferable in connection with transfers permitted under the Stronghold LLC Agreement of the corresponding Stronghold LLC Units or after the corresponding Stronghold LLC Units have been acquired pursuant to the Redemption Right or Call Right. For additional information regarding the TRA, see "Management's Discussion and Analysis of Financial Condition and Results of Operation - Tax Receivable Agreement" herein.

In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

If we experience a change of control (as defined under the TRA, including certain mergers, asset sales and other forms of business combinations), or the TRA terminates early (at our election or as a result of our breach), we would be required to make an immediate payment equal to the present value of the future payments we would be required to make if we realized deemed tax savings pursuant to the TRA (determined by applying a discount rate equal to the twelve-month Secured Overnight Finance Rate ("SOFR") plus 171.513 basis points), and using numerous assumptions to determine deemed tax savings) and such early termination payment is expected to be substantial and may exceed the future tax benefits realized by Stronghold Inc. The calculation of such future payments will be based upon certain assumptions and deemed events set forth in the TRA, including (i) that we have sufficient taxable income on a current basis to fully utilize the tax benefits covered by the TRA, and (ii) that any Stronghold LLC Units (other than those held by us) outstanding on the termination date or change of control date, as applicable, are deemed to be redeemed on such date. Any early termination payment may be made significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the early termination payment relates.

If we experience a change of control (as defined under the TRA) or the TRA otherwise terminates early (at our election or as a result of our breach), our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control. If our obligation to make payments under the TRA is accelerated as a result of a change of control, we generally expect the accelerated payments due under the TRA to be funded out of the proceeds of the change of control transaction giving rise to such acceleration. However, we may be required to fund such payment from other sources, and as a result, any early termination of the TRA could have a substantial negative impact on our liquidity. We do not currently expect to cause an acceleration due to our breach, and we do not currently expect that we will elect to terminate the TRA early, except in cases where the early termination payment would not be material. There can be no assurance that we will be able to meet our obligations under the TRA.

Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations – Tax Receivable Agreement " herein.

If our payment obligations under the Tax Receivable Agreement are accelerated upon certain mergers, other forms of business combinations or other changes of control, the consideration payable to holders of our common stock could be substantially reduced.

If we experience a change of control (as defined under the TRA), which includes certain mergers, asset sales and other forms of business combinations, then our obligations under the TRA would be based upon certain assumptions and deemed events set forth in the TRA, and in such situations, payments under the TRA may be significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the payment relates. As a result of our payment obligations under the TRA, holders of our common stock could receive substantially less consideration in

connection with a change of control transaction than they would receive in the absence of such obligation. Further, our payment obligations under the TRA are not conditioned upon holders of Stronghold LLC Units having a continued interest in us or Stronghold LLC. Accordingly, the interests of the holders of Stronghold LLC Units may conflict with those of the holders of our common stock.

We will not be reimbursed for any payments made under the Tax Receivable Agreement in the event that any tax benefits are subsequently disallowed.

Payments under the TRA will be based on the tax reporting positions that we will determine, and the IRS or another tax authority may challenge all or part of the tax basis increases upon which payment under the TRA are based, as well as other related tax positions we take, and a court could sustain such challenge. The holders of Stronghold LLC Units will not reimburse us for any payments previously made under the TRA if any tax benefits that have given rise to payments under the TRA are subsequently disallowed, except that excess payments made to any holder of Stronghold LLC Units will be netted against future payments that would otherwise be made to such holder of Stronghold LLC Units, if any, after our determination of such excess (which determination may be made a number of years following the initial payment and after future payments have been made). As a result, in such circumstances, we could make payments that are much greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could materially adversely affect our liquidity.

If Stronghold LLC were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we and Stronghold LLC might be subject to potentially significant tax inefficiencies, and we would not be able to recover payments previously made by us under the Tax Receivable Agreement even if the corresponding tax benefits were subsequently determined to have been unavailable due to such status.

We intend to operate such that Stronghold LLC does not become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. A "publicly traded partnership" is a partnership the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, redemptions of Stronghold LLC Units pursuant to the Redemption Right (or the Call Right) or other transfers of Stronghold LLC Units could cause Stronghold LLC to be treated as a publicly traded partnership. Applicable U.S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that redemptions or other transfers of Stronghold LLC Units qualify for one or more such safe harbors. For example, we intend to limit the number of holders of Stronghold LLC Units, and the Stronghold LLC Agreement provides for limitations on the ability of holders of Stronghold LLC Units to transfer their Stronghold LLC Units and provides us, as the managing member of Stronghold LLC, with the right to impose restrictions (in addition to those already in place) on the ability of holders of Stronghold LLC Units to redeem their Stronghold LLC Units pursuant to the Redemption Right (or Call Right) to the extent we believe it is necessary to ensure that Stronghold LLC will continue to be treated as a partnership for U.S. federal income tax purposes.

If Stronghold LLC were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, significant tax inefficiencies might result for us and Stronghold LLC. In such case, we might not be able to realize tax benefits covered under the TRA, and we would not be able to recover any payments we previously made under the TRA, even if the corresponding tax benefits (including any claimed increase in the tax basis of Stronghold LLC's assets) were subsequently determined to have been unavailable.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition.

We may be subject to taxes by the U.S. federal, state, and local tax authorities and our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation; or
- changes in tax laws, regulations or interpretations thereof.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

We previously identified a material weakness in our internal control over financial reporting and, despite the fact that such weakness has been remedied, we may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in those internal controls. For example, we are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). We are in the process of designing, implementing, and testing internal control over financial reporting required to comply with this obligation. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements could not be prevented or detected on a timely basis. We have in the past identified, and may in the future identify, a material weakness in our internal control over financial reporting.

Certain of our executive officers and directors have significant duties with, and spend significant time serving, entities that may compete with us in seeking business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities.

Certain of our executive officers and directors, who are responsible for managing the direction of our operations, hold positions of responsibility with other entities (including affiliated entities). These executive officers and directors may become aware of business opportunities that may be appropriate for presentation to us as well as to the other entities with which they are or may become affiliated. Due to these existing and potential future affiliations, they may present potential business opportunities to other entities prior to presenting them to us, which could cause additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor.

Our second amended and restated certificate of incorporation and bylaws, as well as Delaware law, contains provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock and could deprive our investors of the opportunity to receive a premium for their shares.

Our second amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our second amended and restated certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders. These provisions include:

- establishing advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders;
- providing that the authorized number of directors may be changed only by resolution of the board of directors;
- providing that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- providing that, any action required or permitted to be taken by our stockholders must be taken at a duly held annual or special meeting of stockholders and may not be taken by any consent in writing in lieu of a meeting of such stockholders, subject to the rights of holders of any series of preferred stock with respect to such series of preferred stock ;
- providing that the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of common stock entitled to vote generally in the election of directors, acting at a meeting of the stockholders or by written consent (if permitted), subject to the rights of the holders of any series of preferred stock, shall be required to remove any or all of the directors from office, and such removal may be with or without "cause";
- providing that our second amended and restated certificate of incorporation may only be amended by the affirmative vote of the holders of at least 50% of our then outstanding stock entitled to voted thereon, voting together as a single class;
- permitting special meetings of our stockholders to be called only by our Chief Executive Officer, the chairman (or any co-chairman) of our board of directors, or by a majority of the board of directors;
- prohibiting cumulative voting in the election of directors;

- providing that our bylaws can be amended by the board of directors or stockholders of 66 2/3% of the voting power of the then-outstanding shares of stock entitled to vote thereon.

In addition, certain change of control events have the effect of accelerating the payment due under the TRA, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. Please see "Risks Relating to Us and our Organizational Structure" herein. In certain cases, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the TRA.

We may issue preferred stock whose terms could adversely affect the voting power or value of our Class A common stock.

Our second amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our Class A common stock respecting dividends and distributions, as our board of directors may determine. We currently have one class of preferred stock outstanding. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our Class A common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the Class A common stock.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

We are classified as an "emerging growth company" ("EGC") under the JOBS Act. For as long as we are an EGC, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things: (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. We will remain an EGC for up to five years, although we will lose that status sooner if we have more than \$1.235 billion of revenues in a fiscal year, have more than \$700.0 million in market value of our Class A common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to EGCs, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not EGCs. Additionally, we intend to take advantage of the extended transition periods for the adoption of new or revised financial accounting standards under the JOBS Act until we are no longer an EGC. Our election to use the transition periods permitted by this election may make it difficult to compare our financial statements to those of non-EGCs and other EGCs that have opted out of the extended transition periods permitted under the JOBS Act and who will comply with new or revised financial accounting standards.

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (1) the market value of our common stock held by non-affiliates equals or exceeds \$250 million as of the end of that fiscal year's second fiscal quarter, and (2) our annual revenues exceeded \$100 million during such completed fiscal year and the market value of our common stock held by non-affiliates exceeds \$700 million as of the end of that fiscal year's second fiscal quarter. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

If some investors find our Class A common stock to be less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our Class A common stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our Class A common stock or if our operating results do not meet their expectations, our stock price could decline.

Our second amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our second amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the Delaware General Corporation Law, our second amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Notwithstanding the foregoing, the exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act, or any other claim for which the federal courts have exclusive jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our second amended and restated certificate of incorporation described herein. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our second amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Risks Related to Our Class A Common Stock

If we are not able to comply with the applicable continued listing requirements or standards of Nasdaq, Nasdaq could delist our common stock.

Our Class A common stock is currently listed on the Nasdaq Global Market. In order to maintain such listing, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, minimum share price, and certain corporate governance requirements.

On November 30, 2022, we received a written notification from Nasdaq Stock Market LLC ("Nasdaq") notifying us that, based upon the closing bid price of our Class A common stock, for the last 30 consecutive business days, our Class A common stock did not meet the minimum bid price of \$1.00 per share required by Nasdaq Listing Rule 5450(a)(1).

On May 15, 2023, we effected a 1-for-10 reverse stock split of the shares of the Company's Class A common stock and the Company's Class V common stock and regained compliance with the minimum bid price requirement thereafter (the "Reverse Stock Split").

The trading price of shares of our common stock has been volatile.

The trading price of our common stock has been, and is likely to continue to be, volatile, and may be influenced by various factors beyond our control as well as those discussed in our "Risk Factors" set forth herein, including, but not limited to:

- the underlying volatility in pricing of, and demand for, energy and/or Bitcoin;
- price and volume fluctuations in the stock markets generally which create highly variable and unpredictable pricing of equity securities;

- actual or anticipated variations in our annual or quarterly results of operations, including our earnings estimates and whether we meet market expectations with regard to our earnings;
- significant volatility in the market price and trading volume of securities of companies in the sectors in which our business operates, which may not be related to the operating performance of these companies and which may not reflect the performance of our businesses;
- loss of a major funding source;
- operating performance of companies comparable to us;
- changes in regulations or tax law, including those affecting the holding, transferring or mining of cryptocurrency;
- share transactions by principal stockholders;
- recruitment or departure of key personnel;
- general economic trends and other external factors including inflation and interest rates;
- our ability to monetize our carbon capture process;
- increased scrutiny by governmental authorities or individual actors or community groups regarding our business, our competitors or the industry in which we operate;
- publication of research reports by analysts and others about us or the cryptocurrency mining industry, which may be unfavorable, inaccurate, inconsistent or not disseminated on a regular basis;
- sentiment of retail investors about our Class A common stock and business generally (including as may be expressed on financial trading and other social media sites and online forums); and
- speculation in the media or investment community about us or the cryptocurrency industry more broadly.

The number of shares of our Class A common stock issuable upon the conversion of our outstanding convertible preferred stock or exercise of outstanding warrants, options and other convertible instruments is substantial.

As of February 29, 2024, the outstanding shares of our Series C preferred stock were convertible into an aggregate of 1,497,500 shares of Class A common stock, and no shares of Series D preferred stock remain outstanding. Also, as of that date, we had warrants (including pre-funded warrants) outstanding that were exercisable for an aggregate of 5,277,985 shares. We have also issued equity awards pursuant to our Initial LTIP that may be convertible or exercisable for Class A common stock. Such shares of Class A common stock issuable upon conversion or exercise of these securities is substantial, and if exercised or converted, will dilute the ownership interests of existing stockholders. Any sales in the public market of the Class A common stock issuable upon such conversion or exercise could also adversely affect the market prices of our Class A common stock.

Item 1B. Unresolved Staff Comments

The Company received comments from the Staff during fiscal year 2023, and while the Company has worked with the Staff to address these comments, some remain unresolved:

- *Revenue recognition.* The Staff commented on the Company's revenue recognition policy in its capacity as a pool participant, including with respect to requesting additional information regarding its participation in mining pools, the payout methodology utilized by such pools, and the contract terms with such operators. The Staff further commented on the Company's accounting convention to recognize noncash (Bitcoin) revenue using fair value on the day of receipt versus contract inception. In response to the Staff's comments, the Company has revised *Note 1 – Basis of Presentation and Significant Accounting Policies* in the notes to our consolidated financial statements to, among other things, include additional disclosure regarding its mining pool participation, its contract terms with such pool operators, its performance obligation under such contracts, and the mining pool payout methodology, including FPPS, and the valuation of noncash consideration. The Company also evaluated, and provided its analysis for, the difference between its current accounting convention regarding the recognition of noncash (Bitcoin) revenue and fair value at contract inception and determined that any differences in revenue were not material for the stated periods.
- *Hosting arrangements.* The Staff requested additional information regarding the terms of the Company's hosting agreements and an analysis as to whether such agreements constitute a lease. The Staff also requested additional information regarding revenue recognition for such hosting arrangements. In response to the Staff's comments, the Company provided additional requested information regarding the terms of its hosting agreements and its analysis as to why such agreements do not constitute leases under ASC 842. The Company has also revised *Note 1 – Basis of Presentation and Significant Accounting Policies* in the notes to our consolidated financial statements to, among other things, include additional disclosure regarding its revenue recognition policy for its hosting agreements and to provide additional details regarding its hosting agreements.

- *Non-GAAP measures.* The Staff commented on the Company's presentation of Adjusted EBITDA, including the adjustments for impairments on digital currencies and the realized gain on sale of digital currencies. The Company provided an analysis regarding its adjustments for such impairments and realized gains and advised the Staff that it intends to adopt the FASB Accounting Standard Update 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60)*, that was issued on December 13, 2023.
- *Accounting policy for classifying digital assets.* The Staff commented to request that the Company clarify its policy regarding current asset classification. In response to the Staff's comment, the Company has revised *Note 1 – Basis of Presentation and Significant Accounting Policies* in the notes to our consolidated financial statements to disclose that, among other things, it classifies digital currencies as current assets because it expects to realize the cash flows associated with such assets within a year.
- *Impairment of Bitcoin.* The Staff commented on the Company's policy regarding impairment for indefinite-lived digital currency assets. In response to the Staff's comment, the Company has revised *Note 1 – Basis of Presentation and Significant Accounting Policies* in the notes to our consolidated financial statements to disclose that, among other things, the Company exercises its unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period when the market price is below the carrying value and proceed directly to performing the quantitative impairment test.

Item 1C. Cybersecurity

We recognize the importance of assessing, identifying, and managing risks associated with cybersecurity threats. Accordingly, in adopting our risk assessment program, we seek to address these risks by implementing and maintaining processes, and technologies designed to prevent, detect, and mitigate incidents that could pose cybersecurity risk. Our risk assessment program is part of the Company's previously approved overall risk management policy included in the operational risks and internal processes that are evaluated regularly by our third-party Information Technology provider.

We are committed to safeguarding our systems and data. We utilize third-party support and providers to conduct risk assessments to evaluate the effectiveness of our systems and processes in addressing threats and to identify opportunities for enhancements. Additionally, we monitor emerging laws, industry standards and regulations related to information security and data protection. Although we have not experienced any cybersecurity incidents or threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition to date, we cannot provide any assurance that there will not be incidents or threats in the future that may materially affect us, including our business strategy, results of operations, or financial condition.

Pursuant to our risk management policy, responsibility for implementation of the our risk management policy resides with the Chief Financial Officer. The Audit Committee receives an update on the Company's risk management process, risk trends and any incidents at least annually from the management team. In the event of any incident, the Company expects to notify the Audit Committee immediately, or as soon as possible.

Our cybersecurity policies, standards, processes and practices are regularly assessed by our third-party Information Technology provider. These assessments include a variety of activities including information security assessments and independent reviews of our information security control environment and operating effectiveness. Through our third-party Information Technology provider, we have cybersecurity related policies including an incident response plan. We utilize managed detection and response systems, endpoint protection, content filtering aimed at blocking malware and software to eliminate phishing, malware and fraud. We also utilize two-factor authentication and have business disaster recovery and backup storage systems in place. The Company and its third party consultants conduct cybersecurity training and testing programs on a regular basis.

Item 2. Properties

The following table provides certain summary information about the principal facilities owned or leased by the Company as of December 31, 2023. Our corporate headquarters, which we lease, is located at 595 Madison Avenue, 28th Floor, New York NY, 10022. The Company believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs.

Location	Primary Use	Segment(s)	Approximate Size
Nesquehoning, PA	Power Generation and Cryptocurrency Mining	All	33 acres
Kennerdell, PA	Power Generation and Cryptocurrency Mining	All	650 acres

New York, NY	Office	All	3,000 Sq. Ft.
Pittsburgh, PA	Office	All	7,000 Sq. Ft.
New Castle, PA	Storage	Cryptocurrency Operations	52,602 Sq. Ft.

Item 3. Legal Proceedings

The Company experiences litigation in the normal course of business. Management is of the belief that none of this routine litigation will have a material adverse effect on the Company's financial position or results of operations. For more information, please refer to *Note 11 – Commitments And Contingencies* in the notes to our consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Class A common stock of the Company is listed on the Nasdaq Global Market under the symbol "SDIG." As of February 29, 2024, there were 12,645,479 shares of Class A common stock outstanding and 2,405,760 shares of Class V common stock outstanding. There is no market for our Class V common stock. Each share of Class V common stock has no economic rights but entitles its holders to one vote per share of Class V common stock on all matters to be voted on by the shareholders generally.

Holders of Record

As of February 29, 2024, there were 26 stockholders of record of our Class A common stock and one stockholder of record of our Class V common stock. In the case of our Class A common stock, the actual number of holders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or held by other nominees. The number of holders of record of Class A common stock also does not include stockholders whose shares may be held in trust by other entities.

Dividends

The Company has never paid quarterly dividends to shareholders and has no present intention to do so. Additionally, the WhiteHawk Refinancing Agreement has customary representations, warranties and covenants that include restrictions on the Company's ability to pay dividends.

Performance Graph

Not applicable.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Except as otherwise indicated or required by the context, all references in this prospectus to the "Company," "we," "us" or "our" relate to Stronghold Digital Mining, Inc. ("Stronghold Inc.") and its consolidated subsidiaries.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing in this Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-K, including information with respect to our plans, expectations and strategy for our business, and operations, includes forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see section above entitled "Cautionary Statement Regarding Forward-Looking Statements." Certain risks may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion and analysis. Factors that may cause actual results to differ materially from current expectations include, among other things, those described under the heading "Risk Factors" and discussed elsewhere in this Form 10-K.

Overview

Stronghold Digital Mining, Inc. ("Stronghold Inc.," the "Company," "we," "us," or "our") was incorporated as a Delaware corporation on March 19, 2021. We are a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin with environmental remediation and reclamation services. We wholly own and operate two coal refuse power generation facilities that we have upgraded: (i) our first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which we acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant") and (ii) a facility located near Nesquehoning, Pennsylvania, which we acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). We are committed to generating our energy and managing our assets sustainably, and we believe that we are one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

We believe that our integrated model of owning our own power plants and Bitcoin mining data center operations helps us to produce Bitcoin at a cost that is attractive versus the price of Bitcoin, and generally below the prevailing market price of power that many of our peers must pay and may have to pay in the future during periods of uncertain or elevated power pricing. Due to the environmental benefit resulting from the remediation of the sites from which the waste coal utilized by our two power generation facilities is removed, we also qualify for Tier II renewable energy tax credits ("RECs") in Pennsylvania. These RECs are currently valued at approximately over \$28 per megawatt hour ("MWh") and help reduce our net cost of power. We believe that our ability to utilize RECs in reducing our net cost of power further differentiates us from our public company peers that purchase power from third-party sources or import power from the grid and that do not have access to RECs or other similar tax credits. Should power prices weaken to a level that is below the Company's cost to produce power, we have the ability to purchase power from the PJM Interconnection Merchant Market ("PJM") grid pursuant to our Electricity Sales and Purchase Agreements (collectively, the "ESPAs") at each of our Plants with Champion Energy Services LLC ("Champion") to ensure that we are producing Bitcoin at the lowest possible cost. Conversely, we are able to sell power to the PJM grid instead of using the power to produce Bitcoin, as we have recently done, on an opportunistic basis, when revenue from power sales exceeds Bitcoin mining revenue. We operate as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. Our ability to sell energy in the wholesale generation market in the PJM RTO provides us with the ability to optimize between selling power to the grid and mining for Bitcoin. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors. We intend to leverage these competitive advantages to continue to grow our business through the opportunistic acquisition of additional power generating assets and miners.

Carbon Capture Initiative

On November 10, 2023, the Company launched the first phase of its carbon capture project with the deployment of the first unit of carbon capture technology at the Scrubgrass Plant. The design and process follow four months of third-party laboratory tests, utilizing a variety of testing methodologies. The Company's beneficial use ash naturally contains reactive calcium oxide as a result of including limestone in the fuel mix to reduce sulfur dioxide emissions, given the high sulfur content in mining waste. Calcium oxide can, under the right conditions, bond with carbon dioxide to form calcium

carbonate, effectively absorbing carbon dioxide out of ambient air and permanently storing it in a geologically stable solid. Lab results have demonstrated that the Company's beneficial use ash can potentially capture carbon dioxide at a capacity of approximately 14% by weight of starting ash, and subsequent field tests confirmed. The Company expects that development of the project will continue to be iterative, as the Company works to optimize processes around ash movement, composition, rate of capture, time to capture and cost, among other variables. Actual carbon dioxide absorption rates, and timing thereof, may vary, including by site across the Scrubgrass Plant and Panther Creek Plant, type of ash between fly and bottom ash, arrangement of ash in the field, and weather conditions, among other variables. The cost of equipment for the first Karbolith was approximately \$70,000, and the cost of the second Karbolith was approximately \$33,000, down over 50% compared to the first one. The Company continues to believe that the scaled project will cost approximately \$50 to 125 per annual ton of carbon dioxide capture capacity, assuming the laboratory results are validated. Assumptions included in the estimated \$50 to 125 per annual ton of carbon dioxide capture capacity include but are not limited to (i) expected costs of equipment, taking into account the cost of the equipment used to construct the first unit at the Scrubgrass Plant, (ii) incremental labor costs related to the construction of the project, and (iii) the expected deployment of a combined 100 to 150 carbon capture units across the Scrubgrass Plant and Panther Creek Plant.

The Company's Scrubgrass Plant and Panther Creek Plant produce approximately 800,000 to 900,000 combined tons of beneficial use ash per year at baseload capacity utilization. Extrapolating the potential 14% carbon dioxide capture capacity from the Scrubgrass Plant's ash lab tests would imply potential to capture approximately 115,000 tons of carbon dioxide per year. The Company intends to monetize any credits generated from its carbon capture initiatives in private markets, which may be possible as early as 2024, although the Company expects such monetization in the private markets to begin in earnest in 2025. In February 2024, the carbon capture initiative at the Scrubgrass Plant was registered on the Puro Carbon Registry, and we expect to begin the audit process with the registry in the near future. The Company is also exploring whether its carbon capture initiatives are eligible to qualify for tax credits under Section 45Q of the Internal Revenue Code of 1986, as amended (such credits, "Section 45Q tax credits"). The earliest the Company would be in position to qualify for Section 45Q tax credits is 2025, or more likely, in 2026, if the Company is able to qualify for Section 45Q tax credits at all. See Item 1A "Risk Factors - Risks Related to Our Business" for risks associated with the Company's carbon capture initiative and Section 45Q tax credits.

Bitcoin Mining

As of February 29, 2024, we own or host more than 44,000 Bitcoin miners with hash rate capacity exceeding 4.4 EH/s, of which 4.1 EH/s is currently in operation. Based on the capacity of our data centers, which have more than 40,000 energized slots, we actively operate approximately 30,000 wholly owned Bitcoin miners, with hash rate capacity of nearly 3.1 EH/s, and host more than 10,000 Bitcoin miners, with hash rate capacity exceeding 1.0 EH/s. We have determined that we have the opportunity to increase our hash rate capacity to support over 7 EH/s of hash rate through upgrading our current miner fleet, although we are opportunistically evaluating potential options to accomplish this, if at all. As of February 29, 2024, we do not have any outstanding orders where the receipt of Bitcoin miners is expected.

Bitcoin

Bitcoin was introduced in 2008 with the goal of serving as a digital means of exchanging and storing value. Bitcoin is a form of digital currency that depends upon a consensus-based network and a public ledger called a "blockchain," which contains a record of every Bitcoin transaction ever processed. The Bitcoin network is the first decentralized peer-to-peer payment network, powered by users participating in the consensus protocol with no central authority or middlemen, that has wide network participation. The authenticity of each Bitcoin transaction is protected through digital signatures that correspond with addresses of users that send and receive Bitcoin. Users have full control over remitting Bitcoin from their own sending addresses. All transactions on the Bitcoin blockchain are transparent, allowing those running the appropriate software to confirm the validity of each transaction. To be recorded on the blockchain, each Bitcoin transaction is validated through a proof-of-work consensus method, which entails solving complex mathematical problems to validate transactions and post them on the blockchain. This process is called mining. Miners are rewarded with Bitcoin, both in the form of newly created Bitcoin and fees in Bitcoin, for successfully solving the mathematical problems and providing computing power to the network. A company's computing power, measured in hash rate, is generally considered to be one of the most important metrics for evaluating Bitcoin mining companies.

We receive Bitcoin as a result of our mining operations, and we sell Bitcoin, from time to time, to support our operations and strategic growth. We do not currently plan to engage in regular trading of Bitcoin (other than as necessary to convert our Bitcoin to U.S. dollars) or hedging activities related to our holding of Bitcoin; however, our decisions to hold or sell Bitcoin at any given time may be impacted by the Bitcoin market, which has been historically characterized by significant volatility. Currently, we do not use a formula or specific methodology to determine whether or when we will sell Bitcoin that we hold or the number of Bitcoin we will sell. We assess our fiat currency needs on an ongoing basis, incorporating

market conditions, our financial forecasts, and scenarios analyses. We safeguard and keep private our digital assets by utilizing storage solutions provided by Anchorage Digital Bank ("Anchorage"), which require multi-factor authentication and utilize cold and hot storage. While we are confident in the security of our digital assets, we are evaluating additional measures to provide additional protection.

Trends and Other Factors Impacting Our Performance

General Digital Asset Market Conditions

During 2022 and more recently in 2023, a number of companies in the crypto assets industry have declared bankruptcy, including, but not limited to, Core Scientific, Celsius Network LLC ("Celsius"), Voyager Digital, Three Arrows Capital, BlockFi, FTX Trading Ltd. ("FTX"), and Genesis Holdco. Such bankruptcies have contributed, at least in part, to the volatility in the price of our shares as well as the price of Bitcoin, and some loss of confidence in the participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly. To date, aside from the general decrease in the price of Bitcoin and in our and our peers stock price that may be indirectly attributable to the bankruptcies in the crypto assets industry, we have not been indirectly or directly materially impacted by such bankruptcies. As of the date hereof, we have no direct or material contractual relationship with any company in the crypto assets industry that has experienced a bankruptcy. Additionally, there has been no impact on our hosting agreement or relationship with Foundry Digital, LLC ("Foundry") or trading activities conducted with Genesis Global Trading, Inc. ("Genesis Trading"), an entity regulated by the New York Department of Financial Services and the SEC, or Coinbase Inc., both of which we engage or have engaged in the past in the trading of our mined Bitcoin. The hosting agreement with Foundry is performing in line with our expectations, and on February 6, 2023, we entered into a new hosting agreement to replace the existing hosting agreement with Foundry which, among other things, extended the agreement term to two years with no unilateral early termination option and made amendments to certain profit-sharing components. The bankruptcy of Genesis Holdco, which is affiliated with the parent entity of Foundry and Genesis Trading, has not materially impacted the original or currently existing hosting arrangement, nor has it impacted trading activities with Genesis Trading. Additionally, we have had no direct exposure to Celsius, First Republic Bank, FTX, Signature Bank, Silicon Valley Bank, or Silvergate Capital Corporation. We continue to conduct diligence, including into liquidity or insolvency issues, on third parties in the crypto asset space with whom we have potential or ongoing relationships. While we have not been materially impacted by any liquidity or insolvency issues with such third parties to date, there is no guarantee that our counterparties will not experience liquidity or insolvency issues in the future.

We safeguard and keep private our digital assets, including the Bitcoin that we mine, by utilizing storage solutions provided by Anchorage, which requires multi-factor authentication. While we are confident in the security of our digital assets held by Anchorage, given the broader market conditions, there can be no assurance that other crypto asset market participants, including Anchorage as our custodian, will not ultimately be impacted. Further, given the current conditions in the digital assets ecosystem, we are liquidating our mined Bitcoin often, and generally at multiple points every week through Anchorage. We continue to monitor the digital assets industry as a whole, although it is not possible at this time to predict all of the risks stemming from these events that may result to us, our service providers, our counterparties, and the broader industry as a whole. We cannot provide any assurance that we will not be materially impacted in the future by bankruptcies of participants in the crypto asset space. See "*Risk Factors—Crypto Asset Mining Related Risks—Our crypto assets may be subject to loss, damage, theft or restriction on access*" for additional information.

Bitcoin Price Volatility

The market price of Bitcoin has historically and recently been volatile. For example, the price of Bitcoin ranged from a low of approximately \$17,000 in January 2023 to over \$44,000 in December 2023. After our initial public offering, the price of Bitcoin dropped over 75%, resulting in an adverse effect on our results of operations, liquidity and strategy, and resulting in increased credit pressures on the cryptocurrency industry. Since then, Bitcoin has recovered to over \$68,000. Our operating results depend on the value of Bitcoin because it is the only crypto asset we currently mine. We cannot accurately predict the future market price of Bitcoin and, as such, we cannot accurately predict potential adverse effects, including whether we will record impairment of the value of our Bitcoin assets. The future value of Bitcoin will affect the revenue from our operations, and any future impairment of the value of the Bitcoin we mine and hold for our account would be reported in our consolidated financial statements and results of operations as charges against net income, which could have a material adverse effect on the market price for our securities.

Bitcoin Adoption and Network Hash Rate

Since its introduction in 2008, Bitcoin has become the leading cryptocurrency based on several measures of adoption: total value of coins in circulation, transactions, and computing power devoted to its protocol. The total value of Bitcoin in circulation was approximately \$1 trillion as of February 23, 2024, nearly three times that of Ethereum at \$358 billion, the second largest cryptocurrency. Bitcoin cumulative transactions have increased from one transaction on January 7, 2009, to 968 million transactions through February 23, 2024. As the adoption of Bitcoin has progressed, the computing power devoted to mining for it has also increased. This collective computing power is referred to as "network hash rate". Bitcoin network hash rate has risen from nearly zero at inception to a seven-day average of 562 EH/s as of February 23, 2024, as Bitcoin price has risen from its initial trading price of \$0.0008 in July 2010 to approximately \$51,000 as of February 23, 2024. The actual number of mining computers hashing at any given time cannot be known; therefore, the network hash rate, at any given time, is approximated by using "mining difficulty."

The term difficulty refers to the complexity of the mathematical problems that the miners solve and is adjusted up or down automatically after 2,016 blocks (an "epoch") have been mined on the network. Difficulty on February 23, 2024, was 81.7 trillion, and it has ranged from one to 81.7 trillion. Generally speaking, if network hash rate has moved up during the current epoch, it is likely that difficulty will increase in the next epoch, which reduces the award per unit of hash rate during that epoch, all else equal, and vice versa. Deriving network hash rate from difficulty requires the following equation: network hash rate is the product of a) blocks solved over the last 24 hours divided by 144, b) difficulty, c) 2^{32} , divided by 600 seconds.

Embedded in the Bitcoin source code is an upper limit of 21 million for the quantity of Bitcoin that can ever be mined or in circulation, which means that the currency is finite, unlike fiat currencies. Through February 23, 2024, approximately 19.6 million Bitcoin have been mined, leaving approximately 1.4 million left to be mined. The year in which the last Bitcoin is expected to be mined is 2140. Every four years there is an event called a halving where the coins awarded per block is cut in half. Whereas today the reward for adding a block to the blockchain is currently 6.25 Bitcoin, it is estimated that in April 2024, the award per block will be reduced to 3.125 Bitcoin. Each day there are approximately 144 blocks awarded to the entirety of the global Bitcoin network. While network hash rate has been somewhat cyclical over short periods of time, since the creation of Bitcoin, as network hash rate has increased over time through a combination of an increased number of network participants, an increased quantity of miners hashing, and more efficient miners with faster processing speeds hashing, competition for block awards has increased.

Hash Price

There are three critical drivers of revenue per unit of hash rate in the Bitcoin mining industry (using terahash as the unit of hash rate): Bitcoin price, difficulty, and Bitcoin transaction fees. Hash price is the nexus of those terms and is equivalent to revenue per terahash per day. Hash price was \$0.081 on February 23, 2024, compared to the 2024 average year-to-date hash price of \$0.083, and compared to the five-year, one year, 2023, and 2022 average hash prices of \$0.167, \$0.076, \$0.074, and \$0.124, respectively. The five-year high price was May 5, 2018, when hash price was at \$0.62. The five-year low hash price was November 21, 2022, ten days after the bankruptcy filing of FTX Trading Ltd. and certain of its subsidiaries, when hash price reached \$0.056. We estimate that the average global Bitcoin network breakeven hash price required to cover operating costs is currently between \$0.045 to \$0.08, which assumes variable operating expenses of \$60 to \$70 per MWh, annual fixed operating expenses of \$1 to \$5 per TH/s, and average network efficiency of 30 to 40 J/TH.

In addition to mining for new Bitcoin, we are also paid transaction fees in the form of Bitcoin for processing and validating transactions. During 2022, average transaction fees were 1.6% of block subsidies, and, during the first quarter of 2023, transaction fees were 2.3%. In April 2023, transaction fees and volume rose sharply on the Bitcoin network, and transaction fees averaged 8.2% from April 1, 2023, to June 30, 2023. During the third and fourth quarters of 2023, transaction fees averaged 2.8% and 14.6%, respectively, with the latter representing the highest quarterly average since Bitcoin was founded. Transaction fees have remained elevated during 2024, with an 8.9% year-to-date average through February 23, 2024. Transaction fees are volatile and there are no assurances that transaction fees will continue at recent levels in the future.

Scrubgrass Plant Outage

The Company experienced an unplanned outage during September 2023 at its Scrubgrass Plant that affected both its plant operations and data center operations. The Company elected to extend the outage at the Scrubgrass Plant due to low power prices in an effort to conduct additional maintenance. The data center located at the Scrubgrass Plant returned to full operations after seven days, importing power from the PJM grid. Once the data center at the Scrubgrass Plant resumed

operations, hash rate finished the month at approximately 3.5 EH/s, the Company's all-time-high hash rate, up approximately 15% versus the Company's August 2023 exit hash rate.

Early in October 2023, as the outage at the Scrubgrass Plant continued, PJM informed the Company of its request that the Company reduce its imports to 10 megawatts for an estimated 10-day period starting on October 11, 2023, in order to perform transmission line work in the area. The Company cooperated with the PJM import directive. The Company was able to start the Scrubgrass Plant on October 16, 2023, in order to resume full data center output.

Panther Creek Outage

In November 2023, the Panther Creek Plant experienced unexpected ash silo flow issues. As a result, the Company operated the Panther Creek Plant at a lower output while the plant worked to remedy the issue. From November 20, 2023, through December 7, 2023, the Panther Creek Plant operated at approximately 60% net capacity factor while importing the remaining electricity necessary to fulfill its data center needs. The Company's data center operations were unaffected during that period.

On December 8, 2023, the Company elected to shut off the plant for what was expected to be a short-term, unplanned outage to fully fix the ash silo. The repairs were not completed until December 21, 2023, resulting in the Panther Creek Plant importing electricity between December 8, 2023, and December 21, 2023. Between December 12, 2023, and December 20, 2023, the Panther Creek data center was unexpectedly required to curtail load to between 10 MW and 50 MW due to PJM system reliability issues and a transmission line outage.

In total, the Company incurred fuel costs and operations and maintenance expenses of approximately \$1.5 million beyond the scope of normal and expected operations. The Panther Creek Plant resumed operations on December 21, 2023, and the Panther Creek data center resumed operating without limitations shortly thereafter.

Recent Developments

Champion Electricity Sales and Purchase Agreements and Transaction Addendums

On February 29, 2024, each of the Company's wholly owned subsidiaries, Scrubgrass and Panther Creek entered into the ESPAs and Transaction Addendums (collectively, the "Addendums") with Champion. Pursuant to the ESPAs and Addendums, Champion will provide retail electricity to Scrubgrass and Panther Creek at a competitive contract price that includes wholesale real-time power prices, ancillary and delivery services charges, and applicable taxes. To effectuate the Addendums, Scrubgrass and Panther Creek each delivered to Champion a deposit in the amount of \$425,000 on March 4, 2024. The Addendums are in existence through March of 2027, subject to the terms and conditions stated in the ESPAs and Addendums. The Company independently estimates the cost of power under the ESPAs will be approximately \$10-12/MWh, including all ancillary charges and taxes, plus the cost of wholesale power, assuming prices range from \$10-40/MWh.

2023 Developments

Amendments to the WhiteHawk Credit Agreement

On October 27, 2022, the Company entered into a secured credit agreement (the "Credit Agreement") with WhiteHawk Finance LLC ("WhiteHawk") to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the "WhiteHawk Financing Agreement"). Upon closing, the Credit Agreement consisted of approximately \$35.1 million in term loans and approximately \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the "WhiteHawk Refinancing Agreement") was entered into by Stronghold Digital Mining Holdings, LLC ("Stronghold LLC"), as Borrower (in such capacity, the "Borrower"), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital Partners LP ("WhiteHawk Capital"), as collateral agent and administrative agent, and the other lenders thereto, entered into an amendment to the Credit Agreement (the "First Amendment") in order to modify certain covenants and remove certain

prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. Beginning June 30, 2023, following a five-month holiday, Stronghold LLC will make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$7,500,000.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate ("SOFR") plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5%, and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk Refinancing Agreement may also be accelerated in certain circumstances. On March 28, 2023, the Second Amendment to Credit Agreement (the "Second Amendment") was executed, pursuant to which, among other things, the terms Permitted Indebtedness, Subordinated Indebtedness and Material Contracts were amended to include and account for the B&M documents and the Company's obligations thereunder.

On February 15, 2024, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered a Third Amendment to Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, among other items, (i) the Company was permitted to purchase the December 2023 Purchase Miners (as defined under the Third Amendment), so long as the December 2023 Purchase Miners were purchased from cash proceeds of the December 2023 Equity Raise (as defined under the Third Amendment) and such December 2023 Purchase Miners are collateral, (ii) WhiteHawk Capital waived certain prepayment requirements of the Credit Agreement with respect to cash proceeds of the December 2023 Equity Raise, subject to WhiteHawk Capital's receipt of \$3,230,523, which amount represents amortization payments of the WhiteHawk Refinancing Agreement that were otherwise due on July 31, 2024, and August 30, 2024, (iii) two (2) 115kV to 13.8kV – 30/40/50 MVA transformers and two (2) 145kV SF6 breakers previously purchased by the Company were added to the defined term Permitted Disposition; and (iv) the Company's minimum liquidity requirement was amended to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000.

Termination of Olympus Omnibus Services Agreement

On November 2, 2021, Stronghold LLC and Olympus Stronghold Services, LLC ("Olympus Services") entered into an Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement"), whereby Olympus Services was to provide certain operations, personnel and maintenance services to the Company and its affiliates. On February 13, 2024, Stronghold LLC and Olympus Services entered into a Termination and Release Agreement (the "Termination and Release") whereby the Omnibus Services Agreement was terminated. The Termination and Release contained a mutual customary release. The Company expects to continue to pay Olympus Power LLC \$10,000 per month for ongoing assistance at each of the Scrubgrass Plant and Panther Creek Plant.

December 2023 Private Placement

On December 21, 2023, the Company entered into a Securities Purchase Agreement (the "December Purchase Agreement") with an institutional investor for the purchase and sale of shares of Class A common stock at a purchase price of \$6.71 per share, and warrants to purchase shares of Class A common stock (the "December Warrants"), at an initial exercise price of \$7.00 per share (the "December 2023 Private Placement"). Pursuant to the December Purchase Agreement, the institutional investor invested \$15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants (the "December Pre-funded Warrants") at a price of \$6.71 per share equivalent. Further, the institutional investor received warrants exercisable for 2,300,000 shares of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The December Warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the December 2023 Private Placement, before deducting offering expenses, was approximately \$15.4 million. The December 2023 Private Placement closed on December 21, 2023.

In connection with the December Private Placement, the Company entered into a Registration Rights Agreement with the institutional investor (the "December Registration Rights Agreement") whereby it agreed, among other things, to file a resale registration statement (the "December Resale Registration Statement") with the Commission covering all shares of Common Stock sold to the institutional investor and the shares of Common Stock issuable upon exercise of the December

Warrants and the December Pre-funded Warrants purchased by the institutional investor, and to cause the December Resale Registration Statement to become effective within the timeframes specified in the December Registration Rights Agreement; failure to do so will result in certain penalties specified in the December Registration Rights Agreement. Additionally, the Company will be prohibited from certain equity issuances until 30 days after the December Resale Registration Statement is effective.

Series C Convertible Preferred Stock and Series D Convertible Preferred Stock

On December 30, 2022, the Company entered into the Exchange Agreement with the Purchasers of the Amended May 2022 Notes whereby the Amended May 2022 Notes were to be exchanged for shares of Series C Preferred Stock that, among other things, will convert into shares of Class A common stock or pre-funded warrants that may be exercised for shares of Class A common stock, at a conversion rate equal to the stated value of \$1,000 per share plus cash in lieu of fractional shares, divided by a conversion price of \$4.00 per share of Class A common stock. Upon the fifth anniversary of the Series C Preferred Stock, each outstanding share of Series C Preferred Stock will automatically and immediately convert into Class A common stock or pre-funded warrants. In the event of a liquidation, the Purchasers shall be entitled to receive an amount per share of Series C Preferred Stock equal to its stated value of \$1,000 per share. The Exchange Agreement closed on February 20, 2023.

Pursuant to the Exchange Agreement, the Purchasers received an aggregate 23,102 shares of the Series C Preferred Stock, in exchange for the cancellation of an aggregate \$17,893,750 of principal and accrued interest, representing all of the amounts owed to the Purchasers under the May 2022 Notes. On February 20, 2023, one Purchaser converted 1,530 shares of the Series C Preferred Stock to 382,500 shares of the Company's Class A common stock. The rights and preferences of the Series C Preferred Stock are designated in a certificate of designation, and the Company provided certain registration rights to the Purchasers. As of December 31, 2023, 5,990 shares of the Series C Preferred Stock remain outstanding following the Series D Exchange Agreement described below.

On November 13, 2023, the Company consummated a transaction (the "Series D Exchange Transaction") pursuant to an exchange agreement, dated November 13, 2023 (the "Series D Exchange Agreement") with Adage Capital Partners, LP (the "Holder") whereby the Company issued to the Holder an aggregate of 15,582 shares of a newly created series of preferred stock, the Series D Convertible Preferred Stock, par value \$0.0001 per share (the "Series D Preferred Stock"), in exchange for 15,582 shares of Series C Preferred Stock held by the Holder, which represented all of the shares of Series C Preferred Stock held by the Holder. The Series D Preferred Stock contains substantially similar terms as the Series C Preferred Stock except with respect to a higher conversion price. The Series D Exchange Agreement contains representations, warranties, covenants, releases, and indemnities customary for transactions of this type, as well as certain trading volume restrictions. As a result of the Series D Exchange Transaction, the Company recorded a deemed contribution of \$20,492,568 resulting from the extinguishment of 15,582 shares of Series C Preferred Stock associated with the Series D Exchange Transaction. The deemed contribution represents the difference between the carrying value of the existing Series C Preferred Stock and the estimated fair value of the newly-issued Series D Preferred Stock. As of December 31, 2023, 7,610 shares of the Series D Preferred Stock remain outstanding after conversions of 7,972 shares of Series D Preferred Stock for 1,481,409 shares of Class A common stock during the fourth quarter of 2023. Subsequent to December 31, 2023, the remaining 7,610 shares of Series D Convertible Preferred Stock have been converted to 1,414,117 shares of Class A common stock.

ATM Agreement

On May 23, 2023, the Company entered into an at-the-market offering agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC ("HCW") to sell shares of its Class A common stock having aggregate sales proceeds of up to \$15.0 million (the "ATM Shares"), from time to time, through an "at the market" equity offering program under which HCW acts as sales agent and/or principal.

Pursuant to the ATM Agreement, the ATM Shares may be offered and sold through HCW in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on The Nasdaq Stock Market LLC or sales made to or through a market maker other than on an exchange or in negotiated transactions. Under the ATM Agreement, HCW is entitled to compensation equal to 3.0% of the gross proceeds from the sale of the ATM Shares sold through HCW. The Company has no obligation to sell any of the ATM Shares under the ATM Agreement and may at any time suspend solicitations and offers under the ATM Agreement. The Company and HCW may each terminate the ATM Agreement at any time upon specified prior written notice.

The ATM Shares have been and are being issued pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-271671), filed with the SEC on May 5, 2023, as amended by Amendment No. 1 to the registration statement filed

with the SEC on May 23, 2023 (as amended, the "ATM Registration Statement"). The ATM Registration Statement was declared effective on May 25, 2023.

During the year ended December 31, 2023, we sold 1,794,587 ATM Shares at approximately \$6.47 per share under the ATM Agreement for gross proceeds of approximately \$11.6 million less sales commissions of approximately \$0.4 million, for net proceeds of approximately \$11.2 million. Subsequent to December 31, 2023, and as of February 29, 2024, no additional shares have been sold under the ATM Agreement.

Frontier Mining Managed Services Agreement

On October 13, 2023, Stronghold LLC and Frontier Outpost 8, LLC ("Frontier") entered into a Managed Services Agreement (the "MSA"). Pursuant to the MSA, Frontier will provide certain services to us including monitoring, operating and maintaining (collectively, the "Services") our wholly owned data centers located at each of the Panther Creek Plant and the Scrubgrass Plant. In exchange for the Services, we will pay to Frontier a Monthly Service Fee equal to \$410,000 for the first three months of the MSA. Beginning on February 13, 2024, the Monthly Service Fee shall be subject to certain adjustments based upon the "Applicable Hash Price", "Inflation Factor" and "Uptime" (each as defined in the MSA).

In connection with the MSA, Frontier is eligible to receive a maximum of 120,000 shares of our Class A common stock over the three-year term of the MSA. Upon each three-month anniversary of the MSA, Frontier will receive between 10,000 and zero shares of Class A common stock based upon certain "Uptime" (as defined in the MSA) metrics over the preceding three months. The MSA has a term of three years and can be terminated in advance by us or Frontier in the event that certain obligations under the MSA are not met.

Canaan Purchase Agreements and Amendment to Canaan Bitcoin Mining Agreement

On April 27, 2023, we entered into a two-year hosting agreement with Cantaloupe Digital LLC, a subsidiary of Canaan Inc. ("Canaan"), whereby we operate 2,000 A1346 (110 TH/s per miner) and 2,000 A1246 (90 TH/s per miner) Bitcoin miners supplied by Canaan (the "Canaan Miners"), with total hash rate capacity of 400 PH/s (the "Canaan Bitcoin Mining Agreement"). The Canaan Bitcoin Mining Agreement has a two-year term, with no unilateral early termination option. We will receive 50% of the Bitcoin mined by the Canaan Miners and receive payments from Canaan equal to 55% of the net cost of power at the Company's Panther Creek Plant, in dollar-per-megawatt-hour terms, calculated on a monthly basis. Additionally, we will retain all upside associated with selling power to the grid, and, if we elect to curtail the Canaan Miners to sell power to the grid, Canaan will receive a true-up payment that represents an estimate of the Bitcoin mining revenue that would have been generated had the miners not been curtailed. The A1246 and A1346 Bitcoin miners arrived at the Panther Creek Plant and were installed during the second quarter of 2023 as planned.

On July 19, 2023, we entered into a Sales and Purchase Contract with Canaan whereby we purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The miners were delivered and installed during the third quarter of 2023 at our Panther Creek Plant. Simultaneously, on July 19, 2023, we amended the Canaan Bitcoin Mining Agreement with the addition of 2,000 A1346 Bitcoin miners under the same terms as the Canaan Bitcoin Mining Agreement.

On December 26, 2023, we entered into a second Sales and Purchase Contract with Canaan whereby we purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The miners were delivered and installed during the first quarter of 2024 at our Scrubgrass Plant.

MicroBT Miner Purchases

On April 20, 2023, we entered into a Master Sales and Purchase Agreement to acquire 5,000 new, latest-generation MicroBT WhatsMiner M50 miners (the "M50 Miners") for \$15.50 per terahash per second, including shipping (the "MicroBT Miner Purchase"). The M50 Miners have an average hash rate of 118 terahash per second and energy efficiency of 28.5 joules per terahash. We received and installed the M50 Miners during the second quarter of 2023 as planned.

On July 7, 2023, we entered into a Master Sales and Purchase Agreement to acquire an additional 615 MicroBT WhatsMiner M50 miners (the "Additional M50 Miners") and M50S miners (the "Additional M50S Miners") for \$16.60 per terahash per second, including shipping. The 510 Additional M50 Miners have an average hash rate of 118 terahash per second and energy efficiency of 28 joules per terahash, and the 105 Additional M50S Miners have an average hash rate of 126 terahash per second and energy efficiency of 26 joules per terahash. We received these miners during the third quarter of 2023 as planned.

On July 11, 2023, we entered into a Master Sales and Purchase Agreement to acquire an additional 520 MicroBT WhatsMiner M50 miners (the "Subsequent M50 Miners") for \$14.33 per terahash per second, including shipping. The 520

Subsequent M50 Miners have an average hash rate of 116 terahash per second and energy efficiency of 29 joules per terahash. We received these miners during the third quarter of 2023 as planned.

MinerVa

On April 2, 2021, we entered into a purchase agreement with MinerVa (the "MinerVa Purchase Agreement") for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miners, with a total hash rate capacity of 1.5 exahash per second ("EH/s") to be delivered. In December 2021, we extended the deadline for delivery of the MinerVa miners to April 2022. Due to continued delays in deliveries, an impairment of approximately \$12.2 million was recognized in the first quarter of 2022. Due to market conditions, an additional impairment of approximately \$5.1 million was recognized in the fourth quarter of 2022. On July 18, 2022, we provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been reached, the Company could end discussions, declare an impasse, and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. As of December 31, 2022, and November 10, 2023, MinerVa had delivered value to us equivalent to approximately 1,070 PH/s and approximately 1,270 PH/s, respectively, of the 1,500 PH/s in the form of MinerVa miners, refunded cash, and other industry leading miners. On October 30, 2023, we sent MinerVa a Notice of Impasse. On October 31, 2023, we filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement. Since the Company is pursuing legal action through the dispute resolution process and no longer expects equipment deliveries, the Company impaired the remaining MinerVa equipment deposits balance of \$5,422,338 in the third quarter of 2023.

April 2023 Private Placement

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and the Company's chairman and chief executive officer, Greg Beard, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (subject to certain adjustments in accordance with the terms thereof). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$10.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock. In December 2023, the Company and the institutional investor entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the April 2023 Private Placement, before deducting offering expenses, was approximately \$10.0 million. The April 2023 Private Placement closed on April 21, 2023.

Additionally, as previously disclosed, the Company entered into Securities Purchase Agreements with the September 2022 Private Placement Purchasers for, in part, warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an exercise price of \$17.50 per share. On April 20, 2023, the Company and the September 2022 Private Placement Purchasers entered into amendments to, among other things, adjust the strike price of the warrants from \$17.50 per share to \$10.10 per share. Furthermore, in connection with the closing of the December 2023 Private Placement, the Company and the institutional investor entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Additionally, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.51 per share.

Bruce & Merrilees Settlement Agreement

On March 28, 2023, the Company and Stronghold LLC entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of \$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released ten (10) 3000kva transformers to the Company and fully cancelled ninety (90)

transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims. Simultaneous with the B&M Settlement, the Company and each of its subsidiaries entered into a subordination agreement with B&M and WhiteHawk Capital pursuant to which all obligations, liabilities and indebtedness of every nature of the Company and each of its subsidiaries owed to B&M shall be subordinate and subject in right and time of payment, to the prior payment of full of the Company's obligation to WhiteHawk Capital pursuant to the Credit Agreement. This subordination agreement became effective on March 28, 2023, with the Second Amendment to the Credit Agreement.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default had occurred or is occurring under the WhiteHawk Credit Agreement and (ii) no PIK Option (as such term is defined in the WhiteHawk Refinancing Agreement) had been elected by the Company. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of December 31, 2023, the Company paid \$500,000 of principal pursuant to the B&M Note.

Nasdaq Continued Listing Compliance and Cure

On November 30, 2022, we received a written notification from Nasdaq notifying us that, based upon the closing bid price of the Company's Class A common stock, for the last 30 consecutive business days, the Class A common stock did not meet the minimum bid price of \$1.00 per share required by the Nasdaq Listing Rule 5450(a)(1), initiating an automatic 180 calendar-day grace period, or until May 29, 2023, for the Company to regain compliance.

On January 9, 2023, stockholders holding a majority of our issued and outstanding Class A common stock and Class V common stock entitled to vote on such matters took action by written consent to authorize our Board of Directors (the "Board") to effect a reverse stock split in its discretion with a ratio in a range from and including one-for-two (1:2) up to one-for-ten (1:10) at any time on or before June 30, 2023.

On May 15, 2023, following approval by the Board and our stockholders, we effected a 1-for-10 reverse stock split ("Reverse Stock Split") of our Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$0.0001 per share. The par values of our Class A and Class V common stock were not adjusted as a result of the Reverse Stock Split. All share and per share amounts and related stockholders' equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

On May 31, 2023, we received a letter from the Nasdaq indicating that, based on the closing bid price of our common stock price for the 10 trading days ended May 30, 2023, our stock price was above the Nasdaq's minimum share price requirement. Accordingly, we have successfully regained compliance with the Nasdaq's continued listing standards.

Critical Accounting Policies and Significant Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the consolidated financial statements. The most significant accounting estimates inherent in the preparation of our consolidated financial statements include estimates associated with revenue recognition, property, plant and equipment (including the useful lives and recoverability of long-lived assets), intangible assets, stock-based compensation, and income taxes. Our financial position, results of operations and cash flows are impacted by the accounting policies we have adopted. In order to get a full understanding of our consolidated financial statements, one must have a clear understanding of the accounting policies employed.

A summary of our critical accounting policies follows:

Cash and Cash Equivalents

Cash and cash equivalents consists of short-term, highly-liquid investments with original maturities of three months or less. As of December 31, 2023, the Company's cash and cash equivalents balance does not include any restricted cash. The Company maintains its cash in non-interest bearing accounts that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's deposits may, from time to time, exceed the \$250,000 limit; however, management

believes that there is no unusual risk present, as the Company places its cash with, what management considers to be, high-quality financial institutions.

Digital Currencies

Digital currencies are classified in the consolidated balance sheet as current assets and are considered an intangible asset with an indefinite useful life. Although indefinite-lived intangible assets are generally considered noncurrent assets, the Company classifies its digital currencies as current assets because the Company expects to realize the cash flows associated with such assets within a year. The cryptocurrency awards it earns are regularly converted into U.S. dollars, without limitations or restrictions, to support the Company's ongoing operations in the normal course of business. Digital currencies are recorded at cost less any impairments. Bitcoin is the only cryptocurrency the Company mines or holds. Bitcoin is highly liquid, fungible and readily converted into U.S. dollars similar to the Company's cash and cash equivalents.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances indicate that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the lowest quoted price of the cryptocurrency at the time its fair value is being measured (i.e., daily). In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. However, given the existence of a quoted price for Bitcoin on active markets, the Company exercises its unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period when the market price is below the carrying value and proceed directly to performing the quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from trade receivable or other balances outstanding at period end. An allowance for doubtful accounts is provided when necessary and is based on management's evaluation of outstanding accounts receivable at period end. The potential risk of collectability is limited to the amount recorded in the consolidated financial statements.

Inventory

Waste coal, fuel oil and limestone are valued at the lower of average cost or net realizable value and include all related transportation and handling costs. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and unusable inventory and records provisions to reduce such inventories to net realizable value as necessary.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including those assets associated with the *Cryptocurrency Operations* segment, such as cryptocurrency miners, storage trailers and related electrical components. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance and repairs are charged to expenses as incurred. When property, plant and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statements of operations. Depreciation is recognized over the remaining estimated useful lives ("EUL") of the related assets using the straight-line method.

The Company's depreciation is based on its Facility being considered a single property unit. Certain components of the Facility may require a replacement or overhaul several times over its EUL. Costs associated with overhauls are generally recorded as expenses in the period incurred. However, in instances where a replacement of a Facility component is significant and the Company can reasonably estimate the original cost of the component being replaced, the Company will write-off the replaced component and capitalize the cost of the replacement. The component will be depreciated over the lesser of the EUL of the component or the remaining EUL of the Facility.

In conjunction with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of a long-lived asset or asset group to be held and used is measured by a comparison of the carrying amount of the long-lived asset or asset group to undiscounted future cash flows expected to be generated by the long-lived asset or asset group. The factors considered by management in performing this assessment include current operating results, trends

and prospects, the manner in which the asset is used, and the effects of obsolescence, demand, competition, and other economic factors. If such a long-lived asset or asset group is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the long-lived asset or asset group exceeds its fair value. Based on the Company's analysis, the Company's long-lived assets were recoverable as of December 31, 2023; however, impairment indicators existed throughout 2022, and as of December 31, 2022, that resulted in impairments on miner assets of \$40,683,112 for the year then ended December 31, 2022.

Management has assessed the basis of depreciation of the Company's Bitcoin miners used to verify digital currency transactions and generate digital currencies and believes they should be depreciated over a three-year period. The rate at which the Company generates digital assets, and therefore, consumes the economic benefits of its transaction verification servers, is influenced by a number of factors including the following:

1. The complexity of the transaction verification process which is driven by the algorithms contained within the Bitcoin open source software;
2. The general availability of appropriate computer processing capacity on a global basis (commonly referred to as hash rate capacity); and
3. Technological obsolescence reflecting rapid development in the transaction verification server industry such that more recently developed hardware is more economically efficient to run in terms of digital assets generated as a function of operating costs, primarily power costs (i.e., the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase).

The Company operates in an emerging industry for which limited data is available to make estimates of the useful economic lives of specialized equipment. Management has determined that three years best reflects the current expected useful life of its Bitcoin miners. This assessment takes into consideration the availability of historical data and management's expectations regarding the direction of the industry including potential changes in technology. Management reviews this estimate annually and will revise this estimate, as necessary, if and when the available supporting data changes.

To the extent that any of the assumptions underlying management's estimate of useful life for its transaction verification servers are subject to revision in a future reporting period, either as a result of changes in circumstances or through the availability of greater quantities of data, the estimated useful life could change and have a prospective impact on depreciation expense and the carrying amounts of these Bitcoin miner assets.

Right-of-Use Assets

A right-of-use ("ROU") asset represents the right to use an underlying asset for the term of the lease, and the corresponding liability represents an obligation to make periodic payments arising from the lease. A determination of whether an arrangement includes a lease is made at the inception of the arrangement. ROU assets and liabilities are recognized on the consolidated balance sheet, at the commencement date of the lease, in an amount equal to the present value of the lease payments over the term of the lease, calculated using the interest rate implicit in the lease arrangement or, if not known, the Company's incremental borrowing rate. The present value of a ROU asset also includes any lease payments made prior to commencement of the lease and excludes any lease incentives received or to be received under the arrangement. The lease term includes options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Operating leases that have original terms of less than 12 months, inclusive of options to extend that are reasonably certain to be exercised, are classified as short-term leases and are not recognized on the consolidated balance sheet.

Operating lease ROU assets are recorded as noncurrent assets on the consolidated balance sheet. The corresponding liabilities are recorded as operating lease liabilities, either current or noncurrent, as applicable, on the consolidated balance sheet. Operating lease costs are recognized on a straight-line basis over the lease term within operations and maintenance or general and administrative expenses based on the use of the related ROU asset.

Debt

The Company records its debt balances net of any discounts or premiums and issuance fees. Discounts and premiums are amortized as interest expense or income over the life of the debt in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period. Debt issuance costs are amortized as interest

expense over the scheduled maturity of the debt. Unamortized debt issuance costs are recognized as direct deduction from the carrying of the related debt in the consolidated balance sheet.

Asset Retirement Obligations

Asset retirement obligations, including those conditioned on future events, are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset in the same period. In each subsequent period, the liability is accreted to its present value, and the capitalized cost is depreciated over the EUL of the long-lived asset. If the asset retirement obligation is settled for an amount other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement. The Company's asset retirement obligation represents the cost the Company would incur to perform environmental clean-up or dismantle certain portions of the Facility.

Warrants

Accounting for warrants includes an initial assessment of whether the warrants qualify as debt or equity. For warrants that meet the definition of debt instruments, the Company records the warrant liabilities at fair value as of the issuance date and recognizes changes in the fair value of the warrants each reporting period within other income (expense). For warrants that meet the definition of equity instruments, the Company records the warrants at fair value as of the issuance date within stockholders' equity.

Derivative Contracts

In accordance with guidance on accounting for derivative instruments and hedging activities, all derivatives should be recognized at fair value. Derivatives, or any portion thereof, that are not designated as, and effective as, hedges must be adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the consolidated balance sheets. Certain contracts that require physical delivery may qualify or be designated as normal purchases and normal sales. Such contracts are accounted for on an accrual basis.

The Company may use derivative instruments to mitigate its exposure to various energy commodity market risks. The Company does not enter into any derivative contracts or similar arrangements for speculative or trading purposes. The Company will, at times, sell its forward unhedged electricity capacity to stabilize its future operating margins. As of December 31, 2023, and 2022, there were no open energy commodity derivatives outstanding.

The Company may also use derivative instruments to mitigate the risks of Bitcoin market pricing volatility. The Company entered into a variable prepaid forward sale contract that mitigated Bitcoin market pricing volatility risks between a low and high collar of Bitcoin market prices during the contract term, which settled in September 2022. The contract met the definition of a derivative transaction pursuant to guidance under ASC 815, *Derivatives and Hedging*, and the contract was considered a compound derivative instrument that required fair value presentation subject to remeasurement each reporting period. The changes in fair value of the forward sale derivative were recorded in the consolidated statement of operations for the year ended December 31, 2022. As of December 31, 2023, and 2022, there were no open Bitcoin derivatives outstanding.

Fair Value Measurements

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data; and

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. The core principle of this revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognize revenue when the company satisfies the performance obligations.

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. Per ASC 606, a performance obligation meets the definition of a “distinct” good or service (or bundle of goods or services) if both of the following criteria are met: (i) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and (ii) the entity’s promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration;
- Constraining estimates of variable consideration;
- The existence of a significant financing component in the contract;
- Non-cash consideration; and
- Consideration payable to a customer.

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

The Company’s policies with respect to its revenue streams are detailed below.

Cryptocurrency Mining Revenue

The Company has entered into digital asset mining pools by executing contracts, as amended from time to time, with mining pool operators to provide computing power and perform hash computations for the mining pool operators. The contracts are terminable at any time by either party without penalty, and therefore, the duration of the contracts does not extend beyond the services already transferred. The Company’s enforceable right to compensation begins when, and lasts as long as, the Company performs hash computations for the mining pool operator. Given the cancellation terms of the contracts with mining pool operators, and our customary business practice, such contracts effectively provide the option to renew for successive contract terms continuously throughout each day. The customer’s renewal option does not represent a

material right because the terms are offered at the standalone selling price of computing power. The terms of the agreement provide that neither party can dispute settlement terms after thirty-five days following settlement. In exchange for performing hash computations for the mining pool operator, the Company is entitled to either:

1. a Full-Pay-Per-Share ("FPPS") payout of Bitcoin based on a contractual formula (less mining pool operator fees which are immaterial and are recorded as a reduction to cryptocurrency mining revenues), which primarily calculates the hash rate provided by the Company to the mining pool as a percentage of total network hash rate, multiplied by the daily network block subsidies awarded globally and the normalized network transaction fee for the day. The normalized network transaction fee is calculated as the total network transaction fees divided by the total network block subsidies, excluding the blocks that represent the three highest and three lowest transaction fees for the day. The Company is entitled to consideration even if a block is not successfully placed by the mining pool operator. The contract is in effect until terminated by either party.
 - The consideration is all variable. Because it is probable that a significant reversal of cumulative revenue will not occur and the Company is able to calculate the payout based on the contractual formula, revenue is recognized, and noncash consideration is measured at fair value at contract inception. Fair value of the cryptocurrency asset consideration is determined using the quoted spot price of Bitcoin on the Company's primary trading platform for Bitcoin at the end of the day of contract inception (i.e., 4:00pm EST each day) at the single Bitcoin level. This amount is recognized in revenue on the same day that control of the contracted service transfers to the mining pool, which is the same day as contract inception and when hash rate is provided.

Or:

2. a Pay-Per-Share ("PPS") payout of a fractional share of the fixed Bitcoin award the mining pool operator receives (less mining pool operator fees which are immaterial and are recorded as a reduction to cryptocurrency mining revenues) for successfully adding a block to the blockchain. The Company's fractional share of the Bitcoin award is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.
 - Because the consideration to which the Company expects to be entitled for providing computing power is entirely variable, as well as being noncash consideration, the Company assesses the estimated amount of the variable noncash consideration to which it expects to be entitled for providing computing power at contract inception. Subsequently, the Company also determines when and to what extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty or "constraint" associated with the variable consideration is subsequently resolved. Only when a significant revenue reversal is probable of not occurring can estimated variable consideration be included in revenue. Based on the Company's evaluation of likelihood and magnitude of a revenue reversal, the estimated variable noncash consideration is constrained from inclusion in revenue until the end of the contract term, when the underlying uncertainties have been resolved and the number of Bitcoin to which the Company is entitled becomes known (i.e., the mining pool operator successfully places a block by being the first to solve an algorithm and the Company receives confirmation of the consideration it will receive). Revenue is recognized on the same day that control of the contracted service transfers to the mining pool, which is the same day as contract inception.

As of and for the year ended December 31, 2023, the Company participated in one mining pool, which utilized the FPPS payout methodology. As of and for the year ended December 31, 2022, the Company participated in three mining pools, which also utilized the FPPS payout methodology.

Performing hash computations for the mining pool operator is an output of the Company's ordinary activities. The provision of providing such computing power to perform hash computations is the only performance obligation in the Company's contracts with mining pool operators. There is no significant financing component in these transactions.

Cryptocurrency Hosting Revenue

The Company has entered into customer hosting contracts whereby the Company provides electrical power to cryptocurrency mining customers, and the customers pay a stated amount per MWh ("Contract Capacity"). This amount is paid monthly in advance. Amounts used in excess of the Contract Capacity are billed monthly based on calculated formulas as contained in the contracts. If any shortfalls occur due to outages, make-whole payment provisions contained in the

contracts are used to offset the billings to the customer which prevented them from cryptocurrency mining. Advanced payments and customer deposits are recorded as contract liabilities in the consolidated balance sheet.

The Company recognizes revenue over time throughout the terms of the underlying hosting agreements. The consideration is variable. Cryptocurrency hosting revenues are comprised of the following two components: (i) the variable cost-of-power fee that is earned each month consistent with the performance of the hosting services (i.e., supplying electrical power and Internet access to the Bitcoin miners provided by customers); and (ii) the Company's portion of the Bitcoin mined.

The Company's only performance obligation is to supply electrical power and Internet access (i.e., hosting services) to the Bitcoin miners provided by its cryptocurrency mining customers in accordance with the terms of the hosting agreements. Beyond power supply and Internet access, these hosting services also include racking infrastructure, general maintenance and operations as instructed in writing by the customer, ambient cooling, and miner reboots; however, none of these ancillary hosting services is significant or capable of being distinct per ASC 606-10-25-19(a), and therefore, only one performance obligation exists under the hosting agreements.

The Company also shares in the Bitcoin mined from the miners provided by its hosting customers. This separate transaction price is denominated in Bitcoin and recognized in revenue in accordance with our accounting policy described above regarding cryptocurrency mining revenues because the Company considers the mining portion of its cryptocurrency hosting revenues a separate contract between the Company and its mining pool operators. Because it is probable that a significant reversal of cumulative revenue will not occur and the Company is able to calculate the FPPS payout based on the contractual formula, revenue is recognized, and noncash consideration is measured at fair value at contract inception. Fair value of the cryptocurrency asset consideration is determined using the quoted spot price of Bitcoin on the Company's primary trading platform for Bitcoin at the end of the day of contract inception (i.e., 4:00pm EST each day) at the single Bitcoin level. This amount is recognized in revenue on the same day that control of the contracted service transfers to the mining pool, which is the same day as contract inception and when hash rate is provided.

Neither the Company nor the customer can cancel or terminate the hosting agreements without penalty before the initial terms elapse. In such a period-to-period contract, the contract term does not extend beyond the period that can be cancelled without penalty. Furthermore, the options to renew for additional one-year periods are not material rights because they are offered at the standalone selling price of electrical power.

Energy Revenue

The Company operates as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. The Company sells energy in the wholesale generation market in the PJM RTO. Energy revenues are delivered as a series of distinct units that are substantially the same and have the same pattern of transfer to the customer over time and are, therefore, accounted for as a distinct performance obligation. Energy revenue is recognized over time as energy volumes are generated and delivered to the RTO (which is contemporaneous with generation), using the output method for measuring progress. The Company applies the invoice practical expedient in recognizing energy revenue. Under the invoice practical expedient, energy revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date.

Prior to June 2022, the Plants were committed as "capacity resources" through the annual Base Residual Auction process. In this process, a generator agrees to support the PJM capacity market and, if called upon, is required to deliver its power to the market and receive a capped selling price based on pricing published in the day ahead market. In return for this committed capacity that is deliverable on demand to support the reliability of the PJM grid, generators receive additional capacity revenue on a monthly basis. As the Bitcoin mining opportunity grew for Stronghold Inc., being a capacity resource increasingly prevented the Company from being able to consistently power its mining operation when PJM called for the capacity. Beginning in June 2022, the Company withdrew from its capacity commitment and the Plants became "energy resources" able to sell power to the grid in the real-time, location marginal pricing market or use that power for its data centers.

Reactive energy power is provided to maintain a continuous voltage level. Revenue from reactive power is recognized ratably over time as the Company stands ready to provide it if called upon by the PJM RTO.

Capacity Revenue

Prior to June 2022, the Company provided capacity to a customer through participation in capacity auctions held by the PJM RTO. Capacity revenues are a series of distinct performance obligations that are substantially the same and have the same pattern of transfer to the customer over time and are, therefore, accounted for as a distinct performance obligation. The transaction price for capacity is market-based and constitutes the standalone selling price. As capacity represents the

Company's stand-ready obligation, capacity revenue is recognized as the performance obligation is satisfied ratably over time, on a monthly basis, since the Company stands ready equally throughout the period to deliver power to the PJM RTO if called upon. The Company applies the invoice practical expedient in recognizing capacity revenue. Under the invoice practical expedient, capacity revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date. Penalties may be assessed by the PJM RTO against generation facilities if the facility is not available during the capacity period. The penalties assessed by the PJM RTO, if any, are recorded as a reduction to capacity revenue when incurred.

Waste Coal Tax Credits

Waste coal tax credits are issued by the Commonwealth of Pennsylvania. Facilities that generate electricity by using coal refuse for power generation, control acid gases for emission control, and use the ash produced to reclaim mining-affected sites are eligible for such credits. Proceeds related to these credits are recorded upon cash receipt and accounted for as a reduction to fuel costs within operating expenses. For the years ended December 31, 2023, and 2022, waste coal tax credits reduced fuel expenses in the consolidated statements of operations by \$2,861,829 and \$1,836,823, respectively.

Renewable Energy Credits

The Company uses coal refuse, which is classified as a Tier II Alternative Energy Source under Pennsylvania law, to produce energy to sell to the open market (i.e., "the grid"). A third party acts as the benefactor, on behalf of the Company, in the open market and is invoiced as renewable energy credits ("RECs") are realized. These credits are recognized as a contra-expense within operating expenses to offset the fuel costs incurred to produce this refuse. For the years ended December 31, 2023, and 2022, RECs reduced fuel expenses in the consolidated statements of operations by \$19,212,021 and \$9,960,655, respectively.

Ash Sales

The Company sells fly ash and scrubber material collected, which are by-products from its coal refuse reclamation used as fuel. The Company realized waste ash sales of \$123,178 and \$51,453 for the years ended December 31, 2023, and 2022, respectively, which has been recorded as other operating revenues in the consolidated statements of operations.

Legal Costs

Legal costs expected to be incurred in connection with loss contingencies are accrued when such costs are probable and estimable.

Stock-Based Compensation

For equity-classified awards, compensation expense is recognized over the requisite service period based on the computed fair value on the grant date of the award. Equity-classified awards include the issuance of stock options, restricted stock units ("RSUs") and performance share units ("PSUs"). For stock options, the fair value is determined by the Black-Scholes option pricing model and is expensed over the service or vesting period. For RSUs, the fair value is equal to the closing price of the Company's Class A common stock on Nasdaq on the date of grant and is expensed over the service or vesting period. For PSUs, the fair value is determined based on the underlying market or performance conditions and expensed over the performance period when it is probable that the conditions will be achieved.

Earnings Per Common Share

Basic earnings (loss) per share of common stock ("EPS") is computed by dividing net income (loss) by the weighted average number of Class A shares of common stock outstanding or shares subject to exercise for a nominal value during the period. Diluted EPS reflects the potential dilution that could occur if securities, or other contracts to issue common stock, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity, calculated using the treasury stock method. The computation of diluted EPS would not assume the exercise of an outstanding stock award or warrant if the effect on the EPS would be antidilutive. Similarly, the computation of diluted EPS would not assume the exercise of outstanding stock awards and warrants if the Company incurred a net loss since the effect on EPS would be antidilutive. Since the Company incurred a net loss for the years ended December 31, 2023, and 2022, basic and diluted net loss per share are the same for each of the years then ended.

Income Taxes

The Company is organized as an "Up-C" structure in which substantially all of the assets and business of the consolidated entity are held by the Company through its subsidiaries, and the Company's sole material asset consists of its equity interest in Stronghold LLC. For U.S. federal and applicable state income tax purposes, the portion of the Stronghold LLC's

net income or loss allocable to the Company is subject to corporate income taxation at the U.S. federal and applicable state rates.

The Company accounts for income taxes under the asset and liability method, in which deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in operations in the period that includes the enactment date. A valuation allowance is required when it is "more likely than not" that deferred income tax assets will not be realized after considering all positive and negative evidence available. Factors contributing to this assessment included the Company's cumulative and current losses, as well as the evaluation of other sources of income as outlined in ASC 740, *Income Taxes* ("ASC 740") and potential limitations imposed by Section 382 of the Internal Revenue Code of 1986 (as amended, the "Code") on the utilization of tax losses.

The accounting for deferred income tax assets and liabilities is often based on assumptions that are subject to significant judgment by management. These assumptions are reviewed and adjusted as facts and circumstances change. Material changes to the Company's income tax accruals may occur in the future based on the potential for income tax audits, changes in legislation or resolution of pending matters.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be "more likely than not" to be sustained upon examination by taxing authorities. The Company acknowledges the respective taxing authorities may take contrary positions based on their interpretation of the law. A tax position successfully challenged by a taxing authority could result in an adjustment to the Company's provision or benefit for income taxes in the period in which a final determination is made.

Stronghold LLC and certain of its subsidiaries are structured as flow-through entities that are not generally subject to income taxation at the entity level, but instead, the taxable income or loss of such subsidiaries is allocated to and included in the income tax returns of their direct or indirect owners, including the Company. Application of ASC 740 to these entities results in no recognition of U.S. federal or state income taxes at the entity level. The portion of such subsidiaries' taxable income or loss that is allocable to the Company will increase the Company's taxable income or loss and be accounted for under ASC 740 by the Company.

Post IPO Taxation and Public Company Costs

Stronghold LLC is and has been organized as a pass-through entity for U.S. federal income tax purposes and is therefore not subject to entity-level U.S. federal income taxes. Stronghold Inc. was incorporated as a Delaware corporation on March 19, 2021, and is therefore subject to U.S. federal income taxes and state and local taxes at the prevailing corporate income tax rates, including with respect to its allocable share of any taxable income of Stronghold LLC. In addition to tax expenses, Stronghold Inc. also incurs expenses related to its operations, plus payment obligations under the Tax Receivable Agreement entered into between the Company, Q Power LLC ("Q Power") and an agent named by Q Power, dated April 1, 2021 (the "TRA"), which are expected to be significant. Additionally, on March 14, 2023, we executed a joinder agreement with an additional holder (together with Q Power, the "TRA Holders") who thereby became a party to the TRA. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fifth Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the "Stronghold LLC Agreement") requires Stronghold LLC to make cash distributions to holders of Stronghold LLC Units, including Stronghold Inc. and Q Power, in an amount sufficient to allow Stronghold Inc. to pay its taxes and to make payments under the TRA. In addition, the Stronghold LLC Agreement requires Stronghold LLC to make non-pro rata payments to Stronghold Inc. to reimburse it for its corporate and other overhead expenses, which payments are not treated as distributions under the Stronghold LLC Agreement. See "Tax Receivable Agreement" herein for additional information.

In addition, we have incurred, and expect to continue to incur incremental, non-recurring costs related to our transition to a publicly traded corporation, including the costs of the IPO and the costs associated with the initial implementation of our internal control reviews and testing pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). We have also incurred, and expect to continue to incur additional significant and recurring expenses as a publicly traded corporation, including costs associated with compliance under the Securities Exchange Act, of 1934, as amended, annual and quarterly reports to common stockholders, registrar and transfer agent fees, national stock exchange fees, audit fees, incremental director and officer liability insurance costs, and director and officer compensation. Our financial statements following the IPO continue to reflect the impact of these expenses.

Factors Affecting Comparability of Our Future Results of Operations to Our Historical Results of Operations

Our historical financial results discussed below may not be comparable to our future financial results for the reasons described below.

Stronghold Inc. is subject to U.S. federal, state and local income taxes as a corporation. Our accounting predecessor was treated as a partnership for U.S. federal income tax purposes and, as such, was generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to its taxable income was passed through to its members. Accordingly, the financial data attributable to our predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality. Due to cumulative and current losses as well as an evaluation of other sources of income as outlined in ASC 740, *Income Taxes*, management has determined that the utilization of our deferred income tax assets is not more likely than not, and therefore, we have recorded a valuation allowance against our net deferred income tax assets. Management continues to evaluate the likelihood of the Company utilizing its deferred taxes, and while the valuation allowance remains in place, we expect to record no deferred income tax expense or benefit. Should the valuation allowance no longer be required, the 21% statutory federal income tax rate, as well as state and local income taxes at their respective rates, will apply to income allocated to Stronghold Inc.

As we further implement controls, processes and infrastructure applicable to companies with publicly traded equity securities, it is likely that we will incur additional selling, general and administrative expenses relative to historical periods. Our future results will depend on our ability to efficiently manage our consolidated operations and execute our business strategy.

As we continue to acquire miners and utilize our power generating assets to power such miners, we anticipate that a greater proportion of our revenue and expenses will relate to crypto asset mining.

As previously discussed in the *Critical Accounting Policies and Significant Estimates* section in this Annual Report on Form 10-K, the preparation of financial statements in conformity with GAAP accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with revenue recognition, property, plant and equipment (including the useful lives and recoverability of long-lived assets), investments, intangible assets, stock-based compensation, and business combinations. The Company's financial position, results of operations and cash flows are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company's financial statements, one must have a clear understanding of the accounting policies employed.

Results of Operations

Highlights of our consolidated results of operations for the twelve months ended December 31, 2023, compared to the twelve months ended December 31, 2022, include:

Operating Revenues

Revenues decreased by \$35.3 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily due to a \$39.6 million decrease in energy revenues driven by lower prevailing market prices and increased consumption of self-generated electricity due to the expansion of cryptocurrency operations partially offset by a \$14.2 million increase in cryptocurrency hosting revenues due to the hosting agreement with Foundry Digital, LLC (the "Foundry Hosting Agreement") which began in November 2022, and the Canaan Bitcoin Mining Agreement which began in May 2023. Capacity revenues decreased by \$4.0 million due to both plants strategically reducing exposure to the capacity markets and the resulting cost-capping and operational requirements in the day-ahead market by PJM.

Operating Expenses

Total operating expenses decreased by \$120.1 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily driven by (i) a \$40.7 million impairment on miner assets attributable to the decline in the price of Bitcoin that was recorded in the second quarter of 2022, (ii) a \$24.2 million decrease in operations and maintenance expenses due to improved plant stability and performance driven by one-time plant upgrades that occurred in

2022 and the termination of the hosting services agreement by and between Stronghold LLC and Northern Data PA, LLC (the "Northern Data Hosting Agreement"), (iii) a \$13.0 million decrease in general and administrative expenses driven by lower professional fees, insurance and stock-based compensation, (iv) an \$11.8 million decrease in depreciation and amortization due to prior period asset impairments, (v) an \$8.0 million realized loss on sale of miner assets that was recorded in 2022, and (vi) a \$7.4 million decrease in impairments on digital currencies driven by an upward trend of Bitcoin prices in 2023.

Other Income (Expense)

Total other income (expense) increased by \$8.5 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily driven by an \$11.6 million decrease in loss on debt extinguishment, and a \$4.1 million decrease in interest expense due to a reduction in debt year over year. These increases were partially offset by a loss from changes in the fair value of warrant liabilities and changes in the fair value of the forward sale derivative.

Segment Results

The below presents summarized results for our operations for the two reporting segments: Energy Operations and Cryptocurrency Operations.

	Twelve months ended December 31,		
	2023	2022	\$ Change
Operating Revenues			
Energy Operations	\$ 7,466,255	\$ 51,000,381	\$ (43,534,126)
Cryptocurrency Operations	67,500,045	59,223,437	8,276,608
Total Operating Revenues	\$ 74,966,300	\$ 110,223,818	\$ (35,257,518)
Net Operating Income/(Loss)			
Energy Operations	\$ (37,718,403)	\$ (38,992,034)	\$ 1,273,631
Cryptocurrency Operations	(24,718,062)	(108,274,121)	83,556,059
Net Operating Income/(Loss)	\$ (62,436,465)	\$ (147,266,155)	\$ 84,829,690
Other Income, net (a)	(39,389,028)	(47,905,812)	\$ 8,516,784
Net Loss	\$ (101,825,493)	\$ (195,171,967)	\$ 93,346,474
Depreciation and Amortization			
Energy Operations	\$ (5,337,828)	\$ (5,189,071)	\$ (148,757)
Cryptocurrency Operations	(30,077,458)	(42,046,273)	11,968,815
Total Depreciation & Amortization	\$ (35,415,286)	\$ (47,235,344)	\$ 11,820,058
Interest Expense			
Energy Operations	\$ (481,124)	\$ (100,775)	\$ (380,349)
Cryptocurrency Operations	(9,365,235)	(13,810,233)	4,444,998
Total Interest Expense	\$ (9,846,359)	\$ (13,911,008)	\$ 4,064,649

(a) We do not allocate other income, net for segment reporting purposes. Amount is shown as a reconciling item between net operating income/(losses) and consolidated income before taxes. Refer to our consolidated statement of operations for the twelve months ended December 31, 2023, and 2022, for further details.

Energy Operations Segment

	Twelve months ended December 31,		
	2023	2022	\$ Change
OPERATING REVENUES			
Energy	\$ 5,814,251	\$ 45,384,953	\$ (39,570,702)
Capacity	1,442,067	5,469,648	(4,027,581)
Other	209,937	145,780	64,157
Total operating revenues	\$ 7,466,255	\$ 51,000,381	\$ (43,534,126)
OPERATING EXPENSES			
Fuel - net of crypto segment subsidy ¹	6,092,125	20,769,690	(14,677,565)
Operations and maintenance	27,539,447	45,416,970	(17,877,523)
General and administrative	3,317,685	1,399,071	1,918,614
Depreciation and amortization	5,337,828	5,189,071	148,757
Total operating expenses	\$ 42,287,085	\$ 72,774,802	\$ (30,487,717)
NET OPERATING LOSS EXCLUDING CORPORATE OVERHEAD	(34,820,830)	(21,774,421)	(13,046,409)
Corporate overhead	2,897,573	17,217,614	(14,320,041)
NET OPERATING LOSS	<u>\$ (37,718,403)</u>	<u>\$ (38,992,035)</u>	<u>\$ 1,273,632</u>
INTEREST EXPENSE	<u>\$ (481,124)</u>	<u>\$ (100,775)</u>	<u>\$ (380,349)</u>

¹ Cryptocurrency operations consumed \$22.5 million and \$12.2 million of electricity generated by the Energy Operations segment for the twelve months ended December 31, 2023, and 2022, respectively. For segment reporting, this intercompany electric charge is recorded as a contra-expense to offset fuel costs within the Energy Operations segment.

Operating Revenues

Total operating revenues decreased by \$43.5 million for the twelve-month period ended December 31, 2023, as compared to the same period in 2022, primarily due to a \$39.6 million decrease in energy revenue driven by lower prevailing market prices and increased consumption of self-generated electricity due to the expansion of cryptocurrency operations. Capacity revenues also decreased by \$4.0 million.

Effective June 1, 2022, through May 31, 2024, both plants strategically reduced their exposure to the capacity markets and the resulting cost-capping and operational requirements in the day ahead market by PJM. The Company chose to be an energy resource after achieving its RegA certification, which reduced monthly capacity revenue and the frequency with which the plants will be mandated to sell power at non-market rates, in exchange for the opportunity to sell power to the grid at prevailing market rates, which management expects will more than make up for lost capacity revenue. This also gives the plants the ability to provide fast response energy to the grid in the real time market when needed without having to comply with day ahead power commitments. When high power prices call for more electricity to be supplied by the Company's plants, and those prices are in excess of Bitcoin-equivalent power prices, the Company may shut off its data center Bitcoin mining load in order to sell power to the grid. The Company believes that this integration should allow it to optimize for both revenue as well as grid support over time.

Full plant power utilization is optimal for our revenue growth as it also drives a higher volume of Tier II RECs, waste coal tax credits, and beneficial use ash sales, as well as the increased electricity supply for the crypto asset operations.

Operating Expenses

Total operating expenses decreased by \$30.5 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily due to (i) a \$17.9 million decrease in operations and maintenance expenses due to improved plant stability and performance driven by one-time plant upgrades that occurred in 2022, as well as a reduction in outsourced professional services, and (ii) a \$14.7 million decrease in fuel expenses due to increased cost allocations to the Cryptocurrency Operations segment due to the expansion of cryptocurrency operations and higher proceeds from the sale of RECs. REC sales of \$19.2 million and \$10.0 million were recognized as contra-expenses to offset fuel expenses for the twelve months ended December 31, 2023, and 2022, respectively. These decreases were partially offset by a \$1.9 million increase in general and administrative expenses related to a decrease in the value of accounts receivable.

Corporate overhead allocated to the Energy Operations segment decreased by \$14.3 million for the twelve months ended December 31, 2023, primarily driven by a decrease in Energy Operations revenues, a decrease in professional services

related to organizing and scaling operations, a decrease in stock-based compensation, and a decrease in insurance expenses. Corporate overhead has been allocated to the two segments using a "fair-share" of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

Cryptocurrency Operations Segment

	Twelve months ended December 31,		
	2023	2022	\$ Change
OPERATING REVENUES			
Cryptocurrency mining	\$ 52,885,456	\$ 58,763,565	\$ (5,878,109)
Cryptocurrency hosting	14,614,589	459,872	14,154,717
Total operating revenues	\$ 67,500,045	\$ 59,223,437	\$ 8,276,608
OPERATING EXPENSES			
Electricity - purchased from energy segment	22,498,223	12,201,136	10,297,087
Operations and maintenance	5,296,725	11,613,219	(6,316,494)
General and administrative	248,483	692,074	(443,591)
Impairments on digital currencies	910,029	8,339,660	(7,429,631)
Impairments on equipment deposits	5,422,338	17,348,742	(11,926,404)
Impairments on miner assets	—	40,683,112	(40,683,112)
Realized gain on sale of digital currencies	(967,995)	(1,102,220)	134,225
Loss on disposal of fixed assets	3,818,307	2,511,262	1,307,045
Realized (gain) loss on sale of miner assets	(52,000)	8,012,248	(8,064,248)
Depreciation and amortization	30,077,458	42,046,273	(11,968,815)
Total operating expenses	\$ 67,251,568	\$ 142,345,506	\$ (75,093,938)
NET OPERATING LOSS EXCLUDING CORPORATE OVERHEAD	248,477	(83,122,069)	83,370,546
Corporate Overhead	24,966,539	25,152,051	(185,512)
NET OPERATING INCOME/(LOSS)	<u>\$ (24,718,062)</u>	<u>\$ (108,274,120)</u>	<u>\$ 83,556,058</u>
INTEREST EXPENSE	<u>\$ (9,365,235)</u>	<u>\$ (13,810,233)</u>	<u>\$ 4,444,998</u>

Operating Revenues

Total operating revenues increased by \$8.3 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily due to a \$14.2 million increase in Cryptocurrency hosting revenue driven by the Foundry Hosting Agreement and Canaan Bitcoin Mining Agreement, which began in the fourth quarter of 2022 and second quarter of 2023, respectively. Cryptocurrency mining revenue decreased due to a higher global network hash rate and lower Bitcoin prices.

Operating Expenses

Total operating expenses decreased by \$75.1 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily due to (i) a \$40.7 million impairment on miner assets attributable to the decline in the price of Bitcoin that was recorded in the second quarter of 2022, (ii) a \$12.0 million decrease in depreciation and amortization due to prior period asset impairments, (iii) an \$11.9 million decrease in impairments on equipment deposits recorded year over year, (iv) an \$8.1 million realized loss on sale of miner assets that was recorded in the second quarter of 2022, (v) a \$7.4 million decrease in impairments on digital currencies driven by an upward trend of Bitcoin prices in 2023 compared to a downward trend in 2022, and (vi) a \$6.3 million decrease in operations and maintenance expenses primarily driven by the termination of the Northern Data Hosting Agreement and lower expenses for miner parts and maintenance. These decreases were partially offset by a \$10.3 million increase in intercompany electric charges related to the expansion of cryptocurrency mining operations.

Corporate overhead allocated to the Cryptocurrency Operations segment decreased by \$0.2 million for the twelve months ended December 31, 2023, primarily driven by a decrease in professional services related to organizing and scaling operations, a decrease in stock-based compensation, and a decrease in insurance expenses, which has been allocated to the two segments using a "fair-share" of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

Impairments on digital currencies

Impairments on digital currencies of \$0.9 million and \$8.3 million were recognized for the twelve months ended December 31, 2023, and 2022, respectively, as a result of the negative impacts from Bitcoin spot market declines. As of December 31, 2023, we held approximately 77 Bitcoin on our balance sheet at carrying value. The spot market price of Bitcoin was \$42,531 as of December 31, 2023, per Coinbase.

Interest Expense

Interest expense decreased by \$4.4 million for the twelve months ended December 31, 2023, as compared to the same period in 2022, primarily due to lower debt as a result of extinguishing the debt under the master equipment financing agreements entered into with an affiliate of NYDIG ABL, LLC, from August to October 2022.

Liquidity and Capital Resources

Overview

Stronghold Inc. is a holding company with no operations and is the sole managing member of Stronghold LLC. Our principal asset consists of units of Stronghold LLC. Our earnings and cash flows and ability to meet any debt obligations will depend on the cash flows resulting from the operations of our operating subsidiaries, and the payment of distributions to us by such subsidiaries.

Our cash needs are primarily for growth through acquisitions, capital expenditures, working capital to support equipment financing, and the purchase of additional miners and general operating expenses. We have incurred, and may continue to incur, significant expenses in servicing and maintaining our power generation facilities. If we were to acquire additional facilities in the future, capital expenditures may include improvements, maintenance and build out costs associated with equipping such facilities to house miners to mine Bitcoin. We may also incur additional expenses and capital expenditures to develop our carbon capture system, which is currently in pilot testing.

We have historically relied on funds from equity issuances, equipment financings, and revenue from sales of Bitcoin and power generated at our power plants to provide for our liquidity needs. During 2023, we received approximately \$10.0 million pursuant to the April 2023 Private Placement and approximately \$15.4 million pursuant to the December 2023 Private Placement. During the twelve months ended December 31, 2023, we sold 1,794,587 ATM Shares at approximately \$6.47 per share under the ATM Agreement for gross proceeds of approximately \$11.6 million less sales commissions of approximately \$0.4 million, for net proceeds of approximately \$11.2 million. Subsequent to December 31, 2023, and as of March 5, 2024, no additional shares have been sold under the ATM Agreement. Refer to *Note 16 – Equity Issuances* in the notes to our consolidated financial statements and the Risk Factor titled “We may be unable to raise additional capital needed to grow our business.” for more information.

As of December 31, 2023, and February 29, 2024, we had approximately \$7.4 million and \$10.2 million, respectively, of cash, cash equivalents and Bitcoin on our balance sheet, which included approximately 77 Bitcoin and 5 Bitcoin, respectively. As of December 31, 2023, and February 29, 2024, we had principal amount outstanding indebtedness of \$56.5 million and \$55.8 million, respectively.

If our cash flows from operations continue to fall short of uses of capital, we may need to seek additional sources of capital to fund our short-term and long-term capital needs. We may further sell assets or seek potential additional debt or equity financing to fund our short-term and long-term needs. Further, the terms of the Credit Agreement and December 2023 Private Placement contain certain restrictions, including maintenance of certain financial and liquidity ratios and minimums, and certain restrictions on future issuances of equity and debt. In particular, we are prohibited from certain equity issuances (including sales under the ATM Agreement) until 30 days after the December Resale Registration Statement is effective, and there is no guarantee when that will be. Beginning with the third quarter of 2023, we may be required to make monthly prepayments pursuant to the WhiteHawk Refinancing Agreement if we maintain cash balance above a certain amount. If we are unable to raise additional capital, there is a risk that we could default on our obligations and could be required to discontinue or significantly reduce the scope of our operations, including through the sale of our assets, if no other means of financing options are available.

Operations have not yet established a consistent record of covering our operating expenses and we incurred a net loss of \$101.8 million for the twelve months ended December 31, 2023, and an accumulated deficit of \$331.6 million as of December 31, 2023.

Taking into account the First Amendment, Second Amendment, Third Amendment, the Exchange Agreement, the MicroBT Miner Purchase, the Canaan Bitcoin Mining Agreement, the December 2023 Private Placement, proceeds from

the ATM Agreement, and continued expansion of our cryptocurrency mining operations through the Canaan Purchase Agreement and the amendment to Canaan Bitcoin Mining Agreement, we believe our liquidity position, combined with expected improvements in operating cash flows, will be sufficient to meet our existing commitments and fund our operations for the next twelve months.

We have no material off balance sheet arrangements.

Cash Flows

Analysis of Cash Flow Changes Between the Twelve Months Ended December 31, 2023, and 2022

The following table summarizes our cash flows for the periods indicated:

	Twelve Months Ended December 31,		
	2023	2022	Change
	<i>(in thousands)</i>		
Net cash provided by (used in) operating activities	\$ (7,147)	\$ (27,155)	\$ 20,007
Net cash provided by (used in) investing activities	(24,004)	(71,578)	47,575
Net cash provided by (used in) financing activities	22,069	80,240	(58,171)
Net (decrease) increase in cash and cash equivalents	<u>\$ (9,082)</u>	<u>\$ (18,493)</u>	<u>\$ 9,411</u>

Operating Activities

Net cash used in operating activities was approximately \$7.1 million for the twelve months ended December 31, 2023, compared to \$27.2 million of net cash used in operating activities for the twelve months ended December 31, 2022. The \$20.0 million net decrease in cash from operating activities was due to (i) lower cash outflows for operations and maintenance expenses related to major repairs and upgrades to the Scrubgrass Plant which occurred in 2022, and (ii) lower cash outflows for general and administrative expenses related to professional services and insurance.

Investing Activities

Net cash used in investing activities was \$24.0 million for the twelve months ended December 31, 2023, compared to \$71.6 million used in investing activities for the twelve months ended December 31, 2022. The \$47.6 million decrease in net cash used in investing activities was primarily due to significant cash outflows for the continued ramp up of cryptocurrency mining operations in the prior year.

Financing Activities

Net cash provided by financing activities was \$22.1 million for the twelve months ended December 31, 2023, compared to \$80.2 million provided by financing activities for the twelve months ended December 31, 2022. The \$58.2 million net decrease in cash flows from financing activities was primarily due to debt proceeds in the prior year from a WhiteHawk promissory note and equipment financings and higher repayments of debt and financed insurance premiums, partially offset by proceeds in 2023 from the December 2023 Private Placement, April 2023 Private Placement and ATM Agreement.

See the promissory note, equipment financing agreements and convertible note discussed in *Note 7 – Debt*, *Note 15 – Warrants*, and *Note 16 – Equity Issuances* in the notes to our consolidated financial statements.

Debt Agreements

We have entered into various debt agreements used to purchase equipment to operate our business. Total net obligations under all debt agreements as of December 31, 2023, were \$56.1 million (excluding financed insurance premiums).

WhiteHawk Refinancing Agreement

On October 27, 2022, the Company entered into a secured credit agreement (the “Credit Agreement”) with WhiteHawk Finance LLC (“WhiteHawk”) to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the “WhiteHawk Financing Agreement”). Upon closing, the Credit Agreement consisted of approximately \$35.1 million in term loans and approximately \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the "WhiteHawk Refinancing Agreement") was entered into by Stronghold Digital Mining Holdings, LLC ("Stronghold LLC"), as Borrower (in such capacity, the "Borrower"), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital Partners LP ("WhiteHawk Capital"), as collateral agent and administrative agent, and the other lenders thereto, entered into an amendment to the Credit Agreement (the "First Amendment") in order to modify certain covenants and remove certain prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. Beginning June 30, 2023, following a five-month holiday, Stronghold LLC will make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. Consistent with the First Amendment, the Company made a loan prepayment of \$250,000 during the year ended December 31, 2023, in addition to two amortization payments totaling \$3,230,523 during December 2023 that were not due until the third quarter of 2024. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$7,500,000. The Company was in compliance with all applicable covenants under the WhiteHawk Refinancing Agreement as of and for the year ended December 31, 2023.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate ("SOFR") plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5%, and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk Refinancing Agreement may also be accelerated in certain circumstances. The average interest rate for borrowings under the WhiteHawk Refinancing Agreement approximated 15.25% for the year ended December 31, 2023.

On February 15, 2024, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered a Third Amendment to Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, among other items, (i) the Company was permitted to purchase the December 2023 Purchase Miners (as defined under the Third Amendment), so long as the December 2023 Purchase Miners were purchased from cash proceeds of the December 2023 Equity Raise (as defined under the Third Amendment) and such December 2023 Purchase Miners are collateral, (ii) WhiteHawk Capital waived certain prepayment requirements of the Credit Agreement with respect to cash proceeds of the December 2023 Equity Raise, subject to WhiteHawk Capital's receipt of \$3,230,523, which amount represents amortization payments of the WhiteHawk Refinancing Agreement that were otherwise due on July 31, 2024, and August 30, 2024, (iii) two (2) 115kV to 13.8kV – 30/40/50 MVA transformers and two (2) 145kV SF6 breakers previously purchased by the Company were added to the defined term Permitted Disposition; and (iv) the Company's minimum liquidity requirement was amended to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000.

Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement with the holders (the "Purchasers") of the Company's Amended and Restated 10% Notes (the "Amended May 2022 Notes"), providing for the exchange of the Amended May 2022 Notes (the "Exchange Agreement") for shares of the Company's newly-created Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock"). On February 20, 2023, the transactions contemplated under the Exchange Agreement were consummated, and the Amended May 2022 Notes were deemed paid in full. Approximately \$16.9 million of principal amount of debt was extinguished in exchange for the issuance of the shares of Series C Preferred Stock. As a result of this transaction, the Company incurred a loss on debt extinguishment of \$28,960,947 during the first quarter of 2023.

Bruce & Merrilees Promissory Note

On March 28, 2023, the Company and Stronghold LLC entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of

\$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released ten (10) 3000kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims. Simultaneous with the B&M Settlement, the Company and each of its subsidiaries entered into a subordination agreement with B&M and WhiteHawk Capital pursuant to which all obligations, liabilities and indebtedness of every nature of the Company and each of its subsidiaries owed to B&M shall be subordinate and subject in right and time of payment, to the prior payment of full of the Company's obligation to WhiteHawk Capital pursuant to the Credit Agreement. This subordination agreement became effective on March 28, 2023, with the Second Amendment to the Credit Agreement.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default had occurred or is occurring under the WhiteHawk Credit Agreement and (ii) no PIK Option (as such term is defined in the WhiteHawk Refinancing Agreement) had been elected by the Company. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of December 31, 2023, the Company paid \$500,000 of principal pursuant to the B&M Note.

Canaan Promissory Notes

On July 19, 2023, the Company entered into a Sales and Purchase Contract with Canaan Inc. ("Canaan") whereby the Company purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The purchase price was payable to Canaan via an upfront payment of \$1,777,402 on or before August 1, 2023, which the Company paid on July 25, 2023, and a promissory note of \$1,184,935 due to Canaan in ten (10) equal, interest-free installments on the first day of each consecutive month thereafter until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the third quarter of 2023 at the Company's Panther Creek Plant. As of December 31, 2023, the Company paid \$592,467 of the promissory note due to Canaan.

On December 26, 2023, the Company entered into a second Sales and Purchase Contract with Canaan whereby the Company purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The purchase price was payable to Canaan via an upfront payment of \$828,036 on or before December 26, 2023, which the Company paid on December 26, 2023, and a promissory note of \$552,024 due to Canaan in six (6) equal, interest-free installments on the first day of each consecutive month thereafter, beginning in 2024, until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the first quarter of 2024 at the Company's Scrubgrass Plant.

Tax Receivable Agreement

The TRA generally provides for the payment by Stronghold Inc. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using the estimated impact of state and local taxes) that Stronghold Inc. actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis that occur as a result of Stronghold Inc.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such holder's Stronghold LLC Units pursuant to an exercise of the redemption right of the holders of Stronghold LLC Units (the "Redemption Right") or the Call Right and (ii) imputed interest deemed to be paid by Stronghold Inc. as a result of, and additional tax basis arising from, any payments Stronghold Inc. makes under the TRA. Stronghold Inc. will retain the remaining net cash savings, if any. The TRA generally provides for payments to be made as Stronghold Inc. realizes actual cash tax savings from the tax benefits covered by the TRA. However, the TRA provides that if Stronghold Inc. elects to terminate the TRA early (or it is terminated early due to Stronghold Inc.'s failure to honor a material obligation thereunder or due to certain mergers, asset sales, other forms of business combinations or other changes of control), Stronghold Inc. is required to make an immediate payment equal to the present value of the future payments it would be required to make if it realized deemed tax savings pursuant to the TRA (determined by applying a discount rate equal to twelve-month SOFR plus 171.513 basis points, and using numerous assumptions to determine deemed tax savings), and such early termination payment is expected to be substantial and may exceed the future tax benefits realized by Stronghold Inc.

The actual timing and amount of any payments that may be made under the TRA are unknown at this time and will vary based on a number of factors. However, Stronghold Inc. expects that the payments that it will be required to make to the TRA Holders (or their permitted assignees) in connection with the TRA will be substantial. Any payments made by Stronghold Inc. to the TRA Holders (or their permitted assignees) under the TRA will generally reduce the amount of cash that might have otherwise been available to Stronghold Inc. or Stronghold LLC. To the extent Stronghold LLC has

available cash and subject to the terms of any current or future debt or other agreements, the Stronghold LLC Agreement will require Stronghold LLC to make cash distributions to holders of Stronghold LLC Units, including Stronghold Inc., in an amount sufficient to allow Stronghold Inc. and Q Power to pay its taxes and to make payments under the TRA. Stronghold Inc. generally expects Stronghold LLC to fund such distributions out of available cash. However, except in cases where Stronghold Inc. elects to terminate the TRA early, the TRA is terminated early due to certain mergers or other changes of control or Stronghold Inc. has available cash but fails to make payments when due, generally Stronghold Inc. may defer payments due under the TRA if it does not have available cash to satisfy its payment obligations under the TRA or if its contractual obligations limit its ability to make these payments. Any such deferred payments under the TRA generally will accrue interest at the rate provided for in the TRA, and such interest may significantly exceed Stronghold Inc.'s other costs of capital. If Stronghold Inc. experiences a change of control (as defined under the TRA, which includes certain mergers, asset sales and other forms of business combinations), and in certain other circumstances, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, Stronghold Inc. realizes in respect of the tax attributes subject to the TRA. In the case of such an acceleration in connection with a change of control, where applicable, Stronghold Inc. generally expects the accelerated payments due under the TRA to be funded out of the proceeds of the change of control transaction giving rise to such acceleration, which could have a significant impact on our ability to consummate a change of control or reduce the proceeds received by our stockholders in connection with a change of control. However, Stronghold Inc. may be required to fund such payment from other sources, and as a result, any early termination of the TRA could have a substantial negative impact on our liquidity or financial condition.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, see *Note 1 – Basis of Presentation and Significant Accounting Policies* in the notes to our consolidated financial statements.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID 1013)	82
Consolidated Balance Sheets	83
Consolidated Statements of Operations	84
Consolidated Statements of Stockholders' Equity	85
Consolidated Statements of Cash Flows	87
Notes to Consolidated Financial Statements	88

Management's Report on Financial Statements and Practices

The accompanying consolidated financial statements of the Company were prepared by Management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on Management's best judgments and estimates. The other financial information included in this Annual Report on Form 10-K is consistent with that in the consolidated financial statements.

Management also recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of host countries in which the

Company operates and potentially conflicting outside business interests of its employees. The Company maintains a systematic program to assess compliance with these policies.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Stronghold Digital Mining, Inc.
New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Stronghold Digital Mining, Inc. and subsidiaries (the "Company") as of December 31, 2023, and 2022, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2021.

/s/ Urish Popeck & Co., LLC
Pittsburgh, PA
March 8, 2024

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS:		
Cash and cash equivalents	\$ 4,214,613	\$ 13,296,703
Digital currencies	3,175,595	109,827
Accounts receivable	507,029	10,837,126
Inventory	4,196,812	4,471,657
Prepaid insurance	3,787,048	4,877,935
Due from related parties	97,288	73,122
Other current assets	1,675,084	1,975,300
Total current assets	17,653,469	35,641,670
Equipment deposits	8,000,643	10,081,307
Property, plant and equipment, net	144,642,771	167,204,681
Operating lease right-of-use assets	1,472,747	1,719,037
Land	1,748,440	1,748,440
Road bond	299,738	211,958
Security deposits	348,888	348,888
Other noncurrent assets	170,488	—
TOTAL ASSETS	\$ 174,337,184	\$ 216,955,981
LIABILITIES:		
Accounts payable	11,857,052	27,540,317
Accrued liabilities	10,787,895	8,893,248
Financed insurance premiums	2,927,508	4,587,935
Current portion of long-term debt, net of discounts and issuance fees	7,936,147	17,422,546
Current portion of operating lease liabilities	788,706	593,063
Due to related parties	718,838	1,375,049
Total current liabilities	35,016,146	60,412,158
Asset retirement obligation	1,075,728	1,023,524
Warrant liabilities	25,210,429	2,131,959
Long-term debt, net of discounts and issuance fees	48,203,762	57,027,118
Long-term operating lease liabilities	776,079	1,230,001
Contract liabilities	241,420	351,490
Total liabilities	110,523,564	122,176,250
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
REDEEMABLE COMMON STOCK:		
Common Stock – Class V; \$ 0.0001 par value; 34,560,000 shares authorized and 2,405,760 and 2,605,760 shares issued and outstanding as of December 31, 2023, and 2022, respectively.	20,416,116	11,754,587
Total redeemable common stock	20,416,116	11,754,587
STOCKHOLDERS' EQUITY (DEFICIT):		
Common Stock – Class A; \$ 0.0001 par value; 685,440,000 shares authorized; 11,115,561 and 3,171,022 shares issued and outstanding as of December 31, 2023, and 2022, respectively.	1,112	317
Series C convertible preferred stock; \$0.0001 par value; 23,102 shares authorized; 5,990 and 0 shares issued and outstanding as of December 31, 2023, and 2022, respectively.	1	—
Series D convertible preferred stock; \$0.0001 par value; 15,582 shares authorized; 7,610 and 0 shares issued and outstanding as of December 31, 2023, and 2022, respectively.	1	—
Accumulated deficits	(331,647,755)	(240,443,302)
Additional paid-in capital	375,044,145	323,468,129
Total stockholders' equity	43,397,504	83,025,144
Total redeemable common stock and stockholders' equity	63,813,620	94,779,731
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY	\$ 174,337,184	\$ 216,955,981

The accompanying notes are an integral part of these consolidated financial statements.

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended	
	December 31, 2023	December 31, 2022
OPERATING REVENUES:		
Cryptocurrency mining	\$ 52,885,456	\$ 58,763,565
Cryptocurrency hosting	14,614,589	459,872
Energy	5,814,251	45,384,953
Capacity	1,442,067	5,469,648
Other	209,937	145,780
Total operating revenues	74,966,300	110,223,818
OPERATING EXPENSES:		
Fuel	28,590,348	32,970,826
Operations and maintenance	32,836,172	57,030,189
General and administrative	31,430,280	44,460,810
Depreciation and amortization	35,415,286	47,235,344
Loss on disposal of fixed assets	3,818,307	2,511,262
Realized gain on sale of digital currencies	(967,995)	(1,102,220)
Realized (gain) loss on sale of miner assets	(52,000)	8,012,248
Impairments on miner assets	—	40,683,112
Impairments on digital currencies	910,029	8,339,660
Impairments on equipment deposits	5,422,338	17,348,742
Total operating expenses	137,402,765	257,489,973
NET OPERATING LOSS	(62,436,465)	(147,266,155)
OTHER INCOME (EXPENSE):		
Interest expense	(9,846,359)	(13,911,008)
Loss on debt extinguishment	(28,960,947)	(40,517,707)
Gain on extinguishment of PPP loan	—	841,670
Changes in fair value of warrant liabilities	(646,722)	4,226,171
Realized gain on sale of derivative contract	—	90,953
Changes in fair value of forward sale derivative	—	3,435,639
Changes in fair value of convertible note	—	(2,167,500)
Other	65,000	95,970
Total other income (expense)	(39,389,028)	(47,905,812)
NET LOSS	\$ (101,825,493)	\$ (195,171,967)
NET LOSS attributable to noncontrolling interest	(30,428,749)	(105,910,737)
Deemed contribution from exchange of Series C convertible preferred stock	20,492,568	—
NET LOSS attributable to Stronghold Digital Mining, Inc.	\$ (50,904,176)	\$ (89,261,230)
NET LOSS attributable to Class A common shareholders:		
Basic	\$ (7.46)	\$ (34.53)
Diluted	\$ (7.46)	\$ (34.53)
Weighted average number of Class A common shares outstanding:		
Basic	6,821,173	2,584,907
Diluted	6,821,173	2,584,907

The accompanying notes are an integral part of these consolidated financial statements.

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Year Ended December 31, 2022							
	Noncontrolling Redeemable Preferred				Common A			
	Series A				Accumulated	Additional Paid-in	Stockholders'	
	Shares	Amount	Shares	Amount	Deficit	Capital	Equity	
Balance – January 1, 2022	115,200	\$ 37,670,161	2,001,607	\$ 200	\$ (338,709,688)	\$ 241,874,549	\$ (59,164,778)	
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	(89,261,230)	—	(89,261,230)	
Net loss attributable to noncontrolling interest	—	(4,140,324)	—	—	(101,770,413)	—	(105,910,737)	
Maximum redemption right valuation [Common V Units]	—	—	—	—	289,298,029	—	289,298,029	
Stock-based compensation	—	—	—	—	—	13,890,350	13,890,350	
Issuance of common stock – September 2022 Private Placement	—	—	287,676	30	—	2,241,280	2,241,310	
Vesting of restricted stock units	—	—	24,106	2	—	(2)	—	
McClymonds arbitration award – paid by Q Power	—	—	—	—	—	5,038,122	5,038,122	
Warrants issued and outstanding	—	—	—	—	—	26,894,078	26,894,078	
Exercised warrants	—	—	642,433	64	—	(64)	—	
Redemption of Series A convertible preferred units	(115,200)	(33,529,837)	115,200	11	—	33,529,826	—	
Redemption of Class V shares	—	—	100,000	10	—	(10)	—	
Balance – December 31, 2022	—	—	3,171,022	317	(240,443,302)	323,468,129	83,025,144	

Year Ended December 31, 2023

	Convertible Preferred		Convertible Preferred		Common A		Accumulated	Additional Paid-in	Stockholders'	
	Series C		Series D							
	Shares	Amount	Shares	Amount	Shares	Amount				Deficit
Balance – January 1, 2023	—	\$ —	—	\$ —	—	3,171,022	\$ 317	\$ (240,443,302)	\$ 323,468,129	\$ 83,025,144
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	—	(71,396,744)	—	(71,396,744)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	—	(30,428,749)	—	(30,428,749)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	—	(9,871,528)	—	(9,871,528)
Stock-based compensation	—	—	—	—	250,000	25	—	9,238,801	9,238,826	
Vesting of restricted stock units	—	—	—	—	442,690	44	—	(44)	—	
Exercised warrants	—	—	—	—	1,710,486	171	—	145	316	
Warrants issued and outstanding	—	—	—	—	—	—	—	1,739,882	1,739,882	
Redemption of Class V shares	—	—	—	—	200,000	20	—	1,209,980	1,210,000	
Issuance of common stock to settle payables	—	—	—	—	116,206	12	—	1,063,177	1,063,189	
Issuance of common stock – April 2023 Private Placement	—	—	—	—	566,661	57	—	941,595	941,652	
Issuance of common stock – ATM Agreement	—	—	—	—	1,794,587	180	—	10,803,720	10,803,900	
Issuance of Series C convertible preferred stock	23,102	2	—	—	—	—	—	45,386,944	45,386,946	
Conversion of Series C preferred stock	(1,530)	—	—	—	382,500	38	—	(38)	—	
Exchange of Series C convertible preferred stock for Series D convertible preferred stock	(15,582)	(1)	15,582	1	—	—	20,492,568	(20,641,472)	(148,904)	
Conversion of Series D preferred stock	—	—	(7,972)	—	1,481,409	148	—	(148)	—	
Issuance of common stock – December 2023 Private Placement	—	—	—	—	1,000,000	100	—	1,833,474	1,833,574	
Balance – December 31, 2023	5,990	\$ 1	7,610	\$ 1	11,115,561	\$ 1,112	\$ (331,647,755)	\$ 375,044,145	\$ 43,397,504	

The accompanying notes are an integral part of these consolidated financial statements.

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended	
	December 31, 2023	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (101,825,493)	\$ (195,171,967)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	35,415,286	47,235,344
Accretion of asset retirement obligation	52,204	49,576
Gain on extinguishment of PPP loan	—	(841,670)
Loss on disposal of fixed assets	3,818,307	2,511,262
Realized (gain) loss on sale of miner assets	(52,000)	8,012,248
Change in value of accounts receivable	1,867,506	—
Amortization of debt issuance costs	212,566	2,935,795
Stock-based compensation	9,238,826	13,890,350
Loss on debt extinguishment	28,960,947	40,517,707
Impairments on equipment deposits	5,422,338	17,348,742
Impairments on miner assets	—	40,683,112
Changes in fair value of warrant liabilities	646,722	(4,226,171)
Changes in fair value of forward sale derivative	—	(3,435,639)
Realized gain on sale of derivative contract	—	(90,953)
Forward sale contract prepayment	—	970,000
Changes in fair value of convertible note	—	2,167,500
Other	470,905	2,217,458
(Increase) decrease in digital currencies:		
Mining revenue	(62,236,771)	(58,763,565)
Net proceeds from sales of digital currencies	58,260,974	56,172,048
Impairments on digital currencies	910,029	8,339,660
(Increase) decrease in assets:		
Accounts receivable	8,108,710	(8,725,271)
Prepaid insurance	6,728,976	6,908,215
Due from related parties	(91,617)	(5,671)
Inventory	274,845	(1,099,402)
Other assets	(234,858)	(603,963)
Increase (decrease) in liabilities:		
Accounts payable	(4,250,888)	(3,093,265)
Due to related parties	28,241	(55,611)
Accrued liabilities	1,704,321	(180,943)
Other liabilities, including contract liabilities	(577,189)	(819,461)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(7,147,113)	(27,154,535)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(15,915,398)	(70,935,935)
Proceeds from sale of equipment deposits	—	13,013,974
Equipment purchase deposits – net of future commitments	(8,000,643)	(13,656,428)
Purchase of reclamation bond	(87,780)	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(24,003,821)	(71,578,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of debt	(7,147,771)	(76,119,454)
Repayments of financed insurance premiums	(7,047,122)	(4,598,592)
Proceeds from debt, net of issuance costs paid in cash	(170,135)	152,358,118
Proceeds from private placements, net of issuance costs paid in cash	25,257,567	8,599,440
Proceeds from ATM, net of issuance costs paid in cash	11,175,989	—
Proceeds from exercise of warrants	316	—
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	22,068,844	80,239,512
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,082,090)	(18,493,412)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	13,296,703	31,790,115
CASH AND CASH EQUIVALENTS – END OF PERIOD	\$ 4,214,613	\$ 13,296,703

The accompanying notes are an integral part of these consolidated financial statements.

STRONGHOLD DIGITAL MINING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NATURE OF OPERATIONS

Stronghold Digital Mining, Inc. ("Stronghold Inc." or the "Company") was incorporated as a Delaware corporation on March 19, 2021. The Company is a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin and environmental remediation and reclamation services. The Company wholly owns and operates two coal refuse power generation facilities that it has upgraded: (i) the Company's first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which the Company acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant"); and (ii) a facility located near Nesquehoning, Pennsylvania, which the Company acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). The Company is committed to generating energy and managing its assets sustainably, and the Company believes that it is one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

Stronghold Inc. operates in two business segments – the *Energy Operations* segment and the *Cryptocurrency Operations* segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"). This segment presentation is consistent with how the Company's CODM, its chief executive officer, evaluates financial performance and makes resource allocation and strategic decisions about the business.

Energy Operations

The Company operates as a qualifying cogeneration facility ("Facility") under the provisions of the Public Utilities Regulatory Policies Act of 1978 and sells its electricity into the PJM Interconnection Merchant Market ("PJM") under a Professional Services Agreement ("PSA") with Customized Energy Solutions ("CES"), effective July 27, 2022. Under the PSA, CES agreed to act as the exclusive provider of services for the benefit of the Company related to interfacing with PJM, including handling daily marketing, energy scheduling, telemetry, capacity management, reporting, and other related services for the Plants. The initial term of the agreement is two years, and then will extend automatically on an annual basis unless terminated by either party with 60 days written (or electronic) notice prior to the current term end. The Company's primary fuel source is waste coal which is provided by various third parties. Waste coal tax credits are earned by the Company by generating electricity utilizing coal refuse. In addition to the Company earning Tier II Renewable Energy Credits ("RECs") for its use of coal refuse as its primary fuel source, the Company also earns waste coal tax credits for generating electricity utilizing coal refuse.

Cryptocurrency Operations

The Company is also a vertically-integrated digital currency mining business. The Company buys and maintains a fleet of Bitcoin miners, as well as the required infrastructure, and provides power to third-party digital currency miners under hosting agreements. The digital currency mining operations are in their early stages, and digital currencies and energy pricing mining economics are volatile and subject to uncertainty. The Company's current strategy will continue to expose it to the numerous risks and volatility associated with the digital mining and power generation sectors, including fluctuating Bitcoin-to-U.S.-Dollar prices, the costs and availability of miners, the number of market participants mining Bitcoin, the availability of other power generation facilities to expand operations, and regulatory changes.

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). The financial information included herein reflects the consolidated financial position of the Company as of December 31, 2023, and 2022, and its consolidated results of operations and cash flows for the years then ended. Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements in order to conform to current presentation. Additionally, since there are no differences between net income (loss) and

comprehensive income (loss), all references to comprehensive income (loss) have been excluded from the consolidated financial statements.

On May 15, 2023, following approval by the Board of Directors (the "Board") and stockholders of the Company, the Company effected a 1-for-10 reverse stock split ("Reverse Stock Split") of its Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$ 0.0001 per share. The par values of the Company's Class A and Class V common stock were not adjusted as a result of the Reverse Stock Split. All share and per share amounts and related stockholders' equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies followed by the Company is presented below.

Reclassification

During the first quarter of 2023, the Company revised its accounting policy to reclassify the presentation of imported power charges. Imported power charges are now recorded within fuel expenses, whereas they were previously netted against energy revenue. The prior period has been reclassified to conform to the current period presentation. The reclassification had no impact on net operating income (loss), earnings per share or equity. The reclassification increased energy revenues and fuel expenses for the year ended December 31, 2022, as shown in the table below.

	December 31, 2022
Energy revenues – previously disclosed	\$ 41,194,237
Reclassification: imported power charges	4,190,716
Energy revenues – reclassified	<u>\$ 45,384,953</u>
Fuel expenses – previously disclosed	\$ 28,780,110
Reclassification: imported power charges	4,190,716
Fuel expenses – reclassified	<u>\$ 32,970,826</u>

Cash and Cash Equivalents

Cash and cash equivalents consists of short-term, highly-liquid investments with original maturities of three months or less. As of December 31, 2023, the Company's cash and cash equivalents balance does not include any restricted cash. The Company maintains its cash in non-interest bearing accounts that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's deposits may, from time to time, exceed the \$250,000 limit; however, management believes that there is no unusual risk present, as the Company places its cash with, what management considers to be, high-quality financial institutions.

Digital Currencies

Digital currencies are classified in the consolidated balance sheet as current assets and are considered an intangible asset with an indefinite useful life. Although indefinite-lived intangible assets are generally considered noncurrent assets, the Company classifies its digital currencies as current assets because the Company expects to realize the cash flows associated with such assets within a year. The cryptocurrency awards it earns are regularly converted into U.S. dollars, without limitations or restrictions, to support the Company's ongoing operations in the normal course of business. Digital currencies are recorded at cost less any impairments. Bitcoin is the only cryptocurrency the Company mines or holds. Bitcoin is highly liquid, fungible and readily converted into U.S. dollars similar to the Company's cash and cash equivalents.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances indicate that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the lowest quoted price of the cryptocurrency at the time its fair value is being measured (i.e., daily). In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. However, given the existence of a quoted price for Bitcoin on active markets,

the Company exercises its unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period when the market price is below the carrying value and proceed directly to performing the quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from trade receivable or other balances outstanding at period end. An allowance for doubtful accounts is provided when necessary and is based on management's evaluation of outstanding accounts receivable at period end. The potential risk of collectability is limited to the amount recorded in the consolidated financial statements.

Inventory

Waste coal, fuel oil and limestone are valued at the lower of average cost or net realizable value and include all related transportation and handling costs. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and unusable inventory and records provisions to reduce such inventories to net realizable value as necessary.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including those assets associated with the *Cryptocurrency Operations* segment, such as cryptocurrency miners, storage trailers and related electrical components. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance and repairs are charged to expenses as incurred. When property, plant and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statements of operations. Depreciation is recognized over the remaining estimated useful lives ("EUL") of the related assets using the straight-line method.

The Company's depreciation is based on its Facility being considered a single property unit. Certain components of the Facility may require a replacement or overhaul several times over its EUL. Costs associated with overhauls are generally recorded as expenses in the period incurred. However, in instances where a replacement of a Facility component is significant and the Company can reasonably estimate the original cost of the component being replaced, the Company will write-off the replaced component and capitalize the cost of the replacement. The component will be depreciated over the lesser of the EUL of the component or the remaining EUL of the Facility.

In conjunction with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of a long-lived asset or asset group to be held and used is measured by a comparison of the carrying amount of the long-lived asset or asset group to undiscounted future cash flows expected to be generated by the long-lived asset or asset group. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the asset is used, and the effects of obsolescence, demand, competition, and other economic factors. If such a long-lived asset or asset group is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the long-lived asset or asset group exceeds its fair value. Based on the Company's analysis, the Company's long-lived assets were recoverable as of December 31, 2023; however, impairment indicators existed throughout 2022, and as of December 31, 2022, that resulted in impairments on miner assets of \$40,683,112 for the year then ended.

Management has assessed the basis of depreciation of the Company's Bitcoin miners used to verify digital currency transactions and generate digital currencies and believes they should be depreciated over a three-year period. The rate at which the Company generates digital assets, and therefore, consumes the economic benefits of its transaction verification servers, is influenced by a number of factors including the following:

1. The complexity of the transaction verification process which is driven by the algorithms contained within the Bitcoin open source software;
2. The general availability of appropriate computer processing capacity on a global basis (commonly referred to as hash rate capacity); and
3. Technological obsolescence reflecting rapid development in the transaction verification server industry such that more recently developed hardware is more economically efficient to run in terms of digital assets generated as a function of operating costs, primarily power costs (i.e., the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase).

The Company operates in an emerging industry for which limited data is available to make estimates of the useful economic lives of specialized equipment. Management has determined that three years best reflects the current expected useful life of its Bitcoin miners. This assessment takes into consideration the availability of historical data and management's expectations regarding the direction of the industry including potential changes in technology. Management reviews this estimate annually and will revise this estimate, as necessary, if and when the available supporting data changes.

To the extent that any of the assumptions underlying management's estimate of useful life for its transaction verification servers are subject to revision in a future reporting period, either as a result of changes in circumstances or through the availability of greater quantities of data, the estimated useful life could change and have a prospective impact on depreciation expense and the carrying amounts of these Bitcoin miner assets.

Right-of-Use Assets

A right-of-use ("ROU") asset represents the right to use an underlying asset for the term of the lease, and the corresponding liability represents an obligation to make periodic payments arising from the lease. A determination of whether an arrangement includes a lease is made at the inception of the arrangement. ROU assets and liabilities are recognized on the consolidated balance sheet, at the commencement date of the lease, in an amount equal to the present value of the lease payments over the term of the lease, calculated using the interest rate implicit in the lease arrangement or, if not known, the Company's incremental borrowing rate. The present value of a ROU asset also includes any lease payments made prior to commencement of the lease and excludes any lease incentives received or to be received under the arrangement. The lease term includes options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Operating leases that have original terms of less than 12 months, inclusive of options to extend that are reasonably certain to be exercised, are classified as short-term leases and are not recognized on the consolidated balance sheet.

Operating lease ROU assets are recorded as noncurrent assets on the consolidated balance sheet. The corresponding liabilities are recorded as operating lease liabilities, either current or noncurrent, as applicable, on the consolidated balance sheet. Operating lease costs are recognized on a straight-line basis over the lease term within operations and maintenance or general and administrative expenses based on the use of the related ROU asset.

Debt

The Company records its debt balances net of any discounts or premiums and issuance fees. Discounts and premiums are amortized as interest expense or income over the life of the debt in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period. Debt issuance costs are amortized as interest expense over the scheduled maturity of the debt. Unamortized debt issuance costs are recognized as direct deduction from the carrying of the related debt in the consolidated balance sheet.

Asset Retirement Obligations

Asset retirement obligations, including those conditioned on future events, are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset in the same period. In each subsequent period, the liability is accreted to its present value, and the capitalized cost is depreciated over the EUL of the long-lived asset. If the asset retirement obligation is settled for an amount other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement. The Company's asset retirement obligation represents the cost the Company would incur to perform environmental clean-up or dismantle certain portions of the Facility.

Warrants

Accounting for warrants includes an initial assessment of whether the warrants qualify as debt or equity. For warrants that meet the definition of debt instruments, the Company records the warrant liabilities at fair value as of the issuance date and recognizes changes in the fair value of the warrants each reporting period within other income (expense). For warrants that meet the definition of equity instruments, the Company records the warrants at fair value as of the issuance date within stockholders' equity.

Derivative Contracts

In accordance with guidance on accounting for derivative instruments and hedging activities, all derivatives should be recognized at fair value. Derivatives, or any portion thereof, that are not designated as, and effective as, hedges must be adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the consolidated

balance sheets. Certain contracts that require physical delivery may qualify or be designated as normal purchases and normal sales. Such contracts are accounted for on an accrual basis.

The Company may use derivative instruments to mitigate its exposure to various energy commodity market risks. The Company does not enter into any derivative contracts or similar arrangements for speculative or trading purposes. The Company will, at times, sell its forward unhedged electricity capacity to stabilize its future operating margins. As of December 31, 2023, and 2022, there were no open energy commodity derivatives outstanding.

The Company may also use derivative instruments to mitigate the risks of Bitcoin market pricing volatility. The Company entered into a variable prepaid forward sale contract that mitigated Bitcoin market pricing volatility risks between a low and high collar of Bitcoin market prices during the contract term, which settled in September 2022. The contract met the definition of a derivative transaction pursuant to guidance under ASC 815, *Derivatives and Hedging*, and the contract was considered a compound derivative instrument that required fair value presentation subject to remeasurement each reporting period. The changes in fair value of the forward sale derivative were recorded in the consolidated statement of operations for the year ended December 31, 2022. As of December 31, 2023, and 2022, there were no open Bitcoin derivatives outstanding.

Fair Value Measurements

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data; and

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. The core principle of this revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognize revenue when the company satisfies the performance obligations.

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. Per ASC 606, a performance obligation meets the definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: (i) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and (ii) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration;
- Constraining estimates of variable consideration;
- The existence of a significant financing component in the contract;
- Non-cash consideration; and
- Consideration payable to a customer.

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

The Company's policies with respect to its revenue streams are detailed below.

Cryptocurrency Mining Revenue

The Company has entered into digital asset mining pools by executing contracts, as amended from time to time, with mining pool operators to provide computing power and perform hash computations for the mining pool operators. The contracts are terminable at any time by either party without penalty, and therefore, the duration of the contracts does not extend beyond the services already transferred. The Company's enforceable right to compensation begins when, and lasts as long as, the Company performs hash computations for the mining pool operator. Given the cancellation terms of the contracts with mining pool operators, and our customary business practice, such contracts effectively provide the option to renew for successive contract terms continuously throughout each day. The customer's renewal option does not represent a material right because the terms are offered at the standalone selling price of computing power. The terms of the agreement provide that neither party can dispute settlement terms after thirty-five days following settlement. In exchange for performing hash computations for the mining pool operator, the Company is entitled to either:

1. a Full-Pay-Per-Share ("FPPS") payout of Bitcoin based on a contractual formula (less mining pool operator fees which are immaterial and are recorded as a reduction to cryptocurrency mining revenues), which primarily calculates the hash rate provided by the Company to the mining pool as a percentage of total network hash rate, multiplied by the daily network block subsidies awarded globally and the normalized network transaction fee for the day. The normalized network transaction fee is calculated as the total network transaction fees divided by the total network block subsidies, excluding the blocks that represent the three highest and three lowest transaction fees for the day. The Company is entitled to consideration even if a block is not successfully placed by the mining pool operator. The contract is in effect until terminated by either party.
 - The consideration is all variable. Because it is probable that a significant reversal of cumulative revenue will not occur and the Company is able to calculate the payout based on the contractual formula, revenue is recognized, and noncash consideration is measured at fair value at contract inception. Fair value of the cryptocurrency asset consideration is determined using the quoted spot price of Bitcoin on the Company's primary trading platform for Bitcoin at the end of the day of contract inception (i.e., 4:00pm EST each day) at the single Bitcoin level. This amount is recognized in revenue on the same day that control of the contracted service transfers to the mining pool, which is the same day as contract inception and when hash rate is provided.

Or:

2. a Pay-Per-Share ("PPS") payout of a fractional share of the fixed Bitcoin award the mining pool operator receives (less mining pool operator fees which are immaterial and are recorded as a reduction to cryptocurrency mining revenues) for successfully adding a block to the blockchain. The Company's fractional share of the Bitcoin award is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.
 - Because the consideration to which the Company expects to be entitled for providing computing power is entirely variable, as well as being noncash consideration, the Company assesses the estimated amount of the variable noncash consideration to which it expects to be entitled for providing computing power at contract inception. Subsequently, the Company also determines when and to what extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty or "constraint" associated with the variable consideration is subsequently resolved. Only when a significant revenue reversal is probable of not occurring can estimated variable consideration be included in revenue. Based on the Company's evaluation of likelihood and magnitude of a revenue

reversal, the estimated variable noncash consideration is constrained from inclusion in revenue until the end of the contract term, when the underlying uncertainties have been resolved and the number of Bitcoin to which the Company is entitled becomes known (i.e., the mining pool operator successfully places a block by being the first to solve an algorithm and the Company receives confirmation of the consideration it will receive). Revenue is recognized on the same day that control of the contracted service transfers to the mining pool, which is the same day as contract inception.

As of and for the year ended December 31, 2023, the Company participated in one mining pool, which utilized the FPPS payout methodology. As of and for the year ended December 31, 2022, the Company participated in three mining pools, which also utilized the FPPS payout methodology.

Performing hash computations for the mining pool operator is an output of the Company's ordinary activities. The provision of providing such computing power to perform hash computations is the only performance obligation in the Company's contracts with mining pool operators. There is no significant financing component in these transactions.

Cryptocurrency Hosting Revenue

The Company has entered into customer hosting contracts whereby the Company provides electrical power to cryptocurrency mining customers, and the customers pay a stated amount per MWh ("Contract Capacity"). This amount is paid monthly in advance. Amounts used in excess of the Contract Capacity are billed monthly based on calculated formulas as contained in the contracts. If any shortfalls occur due to outages, make-whole payment provisions contained in the contracts are used to offset the billings to the customer which prevented them from cryptocurrency mining. Advanced payments and customer deposits are recorded as contract liabilities in the consolidated balance sheet.

The Company recognizes revenue over time throughout the terms of the underlying hosting agreements. The consideration is variable. Cryptocurrency hosting revenues are comprised of the following two components: (i) the variable cost-of-power fee that is earned each month consistent with the performance of the hosting services (i.e., supplying electrical power and Internet access to the Bitcoin miners provided by customers); and (ii) the Company's portion of the Bitcoin mined.

The Company's only performance obligation is to supply electrical power and Internet access (i.e., hosting services) to the Bitcoin miners provided by its cryptocurrency mining customers in accordance with the terms of the hosting agreements. Beyond power supply and Internet access, these hosting services also include racking infrastructure, general maintenance and operations as instructed in writing by the customer, ambient cooling, and miner reboots; however, none of these ancillary hosting services are significant or capable of being distinct per ASC 606-10-25-19(a), and therefore, only one performance obligation exists under the hosting agreements.

The Company also shares in the Bitcoin mined from the miners provided by its hosting customers. This separate transaction price is denominated in Bitcoin and recognized in revenue in accordance with our accounting policy described above regarding cryptocurrency mining revenues because the Company considers the mining portion of its cryptocurrency hosting revenues a separate contract between the Company and its mining pool operators. Because it is probable that a significant reversal of cumulative revenue will not occur and the Company is able to calculate the FPPS payout based on the contractual formula, revenue is recognized, and noncash consideration is measured at fair value at contract inception. Fair value of the cryptocurrency asset consideration is determined using the quoted spot price of Bitcoin on the Company's primary trading platform for Bitcoin at the end of the day of contract inception (i.e., 4:00pm EST each day) at the single Bitcoin level. This amount is recognized in revenue on the same day that control of the contracted service transfers to the mining pool, which is the same day as contract inception and when hash rate is provided.

Neither the Company nor the customer can cancel or terminate the hosting agreements without penalty before the initial terms elapse. In such a period-to-period contract, the contract term does not extend beyond the period that can be cancelled without penalty. Furthermore, the options to renew for additional one-year periods are not material rights because they are offered at the standalone selling price of electrical power.

For the years ended December 31, 2023, and 2022, the Company recognized \$ 294,789 and \$0 of revenues, respectively, that were included in contract liabilities at the beginning of each period.

Energy Revenue

The Company operates as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. The Company sells energy in the wholesale generation market in the PJM RTO. Energy revenues are delivered as a series of distinct units that are substantially the same and have the same pattern of transfer to the customer over time and are, therefore, accounted for as a distinct performance obligation.

Energy revenue is recognized over time as energy volumes are generated and delivered to the RTO (which is contemporaneous with generation), using the output method for measuring progress. The Company applies the invoice practical expedient in recognizing energy revenue. Under the invoice practical expedient, energy revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date.

Prior to June 2022, the Plants were committed as "capacity resources" through the annual Base Residual Auction process. In this process, a generator agrees to support the PJM capacity market and, if called upon, is required to deliver its power to the market and receive a capped selling price based on pricing published in the day ahead market. In return for this committed capacity that is deliverable on demand to support the reliability of the PJM grid, generators receive additional capacity revenue on a monthly basis. As the Bitcoin mining opportunity grew for Stronghold Inc., being a capacity resource increasingly prevented the Company from being able to consistently power its mining operation when PJM called for the capacity. Beginning in June 2022, the Company withdrew from its capacity commitment and the Plants became "energy resources" able to sell power to the grid in the real-time, location marginal pricing market or use that power for its data centers.

Reactive energy power is provided to maintain a continuous voltage level. Revenue from reactive power is recognized ratably over time as the Company stands ready to provide it if called upon by the PJM RTO.

Capacity Revenue

Prior to June 2022, the Company provided capacity to a customer through participation in capacity auctions held by the PJM RTO. Capacity revenues are a series of distinct performance obligations that are substantially the same and have the same pattern of transfer to the customer over time and are, therefore, accounted for as a distinct performance obligation. The transaction price for capacity is market-based and constitutes the standalone selling price. As capacity represents the Company's stand-ready obligation, capacity revenue is recognized as the performance obligation is satisfied ratably over time, on a monthly basis, since the Company stands ready equally throughout the period to deliver power to the PJM RTO if called upon. The Company applies the invoice practical expedient in recognizing capacity revenue. Under the invoice practical expedient, capacity revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date. Penalties may be assessed by the PJM RTO against generation facilities if the facility is not available during the capacity period. The penalties assessed by the PJM RTO, if any, are recorded as a reduction to capacity revenue when incurred.

Waste Coal Tax Credits

Waste coal tax credits are issued by the Commonwealth of Pennsylvania. Facilities that generate electricity by using coal refuse for power generation, control acid gases for emission control, and use the ash produced to reclaim mining-affected sites are eligible for such credits. Proceeds related to these credits are recorded upon cash receipt and accounted for as a reduction to fuel costs within operating expenses. For the years ended December 31, 2023, and 2022, waste coal tax credits reduced fuel expenses in the consolidated statements of operations by \$2,861,829 and \$1,836,823, respectively.

Renewable Energy Credits

The Company uses coal refuse, which is classified as a Tier II Alternative Energy Source under Pennsylvania law, to produce energy to sell to the open market (i.e., "the grid"). A third party acts as the benefactor, on behalf of the Company, in the open market and is invoiced as renewable energy credits ("RECs") are realized. These credits are recognized as a contra-expense within operating expenses to offset the fuel costs incurred to produce this refuse. For the years ended December 31, 2023, and 2022, RECs reduced fuel expenses in the consolidated statements of operations by \$ 19,212,021 and \$9,960,655, respectively.

Ash Sales

The Company sells fly ash and scrubber material collected, which are by-products from its coal refuse reclamation used as fuel. The Company realized waste ash sales of \$123,178 and \$51,453 for the years ended December 31, 2023, and 2022, respectively, which has been recorded as other operating revenues in the consolidated statements of operations.

Legal Costs

Legal costs expected to be incurred in connection with loss contingencies are accrued when such costs are probable and estimable.

Stock-Based Compensation

For equity-classified awards, compensation expense is recognized over the requisite service period based on the computed fair value on the grant date of the award. Equity-classified awards include the issuance of stock options, restricted stock units ("RSUs") and performance share units ("PSUs"). For stock options, the fair value is determined by the Black-Scholes option pricing model and is expensed over the service or vesting period. For RSUs, the fair value is equal to the closing price of the Company's Class A common stock on Nasdaq on the date of grant and is expensed over the service or vesting period. For PSUs, the fair value is determined based on the underlying market or performance conditions and expensed over the performance period when it is probable that the conditions will be achieved.

Earnings Per Common Share

Basic earnings (loss) per share of common stock ("EPS") is computed by dividing net income (loss) by the weighted average number of Class A shares of common stock outstanding or shares subject to exercise for a nominal value during the period. Diluted EPS reflects the potential dilution that could occur if securities, or other contracts to issue common stock, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity, calculated using the treasury stock method. The computation of diluted EPS would not assume the exercise of an outstanding stock award or warrant if the effect on the EPS would be antidilutive. Similarly, the computation of diluted EPS would not assume the exercise of outstanding stock awards and warrants if the Company incurred a net loss since the effect on EPS would be antidilutive. Since the Company incurred a net loss for the years ended December 31, 2023, and 2022, basic and diluted net loss per share are the same for each of the years then ended.

Income Taxes

The Company is organized as an "Up-C" structure in which substantially all of the assets and business of the consolidated entity are held by the Company through its subsidiaries, and the Company's sole material asset consists of its equity interest in Stronghold LLC. For U.S. federal and applicable state income tax purposes, the portion of the Stronghold LLC's net income or loss allocable to the Company is subject to corporate income taxation at the U.S. federal and applicable state rates.

The Company accounts for income taxes under the asset and liability method, in which deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in operations in the period that includes the enactment date. A valuation allowance is required when it is "more likely than not" that deferred income tax assets will not be realized after considering all positive and negative evidence available. Factors contributing to this assessment included the Company's cumulative and current losses, as well as the evaluation of other sources of income as outlined in ASC 740, *Income Taxes* ("ASC 740") and potential limitations imposed by Section 382 of the Internal Revenue Code of 1986 (as amended, the "Code") on the utilization of tax losses.

The accounting for deferred income tax assets and liabilities is often based on assumptions that are subject to significant judgment by management. These assumptions are reviewed and adjusted as facts and circumstances change. Material changes to the Company's income tax accruals may occur in the future based on the potential for income tax audits, changes in legislation or resolution of pending matters.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be "more likely than not" to be sustained upon examination by taxing authorities. The Company acknowledges the respective taxing authorities may take contrary positions based on their interpretation of the law. A tax position successfully challenged by a taxing authority could result in an adjustment to the Company's provision or benefit for income taxes in the period in which a final determination is made.

Stronghold LLC and certain of its subsidiaries are structured as flow-through entities that are not generally subject to income taxation at the entity level, but instead, the taxable income or loss of such subsidiaries is allocated to and included in the income tax returns of their direct or indirect owners, including the Company. Application of ASC 740 to these entities results in no recognition of U.S. federal or state income taxes at the entity level. The portion of such subsidiaries' taxable income or loss that is allocable to the Company will increase the Company's taxable income or loss and be accounted for under ASC 740 by the Company.

Recently Implemented Accounting Pronouncements

In September 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments – Credit Losses*, which adds a new impairment model, known as the current expected credit loss ("CECL") model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes an allowance for its estimate of expected credit losses at the initial recognition of an in-scope financial instrument and applies it to most debt instruments, trade receivables, lease receivables, financial guarantee contracts, and other loan commitments. The CECL model does not have a minimum threshold for recognition of impairment losses and entities will need to measure expected credit losses on assets that have a low risk of loss. Since the Company is a smaller reporting company, as defined by the U.S. Securities and Exchange Commission (the "SEC"), the new guidance became effective on January 1, 2023. The Company adopted ASU 2016-13 effective January 1, 2023, but the adoption of ASU 2016-13 did not have an impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*, which requires public entities to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Additionally, public entities with a single reportable segment will be required to provide the new disclosures and all the disclosures required under ASC 280, *Segment Reporting*. Although early adoption is permitted, this new guidance becomes effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. The Company is currently evaluating the impact of adopting this new guidance on its interim and annual consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other - Crypto Assets (Subtopic 350-60)*, which requires all entities holding crypto assets that meet certain requirements to subsequently measure those in-scope crypto assets at fair value, with the remeasurement recorded in net income. Among other things, the new guidance also requires separate presentation of (i) the gain or loss associated with remeasurement of crypto assets on the income statement and (ii) crypto assets from other intangible assets on the balance sheet. Before this new guidance, crypto assets were generally accounted for as indefinite-lived intangible assets, which follow a cost-less-impairment accounting model that only reflects decreases, but not increases, in the fair value of crypto assets holdings until sold. Although early adoption is permitted, the new guidance becomes effective on January 1, 2025, and should be applied using a modified retrospective transition method with a cumulative-effect adjustment recorded to the opening balance of retained earnings as of the beginning of the year of adoption. The Company expects the cumulative adjustment to increase retained earnings as of January 1, 2024, by approximately \$0.1 million, as a result of adopting this guidance in 2024.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to enhance the transparency and decision-usefulness of income tax disclosures, particularly in the rate reconciliation table and disclosures about income taxes paid. Although early adoption is permitted, this new guidance becomes effective for annual periods beginning after December 15, 2024, on a prospective basis. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and related disclosures.

NOTE 2 – DIGITAL CURRENCIES

As of December 31, 2023, the Company held an aggregate amount of \$ 3,175,595 in digital currencies comprised of unrestricted Bitcoin. Changes in digital currencies consisted of the following for the years ended December 31, 2023, and 2022:

	For the years ended	
	December 31, 2023	December 31, 2022
Digital currencies at beginning of period	109,827	10,417,865
Additions of digital currencies	62,236,771	58,763,565
Realized gain on sale of digital currencies	967,995	1,102,220
Impairment losses	(910,029)	(8,339,660)
Proceeds from sale of digital currencies	(59,228,969)	(57,274,268)
Collateral sold to close derivative	—	(4,559,895)
Digital currencies at end of period	\$ 3,175,595	\$ 109,827

Given the existence of a quoted price for Bitcoin on active markets, the Company exercises its unconditional option to bypass the qualitative assessment for its indefinite-lived digital currency assets and proceed directly to performing a

quantitative impairment test. Using the lowest quoted prices for Bitcoin each day during the periods presented in the table above, the Company performed quantitative impairment tests on its digital currencies and recognized impairment losses of \$910,029 and \$8,339,660 for the years ended December 31, 2023, and 2022, respectively.

On December 15, 2021, the Company entered into a forward sale with NYDIG Derivatives Trading LLC ("NYDIG Trading") providing for the sale of 250 Bitcoin at a floor price of \$28,000 per Bitcoin (such sale, the "Forward Sale"). Pursuant to the Forward Sale, NYDIG Trading paid the Company \$ 7.0 million, an amount equal to the floor price per Bitcoin on December 16, 2021, multiplied by the 250 Bitcoin provided for sale.

On March 16, 2022, the Company executed additional option transactions. The net effect of those transactions was to adjust the capped final sale price to \$50,000 from \$85,500 per Bitcoin, resulting in \$ 970,000 of proceeds to the Company. On July 27, 2022, the Company exited the variable prepaid forward sale contract derivative with NYDIG Trading. As a result, the Company delivered the restricted digital assets previously pledged as collateral to NYDIG Trading.

NOTE 3 – INVENTORY

Inventory consisted of the following components as of December 31, 2023, and 2022:

	December 31, 2023	December 31, 2022
Waste coal	\$ 4,066,201	\$ 4,147,369
Limestone	72,969	180,696
Fuel oil	57,642	143,592
Inventory	<u>\$ 4,196,812</u>	<u>\$ 4,471,657</u>

NOTE 4 – EQUIPMENT DEPOSITS

Equipment deposits represent contractual agreements with vendors to deliver and install miners at future dates. The following details the vendor, miner model, miner count, and expected delivery month(s).

The total equipment deposits of \$8,000,643 as of December 31, 2023, represents cash paid for the following 5,000 miner assets that have been delivered to the Company during the first quarter of 2024: (i) 1,100 MicroBT Whatsminer M50 miners; (ii) 2,800 Bitmain Antminer S19k Pro miners; and (iii) 1,100 Canaan Avalon A1346 miners.

In September 2023, the Company evaluated the MinerVa Semiconductor Corp ("MinerVa") equipment deposits for impairment under the provisions of ASC 360, *Property, Plant and Equipment*. The Company is pursuing legal action through the dispute resolution process, which represents an indicator for impairment per ASC 360-10-35-21, as the Company no longer expects equipment deliveries. As a result, the Company impaired the remaining MinerVa equipment deposits balance of \$5,422,338 in the third quarter of 2023.

During 2022, due to continual delays in the anticipated delivery date of the remaining MinerVa miners, which ultimately resulted in the Company's declaration of an impasse and adherence to the dispute resolution provision of the MinerVa purchase agreement, the Company undertook a test for recoverability under ASC 360-10-35-29 and a further discounted fair value analysis in accordance with ASC 820, *Fair Value Measurement*. The difference between the discounted fair value of the MinerVa equipment deposits and the carrying value resulted in the Company recording an impairment charge of \$12,228,742 in the first quarter of 2022 and an additional \$ 5,120,000 in the fourth quarter of 2022.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following components as of December 31, 2023, and 2022:

	Useful Lives (Years)	December 31, 2023	December 31, 2022
Electric plant	10 – 60	\$ 67,063,626	\$ 66,295,809
Strongboxes and power transformers	8 – 30	54,588,284	52,318,704
Machinery and equipment	5 – 20	16,222,214	18,131,977
Rolling stock	5 – 7	261,000	261,000
Cryptocurrency machines and powering supplies	2 – 3	88,445,931	81,945,396
Computer hardware and software	2 – 5	100,536	17,196
Vehicles and trailers	2 – 7	658,500	659,133
Leasehold Improvements	2 – 3	2,992,845	—
Construction in progress	Not Depreciable	11,562,170	19,553,826
Asset retirement cost	10 – 30	580,452	580,452
		242,475,558	239,763,493
Accumulated depreciation and amortization		(97,832,787)	(72,558,812)
Property, plant and equipment, net		\$ 144,642,771	\$ 167,204,681

Construction in progress consists of various projects to build out the cryptocurrency machine power infrastructure and is not depreciable until the asset is considered in service and successfully powers and runs the attached cryptocurrency machines. Completion of these projects will have various rollouts of energized, transformed containers and are designed to calibrate power from the plant to the container that houses multiple cryptocurrency machines. Currently, the balance of \$11,562,170 as of December 31, 2023, represents open contracts for future projects.

Depreciation and amortization expense charged to operations was \$ 35,415,286 and \$47,235,344 for the years ended December 31, 2023, and 2022, respectively, including depreciation of assets under finance leases of \$484,704 and \$406,411 for the respective years then ended. The gross value of assets under finance leases and the related accumulated amortization approximated \$2,797,265 and \$1,420,736 as of December 31, 2023, respectively, and \$2,890,665 and \$1,074,091 as of December 31, 2022, respectively.

Based on the Company's analysis of impairment triggering events in accordance with ASC 360, *Property, Plant and Equipment*, the Company's property, plant and equipment assets were recoverable as of December 31, 2023; however, impairment indicators existed throughout 2022, and as of December 31, 2022, that resulted in impairments on miner assets of \$40,683,112 for the year then ended December 31, 2022.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of December 31, 2023, and 2022:

	December 31, 2023	December 31, 2022
Accrued legal and professional fees	\$ 733,115	\$ 1,439,544
Accrued interest	22,101	1,343,085
Accrued sales and use tax	5,660,028	5,150,659
Accrued plant utilities and fuel	3,505,203	—
Accrued salaries and benefits	—	285,300
Other	867,448	674,660
Accrued liabilities	\$ 10,787,895	\$ 8,893,248

NOTE 7 – DEBT

Total debt consisted of the following as of December 31, 2023, and 2022:

	December 31, 2023	December 31, 2022
\$499,520 finance lease loan, with interest at 2.74%, due February 2024.	\$ 26,522	\$ 124,023
\$499,895 finance lease loan, with interest at 3.20%, due November 2023.	—	121,470
\$517,465 finance lease loan, with interest at 4.79%, due November 2024.	158,027	339,428
\$119,000 finance lease loan, with interest at 7.40%, due December 2026.	119,000	—
\$585,476 finance lease loan, with interest at 4.99%, due November 2025.	345,665	513,334
\$431,825 finance lease loan, with interest at 7.60%, due April 2024.	31,525	121,460
\$58,149,411 Credit Agreement, with interest at 10.00% plus SOFR, due October 2025.	51,060,896	56,114,249
\$33,750,000 Convertible Note, with interest at 10.00%, due May 2024.	—	16,812,500
\$92,381 finance lease loan, with interest at 1.49%, due April 2026.	56,470	79,249
\$64,136 finance lease loan, with interest at 11.85%, due May 2024.	13,795	39,056
\$196,909 finance lease loan, with interest at 6.49%, due October 2025.	134,845	184,895
\$60,679 finance lease loan, with interest at 7.60%, due March 2025.	48,672	—
\$3,500,000 Promissory Note, with interest at 7.50% due October 2025.	3,000,000	—
\$1,184,935 Promissory Note, due June 2024.	592,468	—
\$552,024 Promissory Note, due July 2024.	552,024	—
Total outstanding borrowings	\$ 56,139,909	\$ 74,449,664
Current portion of long-term debt, net of discounts and issuance fees	7,936,147	17,422,546
Long-term debt, net of discounts and issuance fees	\$ 48,203,762	\$ 57,027,118

WhiteHawk Refinancing Agreement

On October 27, 2022, the Company entered into a secured credit agreement (the “Credit Agreement”) with WhiteHawk Finance LLC (“WhiteHawk”) to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the “WhiteHawk Financing Agreement”). Upon closing, the Credit Agreement consisted of approximately \$35.1 million in term loans and approximately \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the “WhiteHawk Refinancing Agreement”) was entered into by Stronghold Digital Mining Holdings, LLC (“Stronghold LLC”), as Borrower (in such capacity, the “Borrower”), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital Partners LP (“WhiteHawk Capital”), as collateral agent and administrative agent, and the other lenders thereto, entered into an amendment to the Credit Agreement (the “First Amendment”) in order to modify certain covenants and remove certain prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. Beginning June 30, 2023, following a five-month holiday, Stronghold LLC will make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. Consistent with the First Amendment, the Company made a loan prepayment of \$250,000 during the year ended December 31, 2023, in addition to two amortization payments totaling \$ 3,230,523 during December 2023 that were not due until the third quarter of 2024. Refer to *Note 22 – Subsequent Events* for additional details. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$ 7,500,000. The Company was in compliance with all applicable covenants under the WhiteHawk Refinancing Agreement as of and for the year ended December 31, 2023.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate (“SOFR”) plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5%, and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk

Refinancing Agreement may also be accelerated in certain circumstances. The average interest rate for borrowings under the WhiteHawk Refinancing Agreement approximated 15.25% for the year ended December 31, 2023.

Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement with the holders (the "Purchasers") of the Company's Amended and Restated 10% Notes (the "Amended May 2022 Notes"), providing for the exchange of the Amended May 2022 Notes (the "Exchange Agreement") for shares of the Company's newly-created Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock"). On February 20, 2023, the transactions contemplated under the Exchange Agreement were consummated, and the Amended May 2022 Notes were deemed paid in full. Approximately \$16.9 million of principal amount of debt was extinguished in exchange for the issuance of the shares of Series C Preferred Stock. As a result of this transaction, the Company incurred a loss on debt extinguishment of \$28,960,947 during the first quarter of 2023.

Bruce & Merrilees Promissory Note

On March 28, 2023, the Company and Stronghold LLC entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of \$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released ten (10) 3000kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims. Simultaneous with the B&M Settlement, the Company and each of its subsidiaries entered into a subordination agreement with B&M and WhiteHawk Capital pursuant to which all obligations, liabilities and indebtedness of every nature of the Company and each of its subsidiaries owed to B&M shall be subordinate and subject in right and time of payment, to the prior payment of full of the Company's obligation to WhiteHawk Capital pursuant to the Credit Agreement. This subordination agreement became effective on March 28, 2023, with the Second Amendment to the Credit Agreement.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default had occurred or is occurring under the WhiteHawk Credit Agreement and (ii) no PIK Option (as such term is defined in the WhiteHawk Refinancing Agreement) had been elected by the Company. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of December 31, 2023, the Company paid \$500,000 of principal pursuant to the B&M Note.

Canaan Promissory Notes

On July 19, 2023, the Company entered into a Sales and Purchase Contract with Canaan Inc. ("Canaan") whereby the Company purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The purchase price was payable to Canaan via an upfront payment of \$1,777,402 on or before August 1, 2023, which the Company paid on July 25, 2023, and a promissory note of \$1,184,935 due to Canaan in ten (10) equal, interest-free installments on the first day of each consecutive month thereafter until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the third quarter of 2023 at the Company's Panther Creek Plant. As of December 31, 2023, the Company paid \$592,467 of the promissory note due to Canaan.

On December 26, 2023, the Company entered into a second Sales and Purchase Contract with Canaan whereby the Company purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The purchase price was payable to Canaan via an upfront payment of \$828,036 on or before December 26, 2023, which the Company paid on December 26, 2023, and a promissory note of \$552,024 due to Canaan in six (6) equal, interest-free installments on the first day of

each consecutive month thereafter, beginning in 2024, until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the first quarter of 2024 at the Company's Scrubgrass Plant.

Future scheduled maturities on the outstanding borrowings for each of the next five years as of December 31, 2023, are as follows:

Years ending December 31:		
2024	\$	7,936,147
2025		48,151,254
2026		52,508
2027		—
2028 and thereafter		—
Total outstanding borrowings	\$	56,139,909

NOTE 8 – OPERATING LEASE ROU ASSETS AND LIABILITIES

The Company leases storage and office space, information technology equipment, and certain machinery and equipment used in the operation of the Company's coal refuse power generation facilities.

The gross value of operating lease ROU assets and the related accumulated amortization totaled \$ 3,003,705 and \$1,530,958, respectively, in the consolidated balance sheet as of December 31, 2023.

The current and noncurrent portions of the Company's operating lease liabilities as of December 31, 2023, were as follows:

	December 31, 2023
Current portion of operating lease liabilities	\$ 788,706
Long-term operating lease liabilities	776,079
Total operating lease liabilities	\$ 1,564,785

Future operating lease payments for each of the next five years as of December 31, 2023, are as follows:

Years ending December 31:		
2024	\$	917,971
2025		613,026
2026		226,557
2027		—
2028 and thereafter		—
Total operating lease payments (undiscounted)		1,757,554
Less: amount representing interest		(192,769)
Total operating lease payments (discounted)	\$	1,564,785

For the years ended December 31, 2023, and 2022, total operating lease costs amounted to \$ 628,885 and \$731,924, respectively. At December 31, 2023, the weighted-average remaining lease term approximated 1.95 years, and the weighted-average discount rate approximated 7.75%. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$496,998 for the year ended December 31, 2023, and was classified as operating cash flows in the consolidated statement of cash flows for the year then ended.

NOTE 9 – RELATED-PARTY TRANSACTIONS

Waste Coal Agreement

The Company is obligated under a Waste Coal Agreement (the "WCA") to take minimum annual delivery of 200,000 tons of waste coal as long as there is a sufficient quantity of waste coal that meets the Average Quality Characteristics (as defined in the WCA). Under the terms of the WCA, the Company is not charged for the waste coal itself but is charged a \$6.07 per ton base handling fee as it is obligated to mine, process, load, and otherwise handle the waste coal for itself and also for other customers of Coal Valley Sales, LLC ("CVS") from the Russellton site specifically. The Company is also obligated to unload and properly dispose of ash at the Russellton site. The Company is charged a reduced handling fee of \$1.00 per ton for any tons in excess of the minimum take of 200,000 tons. The Company is the designated operator at the Russellton site and, therefore, is responsible for complying with all state and federal requirements and regulations.

The Company purchases coal from Coal Valley Properties, LLC, a single-member limited liability company which is entirely owned by one individual who has ownership in Q Power, and from CVS. CVS is a single-member limited liability company which is owned by a coal reclamation partnership of which an owner of Q Power has a direct and an indirect interest in the partnership of 16.26%.

The Company expensed \$855,605 and \$733,458 for the years ended December 31, 2023 and 2022 respectively, associated with coal purchases from CVS, which is included in fuel expense in the consolidated statements of operations. See the composition of the due to related parties balance as of December 31, 2023, and 2022, below.

Fuel Service and Beneficial Use Agreement

The Company has a Fuel Service and Beneficial Use Agreement ("FBUA") with Northampton Fuel Supply Company, Inc. ("NFS"), a wholly-owned subsidiary of Olympus Power. The Company buys fuel from and sends ash to NFS, for the mutual benefit of both facilities, under the terms and rates established in the FBUA. The FBUA expires December 31, 2023. The Company expensed \$3,139,414 and \$3,121,423 for the years ended December 31, 2023, and 2022, respectively, which is included in fuel expense in the consolidated statements of operations. See the composition of the due to related parties balance as of December 31, 2023, and 2022, below.

Fuel purchases under these agreements for the years ended December 31, 2023, and 2022, were as follows:

	December 31, 2023	December 31, 2022
Coal Purchases:		
Northampton Fuel Supply Company, Inc.	\$ 3,139,414	\$ 3,121,423
Coal Valley Sales, LLC	855,605	733,458
Total	<u>\$ 3,995,019</u>	<u>\$ 3,854,881</u>

Fuel Management Agreements

Panther Creek Fuel Services LLC

Effective August 1, 2021, the Company entered into the Fuel Management Agreement (the "Fuel Agreement") with Panther Creek Fuel Services LLC, a wholly-owned subsidiary of Olympus Services LLC which, in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the Fuel Agreement, Panther Creek Fuel Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company expensed \$929,942 and \$1,697,850 for the years ended December 31, 2023, and 2022, respectively, which is included in operations and maintenance expense in the consolidated statements of operations. See the composition of the due to related parties balance as of December 31, 2023, and 2022, below.

Scrubgrass Fuel Services LLC

Effective February 1, 2022, the Company entered into the Fuel Management Agreement (the "Scrubgrass Fuel Agreement") with Scrubgrass Fuel Services LLC, a wholly-owned subsidiary of Olympus Services LLC, which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the Scrubgrass Fuel Agreement, Scrubgrass Fuel Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company expensed \$374,944 and \$780,410 for the years ended December 31, 2023 and 2022, respectively, which is included in operations and maintenance expense in the consolidated statements of operations. See the composition of the due to related parties balance as of December 31, 2023, and 2022, below.

O&M Agreements

Olympus Power LLC

On November 2, 2021, Stronghold LLC entered into an Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement") with Olympus Stronghold Services, LLC ("Olympus Stronghold Services"), whereby Olympus Stronghold Services currently provides certain operations and maintenance services to Stronghold LLC and currently employs certain personnel to operate the Panther Creek Plant and the Scrubgrass Plant. Stronghold LLC reimburses Olympus Stronghold Services for those costs incurred by Olympus Stronghold Services and approved by Stronghold LLC in the course of providing services under the Omnibus Services Agreement, including payroll and benefits

costs and insurance costs. The material costs incurred by Olympus Stronghold Services shall be approved by Stronghold LLC. From November 2, 2021, until October 1, 2023, Stronghold LLC also agreed to pay Olympus Stronghold Services a management fee at the rate of \$1,000,000 per year, payable monthly for services provided at each of the Panther Creek Plant and Scrubgrass Plant, and an additional one-time mobilization fee of \$150,000 upon the effective date of the Omnibus Services Agreement, which was deferred until 2023. Effective October 1, 2022, Stronghold LLC began paying Olympus Stronghold Services a management fee for the Panther Creek Plant in the amount of \$500,000 per year, payable monthly for services provided at the Panther Creek Plant. This is a reduction of \$500,000 from the \$1,000,000 per year management fee that the Company was previously scheduled to pay Olympus Stronghold Services. The Company expensed \$669,095 and \$1,086,649 for the years ended December 31, 2023, and 2022, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. On February 13, 2024, Stronghold LLC and Olympus Services entered into a Termination and Release Agreement (the "Termination and Release") whereby the Omnibus Services Agreement was terminated. The Termination and Release contained a mutual customary release. The Company expects to continue to pay Olympus Power LLC \$10,000 per month for ongoing assistance at each of the Scrubgrass Plant and Panther Creek Plant.

Panther Creek Energy Services LLC

Effective August 2, 2021, the Company entered into the Operations and Maintenance Agreement (the "O&M Agreement") with Panther Creek Energy Services LLC, a wholly-owned subsidiary of Olympus Services LLC which, in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the O&M Agreement, Panther Creek Energy Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company also agreed to pay a management fee of \$175,000 per operating year, which is payable monthly, and is adjusted by the consumer price index on each anniversary of the effective date. The Company expensed \$1,856,501 and \$1,697,850 for the years ended December 31, 2023, and 2022, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of December 31, 2023, and 2022, below.

In connection with the equity contribution agreement, effective July 9, 2021 (the "Equity Contribution Agreement"), the Company entered into the Amended and Restated Operations and Maintenance Agreement (the "Amended O&M Agreement") with Panther Creek Energy Services LLC. Under the Amended O&M Agreement, the management fee is \$250,000 for the twelve-month period following the effective date and \$325,000 per year thereafter. The effective date of the Amended O&M Agreement was the closing date of the Equity Contribution Agreement.

Scrubgrass Energy Services LLC

Effective February 1, 2022, the Company entered into the Operations and Maintenance Agreement (the "Scrubgrass O&M Agreement") with Scrubgrass Energy Services LLC, a wholly-owned subsidiary of Olympus Services LLC which, in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the Scrubgrass O&M Agreement, Scrubgrass Energy Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company also agreed to pay a management fee of \$175,000 per operating year, which is payable monthly, and is adjusted by the consumer price index on each anniversary date of the effective date. The Company expensed \$2,269,290 and \$6,476,968 for the years ended December 31, 2023, and 2022, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of December 31, 2023, and 2022, below.

In connection with the Equity Contribution Agreement effective July 9, 2021, the Company entered into the Amended and Restated Operations and Maintenance Agreement (the "Scrubgrass Amended O&M Agreement") with Scrubgrass Energy Services LLC. Under the Scrubgrass Amended O&M Agreement, the management fee is \$250,000 for the twelve-month period following the effective date and \$325,000 per year thereafter. The effective date of the Scrubgrass Amended O&M Agreement was the closing date of the Equity Contribution Agreement.

Effective October 1, 2022, Stronghold LLC no longer pays Olympus Stronghold Services a management fee for the Scrubgrass Plant.

Management Services Agreement

On April 19, 2023, pursuant to an independent consulting agreement the Company entered into with William Spence in connection with his departure from the Board (the "Spence Consulting Agreement"), Mr. Spence's annualized management fee of \$600,000 decreased to the greater of \$200,000 or 10% of any economic benefits derived from the sale of beneficial

use ash, carbon sequestration efforts or alternative fuel arrangements, in each case, arranged by Mr. Spence. The previous consulting and advisory agreement with Mr. Spence was terminated in connection with entry into the Spence Consulting Agreement.

In April 2023, as part of the compensation pursuant to the Spence Consulting Agreement, Mr. Spence also received a one-time grant of 250,000 fully vested shares of the Company's Class A common stock, which has been recorded as stock-based compensation for the year ended December 31, 2023, within general and administrative expense in the consolidated statement of operations.

Warrants

On September 13, 2022, the Company entered into a Securities Purchase Agreement with Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of 60,241 shares of Class A common stock and warrants to purchase 60,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share, subsequently amended to \$10.10 per share and, in January 2024, to \$7.51 per share. Refer to *Note 16 – Equity Issuances* for additional details.

Additionally, on April 20, 2023, Mr. Beard invested \$1.0 million in exchange for 100,000 shares of Class A common stock and 100,000 pre-funded warrants. Refer to *Note 16 – Equity Issuances* for additional details.

Amounts due to related parties as of December 31, 2023, and 2022, were as follows:

	December 31, 2023	December 31, 2022
Due to related parties:		
Coal Valley Properties, LLC	\$ —	\$ 134,452
Q Power LLC	—	500,000
Coal Valley Sales, LLC	433,195	—
Panther Creek Operating LLC	14,511	—
Panther Creek Energy Services LLC	—	10,687
Panther Creek Fuel Services LLC	—	53,482
Northampton Generating Fuel Supply Company, Inc.	226,951	594,039
Olympus Power LLC and other subsidiaries	44,181	78,302
Scrubgrass Energy Services LLC	—	4,087
Scrubgrass Fuel Services LLC	—	—
Totals	<u>\$ 718,838</u>	<u>\$ 1,375,049</u>

NOTE 10 – CONCENTRATIONS

Credit risk is the risk of loss the Company would incur if counterparties fail to perform their contractual obligations (including accounts receivable). The Company primarily conducts business with counterparties in the cryptocurrency mining and energy industry. This concentration of counterparties may impact the Company's overall exposure to credit risk, either positively or negatively, in that its counterparties may be similarly affected by changes in economic, regulatory or other conditions. The Company mitigates potential credit losses by dealing, where practical, with counterparties that are rated at investment grade by a major credit agency or have a history of reliable performance within the cryptocurrency mining and energy industry.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. Cash and cash equivalents customarily exceed federally insured limits. The Company's significant credit risk is primarily concentrated with CES. Over the course of 2022, the Company transitioned entirely to CES from Direct Energy Business Marketing, LLC. CES accounted for approximately 97% of the Company's energy operations segment revenues for the year ended December 31, 2023. Additionally, CES accounted for approximately 100% of the Company's accounts receivable balance as of December 31, 2022, including approximately \$5.1 million which CES received from PJM on the Company's behalf and forwarded to the Company upon receipt during the third quarter of 2023. During 2023, the Company was notified of updated calculations from PJM and a FERC settlement with various parties that were assessed penalties for failing to deliver on capacity commitments during the performance assessment interval of December 2022. As a result, the Company recorded a decrease in the value of accounts receivable of \$1,867,506 within general and administrative expense related to expected reduced bonus payments in the consolidated statement of operations for the year ended December 31, 2023.

Approximately 11% of the Company's total revenue for the year ended December 31, 2023, was derived from services provided to one customer.

Approximately 17% and 17% of the Company's fuel expenses were purchased from two related parties for the years ended December 31, 2023, and 2022, respectively. See *Note 9 – Related-Party Transactions* for further information.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Commitments:

As discussed in *Note 4 – Equipment Deposits*, the Company has entered into various equipment contracts to purchase miners. Most of these contracts required a percentage of deposits upfront and subsequent payments to cover the contracted purchase price of the equipment. Details of the outstanding purchase agreement with MinerVa are summarized below.

MinerVa Semiconductor Corp

On April 2, 2021, the Company entered into a purchase agreement (the "MinerVa Purchase Agreement") with MinerVa for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miners with a total terahash to be delivered equal to 1.5 million terahash. The price per miner was \$4,892.50 for an aggregate purchase price of \$73,387,500 to be paid in installments. The first installment equal to 60% of the purchase price, or \$44,032,500, was paid on April 2, 2021, and an additional payment of 20% of the purchase price, or \$14,677,500, was paid on June 2, 2021. As of December 31, 2023, there were no remaining deposits owed.

In December 2021, the Company extended the deadline for delivery of the MinerVa miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and had only delivered approximately 3,200 of the 15,000 miners. As a result, an impairment totaling \$12,228,742 was recorded in the first quarter of 2022. Furthermore, in the fourth quarter of 2022, the difference between the fair value of the MinerVa equipment deposits and the carrying value resulted in the Company recording an additional impairment charge of \$5,120,000.

On July 18, 2022, the Company provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been reached, the Company could end discussions, declare an impasse, and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. As the 60-day period has expired, the Company is evaluating all available remedies under the MinerVa Purchase Agreement. On October 30, 2023, the Company sent MinerVa a Notice of Impasse. On October 31, 2023, the Company filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement.

As of December 31, 2023, MinerVa had delivered, refunded cash or swapped into deliveries of industry-leading miners of equivalent value to approximately 12,700 of the 15,000 miners. The aggregate purchase price does not include shipping costs, which are the responsibility of the Company and shall be determined at which time the miners are ready for shipment. As disclosed in *Note 4 – Equipment Deposits*, the Company is pursuing legal action through the dispute resolution process, and as a result, the Company no longer expects equipment deliveries.

Contingencies:

The Company experiences routine litigation in the normal course of business. Management is of the opinion that none of this routine litigation will have a material adverse effect on the Company's reported financial position or results of operations. The Company is involved in various legal proceedings as described below.

McClymonds Supply & Transit Company, Inc. and DTA, L.P. vs. Scrubgrass Generating Company, L.P.

On January 31, 2020, McClymonds Supply and Transit Company, Inc. ("McClymonds") made a Demand for Arbitration, as required by the terms of the Transportation Agreement between McClymonds and Scrubgrass Generating Company, L.P. ("Scrubgrass") dated April 8, 2013 (the "Agreement"). In its demand, McClymonds alleged damages in the amount of \$5,042,350 for failure to pay McClymonds for services. On February 18, 2020, Scrubgrass submitted its answering statement denying the claim of McClymonds in its entirety. On March 31, 2020, Scrubgrass submitted its counterclaim against McClymonds in the amount of \$6,747,328 as the result of McClymonds' failure to deliver fuel as required under the terms of the Agreement. Hearings were held from January 31, 2022, to February 3, 2022. On May 9, 2022, an award in the amount of \$5.0 million plus interest of approximately \$0.8 million was issued in favor of McClymonds. The two managing members of Q Power have executed a binding document to pay the full amount of the award and have begun to pay the full amount of the award, such that there will be no effect on the financial condition of the Company. McClymonds shall have no recourse to the Company with respect to the award.

In November 2019, Allegheny Mineral Corporation ("Allegheny Mineral") filed suit against the Company seeking payment of approximately \$ 1,200,000 in outstanding invoices. In response, the Company filed counterclaims against Allegheny Mineral asserting breach of contract, breach of express and implied warranties, and fraud in the amount of \$1,300,000. After unsuccessful mediation in August 2020, the parties again attempted to mediate the case on October 26, 2022, which led to a mutual agreement to settlement terms of a \$300,000 cash payment, and a supply agreement for limestone. Subject to completion of the settlement terms, this matter has been stayed in Butler County Court, and the outstanding litigation has been terminated.

Federal Energy Regulatory Commission ("FERC") Matters

On November 19, 2021, Scrubgrass received a notice of breach from PJM Interconnection, LLC alleging that Scrubgrass breached Interconnection Service Agreement – No. 1795 (the "ISA") by failing to provide advance notice to PJM Interconnection, LLC and Mid-Atlantic Interstate Transmission, LLC pursuant to ISA, Appendix 2, section 3, of modifications made to the Scrubgrass Plant. On December 16, 2021, Scrubgrass responded to the notice of breach and respectfully disagreed that the ISA had been breached. On January 7, 2022, Scrubgrass participated in an information gathering meeting with representatives from PJM regarding the notice of breach and continued to work with PJM regarding the dispute, including conducting a necessary study agreement with respect to the Scrubgrass Plant. On January 20, 2022, the Company sent PJM a letter regarding the installation of a resistive computational load bank at the Panther Creek Plant. On March 1, 2022, the Company executed a necessary study agreement with respect to the Panther Creek Plant.

PJM's investigation and discussions with the Company regarding the notice of breach at the Scrubgrass Plant and the Panther Creek Plant are ongoing, including with respect to interim procedures, until the Company receives revised Interconnect Service Agreements for the Scrubgrass Plant and the Panther Creek Plant. Stronghold does not expect to make any material payments related to any resettlements of prior billing statements. The Company continues to expect to source electricity for its computational load banks from the Scrubgrass and Panther Creek Plants; however, Stronghold expects that, until the revised Interconnect Service Agreements are finalized and potentially thereafter, the Company will pay retail rates for electricity that is imported from the grid should it be unable to fully supply power to the computational load banks.

On May 11, 2022, the Division of Investigations of the FERC Office of Enforcement ("OE") informed the Company that the OE was conducting a non-public preliminary investigation concerning Scrubgrass' compliance with various aspects of the PJM tariff. The OE requested that the Company provide certain information and documents concerning Scrubgrass' operations by June 10, 2022. On July 13, 2022, after being granted an extension to respond by the OE, the Company submitted a formal response to the OE's request. Since the Company submitted its formal response to the OE's request, the Company has had further discussions with the OE regarding the Company's formal response. The OE's investigation, and discussions between the OE and the Company, regarding potential instances of non-compliance is continuing. The Company does not believe that the PJM notice of breach, the Panther Creek necessary study agreement, discussions regarding other potential issues related to the computational load bank, or the preliminary investigation by the OE will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with certainty the final outcome of these proceedings.

Shareholder Securities and Derivative Lawsuits

On April 14, 2022, the Company, and certain of our current and former directors, officers and underwriters were named in a putative class action complaint filed in the United States District Court for the Southern District of New York (Winter v. Stronghold Digital Mining, Case No. 1:22-cv-3088). On August 4, 2022, co-lead plaintiffs were appointed. On October 18, 2022, the plaintiffs filed an amended complaint, alleging that the Company made misleading statements and/or failed to disclose material facts in violation of Section 11 of the Securities Act, 15 U.S.C. §77k and Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), about the Company's business, operations, and prospects in the Company's registration statement on Form S-1 related to its initial public offering, and when subsequent disclosures were made regarding these operational issues when the Company announced its fourth quarter and full year 2021 financial results, the Company's stock price fell, causing significant losses and damages. As relief, the plaintiffs are seeking, among other things, compensatory damages. The amended complaint also alleged violations of Section 12 of the Securities Act based on alleged false or misleading statements in the Company's prospectus related to its initial public offering. On December 19, 2022, the Company filed a motion to dismiss, which the court largely denied on August 10, 2023. On September 8, 2023, the Court entered a Case Management Order, which set a number of case deadlines, including the completion of all

discovery by April 21, 2025. On January 19, 2024, the Court granted the motion of one co-lead plaintiff to withdraw from the case (leaving one plaintiff remaining). Plaintiff filed a motion for class certification on February 19, 2023 and Defendants' response to the motion is due on June 10, 2023. The defendants continue to believe the allegations in the complaint are without merit and intend to defend the suit vigorously.

On September 5, 2023, and September 15, 2023, respectively, purported shareholders of the Company filed two derivative actions in the United States District Court for the Southern District of New York (Wilson v. Beard, Case No. 1:23-cv-7840, and Navarro v. Beard, Case No. 1:23-cv-08714) against certain of our current and former directors and officers, and the Company as a nominal defendant. The shareholders generally allege that the individual defendants breached their fiduciary duties by making or failing to prevent the misrepresentations alleged in the putative Winter securities class action, and assert claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, corporate waste, and for contribution under Section 11 of the Securities Act and Section 21D of the Securities Exchange Act of 1934. The two cases were consolidated on October 24, 2023 under the case name In Re Stronghold Digital Mining, Inc., Stockholder Derivative Litigation (the "Consolidated Derivative Action"). On November 21, 2023 the Court entered an order staying the Consolidated Derivative Action pending a ruling on the motion for class certification in the putative Winter securities class action. The defendants believe the allegations in the Consolidated Derivative Action are without merit and intend to defend the suits vigorously.

On November 14, 2023, and February 4, 2024, respectfully, purported shareholders of the Company filed two additional derivative actions in the United States District Court for the Southern District of New York (Parker v. Beard, Case No. 23 Civ. 10028 and Bruno v. Beard, Case No. 24 Civ. 798) against certain of our current and former directors and officers, and the Company as a nominal defendant. These lawsuits assert substantially the same claims and allegations as the Wilson and Navarro complaints. Plaintiff in the Bruno action had previously served a books and records demand, as well as an investigation/litigation demand, on the Company making similar allegations. On February 13, 2024, Plaintiffs in the Consolidated Derivative Action contacted the Court, taking the position that the Parker and Bruno cases should be consolidated into the Consolidated Derivative Action. The result of such consolidation would be that the Parker and Bruno cases would be similarly stayed pending further proceedings in the putative Winter securities class action. The application for consolidation remains pending.

Mark Grams v. Treis Blockchain, LLC, Chain Enterprises, LLC, Cevon Technologies, LLC, Stronghold Digital Mining, LLC, David Pence, Michael Bolick, Senter Smith, Brian Lambretti and John Chain

On May 4, 2023, Stronghold Digital Mining, LLC, a subsidiary of the Company ("Stronghold"), was named as one of several defendants in a complaint filed in the United States District Court for the Middle District of Alabama Eastern Division (the "Grams Complaint"). The Grams Complaint alleges that certain Bitcoin miners the Company purchased from Treis Blockchain, LLC ("Treis") in December 2021 contained firmware that is alleged to have constituted "trade secrets" owned by Grams. Principally, the Grams Complaint included allegations of misappropriation of these alleged trade secrets.

The Company believes that the allegations against it and its subsidiaries in the Grams Complaint are without merit and intends to vigorously defend the suit. To that end, the Company has entered into a joint defense agreement with Treis and the other named defendants. The Company has also entered into a tolling agreement with Treis. The Company filed a motion to dismiss the case for lack of personal jurisdiction on June 23, 2023. On October 6, 2023, Grams filed an Amended Complaint, to which the Company filed a renewed Motion to Dismiss for Lack of Personal Jurisdiction, or in the Alternative to Transfer the Case to the District of South Carolina, in addition to a renewed Motion to Dismiss several causes of action alleged in the Amended Complaint. On December 8, 2023, the Company filed its reply to Plaintiff's response to Motion to Transfer or Alternatively to Dismiss Pursuant to Rule 12(b)(2). The Company does not believe the Grams Complaint will have a material adverse effect on the Company's reported financial position or results of operations.

MinerVa Purchase Agreement

On July 18, 2022, the Company provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been reached could end discussions, declare an impasse, and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. On October 30, 2023, the Company sent MinerVa a Notice of Impasse. On October 31, 2023, the Company filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement.

On June 2, 2023, Panther Creek Fuel Services, LLC, an affiliate of the Company was named as a defendant in a Federal Black Lung Case under Title IV of the Federal Coal Mine Health and Safety Act of 1969. The Plaintiff previously settled a state law claim with a predecessor in interest of the Company. The Company denies any liability in connection with the claim and intends to defend the suit vigorously. The Company does not believe that the claim will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with any certainty the outcome of these proceedings.

Department of Environmental Protection

On November 9, 2023, the Company entered into a Consent Order and Agreement ("COA") with the Commonwealth of Pennsylvania, Department of Environmental Protection ("DEP"). Pursuant to the COA, the DEP found that a July 5, 2022, inspection of the Company's Scrubgrass Plant observed that coal ash at the Scrubgrass Plant exceeded the capacity of the permitted ash conditioning area as approved by the DEP on September 12, 2007. The COA found that the Scrubgrass Plant's storage of excess waste coal ash violated certain provisions of the Solid Waste Management Act and Pennsylvania Code, among other items. Pursuant to the COA, Scrubgrass must pay a civil penalty in the amount of \$28,800, in two equal installments within ninety (90) days of entry into the COA. The Company made the first payment to the DEP on November 10, 2023. The terms of the COA also require the Company to remove (i) a minimum of 80,000 tons of excess waste coal ash by November 9, 2024, (ii) 160,000 aggregate tons of excess waste coal ash by November 9, 2025, (iii) 220,000 aggregate tons of excess waste coal ash by November 9, 2026, and (iv) all remaining excess waste coal ash by November 9, 2027, such that the ash conditioning area is consistent with the specifications accepted by the DEP on September 7, 2007. Beginning on January 24, 2024, the Company is to provide quarterly progress reports to the DEP. In connection with the COA, the Company has had preliminary discussions with the Pennsylvania Public Utilities Commission ("PUC") and the DEP regarding potential resettlement or forfeiture of Pennsylvania Tier II Alternative Energy Credits during any period of non-compliance, expected to be limited to July 5-22, 2022. In February of 2024, the Company retired 25,968 Alternative Energy Credits reflective of the amount of credits generated during the period of non-compliance from July 5-22, 2022. On December 15, 2023, the Scrubgrass Creek Watershed Association filed a Notice of Appeal to the Environmental Hearing Board regarding the COA (the "COA Appeal"). The Company does not believe the COA, COA Appeal or discussions with the PUC will have a material adverse effect on the Company's reported financial position or results of operations.

NOTE 12 – REDEEMABLE COMMON STOCK

Class V common stock represented 17.8% and 45.1% ownership of Stronghold LLC, as of December 31, 2023, and 2022, respectively, granting the owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by our stockholders generally, and a redemption right into Class A shares. Refer to *Note 13 – Noncontrolling Interests* for more details.

The Company classifies its Class V common stock as redeemable common stock in the accompanying condensed consolidated balance sheets as, pursuant to the Stronghold LLC Agreement, the redemption rights of each unit held by Q Power for either shares of Class A common stock or an equivalent amount of cash is not solely within the Company's control. This is due to the holders of the Class V common stock collectively owning a majority of the voting stock of the Company, which allows the holders of Class V common stock to elect the members of the Board, including those directors who determine whether to make a cash payment upon a Stronghold LLC unit holder's exercise of its redemption rights. Redeemable common stock is recorded at the greater of the book value or redemption amount from the date of the issuance, April 1, 2021, and the reporting date as of December 31, 2023.

The Company recorded redeemable common stock as presented in the table below.

	Common – Class V	
	Shares	Amount
Balance – December 31, 2022	2,605,760	\$ 11,754,587
Net loss attributable to noncontrolling interest	—	(30,428,749)
Redemption of Class V shares	(200,000)	(1,210,000)
Maximum redemption right valuation	—	40,300,278
Balance – December 31, 2023	2,405,760	\$ 20,416,116

NOTE 13 – NONCONTROLLING INTERESTS

The Company is the sole managing member of Stronghold LLC and, as a result, consolidates the financial results of Stronghold LLC and reports a noncontrolling interest representing the common units of Stronghold LLC held by Q Power. Changes in the Company's ownership interest in Stronghold LLC, while the Company retains its controlling interest, are accounted for as redeemable common stock transactions. As such, future redemptions or direct exchanges of common units of Stronghold LLC by Q Power will result in changes to the amount recorded as noncontrolling interest. Refer to *Note 12 – Redeemable Common Stock*, which describes the redemption rights of the noncontrolling interest.

The noncontrolling interest representing the common units of Stronghold LLC held by Q Power represented 17.8% and 45.1% ownership of Stronghold LLC, as of December 31, 2023, and 2022, respectively, granting the owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by the Company's stockholders generally, and a redemption right into shares of Class A common stock.

The following table summarizes the redeemable common stock adjustments pertaining to the noncontrolling interest as of and for the year ended December 31, 2023:

	Class V Common Stock		Redeemable Common
	Outstanding	Fair Value Price	Stock Adjustments
Balance – December 31, 2022	2,605,760	\$ 4.51	\$ 11,754,587
Net loss attributable to noncontrolling interest	—		(30,428,749)
Redemption of Class V shares	(200,000)		(1,210,000)
Adjustment of redeemable common stock to redemption amount (1)	—		40,300,278
Balance – December 31, 2023	2,405,760	\$ 8.49	\$ 20,416,116

⁽¹⁾ Redeemable common stock adjustment based on Class V common stock outstanding at fair value price at each quarter end, using a 10-day variable weighted average price ("VWAP") of trading dates including the closing date.

NOTE 14 – STOCK-BASED COMPENSATION

On October 19, 2021, the board of directors of the Company (the "Board") and the stockholders of the Company approved a new long-term incentive plan the Stronghold Digital Mining, Inc. Omnibus Incentive Plan (the "New LTIP") for employees, consultants and directors. The New LTIP provides for the grant of options (including incentive stock options and non-qualified stock options), stock appreciation rights, restricted stock units ("RSUs"), dividend equivalents, other stock-based awards, and substitute awards intended to align the interests of service providers, including our named executive officers, with those of our stockholders. Pursuant to the New LTIP, the remaining shares of Class A common stock under the prior long-term incentive plan that was effective April 28, 2021, that were reserved and available for delivery, were assumed and reserved for issuance under the New LTIP. In addition, the New LTIP raised the aggregate number of shares of common stock that may be issued or used for reference purposes or with respect to which awards may be granted under the plan to not exceed 4,752,000 shares. As of October 19, 2021, the Company now grants all equity-based awards under the New LTIP. On January 18, 2023, the stockholders of the Company approved an amendment to the New LTIP to increase the amount of shares of Class A common stock available for delivery with respect to awards by 6,000,000 shares. The numbers of shares available under the New LTIP was proportionately reduced to reflect the Reverse Stock Split.

The Board is duly authorized to administer the New LTIP. The Company accounts for share-based payment awards exchanged for services at the estimated grant date fair value of the award.

Stock options issued under the Company's New LTIP are granted with an exercise price no less than the market price of the Company's stock at the date of grant and expire up to ten years from the date of the grant. The Company accounts for share-based payment awards exchanged for services at the estimated grant date fair value of the award. Stock options issued under the LTIP were granted with an exercise price equal to the fair market value of the Company's stock, as determined with reference to third-party valuations as of the date of option grants, and expire up to ten years from the date of grant. Options granted under the New LTIP and the LTIP vest over various terms.

RSUs are subject to restrictions on transferability, risk of forfeiture and other restrictions imposed by the Compensation Committee of the Board (the "Committee"). Settlement of vested RSUs will occur upon vesting or upon expiration of the deferral period specified for such RSUs by the Committee (or, if permitted by the Committee, as elected by the participant). RSUs may be settled in cash or a number of shares of stock (or a combination of the two), as determined by the Committee at the date of grant or thereafter.

Stock-Based Compensation

Stock-based compensation expense, including share-based expenses associated with non-employee directors, was \$ 9,238,826 and \$13,890,350 for the years ended December 31, 2023, and 2022, respectively, and is included in general and administrative expense in the consolidated statements of operations. There is no tax benefit related to stock compensation expense due to the Company having a full valuation allowance recorded against its deferred income tax assets as of December 31, 2023.

The Company recognized total stock-based compensation expense for the years ended December 31, 2023, and 2022, from the following categories:

	For the years ended	
	December 31, 2023	December 31, 2022
Restricted stock awards under the Plan	\$ 7,167,680	\$ 3,592,641
Stock option awards under the Plan	2,071,146	10,297,709
Total stock-based compensation expense	<u>\$ 9,238,826</u>	<u>\$ 13,890,350</u>

Stock Options

There were no stock options granted during 2023. The following are the weighted-average assumptions used in calculating the fair value of the total stock options granted during 2022 using the Black-Scholes method.

	December 31, 2022
Weighted-average fair value of options granted	\$ 102.10
Expected volatility	125.85 %
Expected life (in years)	5.81
Risk-free interest rate	1.69 %
Expected dividend yield	0 %

Expected Volatility – The Company estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies, as the Company does not currently have sufficient history for the volatility of its own stock.

Expected Term – The expected term of options represents the period that the Company's stock-based awards are expected to be outstanding based on the simplified method, which is the half-life from vesting to the end of the contractual term.

Risk-Free Interest Rate – The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

Expected Dividend Yield – The Company has never declared or paid any cash dividends on its common shares and does not plan to pay cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in its valuation models.

The Company elected to account for forfeited awards as they occur, as permitted by ASU 2016-09.

As of December 31, 2023, the total future compensation expense related to unvested options not yet recognized in the consolidated statements of operations was approximately \$787,683, and the weighted-average period over which these awards are expected to be recognized is approximately 0.52 years.

The following table summarizes the Company's stock option activity for the years ended December 31, 2023, and 2022.

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2022	337,908	\$ 89.10	9.61	\$ 30,906,003
Granted	20,597	106.10	9.11	—
Exercised	—	—	—	—
Expired	—	—	—	—
Cancelled / Forfeited	(3,500)	180.60	8.68	—
Outstanding at December 31, 2022	355,005	\$ 90.30	9.00	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	(25,203)	82.02	7.59	—
Cancelled / Forfeited	(248,370)	93.96	7.63	—
Outstanding at December 31, 2023	81,432	\$ 82.44	7.59	\$ —
Shares vested and expected to vest	81,432	\$ 82.44	7.59	\$ —
Exercisable as of December 31, 2023	68,136	\$ 82.67	7.58	\$ —

RSUs

The following table summarizes the Company's RSU activity for the years ended December 31, 2023, and 2022.

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2022	6,074	\$ 111.00
Vested	(31,996)	53.60
Granted	168,711	37.60
Cancelled / Forfeited	(836)	38.80
Unvested at December 31, 2022	141,953	\$ 43.50
Vested	(82,795)	22.49
Granted	547,178	8.38
Cancelled / Forfeited	(53,692)	36.02
Unvested at December 31, 2023	552,644	\$ 6.93

The value of RSUs are measured based on their fair value on the date of grant and amortized over their respective vesting periods. As of December 31, 2023, total future compensation expense related to unvested RSUs not yet recognized in the consolidated statements of operations was approximately \$2,735,625, and the weighted-average vesting period over which these awards are expected to be recognized is approximately 1.02 years.

NOTE 15 – WARRANTS

The following table summarizes outstanding warrants as of December 31, 2023, and 2022, and activity for the years then ended.

	Number of Warrants
Outstanding as of January 1, 2022	29,780
Issued	2,139,356
Exercised	(581,625)
Outstanding as of December 31, 2022	1,587,511
Issued	5,403,347
Exercised	(1,712,873)
Outstanding as of December 31, 2023	5,277,985

B&M Warrant

On March 28, 2023, as part of the B&M Settlement described in *Note 7 – Debt*, the Company issued a stock purchase warrant to B&M providing for the right to purchase from the Company 300,000 shares of Class A common stock, par value

\$0.0001 per share, at an exercise price of \$0.001 per warrant share. As of and during the year ended December 31, 2023, all 300,000 shares of Class A common stock available for purchase pursuant to the B&M Warrant were exercised.

May 2022 Private Placement

On May 15, 2022, the Company entered into a note and warrant purchase agreement, by and among the Company and the purchasers thereto, whereby the Company agreed to issue and sell (i) \$33,750,000 aggregate principal amount of 10.00% unsecured convertible promissory notes and (ii) warrants representing the right to purchase up to 631,800 shares of Class A common stock of the Company with an exercise price per share equal to \$ 25.00. The promissory notes and warrants were sold for aggregate consideration of approximately \$27 million.

On August 16, 2022, the Company amended the note and warrant purchase agreement, such that \$ 11.25 million of the outstanding principal was exchanged for the execution of an amended and restated warrant agreement pursuant to which the strike price of the 631,800 warrants was reduced from \$25.00 to \$0.10. Refer to *Note 16 – Equity Issuances* for additional details.

During the year ended December 31, 2023, 230,000 warrants issued in connection with the May 2022 Private Placement, or subsequent transactions associated with the unsecured convertible promissory notes, were exercised.

September 2022 Private Placement

On September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice Capital Master Fund Ltd. ("Armistice") and Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of 227,435 and 60,241 shares of Class A common stock, respectively, and warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an initial exercise price of \$ 17.50 per share. Refer to *Note 16 – Equity Issuances* for additional details. As part of the transaction, Armistice purchased the pre-funded warrants for 272,565 shares of Class A common stock at a purchase price of \$16.00 per warrant. The pre-funded warrants have an exercise price of \$ 0.001 per warrant share.

In April 2023, the Company, Armistice and Mr. Beard entered into amendments to, among other things, adjust the strike price of the remaining outstanding warrants from \$17.50 per share to \$10.10 per share. In December 2023, the Company and Armistice entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Furthermore, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.51 per share. Refer to *Note 16 – Equity Issuances* for additional details.

As of and during the year ended December 31, 2023, the pre-funded warrants for 272,565 shares of Class A common stock have been exercised.

April 2023 Private Placement

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and the Company's Chief Executive Officer, Greg Beard, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (the "April 2023 Private Placement"). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$10.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock. In December 2023, the Company and the institutional investor entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Refer to *Note 16 – Equity Issuances* for additional details.

As of and during the year ended December 31, 2023, the pre-funded warrants for 433,340 shares of Class A common stock have been exercised.

December 2023 Private Placement

On December 21, 2023, the Company entered into a Securities Purchase Agreement with an institutional investor for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$6.71 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$7.00 per share (the "December

2023 Private Placement"). Pursuant to the Securities Purchase Agreement, the institutional investor invested \$ 15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants at a price of \$ 6.71 per share equivalent. Further, the institutional investor received warrants exercisable for 2,300,000 shares of Class A common stock. Refer to *Note 16 – Equity Issuances* for additional details.

NOTE 16 – EQUITY ISSUANCES

May 2022 Private Placement

On May 15, 2022, the Company entered into a note and warrant purchase agreement (the "Purchase Agreement"), by and among the Company and the purchasers thereto (collectively, the "May Purchasers"), whereby the Company agreed to issue and sell to the May Purchasers, and the May Purchasers agreed to purchase from the Company, (i) \$33,750,000 aggregate principal amount of 10.00% unsecured convertible promissory notes (the "May 2022 Notes") and (ii) warrants (the "May 2022 Warrants") representing the right to purchase up to 631,800 shares of Class A common stock, of the Company with an exercise price per share equal to \$25.00, on the terms and subject to the conditions set forth in the Purchase Agreement (collectively, the "2022 Private Placement"). The Purchase Agreement contained representations and warranties by the Company and the May Purchasers that are customary for transactions of this type. The May 2022 Notes and the May 2022 Warrants were sold for aggregate consideration of approximately \$27.0 million.

In connection with the 2022 Private Placement, the Company undertook to negotiate with the May Purchasers and to file a certificate of designation with the State of Delaware, following the closing of the 2022 Private Placement, for the terms of a new series of preferred stock.

In connection with the 2022 Private Placement, the May 2022 Warrants were issued pursuant to the Warrant Agreement. The May 2022 Warrants are subject to mandatory cashless exercise provisions and have certain anti-dilution provisions. The May 2022 Warrants are exercisable for a five-year period from the closing.

The issuance of the May 2022 Notes was within the scope of ASC 480-10 and, therefore, was initially measured at fair value (consistent with ASC 480-10-30-7). Additionally, under the guidance provided by ASC 815-40-15-7, the Company determined that the May 2022 Warrants were indexed to the Company's stock. As a result, the May 2022 Warrants were initially recorded at their fair value within equity. The May 2022 Notes were valued using the gross yield method under the income approach. As of the issuance date of May 15, 2022, a calibration analysis was performed by back solving the implied yield associated with the May 2022 Notes, such that the total value of the May 2022 Notes and the May 2022 Warrants equaled the purchase amount. The calibrated yield was then rolled forward for changes to the risk-free rate and option-adjusted spreads to the August 16, 2022, valuation date to value the May 2022 Notes.

On August 16, 2022, the Company entered into an amendment to the Purchase Agreement, by and among the Company and the May Purchasers, whereby the Company agreed to amend the Purchase Agreement, such that \$11.25 million of the outstanding principal was exchanged for the May Purchaser's execution of an amended and restated warrant agreement pursuant to which the strike price of the 631,800 May 2022 Warrants was reduced from \$25.00 to \$0.10. After giving effect to the principal reduction and amended and restated warrants, the Company was to continue to make subsequent monthly, payments to the May Purchasers on the fifteenth (15th) day of each of November 2022, December 2022, January 2023, and February 2023. The Company was able to elect to pay each such payment (A) in cash or (B) in shares of common stock, in each case, at a twenty percent (20%) discount to the average of the daily VWAPs for each of the twenty (20) consecutive trading days preceding the payment date.

Series C Convertible Preferred Stock

On December 30, 2022, the Company entered into the Exchange Agreement with the Purchasers of the Amended May 2022 Notes whereby the Amended May 2022 Notes were to be exchanged for shares of Series C Preferred Stock that, among other things, will convert into shares of Class A common stock or pre-funded warrants that may be exercised for shares of Class A common stock, at a conversion rate equal to the stated value of \$1,000 per share plus cash in lieu of fractional shares, divided by a conversion price of \$4.00 per share of Class A common stock. Upon the fifth anniversary of the Series C Preferred Stock, each outstanding share of Series C Preferred Stock will automatically and immediately convert into Class A common stock or pre-funded warrants. In the event of a liquidation, the Purchasers shall be entitled to receive an amount per share of Series C Preferred Stock equal to its stated value of \$1,000 per share. The Exchange Agreement closed on February 20, 2023.

Pursuant to the Exchange Agreement, the Purchasers received an aggregate 23,102 shares of the Series C Preferred Stock, in exchange for the cancellation of an aggregate \$17,893,750 of principal and accrued interest, representing all of the amounts owed to the Purchasers under the May 2022 Notes. On February 20, 2023, one Purchaser converted 1,530 shares

of the Series C Preferred Stock to 382,500 shares of the Company's Class A common stock. The rights and preferences of the Series C Preferred Stock are designated in a certificate of designation, and the Company provided certain registration rights to the Purchasers. As of December 31, 2023, 5,990 shares of the Series C Preferred Stock remain outstanding following the Series D Exchange Agreement described below.

As of December 31, 2023, the Company incurred \$ 1,221,339 of offering costs which has been capitalized within additional paid-in capital in the consolidated balance sheet.

Series D Exchange Agreement

On November 13, 2023, the Company consummated a transaction (the "Series D Exchange Transaction") pursuant to an exchange agreement, dated November 13, 2023 (the "Series D Exchange Agreement") with Adage Capital Partners, LP (the "Holder") whereby the Company issued to the Holder an aggregate of 15,582 shares of a newly created series of preferred stock, the Series D Convertible Preferred Stock, par value \$ 0.0001 per share (the "Series D Preferred Stock"), in exchange for 15,582 shares of Series C Preferred Stock held by the Holder, which represented all of the shares of Series C Preferred Stock held by the Holder. The Series D Preferred Stock contains substantially similar terms as the Series C Preferred Stock except with respect to a higher conversion price. The Series D Exchange Agreement contains representations, warranties, covenants, releases, and indemnities customary for transactions of this type, as well as certain trading volume restrictions. As a result of the Series D Exchange Transaction, the Company recorded a deemed contribution of \$20,492,568 resulting from the extinguishment of 15,582 shares of Series C Preferred Stock associated with the Series D Exchange Transaction. The deemed contribution represents the difference between the carrying value of the existing Series C Preferred Stock and the estimated fair value of the newly-issued Series D Preferred Stock. As of December 31, 2023, 7,610 shares of the Series D Preferred Stock remain outstanding after conversions of 7,972 shares of Series D Preferred Stock for 1,481,409 shares of Class A common stock during the fourth quarter of 2023. Subsequent to December 31, 2023, the remaining 7,610 shares of Series D Convertible Preferred Stock have been converted to 1,414,117 shares of Class A common stock.

As of and for the year ended December 31, 2023, the Company incurred \$ 148,904 of offering costs which has been capitalized within additional paid-in capital in the consolidated balance sheet.

September 2022 Private Placement

On September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice and Greg Beard, the Company's chairman and chief executive officer (together with Armistice, the "September 2022 Private Placement Purchasers"), for the purchase and sale of 227,435 and 60,241 shares, respectively, of Class A common stock, par value \$0.0001 per share at a purchase price of \$ 16.00 and \$16.60, respectively, and warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an initial exercise price of \$ 17.50 per share (subject to certain adjustments). Subject to certain ownership limitations, such warrants are exercisable upon issuance and will be exercisable for five and a half years commencing upon the date of issuance. Armistice also purchased the pre-funded warrants to purchase 272,565 shares of Class A common stock at a purchase price of \$16.00 per pre-funded warrant. The pre-funded warrants have an exercise price of \$ 0.001 per warrant share. The transaction closed on September 19, 2022. The gross proceeds from the sale of such securities, before deducting offering expenses, was approximately \$9.0 million.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the consolidated statements of operations. The fair value of the warrant liabilities was estimated as of December 31, 2023, using a Black-Scholes model with significant inputs as follows:

	<u>December 31, 2023</u>
Expected volatility	131.6 %
Expected life (in years)	6
Risk-free interest rate	3.8 %
Expected dividend yield	0 %
Fair value	<u>\$ 3,665,457</u>

In connection with the closing of the December 2023 Private Placement (discussed below), the Company and Armistice entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Furthermore, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.51 per share.

April 2023 Private Placement

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and the Company's chairman and chief executive officer, Greg Beard, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$ 10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (subject to certain adjustments in accordance with the terms thereof). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$ 1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$ 10.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the April 2023 Private Placement, before deducting offering expenses, was approximately \$10.0 million. The April 2023 Private Placement closed on April 21, 2023.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the consolidated statements of operations. The fair value of the warrant liabilities was estimated as of December 31, 2023, using a Black-Scholes model with significant inputs as follows:

	December 31, 2023
Expected volatility	131.6 %
Expected life (in years)	6
Risk-free interest rate	3.8 %
Expected dividend yield	0 %
Fair value	\$ 6,571,494

Additionally, as previously disclosed, the Company entered into Securities Purchase Agreements with the September 2022 Private Placement Purchasers for, in part, warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an exercise price of \$ 17.50 per share. On April 20, 2023, the Company and the September 2022 Private Placement Purchasers entered into amendments to, among other things, adjust the strike price of the warrants from \$17.50 per share to \$10.10 per share. In connection with the closing of the December 2023 Private Placement (discussed below), the Company and the institutional investor entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029.

As of and for the year ended December 31, 2023, the Company incurred \$ 175,000 of offering costs which has been capitalized within additional paid-in capital in the consolidated balance sheet.

December 2023 Private Placement

On December 21, 2023, the Company entered into a Securities Purchase Agreement with an institutional investor for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$ 6.71 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$7.00 per share (the "December 2023 Private Placement"). Pursuant to the Securities Purchase Agreement, the institutional investor invested \$15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants at a price of \$ 6.71 per share equivalent. Further, the institutional investor received warrants exercisable for 2,300,000 shares of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the December 2023 Private Placement, before deducting offering expenses, was approximately \$15.4 million. The December 2023 Private Placement closed on December 21, 2023. As of and for the year ended December 31, 2023, the Company incurred \$50,592 of offering costs which has been accrued and capitalized within additional paid-in capital in the consolidated balance sheet.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the consolidated statements of operations. The fair value of the warrant liabilities was estimated as of December 31, 2023, using a Black-Scholes model with significant inputs as follows:

	December 31, 2023
Expected volatility	131.6 %
Expected life (in years)	5.5
Risk-free interest rate	3.8 %
Expected dividend yield	0 %
Fair value	\$ 14,973,478

ATM Agreement

On May 23, 2023, the Company entered into an at-the-market offering agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC ("HCW") to sell shares of its Class A common stock having aggregate sales proceeds of up to \$15.0 million (the "ATM Shares"), from time to time, through an "at the market" equity offering program under which HCW acts as sales agent and/or principal.

Pursuant to the ATM Agreement, the ATM Shares may be offered and sold through HCW in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on The Nasdaq Stock Market LLC or sales made to or through a market maker other than on an exchange or in negotiated transactions. Under the ATM Agreement, HCW is entitled to compensation equal to 3.0% of the gross proceeds from the sale of the ATM Shares sold through HCW. The Company has no obligation to sell any of the ATM Shares under the ATM Agreement and may at any time suspend solicitations and offers under the ATM Agreement. The Company and HCW may each terminate the ATM Agreement at any time upon specified prior written notice.

The ATM Shares have been and are being issued pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-271671), filed with the SEC on May 5, 2023, as amended by Amendment No. 1 to the registration statement filed with the SEC on May 23, 2023 (as amended, the "ATM Registration Statement"). The ATM Registration Statement was declared effective on May 25, 2023.

During the year ended December 31, 2023, we sold 1,794,587 ATM Shares at approximately \$6.47 per share under the ATM Agreement for gross proceeds of approximately \$11.6 million less sales commissions of approximately , for net proceeds of approximately \$ 11.2 million. Subsequent to December 31, 2023, and as of February 29, 2024, no additional shares have been sold under the ATM Agreement. As of and for the year ended December 31, 2023, the Company incurred \$388,106 of offering costs which has been capitalized within additional paid-in capital in the consolidated balance sheet.

NOTE 17 – SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly in deciding how to allocate resources and assess performance. The Company's CEO is the chief operating decision maker. The Company functions in two operating segments, *Energy Operations* and *Cryptocurrency Operations*, about which separate financial information is presented below.

	For the years ended	
	December 31, 2023	December 31, 2022
OPERATING REVENUES:		
Energy Operations	\$ 7,466,255	\$ 51,000,381
Cryptocurrency Operations	67,500,045	59,223,437
Total operating revenues	<u>\$ 74,966,300</u>	<u>\$ 110,223,818</u>
NET OPERATING LOSS:		
Energy Operations	\$ (37,718,403)	\$ (38,992,034)
Cryptocurrency Operations	(24,718,062)	(108,274,121)
Total net operating (loss) income	<u>\$ (62,436,465)</u>	<u>\$ (147,266,155)</u>
OTHER EXPENSE [A]	<u>(39,389,028)</u>	<u>(47,905,812)</u>
NET LOSS	<u>\$ (101,825,493)</u>	<u>\$ (195,171,967)</u>
DEPRECIATION AND AMORTIZATION:		
Energy Operations	\$ (5,337,828)	\$ (5,189,071)
Cryptocurrency Operations	(30,077,458)	(42,046,273)
Total depreciation and amortization	<u>\$ (35,415,286)</u>	<u>\$ (47,235,344)</u>
INTEREST EXPENSE:		
Energy Operations	\$ (481,124)	\$ (100,775)
Cryptocurrency Operations	(9,365,235)	(13,810,233)
Total interest expense	<u>\$ (9,846,359)</u>	<u>\$ (13,911,008)</u>
CAPITAL EXPENDITURES:		
Energy Operations	\$ 932,898	\$ 1,735,392
Cryptocurrency Operations	14,982,500	79,295,111
Total capital expenditures	<u>\$ 15,915,398</u>	<u>\$ 81,030,503</u>

[A] The Company does not allocate other income (expense) for segment reporting purposes. Amount is shown as a reconciling item between net operating income/(losses) and consolidated income before taxes. Refer to the accompanying consolidated statements of operations for further details.

For the years ended December 31, 2023, and 2022, the loss on disposal of fixed assets, realized gain on sale of digital currencies, realized gain (loss) on sale of miner assets, impairments on miner assets, impairments on digital currencies, and impairments on equipment deposits recorded in the consolidated statements of operations were entirely attributable to the *Cryptocurrency Operations* segment.

Total assets by energy operations and cryptocurrency operations as of December 31, 2023, and 2022, are presented in the table below.

	December 31, 2023			December 31, 2022		
	Energy Operations	Cryptocurrency Operations	Total	Energy Operations	Cryptocurrency Operations	Total
Cash and cash equivalents	\$ 231,108	\$ 3,983,505	\$ 4,214,613	\$ 693,805	\$ 12,602,898	\$ 13,296,703
Digital currencies	—	3,175,595	3,175,595	—	109,827	109,827
Accounts receivable	485,956	21,073	507,029	10,628,570	208,556	10,837,126
Due from related parties	97,288	—	97,288	73,122	—	73,122
Prepaid insurance	1,893,524	1,893,524	3,787,048	2,438,967	2,438,968	4,877,935
Inventory	4,196,812	—	4,196,812	4,471,657	—	4,471,657
Other current assets	433,612	1,241,472	1,675,084	—	1,975,300	1,975,300
Equipment deposits	—	8,000,643	8,000,643	—	10,081,307	10,081,307
Property, plant and equipment, net	41,538,240	103,104,531	144,642,771	45,645,205	121,559,476	167,204,681
Land	1,748,440	—	1,748,440	1,748,440	—	1,748,440
Road bond	299,738	—	299,738	211,958	—	211,958
Operating lease right-of-use assets	494,601	978,146	1,472,747	1,045,365	673,672	1,719,037
Security deposits	348,888	—	348,888	348,888	—	348,888
Other noncurrent assets	43,488	127,000	170,488	—	—	—
	<u>\$ 51,811,695</u>	<u>\$ 122,525,489</u>	<u>\$ 174,337,184</u>	<u>\$ 67,305,977</u>	<u>\$ 149,650,004</u>	<u>\$ 216,955,981</u>

NOTE 18 – EARNINGS (LOSS) PER SHARE

Basic EPS is computed by dividing the Company's net income (loss) by the weighted average number of Class A shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net loss per share of Class A common stock for the years ended December 31, 2023, and 2022.

	For the years ended	
	December 31, 2023	December 31, 2022
<u>Numerator:</u>		
Net loss	\$ (101,825,493)	\$ (195,171,967)
Less: net loss attributable to noncontrolling interest	(30,428,749)	(105,910,737)
Plus: Deemed contribution from exchange of Series C convertible preferred stock	20,492,568	—
Net loss attributable to Stronghold Digital Mining, Inc.	<u>\$ (50,904,176)</u>	<u>\$ (89,261,230)</u>
<u>Denominator:</u>		
Weighted average number of Class A common shares outstanding	6,821,173	2,584,907
Basic net loss per share	\$ (7.46)	\$ (34.53)
Diluted net loss per share	\$ (7.46)	\$ (34.53)

Securities that could potentially dilute earnings (loss) per share in the future were not included in the computation of diluted net loss per share for the years ended December 31, 2023, and 2022, because their inclusion would be anti-dilutive. The following table summarizes the potentially dilutive impact of such securities.

	December 31, 2023	December 31, 2022
Stock options	68,136	172,182
RSUs	1,659	31,996
Warrants (excluding those with a \$ 0.01 exercise price)	3,865,910	571,850
Series C Preferred Stock not yet exchanged for shares of Class A common stock	1,497,500	—
Series D Preferred Stock not yet exchanged for shares of Class A common stock	1,414,117	—
Class V common shares not yet exchanged for shares of Class A common stock	2,405,760	2,605,760
Total potentially dilutive securities	<u>9,253,082</u>	<u>3,381,788</u>

The impact of the deemed contribution resulting from the extinguishment of shares of Series C Preferred Stock associated with the Series D Exchange Transaction, as described above in *Note 16 – Equity Issuances*, has been excluded from the computation of diluted earnings per share for the year ended December 31, 2023, because the impact would be anti-

dilutive. Subsequent to December 31, 2023, the remaining 7,610 shares of Series D Convertible Preferred Stock were converted to 1,414,117 shares of Class A common stock.

NOTE 19 – INCOME TAXES

The Company entered into a Tax Receivable Agreement (“TRA”) with Q Power and an agent named by Q Power on April 1, 2021, (to which an additional holder was subsequently joined as an additional “TRA Holder” on March 14, 2023), pursuant to which the Company will pay the TRA Holders 85% of the realized (or, in certain circumstances, deemed realized) cash tax savings attributable to any increases in tax basis arising from taxable exchanges of units and certain other items.

For the year ended December 31, 2023, the Company's equity issuances and other transactions resulted in adjustments to the tax basis of Stronghold LLC's assets. Such adjustments to tax basis, which were allocated to Stronghold Inc., are expected to increase Stronghold Inc.'s tax depreciation, amortization and/or other cost recovery deductions, which may reduce the amount of tax Stronghold Inc. would otherwise be required to pay in the future. No cash tax savings have been realized by Stronghold Inc. with respect to these basis adjustments due to the Company's estimated taxable losses, and the realization of cash tax savings in the future is dependent, in part, on estimates of sufficient future taxable income. As such, a deferred income tax asset has not been recorded due to maintaining a valuation allowance on the Company's deferred tax assets, and no liability has been recorded with respect to the TRA in light of the applicable criteria for accrual.

Estimating the amount and timing of Stronghold Inc.'s realization of income tax benefits subject to the TRA is imprecise and unknown at this time and will vary based on a number of factors, including when future redemptions actually occur and the extent to which the Company has sufficient taxable income to utilize any such benefits. Accordingly, the Company has not recorded any deferred income tax asset or liability associated with the TRA.

Subsequent to the Company's incorporation, the Company and its indirectly-owned corporate subsidiaries, Clearfield and Leesburg, provide for income taxes under the asset and liability method. Deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities – specifically for the Company and its investment in Stronghold LLC – using enacted income tax rates expected to be in effect during the year in which the basis differences reverse. Valuation allowances are established when management determines it is more likely than not that some portion, or all, of the deferred income tax assets will not be realized.

For the years ended December 31, 2023, and 2022, the Company's total income tax provision (benefit) of \$ 0 differed from amounts computed by applying the U.S. federal income tax rate to pre-tax losses for the periods primarily due to the nontaxable net losses attributable to noncontrolling interests and due to maintaining a valuation allowance on the Company's deferred income tax assets.

The components of the provision for income taxes for the years ended December 31, 2023, and 2022, were as follows:

	For the years ended	
	December 31, 2023	December 31, 2022
Current income tax provision expense (benefit):		
Federal	\$ —	\$ —
State	—	—
Total current income tax provision expense (benefit)	\$ —	\$ —
Deferred income tax provision expense (benefit):		
Federal	\$ —	\$ —
State	—	—
Total deferred income tax provision expense (benefit)	\$ —	\$ —
Total income tax provision expense (benefit)	\$ —	\$ —

The provision for income taxes differs from the amounts computed by applying the U.S. federal income tax rate to pre-tax losses. A reconciliation of the statutory federal income tax amount to the recorded income tax provision (benefit) expense

is detailed in the following table.

	For the years ended	
	December 31, 2023	December 31, 2022
Income tax provision (benefit) expense at 21% federal statutory rate	\$ (21,383,354)	\$ (40,986,113)
Income attributable to nontaxable noncontrolling interest	6,390,037	22,241,255
State income tax provision (benefit) expense, net of federal tax effect	(2,731,180)	(3,495,720)
Change in valuation allowance	17,280,477	20,934,443
Change in state income tax rate	—	1,430,670
Other, net	444,020	(124,535)
Total income tax provision (benefit) expense	\$ —	\$ —

Significant components of the Company's deferred income tax assets and liabilities as of December 31, 2023, and 2022, were as follows:

	December 31, 2023	December 31, 2022
<u>Deferred income tax assets (liabilities):</u>		
Net operating loss and other carryforwards	\$ 22,519,017	\$ 25,852,100
Investment in Stronghold LLC	32,482,953	15,068,075
Total deferred income tax assets	\$ 55,001,970	\$ 40,920,175
Valuation allowance	(55,001,970)	(40,920,175)
Net deferred tax assets	\$ —	\$ —
Net deferred income tax assets (liabilities)	\$ —	\$ —

As of December 31, 2023, and 2022, the Company and its subsidiaries had no net deferred income tax assets or liabilities. Subsequent to the Company's reorganization in 2021, deferred taxes are provided on the difference between the Company's basis for financial reporting purposes and the Company's basis for federal income tax purposes in its investment in Stronghold LLC.

On July 8, 2022, the state of Pennsylvania enacted HB 1342 (Act 53), which includes a gradual reduction to the state corporate income tax rate to 4.99% over the 2023 through 2031 period. The Company considered the impact of this legislation in the period of enactment and reduced the gross amount of its Pennsylvania deferred income tax assets to take into account the reduced statutory rate. There was no impact to deferred income tax expense or net deferred income tax assets due to the valuation allowance recorded against the Company's deferred income tax assets.

As of December 31, 2023, no deferred income tax asset or liability has been recorded with respect to the Company's TRA with Q Power and other parties thereto because any tax benefits subject to the TRA would be a component of a deferred income tax asset not more likely than not to be realized, as discussed further herein. The Company has not yet realized cash tax savings with respect to any tax benefits subject to the TRA, due to the Company's estimated taxable losses.

As of December 31, 2023, the Company had U.S. federal net operating loss and interest expense carryforwards of approximately \$ 90.3 million, which may be carried forward indefinitely to offset future taxable income, and state net operating loss carryforwards of approximately \$76.1 million expiring in 2042 if not used. The Company incurred a tax net operating loss in 2023 due principally to Stronghold LLC's tax deductions for accelerated depreciation, in addition to its pre-tax loss. As of December 31, 2023, the Company did not have any uncertain tax positions requiring recognition in its consolidated financial statements. The 2021 through 2023 tax years for the Company and the 2018 through 2023 tax years for Clearfield and Leesburg remain open to potential examination by tax authorities.

As of December 31, 2023, and 2022, the Company had a valuation allowance of approximately \$ 55.0 million and \$40.9 million, respectively, related to deferred income tax assets the Company does not believe are more likely than not to be realized. The determination to record a valuation allowance was based on management's assessment of all available evidence, both positive and negative, supporting realizability of the Company's net operating losses and other deferred income tax assets, as required by ASC 740. Factors contributing to this assessment included the Company's cumulative and current losses, as well as the evaluation of other sources of income as outlined in ASC 740. In addition, as of December 31, 2022, the Company determined that it sustained an ownership change as defined by Section 382 of the Code, which subjected the Company's pre-change net operating losses and other carryforwards to annual limitation. Generally, the amount of the limitation is equal to the value of the company's stock immediately prior to the ownership change multiplied by an interest rate, referred to as the long-term tax-exempt rate, periodically promulgated by the IRS. The Company estimated that the amount of its losses generated prior to the ownership change that may be used annually subsequent to the change was approximately \$2.1 million. Such annual limit may significantly impact the timing of utilization of the Company's federal and state losses and other carryforwards.

The Company continues to evaluate the likelihood of the utilization of its deferred income tax assets, and, while the valuation allowance remains in place, the Company expects to record no deferred income tax expense or benefit. In light of the criteria under ASC 740 for recognizing the tax benefit of deferred income tax assets, the Company maintained a valuation allowance against its federal and state deferred income tax assets as of December 31, 2023, and 2022.

NOTE 20 – SUPPLEMENTAL CASH AND NON-CASH INFORMATION

Supplemental disclosures of cash flow information for the years ended December 31, 2023, and 2022, were as follows:

	For the years ended	
	December 31, 2023	December 31, 2022
Income tax payments	\$ —	\$ —
Interest payments	\$ 9,562,034	\$ 9,636,505

Supplemental non-cash investing and financing activities consisted of the following for the years ended December 31, 2023, and 2022:

	For the years ended	
	December 31, 2023	December 31, 2022
Equipment financed with debt	\$ 1,303,935	\$ —
McClymonds arbitration award – paid by Q Power	—	5,038,122
Purchases of property, plant and equipment through finance leases	60,679	938,902
Purchases of property, plant and equipment included in accounts payable or accrued liabilities	10,582	6,614,671
Operating lease right-of-use assets exchanged for lease liabilities	291,291	630,831
Reclassifications from deposits to property, plant and equipment	4,658,970	63,363,287
Convertible note payment via warrants	—	3,340,078
Redemption of Series A convertible preferred units	—	33,529,837
Return of miners to settle debt	—	39,008,651
Issued as part of financing:		
Warrants – WhiteHawk	—	1,150,000
Warrants – convertible note	—	6,604,881
Warrants – April 2023 Private Placement	8,882,914	—
Warrants – December 2023 Private Placement	13,548,834	—
Convertible Note Exchange for Series C Convertible Preferred Stock:		
Extinguishment of convertible note	16,812,500	—
Extinguishment of accrued interest	655,500	—
Issuance of Series C convertible preferred stock, net of issuance costs	45,386,944	—
B&M Settlement:		
Warrants – B&M	1,739,882	—
Return of transformers to settle outstanding payable	6,007,500	—
Issuance of B&M Note	3,500,000	—
Elimination of accounts payable	11,426,720	—
Financed insurance premiums	5,386,695	5,484,449
Class A common stock issued to settle outstanding payables or accrued liabilities	1,044,774	—
Exchange of Series C convertible preferred stock for Series D convertible preferred stock	20,492,568	—

NOTE 21 – FAIR VALUE

The Company's warrant liabilities are measured at fair value on a recurring basis, as discussed in detail in *Note 16 – Equity Issuances*. The Company's non-financial assets, including Bitcoin, operating lease right-of-use assets, and property, plant and equipment, are measured at fair value on a nonrecurring basis when there is an indication of impairment and the carrying amount exceeds the asset's projected undiscounted cash flows. These assets are recorded at fair value only when an impairment charge is recognized.

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, contract liabilities, and accrued expenses approximate their carrying values because of the short-term nature of these instruments.

Adverse changes in business climate, including decreases in the price of Bitcoin and resulting decreases in the market price of miners, may indicate that an impairment triggering event has occurred. If the testing performed indicates the estimated

fair value of the Company's miners to be less than their net carrying value, an impairment charge will be recognized, decreasing the net carrying value of the Company's miners to their estimated fair value.

Applying the market price of one Bitcoin on December 31, 2023, of \$42,531 to the Company's approximately 77 Bitcoin held, results in an estimated fair value of the Company's Bitcoin of approximately \$3,274,887 as of December 31, 2023. For the comparative period, applying the market price of one Bitcoin on December 31, 2022, of \$16,548 to the Company's approximately 7 Bitcoin held, results in an estimated fair value of the Company's Bitcoin of approximately \$115,836 as of December 31, 2022. The valuation of Bitcoin held is classified in Level 1 of the fair value hierarchy as it is based on quoted prices in active markets for identical assets.

NOTE 22 – SUBSEQUENT EVENTS

Champion Electricity Sales and Purchase Agreements and Transaction Addendums

On February 29, 2024, each of the Company's wholly owned subsidiaries, Scrubgrass and Panther Creek entered into Electricity Sales and Purchase Agreements (collectively, the "ESPAs") and Transaction Addendums (collectively, the "Addendums") with Champion Energy Services, LLC ("Champion"). Pursuant to the ESPAs and Addendums, Champion will provide retail electricity to Scrubgrass and Panther Creek at a competitive contract price that includes wholesale real-time power prices, ancillary and delivery services charges, and applicable taxes. To effectuate the Addendums, Scrubgrass and Panther Creek each delivered to Champion a deposit in the amount of \$425,000 on March 4, 2024. The Addendums are in existence through March of 2027, subject to the terms and conditions stated in the ESPAs and Addendums. The Company independently estimates the cost of power under the ESPAs will be approximately \$10-12/MWh, including all ancillary charges and taxes, plus the cost of wholesale power, assuming prices range from \$10-40/MWh.

Third Amendment to the WhiteHawk Credit Agreement

On February 15, 2024, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered a Third Amendment to Credit Agreement (the "Third Amendment"). Pursuant to the Third Amendment, among other items, (i) the Company was permitted to purchase the December 2023 Purchase Miners (as defined under the Third Amendment), so long as the December 2023 Purchase Miners were purchased from cash proceeds of the December 2023 Equity Raise (as defined under the Third Amendment) and such December 2023 Purchase Miners are collateral, (ii) WhiteHawk Capital waived certain prepayment requirements of the Credit Agreement with respect to cash proceeds of the December 2023 Equity Raise, subject to WhiteHawk Capital's receipt of \$3,230,523, which amount represents amortization payments of the WhiteHawk Refinancing Agreement that were otherwise due on July 31, 2024, and August 30, 2024, (iii) two (2) 115kV to 13.8kV – 30/40/50 MVA transformers and two (2) 145kV SF6 breakers previously purchased by the Company were added to the defined term Permitted Disposition; and (iv) the Company's minimum liquidity requirement was amended to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000.

Termination of Olympus Omnibus Services Agreement

On November 2, 2021, Stronghold LLC and Olympus Stronghold Services, LLC ("Olympus Services") entered into an Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement"), whereby Olympus Services was to provide certain operations, personnel and maintenance services to the Company and its affiliates. On February 13, 2024, Stronghold LLC and Olympus Services entered into a Termination and Release Agreement (the "Termination and Release") whereby the Omnibus Services Agreement was terminated. The Termination and Release contained a mutual customary release. The Company expects to continue to pay Olympus Power LLC \$10,000 per month for ongoing assistance at each of the Scrubgrass Plant and Panther Creek Plant.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, as amended (the "Exchange Act")) as of the end of the period covered by this report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that its disclosure controls and procedures were effective as of December 31, 2023.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a – 15(f)). Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Effective internal control over financial reporting can only provide reasonable assurance that the objectives of the control process are met. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Further, the design of internal control over financial reporting includes the consideration of the benefits of each control relative to the cost of the control.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on those criteria and management's assessment, management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Annual Meeting of Stockholders

Our 2024 Annual Meeting of Stockholders is currently expected to be held on June 18, 2024 (the "2024 Annual Meeting of Stockholders").

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The Company has adopted a Financial Code of Ethics ("Code of Ethics") which is applicable to all of our employees, including our principal executive officer, financial officer and accounting officer, or persons performing similar functions. The Code of Ethics is posted on our website at www.strongholddigitalmining.com. In the event that we make any amendments to, or waivers from, the Code of Ethics, we will disclose the amendment or waiver, and the reasons for such, on our website.

The names of the directors and executive officers of the Company and their ages, titles and biographies as of the date hereof are incorporated by reference from Part I of this Annual Report on Form 10-K. The other information required by this Item 10 is incorporated herein by reference to the information that will be contained in our Proxy Statement related to the 2024 Annual Meeting of Stockholders.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated herein by reference to the information that will be contained in our Proxy Statement related to the 2024 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 is incorporated herein by reference to the information that will be contained in our Proxy Statement related to the 2024 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 is incorporated herein by reference to the information that will be contained in our Proxy Statement related to the 2024 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 is incorporated herein by reference to the information that will be contained in our Proxy Statement related to the 2024 Annual Meeting of Stockholders.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of the report:

(1) Financial Statements

See the table of contents under "Item 8. Financial Statements and Supplementary Data" in Part II of this Annual report on Form 10-K above for the list of financial statements filed as part of this report.

(2) Financial Statement Schedules

All schedules have been omitted as they are either not required or not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

(3) See Item 15(b)

(b) Exhibits:

Exhibit Number	Description
3.1	<u>Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).</u>
3.2	<u>Amended and Restated Bylaws of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).</u>
3.3	<u>Certificate of Designations of the Series C Convertible Preferred Stock of Stronghold Digital Mining, Inc., filed with the Secretary of State of the State of Delaware, effective February 20, 2023 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 24, 2023).</u>
3.4	<u>Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on May 19, 2023).</u>
3.5	<u>Certificate of Designation of the Series D Convertible Preferred Stock of Stronghold Digital Mining, Inc., filed with the Secretary of State of the State of Delaware, effective November 13, 2023 (incorporated by reference to Exhibit 3.5 of the Registrant's Quarterly Report on Form 10-Q (File No. 001-40931) filed on November 14, 2023).</u>
4.1*	<u>Description of the Registrant's Securities.</u>
4.2	<u>Form of Amended and Restated Class A Common Stock Warrant, dated August 16, 2022 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on August 22, 2022).</u>
4.3	<u>Form of Amended and Restated 10.0% Note, dated August 16, 2022 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on August 22, 2022).</u>
4.4	<u>Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on September 19, 2022).</u>
4.5	<u>Pre-funded Common Stock Purchase Warrant, dated September 19, 2022, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd. (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on September 19, 2022).</u>
4.6	<u>Stock Purchase Warrant, dated as of March 28, 2023, between Stronghold Digital Mining, Inc. and Bruce-Merrilees Electric Co. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on April 3, 2023).</u>
4.7	<u>Form of Warrant, dated April 21, 2023 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on April 24, 2023).</u>
4.8	<u>Pre-funded Warrant, dated April 21, 2023, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd. (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on April 24, 2023).</u>
4.9	<u>Form of Warrant, dated December 22, 2023 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on December 22, 2023).</u>
4.10	<u>Form of Pre-funded Warrant, dated December 22, 2023, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd. (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on December 22, 2023).</u>

- 10.1† [Stronghold Digital Mining, Inc. Omnibus Incentive Plan, dated October 19, 2021 \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.2† [Indemnification Agreement \(Gregory A. Beard\) \(incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.3† [Indemnification Agreement \(William B. Spence\) \(incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.4† [Indemnification Agreement \(Sarah P. James\) \(incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.5† [Indemnification Agreement \(Thomas J. Pacchia\) \(incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.6† [Indemnification Agreement \(Thomas R. Trowbridge, IV\) \(incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.7† [Indemnification Agreement \(Ricardo R. A. Larroudé\) \(incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.8† [Indemnification Agreement \(Richard J. Shaffer\) \(incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 25, 2021\).](#)
- 10.9† [Indemnification Agreement \(Matthew J. Smith\) \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on November 23, 2021\).](#)
- 10.10¥ [Equity Capital Contribution Agreement, dated July 9, 2021, by and among Panther Creek Reclamation Holdings, LLC, Stronghold Digital Mining Holdings LLC and Olympus Power, LLC \(incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 \(File No. 333-258188\) filed on July 27, 2021\).](#)
- 10.11 [Amendment to Equity Capital Contribution Agreement, dated October 29, 2021, by and among Panther Creek Reclamation Holdings LLC and Stronghold Digital Mining Holdings LLC \(incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on November 8, 2021\).](#)
- 10.12 [Second Amendment to Equity Capital Contribution Agreement, dated November 2, 2021, by and among Panther Creek Reclamation Holdings LLC and Stronghold Digital Mining Holdings LLC \(incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on November 8, 2021\).](#)
- 10.13¥† [Omnibus Services Agreement, dated November 2, 2021, by and between Stronghold Digital Mining, Inc. and Olympus Stronghold Services, LLC \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on November 8, 2021\).](#)
- 10.14¥ [Registration Rights Agreement, dated November 5, 2021, by and between Stronghold Digital Mining, Inc. and Panther Creek Reclamation Holdings, LLC \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on November 8, 2021\).](#)
- 10.15# [Master Equipment Finance Agreement, dated June 25, 2021, by and between Stronghold Digital Mining LLC and Arctos Credit, LLC \(incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.16 [Financing Agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk Finance LLC \(incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.17 [First Amendment to Financing Agreement, dated December 31, 2021, by and among Stronghold Digital Mining Equipment, LLC, WhiteHawk Finance LLC, and as consented to by each Guarantor named therein \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on January 6, 2022\).](#)
- 10.18# [First Amendment to Master Equipment Finance Agreement, dated January 31, 2022, by and between Stronghold Digital Mining, LLC and NYDIG ABL LLC \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on February 4, 2022\).](#)
- 10.19# [Master Equipment Finance Agreement, dated December 15, 2021, by and between Stronghold Digital Mining BT, LLC and NYDIG ABL LLC \(incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K \(File No. 001-40931\) filed on March 29, 2022\).](#)
- 10.20 [Tax Receivable Agreement, dated April 1, 2021, by and among Stronghold Digital Mining, Inc., Gregory Beard, as Agent, and Q Power LLC \(incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-258188\) filed on July 27, 2021\).](#)
- 10.21¥ [Series A Preferred Stock Purchase Agreement, dated April 1, 2021, by and among Stronghold Digital Mining, Inc. and the investors listed on Schedule A thereto \(incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 \(File No. 333-258188\) filed on July 27, 2021\).](#)
- 10.22¥ [Series B Preferred Stock Purchase Agreement, dated May 14, 2021, by and among Stronghold Digital Mining, Inc. and the investors listed on Schedule A thereto \(incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 \(File No. 333-258188\) filed on July 27, 2021\).](#)
- 10.23¥ [Stock Purchase Warrant, dated June 30, 2021 \(incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 \(File No. 333-258188\) filed on July 27, 2021\).](#)

- 10.24† [Offer Letter, dated July 12, 2021, by and between Stronghold Digital Mining Inc. and Gregory A. Beard \(incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 \(File No. 333-258188\) filed on July 27, 2021\).](#)
- 10.25¥ [Waste Disposal Agreement, dated February 12, 2002, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales Corporation \(incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.26 [Letter Amendment to the Waste Disposal Agreement, dated February 22, 2010, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales, LLC \(incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.27 [Letter Amendment to the Waste Disposal Agreement, dated September 9, 2014, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales, LLC \(incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.28 [Second Amendment to Waste Disposal Agreement, dated December 22, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales, LLC \(incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.29 [Third Amendment to Waste Disposal Agreement, dated January 31, 2017, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales LLC \(incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.30 [Supply Agreement, dated August 14, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Properties, LLC \(incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.31 [Supply Agreement, dated August 14, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Properties, LLC \(incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.32 [Supply Agreement, dated October 15, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Properties, LLC \(incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on August 31, 2021\).](#)
- 10.33† [Stronghold Digital Mining, Inc. Amended and Restated 2021 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on October 8, 2021\).](#)
- 10.34† [Form of Stock Option Grant Notice and Award Agreement under Stronghold Digital Mining, Inc. 2021 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-258188\) filed on October 8, 2021\).](#)
- 10.35¥* [Fifth Amended and Restated Limited Liability Company Agreement of Stronghold Digital Mining Holdings LLC, dated March 14, 2023.](#)
- 10.36 [Second Amendment to Financing Agreement, dated March 28, 2022, by and among Stronghold Digital Mining Equipment, LLC, WhiteHawk Finance LLC, and as consented to by each Guarantor named therein \(incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 16, 2022\).](#)
- 10.37 [Transition and Separation Agreement and General Release of Claims, dated April 14, 2022, by and between Stronghold Digital Mining, Inc. and Ricardo R.A. Laroudé \(incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 16, 2022\).](#)
- 10.38 [Offer Letter, dated April 13, 2022, by and between Stronghold Digital Mining, Inc. and Matthew J. Smith \(incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 16, 2022\).](#)
- 10.39 [Indemnification Agreement \(Indira Agarwal\) \(incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 16, 2022\).](#)
- 10.40 [Confidentiality, Intellectual Property, Arbitration, Non-Competition and Non-Solicitation Agreement, dated April 13, 2022, by and between Stronghold Digital Mining, Inc. and Matthew J. Smith \(incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 16, 2022\).](#)
- 10.41 [Note and Warrant Purchase Agreement, dated May 15, 2022, by and among Stronghold Digital Mining, Inc. and the Purchasers \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on May 19, 2022\).](#)
- 10.42 [Guaranty Agreement, dated May 15, 2022 \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on May 19, 2022\).](#)
- 10.43 [Stock Purchase Warrant, dated August 3, 2022 \(incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on August 18, 2022\).](#)
- 10.44 [Commitment Letter, dated August 16, 2022, by and between Stronghold Digital Mining Holdings, LLC and Whitehawk Capital Partners, LP \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on August 22, 2022\).](#)

- 10.45 [Asset Purchase Agreement, dated August 16, 2022, by and among Stronghold Digital Mining LLC, Stronghold Digital Mining BT, LLC, NYDIG ABL LLC, The Provident Bank, Stronghold Digital Mining, Inc. and Stronghold Digital Mining Holdings, LLC. \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on August 22, 2022\).](#)
- 10.46 [Securities Purchase Agreement, dated September 13, 2022, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd., together with a schedule identifying a substantially identical agreement between Stronghold Digital Mining, Inc. and Gregory A. Beard. \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on September 19, 2022\).](#)
- 10.47 [Registration Rights Agreement, dated September 13, 2022, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd. \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on September 19, 2022\).](#)
- 10.48 [Credit Agreement, dated October 27, 2022, by and among Stronghold Digital Mining Holdings LLC as Borrower, Stronghold Digital Mining, Inc. as Holdings and a Guarantor, each subsidiary of the Borrower listed as a Guarantor therein, WhiteHawk Finance LLC and the other lenders from time-to-time party thereto as Lenders and WhiteHawk Capital Partners LP, as Collateral Agent and Administrative Agent \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on November 1, 2022\).](#)
- 10.49 [Amendment No. 1 to Amended and Restated 10.0% Note, dated December 15, 2022, by and between Stronghold Digital Mining, Inc. and Adage Capital Partners, LP. \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 21, 2022\).](#)
- 10.50 [Amendment No. 1 to Amended and Restated 10.0% Note, dated December 15, 2022, by and between Stronghold Digital Mining, Inc. and Continental General Insurance Company \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 21, 2022\).](#)
- 10.51 [Amendment No. 1 to Amended and Restated 10.0% Note, dated December 15, 2022, by and between Stronghold Digital Mining, Inc. and Parallaxes Capital Opportunity Fund IV, L.P. \(incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 21, 2022\).](#)
- 10.52 [Amendment No. 2 to Amended and Restated 10.0% Note, dated December 22, 2022, by and between Stronghold Digital Mining, Inc. and Adage Capital Partners, LP. \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 29, 2022\).](#)
- 10.53 [Amendment No. 2 to Amended and Restated 10.0% Note, dated December 22, 2022, by and between Stronghold Digital Mining, Inc. and Continental General Insurance Company \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 29, 2022\).](#)
- 10.54 [Amendment No. 2 to Amended and Restated 10.0% Note, dated December 22, 2022, by and between Stronghold Digital Mining, Inc. and Parallaxes Capital Opportunity Fund IV, L.P. \(incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 29, 2022\).](#)
- 10.55 [Exchange Agreement, dated December 30, 2022, by and among Stronghold Digital Mining, Inc., Adage Capital Partners, LP, Continental General Insurance Company and Parallaxes Capital Opportunity Fund IV, L.P. \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on January 3, 2023\).](#)
- 10.56†* [First Amendment to the Stronghold Digital Mining, Inc. Omnibus Incentive Plan, effective January 18, 2023.](#)
- 10.57 [First Amendment to Credit Agreement, dated February 6, 2023, by and among Stronghold Digital Mining, Inc. as Holdings and a Guarantor, Stronghold Digital Mining Holdings, LLC as Borrower, each subsidiary of the Borrower listed as a Guarantor therein, WhiteHawk Finance LLC and/or its affiliates or designees and the other lenders from time-to-time party thereto as Lenders and WhiteHawk Capital Partners LP, as Collateral Agent and Administrative Agent \(incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on February 7, 2023\).](#)
- 10.58 [Registration Rights Agreement, dated February 20, 2023, by and among Stronghold Digital Mining, Inc., Adage Capital Partners, LP, Continental General Insurance Company and Parallaxes Capital Opportunity Fund IV, L.P. \(incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on February 24, 2023\).](#)
- 10.59† [Indemnification Agreement, dated March 7, 2023, by and between Stronghold Digital Mining, Inc. and Thomas Doherty \(incorporated by reference to Exhibit 10.58 of the Registrant's Annual Report on Form 10-K \(File No. 001-40931\) filed on April 3, 2023\).](#)
- 10.60 [Board Observer Agreement, dated March 27, 2023, by and between Stronghold Digital Mining, Inc. and WhiteHawk Capital Partners LP \(incorporated by reference to Exhibit 10.59 of the Registrant's Annual Report on Form 10-K \(File No. 001-40931\) filed on April 3, 2023\).](#)
- 10.61 [Joinder to Tax Receivable Agreement, dated March 14, 2023, by and among Stronghold Digital Mining, Inc., Q Power LLC and Gregory A. Beard as Agent \(incorporated by reference to Exhibit 10.60 of the Registrant's Annual Report on Form 10-K \(File No. 001-40931\) filed on April 3, 2023\).](#)
- 10.62 [Settlement Agreement and Mutual Release, dated as of March 28, 2023, by and among Stronghold Digital Mining, Inc., Stronghold Digital Mining Holdings, LLC and Bruce-Merrilees Electric Co. \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on April 3, 2023\).](#)

- 10.63 [Promissory Note, dated as of March 28, 2023, between Stronghold Digital Mining Holdings, LLC and Bruce-Merrilees Electric Co. \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on April 3, 2023\).](#)
- 10.64 [Subordination Agreement, dated as of March 28, 2023, between WhiteHawk Capital Partners LP, Bruce-Merrilees Electric Co., Stronghold Digital Mining, Inc., Stronghold Digital Mining Holdings, LLC as Borrower, and each subsidiary of the Borrower listed therein \(incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on April 3, 2023\).](#)
- 10.65 [Second Amendment to Credit Agreement, dated as of March 28, 2023, by and among Stronghold Digital Mining, Inc. as Holdings and a Guarantor, Stronghold Digital Mining Holdings, LLC as Borrower, each subsidiary of the Borrower listed as a Guarantor therein, WhiteHawk Finance LLC and/or its affiliates or designees and the other lenders from time-to-time party thereto as Lenders and WhiteHawk Capital Partners LP, as Collateral Agent and Administrative Agent \(incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on April 3, 2023\).](#)
- 10.66¥ [Securities Purchase Agreement, dated April 20, 2023, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd., together with a schedule identifying a substantially identical agreement between Stronghold Digital Mining, Inc. and Gregory A. Beard \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on April 24, 2023\).](#)
- 10.67 [Registration Rights Agreement, dated April 21, 2023, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd. \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on April 24, 2023\).](#)
- 10.68† [Restricted Stock Unit Grant Agreement, dated as of March 15, 2023, by and between Stronghold Digital Mining, Inc. and Gregory A. Beard \(incorporated by reference to Exhibit 10.13 of the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 12, 2023\).](#)
- 10.69† [Restricted Stock Unit Grant Agreement, dated as of March 15, 2023, by and between Stronghold Digital Mining, Inc. and Matthew J. Smith \(incorporated by reference to Exhibit 10.14 of the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 12, 2023\).](#)
- 10.70 [Amendment to Securities Purchase Agreement, dated April 20, 2023, by and between Stronghold Digital Mining, Inc. and Armistice Capital Master Fund Ltd \(incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 12, 2023\).](#)
- 10.71 [Amendment to Securities Purchase Agreement, dated April 20, 2023, by and between Stronghold Digital Mining, Inc. and Gregory A. Beard \(incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on May 12, 2023\).](#)
- 10.72 [Frontier Mining Managed Services Agreement, dated October 13, 2013, by and between Stronghold Digital Mining, Inc., Stronghold Digital Mining LLC and Frontier Outpost 8, LLC \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on October 16, 2023\).](#)
- 10.73† [Employment Agreement, dated September 6, 2023, by and between Stronghold Digital Mining, Inc. and Gregory A. Beard \(incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on November 14, 2023\).](#)
- 10.74 [Exchange Agreement, dated as of November 13, 2023, by and among Stronghold Digital Mining, Inc., and Adage Capital Partners, LP \(incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on November 14, 2023\).](#)
- 10.75 [Registration Rights Agreement, dated as of November 13, 2023, by and among Stronghold Digital Mining, Inc., and Adage Capital Partners, LP \(incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q \(File No. 001-40931\) filed on November 14, 2023\).](#)
- 10.76¥ [Securities Purchase Agreement, dated December 21, 2023, by and between Stronghold Digital Mining, Inc. and the purchase listed on the signature page thereto \(incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on December 22, 2023\).](#)
- 10.77 [Registration Rights Agreement, dated December 22, 2023, by and between Stronghold Digital Mining, Inc. and each of the purchasers signatory thereto \(incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-3 \(File No. 333-276446\) filed on January 9, 2024\).](#)
- 10.78 [Third Amendment to Credit Agreement, dated as of February 15, 2024, by and among Stronghold Digital Mining, Inc., Stronghold Digital Mining Holdings, LLC as Borrower, each subsidiary of the Borrower listed as a Guarantor therein, WhiteHawk Finance LLC and/or its affiliates or designees and the other lenders from time-to-time party thereto as Lenders and WhiteHawk Capital Partners LP, as Collateral Agent and Administrative Agent \(incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on February 16, 2024\).](#)
- 10.79 [Termination and Release Agreement, dated as of February 13, 2024, by and among Stronghold Digital Mining Holdings, LLC and Olympus Stronghold Services, LLC \(incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K \(File No. 001-40931\) filed on February 16, 2024\).](#)
- 21.1* [List of subsidiaries of Stronghold Digital Mining, Inc.](#)
- 23.1* [Consent of Urish Popeck & Co., LLC, an Independent Registered Public Accounting Firm.](#)
- 24.1* [Power of Attorney \(included on the Signatures page of this Form 10-K\).](#)
- 31.1* [Certification of Chief Executive Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\).](#)

31.2*	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1**	Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
32.2**	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
97*	Incentive-Based Compensation Recovery Policy
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Label Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

*Filed herewith.

**Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement.

¥ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

Information in this exhibit identified by brackets is confidential and has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is not material and is the type of information that the Company customarily treats as private or confidential. An unredacted copy of this exhibit will be furnished to the SEC upon request.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRONGHOLD DIGITAL MINING, INC.
(registrant)

Date: March 8, 2024

By: /s/ Matthew J. Smith
Matthew J. Smith
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Matthew C. Usdin as his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Gregory A. Beard</u> Gregory A. Beard	Chief Executive Officer, President and Chairman of the Board (Principal Executive Officer)	March 8, 2024
<u>/s/ Matthew J. Smith</u> Matthew J. Smith	Chief Financial Officer (Principal Financial Officer)	March 8, 2024
<u>/s/ Sarah P. James</u> Sarah P. James	Director	March 8, 2024
<u>/s/ Thomas J. Pacchia</u> Thomas J. Pacchia	Director	March 8, 2024
<u>/s/ Indira Agarwal</u> Indira Agarwal	Director	March 8, 2024
<u>/s/ Thomas R. Trowbridge, IV</u> Thomas R. Trowbridge, IV	Director	March 8, 2024
<u>/s/ Thomas Doherty</u> Thomas Doherty	Director	March 8, 2024

**DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of February 29, 2024, Stronghold Digital Mining, Inc. (the “**Company**”) had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common stock, par value \$0.0001 per share (“**common stock**”), one class of Series C Convertible Preferred Stock \$0.0001 per share (**Series C Preferred Stock**) and one class of Series D Convertible Preferred Stock \$0.0001 per share (**Series D Preferred Stock**). The following description of the Company’s common stock and preferred stock is a summary and is not complete. For a complete description, please refer to our second amended and restated certificate of incorporation (as amended to date, our “**Certificate of Incorporation**”), amended and restated bylaws (as amended to date, our “**Bylaws**”) and certificate of designations for the Series C Preferred Stock (“ **Certificate of Designations**”), which we have incorporated by reference as exhibits to the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. References to “we,” “our” and “us” refer to the Company, unless the context otherwise requires. References to “stockholders” refer to holders of our common stock, unless the context otherwise requires.

Description of Class A Common Stock

Our authorized common stock consists of 238,000,000 shares of Class A common stock, par value \$0.0001 per share. Each share of common stock is entitled to participate equally in dividends as and when declared by our board of directors.

Holders of shares of Class A common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. The holders of Class A common stock do not have cumulative voting rights in the election of directors.

Holders of shares of our Class A common stock are entitled to ratably receive dividends when and if declared by our board of directors out of funds legally available for that purpose, subject to any statutory or contractual restrictions on the payment of dividends and to any prior rights and preferences that may be applicable to any outstanding preferred stock.

Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Class A common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and the liquidation preference of any of our outstanding shares of preferred stock.

The shares of Class A common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class A common stock. All issued and outstanding shares of Class A common stock are fully paid and nonassessable.

Description of Class V Common Stock

We also have 50,000,000 shares of Class V common stock authorized, par value \$0.0001 per share.

Holders of shares of our Class V common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. Holders of shares of our Class A common stock and Class V common stock vote together as a single class on all matters presented to our stockholders for their vote or approval.

Holders of our Class V common stock do not have any right to receive dividends, unless (i) the dividend consists of shares of our Class V common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable or redeemable for shares of Class V common stock paid proportionally with respect to each outstanding share of Class V common stock and (ii) a dividend consisting of shares of Class A common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable or redeemable for shares for Class A common stock on equivalent terms is simultaneously paid to the holders of Class A common stock. Holders of our Class V common stock do not have any right to receive a distribution upon a liquidation or winding up of Stronghold Inc.

The shares of Class V common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class V common stock. All outstanding shares of our Class V common stock are fully paid and non-assessable.

Preferred Stock

Our board of directors duly adopted on December 30, 2022, resolutions establishing the Series C Preferred Stock. Our Certificate of Incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further shareholder approval, to establish and to issue from time to time one or more classes or series of preferred stock, par value \$0.0001 per share, covering up to an aggregate of 50,000,000 shares of preferred stock. Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. In some cases, the issuance of preferred stock could delay or discourage a change in control of us.

Series C Preferred Stock

The material terms of the preferred stock set forth in the Certificate of Designations are as follows:

Designation and Amount

The Certificate of Designations designates twenty-three thousand, one hundred two (23,102) shares of Series C Preferred Stock, with each share having a stated value of \$1,000, subject to any adjustment for stock splits, stock combinations, recapitalizations and similar transactions as set forth in the Certificate of Designation (the "Stated Value").

Ranking and Liquidation Preference

The Series C Preferred Stock ranks, with respect to rights upon an acquisition, merger or consolidation of the Company, sale of all or substantially all assets of the Company, other business combination or liquidation, dissolution or winding up of the affairs of the Company, either voluntary or involuntary (collectively, a "Liquidation Event"), (i) senior to the Common Stock and any other class or series of capital stock of the Company the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series C Preferred Stock with respect to a Liquidation Event ("Junior Stock"), (ii) on a parity with any other class or series of capital stock of the Company the terms of which provide that such class or series ranks on a parity with the Series C Preferred Stock with respect to a Liquidation Event ("Parity Stock"), and (iii) junior to any other class or series of capital stock of the Company the terms of which expressly provide that such class or series ranks senior to the Series C Preferred Stock with respect to a Liquidation Event ("Senior Stock"). In the event of a Liquidation Event, each holder of shares of Series C Preferred Stock then outstanding shall be entitled to receive, before any payment or distribution of any assets of the Company shall be made or set apart for holders of the Junior Stock, an amount per share of Series C Preferred Stock equal to the Stated Value.

Voting Rights

Except as required by the DGCL or the Certificate of Incorporation, holders of shares of Series C Preferred Stock do not have any voting rights, except that the approval of holders of at least two-thirds (66.67%) of the then-outstanding shares of Series C Preferred Stock is required to (i) amend, alter, repeal or otherwise modify (whether by merger, operation of law, consolidation or otherwise) (a) any provision of the Certificate of Incorporation or the Bylaws in a manner that would adversely affect the powers, rights, preferences or privileges of the Series C Preferred Stock, or (b) any provision of the Certificate of Designation, (ii) authorize, create, increase the amount of, or issue any Series C Preferred Stock or any class or series of Senior Stock or Parity Stock or any security convertible into, or exchangeable or exercisable for, shares of Series C Preferred Stock, Senior Stock, or Parity Stock, (iii) authorize, enter into or otherwise engage in a Fundamental Transaction (as defined in the Certificate of Designation) unless such Fundamental Transaction does not adversely affect the rights, preferences or privileges of the Series C Preferred Stock, and (iv) agree or consent to any of the foregoing.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of our common stock. It could also

affect the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation.

Series D Preferred Stock

The material terms of the preferred stock set forth in the Certificate of Designations are as follows:

Designation and Amount

The Certificate of Designations designates five hundred eighty two (15,582) shares of Series D Preferred Stock, par value \$0.0001 per share, with each share having a stated value of \$1,000, subject to any adjustment for stock splits, stock combinations, recapitalizations and similar transactions as set forth in the Certificate of Designation (the "Stated Value").

Ranking and Liquidation Preference

The Series D Preferred Stock ranks, with respect to rights upon an acquisition, merger or consolidation of the Company, sale of all or substantially all assets of the Company, other business combination or liquidation, dissolution or winding up of the affairs of the Company, either voluntary or involuntary (collectively, a "Liquidation Event"), (i) senior to the Common Stock and any other class or series of capital stock of the Company the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Series C Preferred Stock with respect to a Liquidation Event ("Junior Stock"), (ii) on a parity with the Series C Convertible Preferred Stock, par value \$0.0001 per share, and any class or series of capital stock of the Corporation, the terms of which provide that such class or series ranks on a parity with the Series D Preferred Stock with respect to rights upon a Liquidation Event (collectively, together with any warrants, rights, calls or options exercisable for or convertible into such capital stock, the "Parity Stock") and (iii) junior to any class or series of capital stock of the Corporation, the terms of which expressly provide that such class or series ranks senior to the Series D Preferred Stock with respect to rights upon a Liquidation Event (collectively, together with any warrants, rights, calls or options exercisable for or convertible into such capital stock, the "Senior Stock"). In the event of a Liquidation Event, each Holder shall, with respect to each Series D Preferred Share owned by such Holder, be entitled to receive, out of funds of the Corporation legally available therefor, before any payment or distribution of any assets of the Corporation shall be made or set apart for holders of the Junior Stock, an amount per Series D Preferred Share equal to the Stated Value (as defined below). If upon any such Liquidation Event of the Corporation, the funds and assets available for distribution to the stockholders of the Corporation shall be insufficient to pay the Holders the full amount to which they are entitled and the holders of any shares of Parity Stock ranking on a parity with the Series D Preferred Stock the full amount to which they are entitled under the Certificate of Incorporation or any certificate of designations, the Holders and the holders of such Parity Stock shall share ratably in any distribution of the funds and assets legally available for distribution in respect of the shares of Series D Preferred Stock and such Parity Stock held by them upon such distribution. The "Stated Value" shall mean One Thousand United States Dollars (\$1,000.00) per share, subject to any adjustment for stock splits, stock combinations, recapitalizations and similar transactions as set forth herein; provided, that a Fundamental Transaction shall not constitute a Liquidation Event.

Voting Rights

Except as required by the DGCL or the Certificate of Incorporation (including the relevant Certificate of Designations), Holders shall not have any voting rights except that. The Corporation shall require approval of the Holders of at least two-thirds (66.67%) of the then outstanding Series D Preferred Shares (together with any Parity Stock) to (either directly or through a Subsidiary or controlled Affiliate): (a) authorize, create, increase the authorized amount of, or issue any Series D Preferred Stock or class or series of Senior Stock or Parity Stock or any security convertible into, or exchangeable or exercisable for, shares of Series D Preferred Stock, Senior Stock or Parity Stock; (b) authorize, enter into or otherwise engage in a Fundamental Transaction unless such Fundamental Transaction does not adversely affect the rights, preferences or privileges of the Series D Preferred Stock; and (c) agree or consent to any of the foregoing. Further, the Corporation shall require approval of the Holders of at least two-thirds (66.67%) of the then outstanding Series D Preferred Shares to (either directly or through a Subsidiary or controlled Affiliate), amend, alter, repeal or otherwise modify (whether by merger, operation of law, consolidation or otherwise) (i) any provision of the Certificate of Incorporation (including the relevant Certificate of Designations) or the Corporation's bylaws in a manner that would adversely affect the powers, rights, preferences or privileges of the Series D Preferred Stock or (ii) any provision of the relevant Certificate of Designations.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of our common stock. It could also affect the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation.

Liability of Our Directors

As permitted by the DGCL, we have included in our Certificate of Incorporation a provision that limits our directors' liability for monetary damages for breach of their fiduciary duty of care to us and our stockholders. The provision does not affect the liability of a director:

- for any breach of his/her duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for the declaration or payment of unlawful dividends or unlawful stock repurchases or redemptions; and
- for any transaction from which the director derived an improper personal benefit.

This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Anti-Takeover Effects of Provisions of Our Certificate of Incorporation, Bylaws and Delaware Law

Some provisions of Delaware law, our Certificate of Incorporation and our Bylaws contain provisions that could make the following transactions more difficult: acquisitions of us by means of a tender offer, a proxy contest or otherwise; or removal of our incumbent officers and directors. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation, including those whose securities are listed for trading on Nasdaq, from engaging in any business combination with any interested shareholder for a period of three years following the date that the shareholder became an interested shareholder, unless:

- the transaction is approved by the board of directors before the date the interested shareholder attained that status;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after such time the business combination is approved by the board of directors and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested shareholder.

Certificate of Incorporation and Bylaws

Provisions of our Certificate of Incorporation and our Bylaws may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders

might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Class A common stock.

Among other things, our Certificate of Incorporation and our Bylaws:

- establish advance notice procedures with regard to shareholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of shareholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. Our Bylaws specify the requirements as to form and content of all stockholders' notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting;
- provide that the authorized number of directors may be changed only by resolution of the board of directors, unless the Certificate of Incorporation fixes the number of directors, in which case, a change in the number of directors shall be made only by amendment of the certificate of incorporation;
- provide that our Certificate of Incorporation may only be amended by the affirmative vote of the holders of at least 50% of our then outstanding of stock in the Company entitled to voted thereon, voting together as a single class;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that prior to the date on which Q Power and its affiliates no longer beneficially owns 40% or more of the combined outstanding shares of Class A common stock and Class V common stock (the "Trigger Date"), any action required or permitted to be taken at any annual meeting or special meeting of the stockholders of the Company may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or consents in writing, setting forth the action so taken, is or are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. On and after the Trigger Date, subject to the rights of holders of any series of preferred stock with respect to such series of preferred stock, any action required or permitted to be taken by our stockholders must be taken at a duly held annual or special meeting of stockholders and may not be taken by any consent in writing;
- provide that the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of common stock entitled to vote generally in the election of directors, acting at a meeting of the stockholders or by written consent (if permitted), subject to the rights of the holders of any series of preferred stock, shall be required to remove any or all of the directors from office, and such removal may be with or without "cause";
- provide that special meetings of our stockholders may only be called by the chief executive officer, the chairman of the board (or any co-chairman), or by a majority of the board;
- provide that our Bylaws can be amended by the board of directors or stockholders of 66 2/3% of the voting power of the then-outstanding shares of stock entitled to vote thereon; and
- prohibit cumulative voting for the election of directors, unless otherwise provided in the Certificate of Incorporation.

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the Certificate of Incorporation specifically authorizes cumulative voting. Our Certificate of Incorporation will not authorize cumulative voting. Therefore, stockholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors will be able to elect all our directors.

Forum Selection

Our Certificate of Incorporation will provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders;
- any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the DGCL, our Certificate of Incorporation or our Bylaws; or
- any action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

Notwithstanding the foregoing, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act or any other claim for which the federal courts have exclusive jurisdiction. Our Certificate of Incorporation will also provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and to have consented to, this forum selection provision. Although we believe these provisions will benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against our directors, officers, employees and agents. The enforceability of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our Certificate of Incorporation is inapplicable or unenforceable.

Corporate Opportunities

Our Certificate of Incorporation, to the fullest extent permitted by law, renounces any reasonable expectancy interest that we have in, or right to be offered an opportunity to participate in, any corporate or business opportunities that are from time to time presented to Q Power, its affiliated directors and affiliates, and our non-employee directors, and that, to the fullest extent permitted by law, such persons will have no duty to refrain from engaging in any transaction or matter that may be a corporate or business opportunity in which we or any of our subsidiaries could have an interest or expectancy. In addition, to the fullest extent permitted by law, in the event that Q Power, its affiliated directors and affiliates, and our directors acquire knowledge of any such opportunity, other than in their capacity as a member of our board of directors, such person will have no duty to communicate or present such opportunity to us or any of our subsidiaries, and they may take any such opportunity for themselves or offer it to another person or entity.

Limitation of Liability and Indemnification Matters

Our Certificate of Incorporation limits the liability of our directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under the DGCL.

Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liabilities:

- for any breach of their duty of loyalty to us or our stockholders;
 - for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
 - for unlawful payment of dividend or unlawful stock repurchase or redemption, as provided under Section 174 of the DGCL; or
 - for any transaction from which the director derived an improper personal benefit.
-

Any amendment, repeal or modification of these provisions will be prospective only and would not affect any limitation on liability of a director for acts or omissions that occurred prior to any such amendment, repeal or modification.

Our Bylaws also provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. Our Bylaws also permits us to purchase insurance on behalf of any officer, director, employee or other agent for any liability arising out of that person's actions as our officer, director, employee or agent, regardless of whether Delaware law would permit indemnification. We intend to enter into indemnification agreements with each of our current and future directors and officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liability that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We believe that the limitation of liability provision in our Certificate of Incorporation and the indemnification agreements facilitates our ability to continue to attract and retain qualified individuals to serve as directors and officers.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is American Stock Transfer & Trust Company, LLC.

Stock Exchange Listing

Our common stock is listed on The Nasdaq Global Market and trades under the symbol "SDIG."

FIFTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
STRONGHOLD DIGITAL MINING HOLDINGS LLC
DATED AS OF MARCH 14, 2023

THE LIMITED LIABILITY COMPANY INTERESTS IN STRONGHOLD DIGITAL MINING HOLDINGS LLC HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, THE SECURITIES LAWS OF ANY STATE, OR ANY OTHER APPLICABLE SECURITIES LAWS, AND HAVE BEEN OR ARE BEING ISSUED IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. SUCH INTERESTS MUST BE ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH (I) THE SECURITIES ACT, ANY APPLICABLE SECURITIES LAWS OF ANY STATE AND ANY OTHER APPLICABLE SECURITIES LAWS; (II) THE TERMS AND CONDITIONS OF THIS FIFTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT; AND (III) ANY OTHER TERMS AND CONDITIONS AGREED TO IN WRITING BETWEEN THE MANAGING MEMBER AND THE APPLICABLE MEMBER. THE LIMITED LIABILITY COMPANY INTERESTS MAY NOT BE TRANSFERRED OF RECORD EXCEPT IN COMPLIANCE WITH SUCH LAWS, THIS FIFTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT, AND ANY OTHER TERMS AND CONDITIONS AGREED TO IN WRITING BY THE MANAGING MEMBER AND THE APPLICABLE MEMBER. THEREFORE, PURCHASERS AND OTHER TRANSFEREES OF SUCH LIMITED LIABILITY COMPANY INTERESTS WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENT OR ACQUISITION FOR AN INDEFINITE PERIOD OF TIME.

Article I Definitions.....	3
Section 1.1 Definitions.....	3
Section 1.2 Interpretive Provisions.....	16
Article II ORGANIZATION OF THE LIMITED LIABILITY COMPANY.....	17
Section 2.1 Formation.....	17
Section 2.2 Filing.....	17
Section 2.3 Name.....	17
Section 2.4 Registered Office; Registered Agent.....	17
Section 2.5 Principal Place of Business.....	17
Section 2.6 Purpose; Powers.....	17
Section 2.7 Term.....	17
Section 2.8 Intent.....	17
Article III OWNERSHIP AND CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS.....	18
Section 3.1 Authorized Equity Securities; General Provisions With Respect to Equity Securities and Debt Securities.....	18
Section 3.2 Voting Rights.....	22
Section 3.3 Capital Contributions; Unit Ownership.....	22
Section 3.4 Capital Accounts.....	23

Section 3.5 Other Matters	24
Section 3.6 Redemption of Common Units	24
Article IV ALLOCATIONS OF PROFITS AND LOSSES	31
Section 4.1 Profits and Losses	31
Section 4.2 Special Allocations	31
Section 4.3 Allocations for Tax Purposes in General	34
Section 4.4 Other Allocation Rules	35
Article V DISTRIBUTIONS	36
Section 5.1 Distributions	36
Section 5.2 Tax-Related Distributions	37
Section 5.3 Distribution Upon Withdrawal	37
Article VI MANAGEMENT	37
Section 6.1 The Managing Member; Fiduciary Duties	37
Section 6.2 Indemnification; Exculpation	38
Section 6.3 Maintenance of Insurance or Other Financial Arrangements	39
Section 6.4 Resignation or Termination of Managing Member	39
Section 6.5 No Inconsistent Obligations	40
Section 6.6 Reclassification Events of PubCo	40
Section 6.7 Certain Costs and Expenses	40
Article VII ROLE OF MEMBERS	41
Section 7.1 Rights or Powers	41
Section 7.2 Voting	41
Section 7.3 Various Capacities	42
Section 7.4 Investment Opportunities	42
Article VIII TRANSFERS OF INTERESTS	43
Section 8.1 Restrictions on Transfer	43
Section 8.2 Notice of Transfer	44
Section 8.3 Transferee Members	44
Section 8.4 Legend	45
Article IX ACCOUNTING; Certain tax matters	45
Section 9.1 Books of Account	45
Section 9.2 Partnership Continuation	45
Section 9.3 Tax Elections	45
Section 9.4 Tax Returns; Information	46
Section 9.5 Company Representative	47
Section 9.6 Withholding Tax Payments and Obligations	47
Section 9.7 Deemed Capital Contributions	49
Article X DISSOLUTION AND TERMINATION	49
Section 10.1 Liquidating Events	49
Section 10.2 Procedure	50
Section 10.3 Rights of Members	51
Section 10.4 Notices of Dissolution	51
Section 10.5 Reasonable Time for Winding Up	51
Section 10.6 No Deficit Restoration	51
Article XI GENERAL	51
Section 11.1 Amendments; Waivers	51
Section 11.2 Further Assurances	52

Section 11.3 Successors and Assigns.....	52
Section 11.4 Certain Representations by Members.....	52
Section 11.5 Entire Agreement.....	53
Section 11.6 Rights of Members Independent.....	53
Section 11.7 Governing Law.....	53
Section 11.8 Jurisdiction and Venue.....	53
Section 11.9 Headings.....	54
Section 11.10 Counterparts.....	54
Section 11.11 Notices.....	54
Section 11.12 Representation By Counsel; Interpretation.....	54
Section 11.13 Severability.....	54
Section 11.14 Expenses.....	55
Section 11.15 Waiver of Jury Trial.....	55
Section 11.16 No Third Party Beneficiaries.....	55

FIFTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF

STRONGHOLD DIGITAL MINING HOLDINGS LLC

This FIFTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (as amended, supplemented or restated from time to time, this “[Agreement](#)”), is entered into as of March 14, 2023, and shall be effective as of the Effective Date (as defined herein), by and among Stronghold Digital Mining Holdings LLC, a Delaware limited liability company (the “[Company](#)”), Stronghold Digital Mining, Inc., a Delaware corporation (“[PubCo](#)”), Q Power LLC, a Delaware limited liability company (“[Q Power](#)”), any other parties listed on Exhibit A hereto and each other Person who is or at any time becomes a Member in accordance with the terms of this Agreement and the Act. Capitalized terms used herein and not otherwise defined have the respective meanings set forth in [Section 1.1](#).

RECITALS

WHEREAS, the Company is governed by that certain Fourth Amended and Restated Limited Liability Company Agreement of the Company, dated as of March 14, 2022, as modified by that certain Amendment No. 1 to the Fourth Amended and Restated Limited Liability Company Agreement of the Company, effective as of October 25, 2022 (as has been amended from time to time, the “[Existing LLC Agreement](#)”);

WHEREAS, each Common Unit (other than any Common Unit held by the PubCo Holdings Group) may be redeemed, at the election of the holder of such Common Unit (together with the surrender and delivery by such holder of one Voting Share), for one Common Share in accordance with the terms and conditions of this Agreement;

WHEREAS, pursuant to an arbitration award (the “[Arbitration Award](#)”) granted in favor of McClymonds Supply & Transit Company, Inc. and DTA, L.P. against Scrubgrass Generating Company, L.P. (now known as Scrubgrass Reclamation Company, L.P.), an entity disregarded as separate from the Company for U.S. federal income tax purposes, certain members of Q Power have agreed to incur and pay (and have already incurred and paid a portion of) the amount of the Arbitration Award on behalf of the Company;

WHEREAS, Stronghold Digital Mining Equipment LLC, a Delaware limited liability company and wholly owned subsidiary of the Company, and WhiteHawk Finance LLC, a

Delaware limited liability company ("**WhiteHawk**"), entered into that certain First Amendment to Financing Agreement dated as of March 28, 2022 (the "**Financing Amendment**"), and, subsequently, PubCo, the Company, and WhiteHawk entered into that certain Credit Agreement dated as of October 27, 2022 (the "**WH Credit Agreement**");

WHEREAS, in connection with the Financing Amendment, PubCo granted to WhiteHawk the right to purchase from PubCo a number of Common Shares at a price per share equal to \$0.01 pursuant to that certain Stock Purchase Warrant dated as of March 28, 2022, and, subsequently, in connection with the WH Credit Agreement, PubCo granted to WhiteHawk the right to purchase from PubCo a number of Common Shares at a price per share equal to \$0.0001 pursuant to that certain Stock Purchase Warrant dated as of October 27, 2022;

WHEREAS, pursuant to certain anti-dilution provisions in previous stock purchase warrant agreements between PubCo and WhiteHawk, PubCo granted to WhiteHawk the right to purchase from PubCo a number of Common Shares at a price per share equal to \$0.01 pursuant to that certain Stock Purchase Warrant dated as of August 3, 2022;

WHEREAS, PubCo entered into that certain Note and Warrant Purchase Agreement, dated as of May 15, 2022, with certain Purchasers (as defined therein), pursuant to which the Purchasers purchased, in the aggregate, for an aggregate purchase price of \$27,000,000 in cash: (i) \$33,750,000 aggregate principal amount of 10.00% unsecured convertible promissory notes (the "**2022 Notes**"), which the parties intend to be treated as equity of PubCo for U.S. federal and applicable state and local income tax purposes, and (ii) warrants (the "**2022 Warrants**") representing the right to purchase up to 6,318,000 Common Shares at an exercise price of \$2.50 (as may be amended from time to time, the "**2022 Private Placement**"), and in accordance with Section 3.1(b) and (d), (i) PubCo contributed the net proceeds of the 2022 Private Placement to the Company concurrently with the closing thereof, and in exchange therefor the Company issued to PubCo (A) a number of Units with rights and privileges corresponding to the 2022 Warrants designated as "2022 Warrant Units" (such Units, the "**2022 Warrant Units**") corresponding to the number of 2022 Warrants issued in the 2022 Private Placement and (B) a Unit with rights and privileges corresponding to the 2022 Notes designated as the "May 2022 Preferred Unit" (such Unit, the "**May 2022 Preferred Unit**");

WHEREAS, (A) on August 16, 2022, PubCo entered into an agreement with the holders of the 2022 Notes and 2022 Warrants under which (i) the principal balance of the 2022 Notes was reduced by an aggregate of \$11.25 million, (ii) the conversion feature of the 2022 Notes was removed, and (iii) the strike price of the aggregate 6,318,000 2022 Warrants was reduced from \$2.50 to \$0.01, (B) PubCo issued 2,675,606 2022 Warrants, with a \$0.01 per share strike price, as amortization payments under the 2022 Notes, and (C) on February 20, 2023, PubCo consummated the transactions contemplated pursuant to the Exchange Agreement, dated December 30, 2022, with the holders of the 2022 Notes under which the outstanding aggregate \$17,893,750 owed to the holders of the 2022 Notes was cancelled in exchange for the issuance of 23,102 shares of a new series of convertible preferred stock (the "**Series C Preferred Stock**") that, among other things, may convert into Common Shares or pre-funded warrants that may be exercised for Common Shares at a conversion price of \$0.40 per share, and the May 2022 Preferred Unit was converted into a number of Preferred PubCo Units corresponding to such shares of Series C Preferred Stock (as converted, the "**Series C Preferred Units**");

WHEREAS, PubCo entered into those certain Securities Purchase Agreements, dated as of September 13, 2022, with certain Purchasers (as defined therein), pursuant to which the Purchasers purchased, in the aggregate, 2,876,759 shares of Common Shares, warrants to

purchase an aggregate of 5,602,409 shares of Common Shares at an initial exercise price of \$1.75 per share (the **Second 2022 Warrants**), and pre-funded warrants to purchase 2,725,650 shares of Common Shares at a purchase price of \$1.60 per pre-funded warrant (the **2022 Pre-Funded Warrants**), each such 2022 Pre-Funded Warrant having an exercise price of \$0.0001 per warrant share (as may be amended from time to time, the **Second 2022 Private Placement**), and in accordance with Section 3.1(b) and (d), (i) PubCo contributed the net proceeds of the Second 2022 Private Placement to the Company concurrently with the closing thereof, and in exchange therefor the Company issued to PubCo (A) a number of Common Units corresponding to the number of Common Shares issued in the Second 2022 Private Placement, (B) a number of Units with rights and privileges corresponding to the Second 2022 Warrants designated as "Second 2022 Warrant Units" (such Units, the **Second 2022 Warrant Units**) corresponding to the number of Second 2022 Warrants issued in the Second 2022 Private Placement and (C) a number of Units with rights and privileges corresponding to the 2022 Pre-Funded Warrants designated as "2022 Pre-Funded Warrant Units" (such Units, the **2022 Pre-Funded Warrant Units**) corresponding to the number of 2022 Pre-Funded Warrants issued in the Second 2022 Private Placement;

WHEREAS, the Units and other Equity Securities owned by each of the Members as of the date hereof are set forth on Exhibit A; and

WHEREAS, the Members of the Company desire to amend and restate the Existing LLC Agreement and adopt this Agreement, which shall supersede and replace the Existing LLC Agreement in its entirety as of the date hereof.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

A. Definitions

a. Definitions

. As used in this Agreement and the Schedules and Exhibits attached to this Agreement, the following definitions shall apply:

1. **"2022 Notes"** is defined in the recitals to this Agreement.
2. **"2022 Pre-Funded Warrants"** is defined in the recitals to this Agreement.
3. **"2022 Pre-Funded Warrant Units"** is defined in the recitals to this Agreement.
4. **"2022 Private Placement"** is defined in the recitals to this Agreement.
5. **"2022 Warrants"** is defined in the recitals to this Agreement.
6. **"2022 Warrant Units"** is defined in the recitals to this Agreement.
7. **"Act"** means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101, et seq., as amended from time to time (or any corresponding provisions of succeeding Law).
8. **"Action"** means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Entity.
9. **"Adjusted Basis"** has the meaning given such term in Section 1011 of the Code.
10. **"Adjusted Capital Account Deficit"** means the deficit balance, if any, in such Member's Capital Account at the end of any Fiscal Year or other taxable period, with the following adjustments:

credit to such Capital Account any amount that such Member is obligated to restore under Treasury Regulations Section 1.704-1(b)(2)(ii)(c), as well as any addition thereto pursuant to the next to last sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) after

taking into account thereunder any changes during such year in Company Minimum Gain and Member Minimum Gain; and

- i. debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(f)(4), (5) and (6).

This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations Sections 1.704-1(b)(2)(ii)(d) and 1.704-2 and shall be interpreted consistently therewith.

- a. **"Affiliate"** means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. For these purposes, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise; *provided* that, for purposes of this Agreement, (a) no Member shall be deemed an Affiliate of the Company or any of its Subsidiaries and (b) none of the Company or any of its Subsidiaries shall be deemed an Affiliate of any Member.
 - b. **"Agreement"** is defined in the preamble to this Agreement.
 - c. **"B. Riley Warrant Units"** means those Warrant Units issued by the Company, in accordance with Section 3.1(b), corresponding to those certain warrants issued by PubCo to B. Riley Securities, Inc. on each of March 19, 2021, and May 14, 2021. For the avoidance of doubt, (i) the B. Riley Warrant Units have been, and shall continue to be, treated as Units for U.S. federal income tax purposes under this Agreement unless expressly noted otherwise, and (ii) for U.S. federal (and applicable state and local) income tax purposes, the B. Riley Warrant Units are intended to constitute "profits interests" within the meaning of IRS Revenue Procedure 93-27 and IRS Revenue Procedure 2001-43.
 - d. **"beneficially own"** and **"beneficial owner"** shall be as defined in Rule 13d-3 of the rules promulgated under the Exchange Act.
 - e. **"Board"** means the board of directors of PubCo.
 - f. **"Business Day"** means any day (other than a Saturday or Sunday) on which commercial banks in the city of the Company's principal place of business are generally open for business.
 - g. **"Business Opportunities Exempt Party"** is defined in Section 7.4.
 - h. **"Buyback Tax"** is defined in Section 6.7.
 - i. **"Call Right"** is defined in Section 3.6(n).
 - j. **"Capital Account"** means, with respect to any Member, the Capital Account maintained for such Member in accordance with Section 3.4.
 - k. **"Capital Contribution"** means, with respect to any Member, the amount of cash and the initial Gross Asset Value of any property (other than cash) contributed to the Company by such Member. Any reference to the Capital Contribution of a Member will include any Capital Contributions made by a predecessor holder of such Member's Units to the extent that such Capital Contribution was made in respect of Units Transferred to such Member.
 - l. **"Cash Election"** means an election by the Company to redeem Units for cash pursuant to Section 3.6(d) or an election by PubCo (or such designated member(s) of the PubCo Holdings Group) to purchase Units for cash pursuant to an exercise of its Call Right set forth in Section 3.6(n).
"Cash Election Amount" means with respect to a particular Redemption for which a Cash Election has been made, (a) other than in the case of clause (b), if the Common Shares trade on a securities exchange or automated or electronic quotation system, an amount of cash
-

equal to the product of (i) the number of Common Shares that would have been received in such Redemption if a Cash Election had not been made and (ii) the average of the volume-weighted closing price for a Common Share on the principal U.S. securities exchange or automated or electronic quotation system on which the Common Shares trade, as reported by Bloomberg, L.P., or its successor, for each of the 10 consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Notice Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Common Shares; (b) if the Cash Election is made in respect of a Redemption Notice issued by a Redeeming Member in connection with a Public Offering (or PubCo consummates a Public Offering to fund such Cash Election), an amount of cash equal to the product of (i) the number of Common Shares that would have been received in such Redemption if a Cash Election had not been made and (ii) the price per Common Share sold to the public in such Public Offering (reduced by the amount of any Discount associated with such Common Share), and (c) if the Common Shares do not trade on a securities exchange or automated or electronic quotation system, an amount of cash equal to the product of (i) the number of Common Shares that would have been received in such Redemption if a Cash Election had not been made and (ii) the Fair Market Value of one Common Share, as determined by the Managing Member in Good Faith, that would be obtained in an arms' length transaction for cash between an informed and willing buyer and an informed and willing seller, neither of whom is under any compulsion to buy or sell, and without regard to the particular circumstances of the buyer or seller and without any discounts for liquidity or minority discount.

- a. **"Change of Control"** means the occurrence of any of the following events or series of events after the date hereof:
 - b. (a) any Person (excluding a corporation or other entity owned, directly or indirectly, by the shareholders of PubCo in substantially the same proportions as their ownership of PubCo Shares and excluding Q Power and its Affiliates) is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the rules promulgated under the Exchange Act), directly or indirectly, of securities of PubCo representing more than 50% of the combined voting power of PubCo's then outstanding voting securities;
 - c. (b) there is consummated a merger or consolidation of PubCo with any other corporation or other entity, and, immediately after the consummation of such merger or consolidation, the voting securities of PubCo immediately prior to such merger or consolidation do not continue to represent or are not converted into more than 50% of the combined voting power of the then-outstanding voting securities of the Person resulting from such merger or consolidation or, if the surviving company is a Subsidiary, the ultimate parent thereof; or
 - (c) the shareholders of PubCo approve a plan of complete liquidation or dissolution of PubCo or there is consummated an agreement or series of related agreements for the sale or other disposition, directly or indirectly, by PubCo of all or substantially all of PubCo's assets, other than such sale or other disposition by PubCo of all or substantially all of PubCo's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of PubCo in substantially the same proportions as their ownership of PubCo immediately prior to such sale.
 - a. **"Change of Control Exchange Date"** is defined in Section 3.6(q).
 - b. **"Code"** means the United States Internal Revenue Code of 1986, as amended.
 - c. **"Commission"** means the U.S. Securities and Exchange Commission, including any governmental body or agency succeeding to the functions thereof.
-

- d. **"Common Shares"** means, as applicable, (a) the Class A Common Stock or (b) following any consolidation, merger, reclassification or other similar event involving PubCo, any shares or other securities of PubCo or any other Person or cash or other property that become payable in consideration for the Common Shares or into which the Common Shares is exchanged or converted as a result of such consolidation, merger, reclassification or other similar event.
 - e. **"Common Units"** means the Units designated as "Class A Common Units" and corresponding to the Common Shares.
 - f. **"Company"** is defined in the preamble to this Agreement.
 - g. **"Company Level Taxes"** means any U.S. federal, state, or local taxes, additions to tax, penalties, and interest payable by the Company or any of its Subsidiaries as a result of any examination of the Company's or any of its Subsidiaries' affairs by any U.S. federal, state, or local tax authorities, including resulting administrative and judicial proceedings under the Partnership Tax Audit Rules.
 - h. **"Company Minimum Gain"** has the meaning of "partnership minimum gain" set forth in Treasury Regulations Sections 1.704-2(b)(2) and 1.704-2(d). It is further understood that Company Minimum Gain shall be determined in a manner consistent with the rules of Treasury Regulations Section 1.704-2(b)(2), including the requirement that if the adjusted Gross Asset Value of property subject to one or more Nonrecourse Liabilities differs from its adjusted tax basis, Company Minimum Gain shall be determined with reference to such Gross Asset Value.
 - i. **"Company Representative"** has the meaning assigned to the term "partnership representative" in Section 6223 of the Code and any "designated individual," if applicable, as defined in the Treasury Regulations promulgated thereunder (including, in each case, any similar capacity or role under relevant state or local law), as appointed pursuant to Section 9.5.
 - j. **"Contract"** means any written agreement, contract, lease, sublease, license, sublicense, obligation, promise or undertaking.
 - k. **"control"** (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by Contract, credit arrangement or otherwise.
 - l. **"Covered Audit Adjustment"** means an adjustment to any partnership-related item (within the meaning of Section 6241(2)(B) of the Code) to the extent such adjustment results in an "imputed underpayment" as described in Section 6225(b) of the Code or any analogous provision of state or local Law.
 - m. **"Covered Person"** is defined in Section 6.2(a).
 - n. **"Debt Securities"** means any and all debt instruments or debt securities that are not convertible or exchangeable into Equity Securities of any member of the PubCo Holdings Group.
 - o. **"Depreciation"** means, for each Fiscal Year or other taxable period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year or other taxable period, except that (a) with respect to any such property the Gross Asset Value of which differs from its Adjusted Basis for U.S. federal income tax purposes and which difference is being eliminated by use of the "remedial method" pursuant to Treasury Regulations Section 1.704-3(d), Depreciation for
-

such Fiscal Year or other taxable period shall be the amount of book basis recovered for such Fiscal Year or other taxable period under the rules prescribed by Treasury Regulations Section 1.704-3(d)(2), and (b) with respect to any other such property the Gross Asset Value of which differs from its Adjusted Basis for U.S. federal income tax purposes at the beginning of such Fiscal Year or other taxable period, Depreciation shall be an amount that bears the same ratio to such beginning Gross Asset Value as the U.S. federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other taxable period bears to such beginning Adjusted Basis; *provided, however*, that if the Adjusted Basis for U.S. federal income tax purposes of an asset at the beginning of such Fiscal Year or other taxable period is zero, Depreciation with respect to such asset shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Managing Member.

- p. **"DGCL"** means the General Corporation Law of the State of Delaware, as amended from time to time (or any corresponding provisions of succeeding Law).
 - q. **"Discount"** means any underwriters' discounts or commissions and brokers' fees or commissions.
 - r. **"Effective Date"** means January 1, 2022, except that with respect to any Equity Securities or other securities described herein whose issuance occurred later than such date, "Effective Date" shall mean the date upon which such Equity Securities were issued.
 - s. **"Equity Payment"** is defined in Section 6.7.
 - t. **"Equity Securities"** means (a) with respect to a partnership, limited liability company or similar Person, any and all units, interests, rights to purchase, warrants, options or other equivalents of, or other ownership interests in, any such Person as well as debt or equity instruments convertible, exchangeable or exercisable into any such units, interests, rights or other ownership interests and (b) with respect to a corporation, any and all shares, interests, participation or other equivalents (however designated) of corporate stock, including all common stock and preferred stock, or warrants, options or other rights to acquire any of the foregoing, including any debt instrument convertible or exchangeable into any of the foregoing (including, for the avoidance of doubt, the 2022 Notes).
 - u. **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.
 - v. **"Excess Tax Amount"** is defined in Section 9.6(c).
 - w. **"Exchange Act"** means the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder, as the same may be amended from time to time (or any corresponding provisions of succeeding Law).
 - x. **"Existing LLC Agreement"** is defined in the recitals to this Agreement.
 - y. **"Fair Market Value"** means the fair market value of any property as reasonably determined by the Managing Member after taking into account such factors as the Managing Member shall deem appropriate.
 - z. **"Federal Bankruptcy Code"** means Title 11 of the United States Code, as amended from time to time, and all rules and regulations promulgated thereunder.
 - aa. **"Financing Amendment"** is defined in the recitals to this Agreement.
 - ab. **"Fiscal Year"** means the fiscal year of the Company, which shall end on December 31 of each calendar year unless, for U.S. federal income tax purposes, another fiscal year is required. The Company shall have the same fiscal year for U.S. federal income tax purposes and for accounting purposes.
 - ac. **"GAAP"** means U.S. generally accepted accounting principles at the time.
-

“Good Faith” means a Person having acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to a criminal proceeding, having had no reasonable cause to believe such Person’s conduct was unlawful.

1. **“Governmental Entity”** means any federal, national, supranational, state, provincial, local, foreign or other government, governmental, stock exchange, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.
 2. **“Gross Asset Value”** means, with respect to any asset, the asset’s Adjusted Basis for U.S. federal income tax purposes, except as follows:
 - a. the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross Fair Market Value of such asset as of the date of such contribution;
 - b. the Gross Asset Values of all Company assets shall be adjusted to equal their respective gross Fair Market Values as of the following times: (i) the acquisition of an interest (or additional interest) in the Company by any new or existing Member in exchange for more than a *de minimis* Capital Contribution to the Company or in exchange for the performance of more than a *de minimis* amount of services to or for the benefit of the Company; (ii) the distribution by the Company to a Member of more than a *de minimis* amount of Company assets as consideration for an interest in the Company; (iii) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g)(1), (iv) the acquisition of an interest in the Company by any new or existing Member upon the exercise of a noncompensatory option in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(s); or (v) any other event to the extent determined by the Managing Member to be permitted and necessary or appropriate to properly reflect Gross Asset Values in accordance with the standards set forth in Treasury Regulations Section 1.704-1(b)(2)(iv)(q) ; *provided, however*, that adjustments pursuant to clauses (i), (ii) and (iv) above shall be made only if the Managing Member reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company. If any noncompensatory options are outstanding upon the occurrence of an event described in this subsection (b)(i) through (b)(v), the Company shall adjust the Gross Asset Values of its properties in accordance with Treasury Regulations Sections 1.704-1(b)(2)(iv)(f)(1) and 1.704-1(b)(2)(iv)(h)(2);
 - c. the Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross Fair Market Value of such asset on the date of such distribution;
 - d. the Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the Adjusted Basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and subsection (f) in the definition of “Profits” or “Losses” below or Section 4.2(h); *provided, however*, that the Gross Asset Value of a Company asset shall not be adjusted pursuant to this subsection to the extent the Managing Member determines that an adjustment pursuant to subsection (b) of this definition is necessary or appropriate in connection with a
-

transaction that would otherwise result in an adjustment pursuant to this subsection (d); and

- e. if the Gross Asset Value of a Company asset has been determined or adjusted pursuant to subsections (a), (b) or (d) of this definition of Gross Asset Value, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits, Losses, and other items allocated pursuant to Article IV.

3. **"Indebtedness"** means (a) all indebtedness for borrowed money (including capitalized lease obligations, sale-leaseback transactions or other similar transactions, however evidenced), (b) any other indebtedness that is evidenced by a note, bond, debenture, draft or similar instrument, (c) notes payable, and (d) lines of credit and any other agreements relating to the borrowing of money or extension of credit.
 4. **"Interest"** means the entire interest of a Member in the Company, including the Units and all of such Member's rights, powers and privileges under this Agreement and the Act.
 5. **"Investment Company Act"** means the Investment Company Act of 1940, as the same may be amended from time to time (or any corresponding provisions of succeeding Law).
 6. **"Law"** means any statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law) of any Governmental Entity.
 7. **"Legal Action"** is defined in Section 11.8.
 8. **"Liability"** means any liability or obligation, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due, regardless of when asserted.
 9. **"Liquidating Event"** is defined in Section 10.1.
 10. **"Managing Member"** is defined in Section 6.1(a).
 11. **"May 2022 Preferred Unit"** is defined in the recitals to this Agreement.
 12. **"Member"** means any Person that executes this Agreement as a Member, and any other Person admitted to the Company as an additional or substituted Member, in each case, that has not made a disposition of such Person's entire Interest.
 13. **"Member Minimum Gain"** has the meaning ascribed to "partner nonrecourse debt minimum gain" set forth in Treasury Regulations Section 1.704-2(i). It is further understood that the determination of Member Minimum Gain and the net increase or decrease in Member Minimum Gain shall be made in the same manner as required for such determination of Company Minimum Gain under Treasury Regulations Sections 1.704-2(d) and 1.704-2(g)(3).
 14. **"Member Nonrecourse Debt"** has the meaning of "partner nonrecourse debt" set forth in Treasury Regulations Section 1.704-2(b)(4).
 15. **"Member Nonrecourse Deductions"** has the meaning of "partner nonrecourse deductions" set forth in Treasury Regulations Sections 1.704-2(i)(1) and 1.704-2(i)(2).
 - "Minority Member Redemption Date"** is defined in Section 3.6(o).
 - "Minority Member Redemption Notice"** is defined in Section 3.6(o).
 1. **"National Securities Exchange"** means an exchange registered with the Commission under the Exchange Act.
 2. **"Nonrecourse Deductions"** has the meaning assigned that term in Treasury Regulations Section 1.704-2(b).
 3. **"Nonrecourse Liability"** is defined in Treasury Regulations Section 1.704-2(b)(3).
-

4. **"Participating Warrant Units"** means any Warrant Units corresponding to warrants issued by PubCo that are entitled to participate in dividends or other distributions with respect to the Common Shares.
 5. **"Partnership Tax Audit Rules"** means Sections 6221 through 6241 of the Code, together with any final or temporary Treasury Regulations, Revenue Rulings, and case Law interpreting Sections 6221 through 6241 of the Code (and any analogous provision of state or local tax Law).
 6. **"Permitted Transferee"** means, with respect to any Member: (a) any Affiliate of such Member; (b) with respect to any Member that is a natural person or of which a majority of the outstanding Equity Securities and voting power with respect to the election of directors (or the selection of any other similar governing body in the case of an entity other than a corporation) are beneficially owned (as such term is defined under Rule 13d-3 of the Exchange Act) by a single natural person, a trust established by or for the benefit of such natural person of which only such natural person and his or her immediate family members are beneficiaries; and (c) upon the death of any Member that is a natural person, an executor, administrator or beneficiary of the estate of the deceased Member.
 7. **"Person"** means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.
 8. **"Plan Asset Regulations"** means the regulations issued by the U.S. Department of Labor at Section 2510.3-101 of Part 2510 of Chapter XXV, Title 29 of the Code of Federal Regulations, or any successor regulations as the same may be amended from time to time.
 9. **"Preferred PubCo Unit"** means any Unit issued by the Company, in accordance with Section 3.1(b), corresponding to any Equity Security (other than Common Shares or any other class of common equity) issued by PubCo, and that is not a Common Unit or Warrant Unit.
 10. **"Prior Partnership"** means Scrubgrass Reclamation Company, LLC, a Delaware limited liability company (previously known as Scrubgrass Generating Company, L.P., a Delaware limited partnership).
 11. **"Proceeding"** is defined in Section 6.2(a).
 12. **"Profits"** or **"Losses"** means, for each Fiscal Year or other taxable period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments (without duplication):
 - a. any income or gain of the Company that is exempt from U.S. federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss;
 - b. any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) of the Code expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses, shall be subtracted from such taxable income or loss;
 - c. if the Gross Asset Value of any Company asset is adjusted pursuant to subsection (b) or (c) of the definition of Gross Asset Value above, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the Company asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the Company asset) from the disposition of
-

such asset and shall, except to the extent allocated pursuant to Section 4.2, be taken into account for purposes of computing Profits or Losses;

- d. gain or loss resulting from any disposition of Company assets with respect to which gain or loss is recognized for U.S. federal income tax purposes shall be computed with reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;
- e. in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation;
- f. to the extent an adjustment to the adjusted tax basis of any asset pursuant to Section 734(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Account balances as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or an item of loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and
- g. any items of income, gain, loss or deduction that are specifically allocated pursuant to the provisions of Section 4.2 shall not be taken into account in computing Profits or Losses for any taxable year, but such items available to be specially allocated pursuant to Section 4.2 will be determined by applying rules analogous to those set forth in subsections (a) through (f) above.

13. **"Property"** means all real and personal property owned by the Company from time to time, including both tangible and intangible property.

14. **"PubCo"** is defined in the recitals to this Agreement.

15. **"PubCo Approved Change of Control"** means any Change of Control specified in clause (b) of the definition thereof that meets the following conditions: (i) such Change of Control was approved by the Board prior to such Change of Control, (ii) such Change of Control results in an early termination of and acceleration of payments under the TRA, (iii) the terms of such Change of Control provide for the consideration for the Units in such Change of Control to consist solely of (A) freely and immediately tradeable common Equity Securities of an issuer listed on a National Securities Exchange or (B) cash, and (iv) if such consideration includes common equity, the market value of the outstanding common equity held by non-Affiliates of such issuer is at least twice as large as the market value of all of the outstanding common equity of PubCo, in each case on a fully-diluted basis immediately before the public announcement of such Change of Control.

16. **"PubCo Holdings Group"** means PubCo and each Subsidiary of PubCo (other than the Company and its Subsidiaries).

17. **"PubCo Shares"** means all shares of stock in PubCo, including the Common Shares and the Voting Shares.

18. **"Public Offering"** means an underwritten offering and sale of Equity Securities to the public pursuant to a registration statement, including a "bought" deal or "overnight" public offering.

19. **"Q Power"** is defined in the recitals to this Agreement.

"Reclassification Event" means any of the following: (a) any reclassification or recapitalization of PubCo Shares (other than as a result of a subdivision or combination or any transaction

subject to Section 3.1(e)), (b) any merger, consolidation or other combination involving PubCo, or (c) any sale, conveyance, lease, or other disposal

of all or substantially all the properties and assets of PubCo to any other Person, in each of clauses (a), (b) or (c), as a result of which holders of PubCo Shares shall be entitled to receive cash, securities or other property for their PubCo Shares.

1. **"Redeeming Member"** is defined in Section 3.6(a).
 2. **"Redemption"** means any redemption of Common Units for Common Shares pursuant to this Agreement.
 3. **"Redemption Date"** means a Regular Redemption Date, a Special Redemption Date or, with respect to a Redemption pursuant to clause (x) of Section 3.6(e)(iii), the later of (a) the date specified in the Redemption Notice delivered by the Member and (b) the date that is ten (10) Business Days after the delivery of the Redemption Notice to the Company and PubCo.
 4. **"Redemption Notice"** is defined in Section 3.6(b).
 5. **"Redemption Notice Date"** means, with respect to any Regular Redemption Date or Special Redemption Date, the date that is 10 Business Days before such Redemption Date, and for any other Redemption Date, the date the Redemption Notice with respect to such Redemption Date is delivered, which date shall not be less than 10 Business Days before such Redemption Date.
 6. **"Redemption Right"** is defined in Section 3.6(a).
 7. **"Regular Redemption Date"** means a date within each fiscal quarter specified by PubCo from time to time, which will generally be set so that the corresponding Redemption Notice Date falls within a window after PubCo's earnings announcement for the prior fiscal quarter or in connection with a Public Offering.
 8. **"Regulatory Allocations"** is defined in Section 4.2(i).
 9. **"Second 2022 Private Placement"** is defined in the recitals to this Agreement.
 10. **"Second 2022 Warrants"** is defined in the recitals to this Agreement.
 11. **"Second 2022 Warrant Units"** is defined in the recitals to this Agreement.
 12. **"Series C Preferred Stock"** is defined in the recitals to this Agreement.
 13. **"Series C Preferred Units"** is defined in the recitals to this Agreement.
 14. **"Securities Act"** means the Securities Act of 1933, and the rules and regulations promulgated thereunder, as the same may be amended from time to time (or any corresponding provisions of succeeding Law).
 15. **"Special Redemption Date"** means a date specified by PubCo in addition to or in lieu of the Regular Redemption Date during the same fiscal quarter. PubCo must specify a Special Redemption Date effective with any Public Offering.
 16. **"Subsequent TRA"** means any tax receivable agreement (or comparable agreement), other than the TRA, entered into by PubCo or any of its Subsidiaries pursuant to which any member of the PubCo Holdings Group is obligated to pay over amounts with respect to tax benefits resulting from any tax attributes to which any member of the PubCo Holdings Group becomes entitled.
 17. **"Subsidiary"** means, with respect to any specified Person, any other Person with respect to which such specified Person (a) has, directly or indirectly, the power, through the ownership of securities or otherwise, to elect a majority of directors or similar managing body or (b) beneficially owns, directly or indirectly, a majority of such Person's Equity Securities.
 18. **"Tax Contribution Obligation"** is defined in Section 9.6(c).
-

19. **"Tax Offset"** is defined in Section 9.6(c).
 20. **"Tax-Related Distribution"** is defined in Section 5.2.
 21. **"Tax-Related Liabilities"** means (a) any U.S. federal, state and local and non-U.S. tax obligations owed by a Member (including any Company Level Taxes for which a Member is liable hereunder, but excluding any obligations to remit any amounts withheld from payments to third parties) and (b) any obligations of such Member under the TRA or any Subsequent TRA; *provided, however*, that, notwithstanding anything in this Agreement to the contrary, "Tax-Related Liabilities" shall not include Buyback Taxes.
 22. **"TRA"** means that certain tax receivable agreement, dated as of April 1, 2021, by and among PubCo, Q Power and Gregory A. Beard, as agent, as the same may be amended, supplemented or restated from time to time.
 23. **"Trading Day"** means a day on which the New York Stock Exchange or such other principal United States securities exchange on which the Common Shares are listed or admitted to trading is open for the transaction of business (unless such trading shall have been suspended for the entire day).
 24. **"Transfer"** means, when used as a noun, any voluntary or involuntary, direct or indirect (whether through a change of control of the Transferor or any Person that controls the Transferor, the issuance or transfer of Equity Securities of the Transferor, by operation of law or otherwise), transfer, sale, pledge or hypothecation (other than a bona fide pledge to secure Indebtedness) or other disposition and, when used as a verb, voluntarily or involuntarily, directly or indirectly (whether through a change of control of the Transferor or any Person that controls the Transferor, the issuance or transfer of Equity Securities of the Transferor or any Person that controls the Transferor, by operation of law or otherwise), to transfer, sell, pledge or hypothecate or otherwise dispose of; *provided, however*, that, notwithstanding anything in this Agreement to the contrary, the transfer of Equity Securities in Q Power or any direct or indirect owner thereof shall not be deemed a Transfer for any purpose of this Agreement. The terms **"Transferee," "Transferor," "Transferred,"** and other forms of the word **"Transfer"** shall have the correlative meanings. **"Transfer Agent"** means AST Financial or such other agent or agents of PubCo as may be designated by the Board as the transfer agent for the Common Shares.
 1. **"Treasury Regulations"** means pronouncements, as amended from time to time, or their successor pronouncements, which clarify, interpret and apply the provisions of the Code, and which are designated as "Treasury Regulations" by the United States Department of the Treasury.
 2. **"Uniform Commercial Code"** means the Uniform Commercial Code or any successor provision thereof as the same may from time to time be in effect in the State of Delaware.
 3. **"Units"** means the Common Units, WH Warrant Units, B. Riley Warrant Units, 2022 Warrant Units, Series C Preferred Units, Second 2022 Warrant Units, and 2022 Pre-Funded Warrant Units issued hereunder and shall also include any Equity Security of the Company issued in respect of or in exchange for Units, whether by way of dividend or other distribution, split, recapitalization, merger, rollup transaction, consolidation, conversion or reorganization.
 4. **"Voting Shares"** means, as applicable, (a) the Class V Common Stock or (b) following any consolidation, merger, reclassification or other similar event involving PubCo, any shares or other securities of PubCo or any other Person or cash or other property that become payable in consideration for the Voting Shares or into which the Voting Shares is
-

exchanged or converted as a result of such consolidation, merger, reclassification or other similar event.

5. **"WH Credit Agreement"** is defined in the recitals to this Agreement.
6. **"WH Warrant Agreement"** means any Stock Purchase Warrant pursuant to which PubCo grants to WhiteHawk the right to purchase from PubCo a number of Common Shares at a price per share equal to \$0.01, including such Stock Purchase Warrants dated as of June 30, 2021, March 28, 2022, August 3, 2022, and October 27, 2022.
7. **"WH Warrant Units"** means any Warrant Units issued pursuant to any WH Warrant Agreement.
8. **"Warrant Units"** means any Units designated as "Warrant Units" issued by the Company, in accordance with Section 3.1(b), corresponding to any warrants issued by PubCo (including, for the avoidance of doubt, the WH Warrant Units, the 2022 Warrant Units, the B. Riley Warrant Units, the Second 2022 Warrant Units and the 2022 Pre-Funded Warrant Units), which shall be treated as Units for U.S. federal (and applicable state and local) income tax purposes under this Agreement unless expressly noted otherwise. It is intended that for U.S. federal (and applicable state and local) income tax purposes any Warrant Units corresponding to warrants issued by the Company that are properly respected as warrants for U.S. federal (and applicable state and local) income taxes constitute "profits interests" within the meaning of IRS Revenue Procedure 93-27 and IRS Revenue Procedure 2001-43.
9. **"WhiteHawk"** is defined in the recitals to this Agreement.
10. **"Winding-Up Member"** is defined in Section 10.2(a).

a. Interpretive Provisions

- . For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:
 - i. all accounting terms not otherwise defined herein have the meanings assigned under GAAP;
 - ii. all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars;
 - iii. when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated;
 - iv. whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation";
 - v. "or" is disjunctive and is not exclusive;
 - vi. pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;
 - vii. references to any Law shall include any successor legislation and all rules and regulations promulgated thereunder as in effect from time to time in accordance with the terms thereof and references to any Law shall be construed as including all statutory, legal, and regulatory provisions consolidating, amending or replacing such Law as amended from time to time;
 - viii. the words "hereof", "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;
-

- ix. whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and when counting days, the date of commencement will not be included as a full day for purposes of computing any applicable time periods (except as otherwise may be required under any applicable Law). If any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action may be deferred until the next Business Day.

B. ORGANIZATION OF THE LIMITED LIABILITY COMPANY

a. **Formation**

. The Company has been formed as a limited liability company subject to the provisions of the Act upon the terms, provisions and conditions set forth in this Agreement.

a. **Filing**

. The Company's Certificate of Formation has been filed with the Secretary of State of the State of Delaware in accordance with the Act. The Members shall execute such further documents (including amendments to such Certificate of Formation) and take such further action as is appropriate to comply with the requirements of Law for the formation or operation of a limited liability company in Delaware and in all states and counties where the Company may conduct its business.

a. **Name**

. The name of the Company is "Stronghold Digital Mining Holdings LLC" and all business of the Company shall be conducted in such name or, in the discretion of the Managing Member, under any other name.

a. **Registered Office; Registered Agent**

. The location of the registered office of the Company and the name and address for service of process on the Company in the State of Delaware are as set forth in the Company's Certificate of Formation, or such other office, qualified Person or address, as applicable, as the Managing Member may designate from time to time.

a. **Principal Place of Business**

. The principal place of business of the Company shall be located in such place as is determined by the Managing Member from time to time.

a. **Purpose; Powers**

. The nature of the business or purposes to be conducted or promoted by the Company is to engage in any lawful act or activity for which limited liability companies may be formed under the Act. The Company shall have the power and authority to take any and all actions and engage in any and all activities necessary, appropriate, desirable, advisable, ancillary or incidental to the accomplishment of the foregoing purpose.

a. **Term**

. The term of the Company commenced on the date of filing of the Certificate of Formation of the Company with the office of the Secretary of State of the State of Delaware in accordance with the Act and shall continue indefinitely. The Company may be dissolved and its affairs wound up only in accordance with Article X.

a. **Intent**

. It is the intent of the Members that the Company be operated in a manner consistent with its treatment as a "partnership" solely for U.S. federal (and applicable state and local) income tax purposes. It is also the intent of the Members that the Company not be operated or treated as a "partnership" for any other purpose, including for purposes of Section 303 of the

Federal Bankruptcy Code. Neither the Company nor any Member shall take any action inconsistent with the express intent of the parties hereto as set forth in this Section 2.8.

A. OWNERSHIP AND CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS

a. **Authorized Equity Securities; General Provisions With Respect to Equity Securities and Debt Securities**

i. *Company Equity Securities Generally.*

1. Subject to the provisions of this Agreement, the Company shall be authorized to issue from time to time such number of Units (including Common Units, Warrant Units and Preferred PubCo Units) and such other Equity Securities as the Managing Member shall determine in accordance with Section 3.3. Each authorized Unit and other Equity Security may be issued pursuant to such agreements as the Managing Member shall approve, including pursuant to options and warrants. The Company may reissue any Units or other Equity Securities that have been repurchased or acquired by the Company.
2. Except to the extent explicitly provided otherwise herein (including Section 3.3), each outstanding Common Unit shall be identical and each outstanding Warrant Unit shall be identical to each other Warrant Unit in the same class.
3. Initially, none of the Units or other Equity Securities will be represented by certificates. If the Managing Member determines that it is in the interest of the Company to issue certificates representing the Units or other Equity Securities, certificates will be issued and the Units or other Equity Securities will be represented by those certificates, and this Agreement shall be amended as necessary or desirable to reflect the issuance of certificated Units or other Equity Securities for purposes of the Uniform Commercial Code. Nothing contained in this Section 3.1(a)(iii) shall be deemed to authorize or permit any Member to Transfer its Units or other Equity Securities except as otherwise permitted under this Agreement.
4. The total number of Units and other Equity Securities issued and outstanding and held by each Member as of the date hereof is set forth in Exhibit A hereto. In the case of any Transfers of Interests, the issuance of additional Equity Securities, the redemption or conversion of any Units or other Equity Securities and, subject to Section 11.1(a), subdivisions or combinations of Units made in compliance with Section 3.1(e), in each case, in accordance with the terms of this Agreement, the Company shall be authorized to update Exhibit A, or any other books and records of the Company, to reflect such action, and the total number of Units and other Equity Securities issued and outstanding and held by each Member shall be as reflected in the books and records of the Company.

ii. *Issuances of Company Equity Securities and Company Debt Securities Generally*

- a. If, at any time after April 1, 2021, PubCo issues a Common Share or any other Equity Security of PubCo (other than

Voting Shares), (1) one or more member(s) of the PubCo Holdings Group shall concurrently contribute to the Company the net proceeds (in cash or other property, as the case may be), if any, received by PubCo for such Common Share or other Equity Security and (2) the Company shall concurrently issue to the relevant member(s) of the PubCo Holdings Group (and the Company shall be deemed to have automatically issued to such member(s) of the PubCo Holdings Group without further action or agreement), in accordance with the contributions made by each such member pursuant to clause (1), if any, one Common Unit (if PubCo issues a Common Share), or such other Equity Security of the Company (if PubCo issues Equity Securities other than Common Shares) corresponding to the Equity Securities issued by PubCo, and with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of PubCo to be issued. Notwithstanding the foregoing:

If PubCo issues any Common Shares in order to acquire or fund the acquisition from a Member (other than any member of the PubCo Holdings Group) of a number of Common Units (and Voting Shares) equal to the number of Common Shares so issued, then the Company shall not issue any new Units in connection therewith and, where such Common Shares have been issued for cash to fund such an acquisition by any member of the PubCo Holdings Group pursuant to a Cash Election, the PubCo Holdings Group shall not be required to transfer such net proceeds to the Company, and such net proceeds shall instead be transferred by such member of the PubCo Holdings Group to such Member as consideration for such acquisition as required pursuant to Section 3.6(n). For the avoidance of doubt, if PubCo issues any Common Shares or other Equity Security for cash to be used to fund the direct or indirect acquisition by any member of the PubCo Holdings Group of any Person or the assets of any Person, then the PubCo Holdings Group shall not be required to transfer such cash proceeds to the Company but instead such member of the PubCo Holdings Group shall be required to contribute (or cause to be contributed) such Person or the material assets and Liabilities of such Person to the Company or any of its Subsidiaries.

- i. This Section 3.1(b)(i) shall not apply (I) to the issuance and distribution to holders of PubCo Shares of rights to purchase Equity Securities of PubCo under a "poison pill" or similar shareholders rights plan (and upon any Redemption of Common Units for Common Shares, such Common Shares will be issued together with a corresponding right under such plan) or (II) to the issuance under PubCo's employee benefit plans of any warrants, options, other rights to acquire Equity Securities of PubCo or rights or property that may be converted into or settled in Equity Securities of PubCo, but
-

shall in each of the foregoing cases apply to the issuance of Equity Securities of PubCo in connection with the exercise or settlement of such rights, warrants, options or other rights or property.

1. Except pursuant to Section 3.6 or Section 6.7, (A) the Company may not issue any additional Units to any member of the PubCo Holdings Group unless substantially simultaneously therewith a member of the PubCo Holdings Group issues or sells an equal number of newly issued Common Shares to another Person, and (B) the Company may not issue any other Equity Securities of the Company to any member of the PubCo Holdings Group unless substantially simultaneously such member of the PubCo Holdings Group issues or sells, to another Person, an equal number of newly issued shares of a new class or series of Equity Securities of such member of the PubCo Holdings Group with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of the Company.
 2. If at any time any member of the PubCo Holdings Group issues Debt Securities, such member of the PubCo Holdings Group shall transfer to the Company (in a manner to be determined by the Managing Member in its reasonable discretion) the proceeds received by such member of the PubCo Holdings Group in exchange for such Debt Securities (or if such proceeds are used to fund the direct or indirect acquisition by a member of the PubCo Holdings Group of any Person or the assets of any Person, then such Person or the material assets and liabilities of such Person) in a manner that directly or indirectly burdens the Company with the repayment of the Debt Securities.
- iii. *Issuances of Company Equity Securities Upon Exercise, Conversion or Exchange of PubCo Equity Securities.* If any Equity Security outstanding at PubCo is exercised or otherwise converted or exchanged and, as a result, any Common Shares or other Equity Securities of PubCo are issued, (A) the corresponding Equity Security outstanding at the Company shall be similarly exercised or otherwise converted or exchanged, as applicable, and an equivalent number of Units or other Equity Securities of the Company shall be issued to the PubCo Holdings Group as contemplated by the first sentence of Section 3.1(b)(i), and (B) the PubCo Holdings Group shall concurrently contribute to the Company the net proceeds, if any, received by the PubCo Holdings Group from any such exercise or other conversion or exchange. For the avoidance of doubt, each outstanding Warrant Unit shall automatically convert into a number of Common Units equal to the number of Common Shares issued upon the exercise of the corresponding warrant issued by PubCo; *provided that*, if the Warrant Units are certificated, each holder of Warrant Units shall surrender all of its Warrant Units to the Company.
-

- iv. *Certain Redemptions of Equity Securities by or from the PubCo Holdings Group*
1. No member of the PubCo Holdings Group may redeem, repurchase or otherwise acquire (other than pursuant to Section 3.1(c) or from another member of the PubCo Holdings Group) (A) any Common Shares (including upon forfeiture of any unvested Common Shares) unless substantially simultaneously the Company redeems, repurchases or otherwise acquires from the PubCo Holdings Group an equal number of Units for the same price per security or (B) any other Equity Securities of PubCo (other than Voting Shares), unless substantially simultaneously the Company redeems, repurchases or otherwise acquires from the PubCo Holdings Group an equal number of Equity Securities of the Company of a corresponding class or series with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of PubCo for the same price per security.
 2. The Company may not redeem, repurchase or otherwise acquire, except pursuant to Section 3.1(c) or Section 3.6, (A) any Common Units from the PubCo Holdings Group unless substantially simultaneously the PubCo Holdings Group redeems, repurchases or otherwise acquires an equal number of Common Shares for the same price per security from holders thereof, or (B) any other Equity Securities of the Company from the PubCo Holdings Group unless substantially simultaneously the PubCo Holdings Group redeems, repurchases or otherwise acquires for the same price per security an equal number of Equity Securities of PubCo of a corresponding class or series with substantially the same rights to dividends and distributions (including distribution upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of PubCo.
 3. Notwithstanding the foregoing, to the extent that any consideration payable by the PubCo Holdings Group in connection with the redemption or repurchase of (or repayment of principal outstanding on) any Common Shares or other Equity Securities of PubCo consists (in whole or in part) of Common Shares or such other Equity Securities (including, for the avoidance of doubt, in connection with the cashless exercise of an option or warrant), then the redemption or repurchase of the corresponding Common Units or other Equity Securities of the Company shall be effectuated in an equivalent manner.
- v. *Subdivision or Combination of Company Equity Securities or PubCo Equity Securities* The Company shall not in any manner effect any subdivision (by any equity split, equity distribution, reclassification, recapitalization or otherwise) or combination (by reverse equity split,
-

reclassification, recapitalization or otherwise) of the outstanding Equity Securities of the Company unless accompanied by an identical subdivision or combination, as applicable, of the related outstanding PubCo Shares, with corresponding changes made with respect to any other exchangeable or convertible securities. Unless in connection with any action taken pursuant to Section 3.1(g), PubCo shall not in any manner effect any subdivision (by any equity split, equity distribution, reclassification, recapitalization or otherwise) or combination (by reverse equity split, reclassification, recapitalization or otherwise) of the outstanding PubCo Shares unless accompanied by an identical subdivision or combination, as applicable, of the related outstanding Units or other Equity Securities of the Company (if any), with corresponding changes made with respect to any other exchangeable or convertible securities.

- i. *Redemption of Units by Company to Fund Acquisitions* Notwithstanding any other provision of this Agreement:
 1. The Company may redeem Units from the PubCo Holdings Group for cash to fund any direct or indirect acquisition by the PubCo Holdings Group of another Person; *provided that*, promptly after such redemption and acquisition, the PubCo Holdings Group contributes or causes to be contributed, directly or indirectly, such Person or the material assets and Liabilities of such Person to the Company or any of its Subsidiaries in exchange for a number of Units equal to the number of Units so redeemed.
 2. The Company may redeem Units from the PubCo Holdings Group for all or a portion of the stock or other equity interests of a Subsidiary of the Company held by the Company; *provided that*, promptly after such redemption and any related transactions, the PubCo Holdings Group contributes or causes to be contributed, directly or indirectly, the material assets and liabilities of such Subsidiary to the Company or any of its other Subsidiaries in exchange for a number of Units equal to the number of Units so redeemed.
 - ii. *Excess PubCo Holdings Group Cash.* Notwithstanding any other provision of this Agreement, if the PubCo Holdings Group acquires or holds any material amount of cash in excess of any monetary obligations it reasonably anticipates (including as a result of the receipt of distributions pursuant to Section 5.2 for any period in excess of the Tax-Related Liabilities of PubCo Holdings Group for such period), the Managing Member may, in its sole discretion:
 1. contribute (or cause to be contributed) such excess cash amount to the Company in exchange for a number of Common Units or other Equity Securities of the Company determined in its sole discretion, and distribute to the holders of Common Shares, if the Company issues Common Units to the PubCo Holdings Group, Common Shares, or, if the Company issues Equity Securities of the Company other than Common Units to the PubCo Holdings Group, such other Equity Security of PubCo corresponding to the Equity
-

Securities issued by the Company and with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other liabilities borne by PubCo) and other economic rights as those of such Equity Securities of the Company issued, or

2. use such excess cash amount in such other manner, and make such other adjustments to or take such other actions with respect to the capitalization of PubCo and the Company and to the one-to-one exchange ratio between Common Units and Common Shares, as the Managing Member in Good Faith determines to be fair and reasonable to the shareholders of PubCo and to the Members and to preserve the intended economic effect of this Section 3.1, Section 3.6 and the other provisions hereof.
- iii. *Cancellation of Voting Shares in Certain Circumstances.* Upon any redemption, repurchase, exchange or other acquisition and/or cancellation by, or forfeiture to, the Company of Units held by any Person (other than (i) any Member of the PubCo Holdings Group or (ii) as a result of any restructuring where substantially similar interests are issued to the holders of such Units), a corresponding number of Voting Shares held by such Person shall be automatically forfeited and cancelled for no consideration; *provided, however,* that this Section 3.1(h) shall not apply to any Units whose issuance was not accompanied by a corresponding issuance of Voting Shares.

a. Voting Rights

No Member has any voting right except with respect to those matters specifically reserved for a Member vote under the Act and for matters expressly requiring the approval of Members under this Agreement. Except as otherwise required by the Act, each Common Unit will entitle the holder thereof to one vote on all matters to be voted on by the Members. Except as otherwise expressly provided in this Agreement, the holders of Units having voting rights will vote together as a single class on all matters to be approved by the Members.

a. Capital Contributions; Unit Ownership

- i. *Capital Contributions.* Except as otherwise set forth in Section 3.1 with respect to the obligations of the PubCo Holdings Group, no Member shall be required to make additional Capital Contributions.
- ii. *Issuance of Additional Interests.* Except as otherwise expressly provided in this Agreement, the Managing Member shall have the right to authorize and cause the Company to issue on such terms (including price) as may be determined by the Managing Member (i) subject to the limitations of Section 3.1, additional Equity Securities in the Company (including creating preferred interests or other classes or series of interests having such rights, preferences and privileges as determined by the Managing Member, which rights, preferences and privileges may be senior to the Units), and (ii) obligations, evidences of Indebtedness or other securities or interests convertible or exchangeable for Equity Securities in the Company; *provided* that, at any time following the date hereof, in each case the Company shall not issue Equity Securities in the Company to any

Person unless such Person shall have executed a counterpart to this Agreement and all other documents, agreements or instruments deemed necessary or desirable in the reasonable discretion of the Managing Member. Upon such issuance and execution, such Person shall be admitted as a Member of the Company. In that event, the Managing Member shall update the Company's books and records to reflect such additional issuances. Subject to Section 11.1, the Managing Member is hereby authorized to amend this Agreement to set forth the designations, preferences, rights, powers and duties of such additional Equity Securities in the Company, or such other amendments that the Managing Member determines to be otherwise necessary or appropriate in connection with the creation, authorization or issuance of, any class or series of Equity Securities in the Company pursuant to this Section 3.3(b); *provided that*, notwithstanding the foregoing, the Managing Member shall have the right to amend this Agreement as set forth in this sentence without the approval of any other Person (including any Member) and notwithstanding any other provision of this Agreement (including Section 11.1) if such amendment is necessary, and then only to the extent necessary, in order to consummate any offering of PubCo Shares or other Equity Securities of PubCo provided that the designations, preferences, rights, powers and duties of any such additional Equity Securities of the Company as set forth in such amendment are substantially similar to those applicable to such PubCo Shares or other Equity Securities of PubCo.

b. Capital Accounts

. A Capital Account shall be maintained for each Member in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv) and, to the extent consistent with such regulations, the other provisions of this Agreement. Each Member's Capital Account shall be (a) increased by (i) allocations to such Member of Profits pursuant to Section 4.1 and any other items of income or gain allocated to such Member pursuant to Section 4.2, (ii) the amount of cash or the initial Gross Asset Value of any asset (net of any Liabilities assumed by the Company and any Liabilities to which the asset is subject, and taking into account the last sentence of this Section 3.4) contributed to the Company by such Member, and (iii) any other increases allowed or required by Treasury Regulations Section 1.704-1(b)(2)(iv), and (b) decreased by (i) allocations to such Member of Losses pursuant to Section 4.1 and any other items of deduction or loss allocated to such Member pursuant to the provisions of Section 4.2, (ii) the amount of any cash or the Gross Asset Value of any asset (net of any Liabilities assumed by the Member and any Liabilities to which the asset is subject) distributed to such Member, and (iii) any other decreases allowed or required by Treasury Regulations Section 1.704-1(b)(2)(iv). If a Transfer of Units is made in accordance with this Agreement (including a deemed Transfer for U.S. federal income tax purposes as described in Section 3.6(g)), the Capital Account of the Transferor that is attributable to the Transferred Units shall carry over to the Transferee Member in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv)(f). Except as otherwise required by applicable Law, the Members and the Company agree that, for U.S. federal and applicable state and local income tax purposes, upon the issuance to any member of the PubCo Holdings Group of a Preferred PubCo Unit corresponding to an Equity Security of PubCo issued with a discount, to the extent determined by the Managing Member to be necessary and appropriate with respect to such Preferred PubCo Unit, such member of the PubCo

Holdings Group shall be treated as contributing to the Company an intangible asset with an initial Gross Asset Value equal to the amount of such discount.

a. **Other Matters**

- i. No Member shall be entitled to a return on or of its Capital Contributions or withdraw from the Company without the consent of the Managing Member.
- ii. No Member shall receive any interest, salary, compensation, draw or reimbursement with respect to its Capital Contributions or its Capital Account, or for services rendered or expenses incurred on behalf of the Company or otherwise in its capacity as a Member, except as otherwise provided in Section 6.7 or as otherwise contemplated by this Agreement.
- iii. The Liability of each Member shall be limited as set forth in the Act and other applicable Law and, except as expressly set forth in this Agreement or required by Law, no Member (or any of its Affiliates) shall be personally liable, whether to the Company, any of the other Members, the creditors of the Company, or any other third party, for any debt or Liability of the Company, whether arising in Contract, tort or otherwise, solely by reason of being a Member of the Company.
- iv. Except as otherwise required by the Act, a Member shall not be required to restore a deficit balance in such Member's Capital Account, to lend any funds to the Company or, except as otherwise set forth herein, to make any additional contributions or payments to the Company.

b. **Redemption of Common Units**

- i. Each Member other than the PubCo Holdings Group shall be entitled from time to time to cause the Company to redeem all or a portion of such Member's Common Units (such Member a "**Redeeming Member**"), together with the surrender and delivery of an equal number of Voting Shares, in exchange for Common Shares or, at the Company's election under certain circumstances, cash in accordance with Section 3.6(d) (referred to herein as the "**Redemption Right**"), upon the terms and subject to the conditions set forth in this Section 3.6 and subject to PubCo's (or such designated member(s) of the PubCo Holdings Group's) Call Right as set forth in Section 3.6(n).
 - ii. In order to exercise its Redemption Right, each Redeeming Member shall provide written notice in a reasonable form as the Company may provide from time to time (the "**Redemption Notice**") to the Company and PubCo, on or before any Redemption Notice Date, stating that the Redeeming Member elects to have redeemed on the next Redemption Date a stated number of Common Units, together with the surrender and delivery of an equal number of Voting Shares. Upon delivery of any Redemption Notice by any Member on or before any Redemption Notice Date, such Member may not revoke or rescind such Redemption Notice after such Redemption Notice Date. If the Common Shares are publicly traded, any Redemption Notice may be made contingent on the price of a Common Share at the close of business on the last Trading Day prior to the Redemption Date (as reported by Bloomberg, L.P. or its successor)
-

being equal to or above a price specified in the Redemption Notice. Any Redemption Notice delivered for a Redemption on a Special Redemption Date may be made contingent on the consummation of the Public Offering or other transaction described in the notice of the Managing Member specifying such Special Redemption Date.

- iii. On any Redemption Date for which any Member delivered a Redemption Notice with respect to Common Units, unless the Company elects to pay cash in accordance with Section 3.6(d) or PubCo (or such designated member(s) of the PubCo Holdings Group) exercises its Call Right pursuant to Section 3.6(n), subject to Section 3.6(f), on such Redemption Date such number of Common Units, together with the surrender and delivery of an equal number of Voting Shares, shall be redeemed for an equal number of Common Shares.
 - iv. The Company shall be entitled to elect to settle any Redemption by delivering to the Redeeming Member, in lieu of the applicable number of Common Shares that would be received in such Redemption, an amount of cash equal to the Cash Election Amount for such shares.
 - v. Subject to Section 3.6(f), each Member's Redemption Right shall be subject to the following limitations and qualifications:
 - 1. Except as provided herein, Redemptions shall only be permitted on each Redemption Date.
 - 2. Except as provided in clause (iii)(y) below and absent the prior written consent of the Managing Member (not to be unreasonably withheld, conditioned or delayed), with respect to any Redemption, a Redeeming Member shall be required to redeem at least a number of Common Units equal to the lesser of 0.1% of the total number of all outstanding Common Units and all of the Common Units then held by such Redeeming Member.
 - 3. Notwithstanding anything to the contrary in this Agreement, a Redeeming Member may exercise its Redemption Right (x) with respect to at least 2.0% of the total number of all outstanding Common Units at any time or (y) with respect to any of the then-held Common Units of such Member if such Redemption Right is exercised in connection with a valid exercise of such Member's rights to have the Common Shares issuable in connection with such Redemption to participate in a Public Offering.
 - 4. Any Redemption of Common Units may be limited in accordance with the terms of any agreements or instruments entered into in connection with such issuance, as deemed necessary or desirable in the discretion of the Managing Member.
 - vi. The Managing Member may impose additional limitations and restrictions on Redemptions (including limiting Redemptions or creating priority procedures for Redemptions), solely to the extent it determines such limitations and restrictions to be necessary or appropriate to avoid undue risk that the Company may be classified as a "publicly traded partnership" within the meaning of Section 7704 of the Code. Furthermore, the Managing Member may require any Member or group of Members to redeem all of their Common Units to the extent it determines, that such
-

Redemption is necessary or appropriate to avoid undue risk that the Company may be classified as a “publicly traded partnership” within the meaning of Section 7704 of the Code. Upon delivery of any notice by the Managing Member to such Member or group of Members requiring such Redemption, such Member or group of Members shall exchange, subject to exercise by PubCo (or such designated member(s) of the PubCo Holdings Group) of the Call Right pursuant to Section 3.6(n), all of their Common Units effective as of the date specified in such notice (and such date shall be deemed to be a Redemption Date for purposes of this Agreement) in accordance with this Section 3.6 and otherwise in accordance with the requirements set forth in such notice.

- vii. For U.S. federal income (and applicable state and local) tax purposes, each of the Redeeming Member, the Company and PubCo (and any other member of the PubCo Holding Group), as the case may be, agree to treat each Redemption and, if PubCo (or another member of the PubCo Holdings Group) exercises its Call Right, each transaction between the redeeming or selling Member and PubCo (or such other member of the PubCo Holdings Group), as a sale of such Member’s Common Units (together, if applicable, with the same number of Voting Shares) to PubCo (or such other member of the PubCo Holdings Group) in exchange for Common Shares or cash (and any associated payments made pursuant to the TRA or any applicable Subsequent TRA), as applicable.
 - viii. Each Redemption shall be deemed to have been effected on the applicable Redemption Date. Any Member redeeming Common Units in accordance with this Agreement may request that the Common Shares to be issued upon such Redemption be issued in a name other than such Member. Any Person or Persons in whose name or names any Common Shares are issuable on any Redemption Date shall be deemed to have become, on such Redemption Date, the holder or holders of record of such shares.
 - ix. If the redeemed Common Units (or the Voting Shares to be transferred and surrendered) are represented by a certificate or certificates, prior to the Redemption Date, the Redeeming Member shall also present and surrender such certificate or certificates representing such Common Units (or Voting Shares) during normal business hours at the principal executive offices of the Company or at the office of the Transfer Agent. If required by the Managing Member, any certificate for Common Units (or Voting Shares) surrendered to the Company or Transfer Agent hereunder shall be accompanied by instruments of Transfer, in forms reasonably satisfactory to the Managing Member and the Transfer Agent, duly executed by the Redeeming Member or the Redeeming Member’s duly authorized representative.
 - x. Unless a member of the PubCo Holdings Group has elected its Call Right pursuant to Section 3.6(n) with respect to any Redemption, on the relevant Redemption Date and immediately prior to such Redemption, (i) the Redeeming Member shall Transfer and surrender the redeemed Common Units (and a corresponding number of Voting Shares) to the Company, (ii) PubCo (or such other member(s) of the PubCo Holdings Group) shall contribute to the Company the consideration the Redeeming Member is
-

entitled to receive under Section 3.6(c) (including if the Company exercises its right to deliver the Cash Election Amount pursuant to Section 3.6(d)) and the Company shall issue to PubCo (or such other member(s) of the PubCo Holdings Group) a number of Common Units or, pursuant to Section 3.1(b), other Equity Securities of the Company as consideration for such contribution, (iii) the Company shall (A) cancel the redeemed Common Units and (B) Transfer to the Redeeming Member the consideration the Redeeming Member is entitled to receive under Section 3.6(c) (including if the Company exercises its right to deliver the Cash Election Amount pursuant to Section 3.6(d)), (iv) PubCo shall cancel the surrendered Voting Shares, if applicable, and (v) if the redeemed Common Units are certificated, issue to the Redeeming Member a certificate for the number of Common Units equal to the difference (if any) between the number of Units evidenced by the certificate surrendered by the Redeeming Member and the number of redeemed Units.

- xi. If (i) there is any reclassification, reorganization, recapitalization or other similar transaction pursuant to which the Common Shares are converted or changed into another security, securities or other property (other than as a result of a subdivision or combination or any transaction subject to Section 3.1(d) or Section 3.1(e)), or (ii) except in connection with actions taken with respect to the capitalization of PubCo or the Company pursuant to Section 3.1(g), PubCo, by dividend or otherwise, distributes to all holders of the Common Shares evidences of its Indebtedness or assets, including securities (including Common Shares and any rights, options or warrants to all holders of the Common Shares to subscribe for or to purchase or to otherwise acquire Common Shares, or other securities or rights convertible into, redeemable for or exercisable for Common Shares) but excluding (A) any cash dividend or distribution or (B) any such distribution of Indebtedness or assets, in either case (A) or (B) received by PubCo, directly or indirectly, from the Company in respect of the Common Units, then upon any subsequent Redemption, in addition to the Common Shares or the Cash Election Amount, as applicable, each Redeeming Member shall be entitled to receive the amount of such security, securities or other property that such Member would have received if such Redemption had occurred immediately prior to the effective date of such reclassification, reorganization, recapitalization, other similar transaction, dividend or other distribution, taking into account any adjustment as a result of any subdivision (by any split, distribution or dividend, reclassification, reorganization, recapitalization or otherwise) or combination (by reverse split, reclassification, recapitalization or otherwise) of such security, securities or other property that occurs after the effective time of such reclassification, reorganization, recapitalization or other similar transaction. If there is any reclassification, reorganization, recapitalization or other similar transaction in which the Common Shares are converted or changed into another security, securities or other property, or any dividend or distribution (other than an excluded dividend or distribution, as described above in clause (A) or (B)), this Section 3.6 shall continue to be

applicable, *mutatis mutandis*, with respect to such security or other property.

- i. PubCo shall at all times keep available, solely for the purpose of issuance upon a Redemption, out of its authorized but unissued Common Shares, such number of Common Shares that shall be issuable upon the Redemption of all outstanding Common Units (other than those Common Units held by any member of the PubCo Holdings Group). PubCo covenants that all Common Shares that shall be issued upon a Redemption shall, upon issuance thereof, be validly issued, fully paid and non-assessable (except as such non-assessability may be limited by Sections 18-607 and 18-804 of the Act). In addition, for so long as the Common Shares are listed on a National Securities Exchange, PubCo shall use its reasonable best efforts to cause all Common Shares issued upon a Redemption to be listed on such National Securities Exchange at the time of such issuance.
 - ii. The issuance of Common Shares upon a Redemption shall be made without charge to the Redeeming Member for any stamp or other similar tax in respect of such issuance, except that if any such Common Shares are to be issued in a name other than that of the Redeeming Member, then the Person or Persons in whose names such shares are to be issued shall pay to PubCo (or such other member of the PubCo Holdings Group) the amount of any tax payable in respect of any Transfer involved in such issuance or establish to the satisfaction of PubCo that such tax has been paid or is not payable. Each of the Company and PubCo (or such other member of the PubCo Holdings Group) shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable upon a Redemption (and the Redeeming Member agrees to indemnify the Company and the PubCo Holdings Group with respect to) such amounts as may be required to be deducted or withheld therefrom under the Code or any provision of applicable Law, and to the extent deduction and withholding is required, such deduction and withholding may be taken in Common Shares. Prior to making such deduction or withholding, the Company shall give written notice to the Redeeming Member and reasonably cooperate with such Redeeming Member to reduce or avoid any such withholding. To the extent such amounts are so deducted or withheld and paid over to the relevant governmental authority, such amounts shall be treated for all purposes under this Agreement as having been paid to the Redeeming Member, and, if withholding is taken in Common Shares, the relevant withholding party shall be treated as having sold such Common Shares on behalf of such Redeeming Member for an amount of cash equal to the Fair Market Value thereof at the time of such deemed sale and paid such cash proceeds to the appropriate Governmental Entity.
 - iii. Notwithstanding anything to the contrary in this Section 3.6, a Redeeming Member shall be deemed to have offered to sell its Common Units as described in any Redemption Notice to each member of the PubCo Holdings Group, and PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) may, in its sole discretion, in
-

accordance with this Section 3.6(n), elect to purchase directly and acquire such Common Units on the Redemption Date by paying to the Redeeming Member that number of Common Shares the Redeeming Member would otherwise receive pursuant to Section 3.6(c) or, if PubCo (or such designated member(s) of the PubCo Holdings Group) makes a Cash Election, the Cash Election Amount for such Common Shares (the "**Call Right**"), whereupon PubCo (or such designated member(s) of the PubCo Holdings Group) shall acquire the Common Units offered for Redemption by the Redeeming Member and shall be treated thereafter for all purposes of this Agreement as the owner of such Common Units.

- i. If (i) the Members (other than any member of the PubCo Holdings Group) beneficially own, in the aggregate, less than ten percent (10%) of the then-outstanding Common Units and (ii) the Common Shares are listed or admitted to trading on a National Securities Exchange, PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) shall have the right, in its sole discretion, to require any Member (other than any member of the PubCo Holdings Group), collectively with its Affiliates, that beneficially owns less than five percent (5%) of the then-outstanding Common Units to effect a Redemption of all of such Member's Common Units (together with the surrender and delivery of the same number of Voting Shares); *provided* that a Cash Election shall not be permitted pursuant to such a Redemption under this Section 3.6(o). PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) shall deliver written notice to the Company and any such Member of its intention to exercise its Redemption Right pursuant to this Section 3.6(o) (a "**Minority Member Redemption Notice**") at least 5 Business Days prior to the proposed date upon which such Redemption is to be effected (such proposed date, the "**Minority Member Redemption Date**"), indicating in such notice the number of Common Units (and corresponding Voting Shares) held by such Member that PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) intends to require to be subject to such Redemption. Any Redemption pursuant to this Section 3.6(o) shall be effective on the Minority Member Redemption Date. From and after the Minority Member Redemption Date, (x) the Common Units and Voting Shares subject to such Redemption shall be deemed to be Transferred to PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) on the Minority Member Redemption Date and (y) such Member shall cease to have any rights with respect to the Common Units and Voting Shares subject to such Redemption (other than the right to receive Common Shares pursuant to such Redemption). Following delivery of a Minority Member
-

Redemption Notice and on or prior to the Minority Member Redemption Date, the Members shall take all actions reasonably requested by PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) to effect such Redemption, including taking any action and delivering any document required pursuant to the remainder of this Section 3.6 to effect a Redemption. Notwithstanding the foregoing, PubCo will only have the right to deliver a Minority Member Redemption Notice if (x) there is an active shelf registration statement in effect with respect to all of such Member's Common Units subject to Redemption pursuant to a given Minority Member Redemption Notice, and (y) the Common Shares issuable to such Member shall not be subject to any lockup or other restrictions on Transfer.

- ii. No Redemption shall impair the right of the Redeeming Member to receive any distributions payable on the Common Units redeemed pursuant to such Redemption in respect of a record date that occurs prior to the Redemption Date for such Redemption. No Redeeming Member, or a Person designated by a Redeeming Member to receive Common Shares, shall be entitled to receive, with respect to such record date, distributions or dividends both on Common Units redeemed by the Company from such Redeeming Member and on Common Shares received by such Redeeming Member, or other Person so designated, if applicable, in such Redemption.
 - iii. In connection with a PubCo Approved Change of Control, PubCo shall have the right, in its sole discretion, to require each Member (other than any member of the PubCo Holdings Group) to effect a Redemption of all of such Member's Common Units (together, if applicable, with the corresponding number of Voting Shares); *provided, however*, that if any Member owns more than 10% of the total number of outstanding Common Units at the time of a PubCo Approved Change of Control, PubCo shall use commercially reasonable efforts to consult and cooperate with such Member to structure such Redemption in a tax efficient manner mutually agreeable to such Member and PubCo. Any Redemption pursuant to this Section 3.6(q) shall be effective immediately prior to and conditioned upon the consummation of the PubCo Approved Change of Control (the "**Change of Control Exchange Date**"). From and after the Change of Control Exchange Date, (i) the Common Units and Voting Shares subject to such Redemption shall be deemed to be transferred to PubCo on the Change of Control Exchange Date and (ii) such Member shall cease to have any rights with respect to the Common Units and Voting Shares subject to such Redemption (other than the right to receive Common Shares pursuant to such Redemption). PubCo shall provide written notice of an expected PubCo Approved Change of Control to all Members within the earlier of (x) 5 Business Days following the execution of the agreement with respect to such PubCo Approved Change of Control and (y) 10 Business Days before the proposed date upon which the contemplated PubCo Approved Change of Control is to be effected, indicating in such notice such information as may reasonably describe the PubCo Approved Change of Control transaction, subject to applicable Law, including the date of execution of such agreement or such proposed
-

effective date, as applicable, the amount and types of consideration to be paid for Common Shares in the PubCo Approved Change of Control, any election with respect to types of consideration that a holder of Common Shares, as applicable, shall be entitled to make in connection with such PubCo Approved Change of Control, and the number of Common Units (and, if applicable, the corresponding Voting Shares) held by such Member that PubCo intends to require to be subject to such Redemption. Following delivery of such notice and on or prior to the Change of Control Exchange Date, the Members shall take all actions reasonably requested by PubCo (or such other member of the PubCo Holdings Group) to effect such Redemption, including taking any action and delivering any document required pursuant to the remainder of this Section 3.6(q) to effect a Redemption. Nothing contained in this Section 3.6(q) shall limit the right of any Member to vote for or participate in any proposed Change of Control of PubCo with respect to such Member's Common Units and Voting Shares or exchange all Common Units of such Member for Common Shares in connection with such Change of Control.

c. Deemed Capital Contributions

. Consistent with the principles of Treasury Regulation Section 1.83-6(d), if any Member (or its Affiliate) transfers property (including cash) to any service provider, or to another Person, in satisfaction of an obligation of the Company or any of the Company's subsidiaries (or other entities in which the Company holds an equity interest) and such Member is not entitled to be reimbursed by (or otherwise elects not to seek reimbursement from) the Company for the value of such property (including by way of issuance of Units, Equity Securities or Debt Securities), then, for U.S. federal income and applicable state and local tax purposes, (a) such property shall be treated as having been contributed to the Company by such Member and (b) immediately thereafter the Company shall be treated as having transferred such property to the service provider or Person or otherwise satisfying such obligation.

A. ALLOCATIONS OF PROFITS AND LOSSES

a. Profits and Losses

. After giving effect to the allocations under Section 4.2 and subject to Section 4.4, Profits and Losses for each Fiscal Year or other taxable period shall be allocated among the Members during such Fiscal Year or other taxable period in a manner such that, after giving effect to the special allocations set forth in Section 4.2 and all distributions through the end of such Fiscal Year or other taxable period, the Capital Account balance of each Member, immediately after making such allocation, is, as nearly as possible, equal to (i) the amount such Member would receive pursuant to Section 10.2(b) if all assets of the Company on hand at the end of such Fiscal Year or other taxable period were sold for cash equal to their Gross Asset Values, all Liabilities of the Company were satisfied in cash in accordance with their terms (limited with respect to each Nonrecourse Liability to the Gross Asset Value of the assets securing such Liability), and all remaining or resulting cash was distributed, in accordance with Section 10.2(b), to the Members immediately after making such allocation, *minus* (ii) such Member's share of Company Minimum Gain and Member Minimum Gain, computed immediately prior to the hypothetical sale of assets, and the amount any such Member is treated as obligated to contribute to the Company, computed immediately after the hypothetical sale of assets.

a. Special Allocations

. The following allocations shall be made in the following order:

- i. Nonrecourse Deductions for any Fiscal Year or other taxable period shall be specially allocated to the Members on a *pro rata* basis, in accordance with the number of Units owned by each Member as of the last day of such Fiscal Year or other taxable period. The amount of Nonrecourse Deductions for a Fiscal Year or other taxable period shall equal the excess, if any, of the net increase, if any, in the amount of Company Minimum Gain during that Fiscal Year or other taxable period over the aggregate amount of any distributions during that Fiscal Year or other taxable period of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain, determined in accordance with the provisions of Treasury Regulations Section 1.704-2(d).
 - ii. Any Member Nonrecourse Deductions for any Fiscal Year or other taxable period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i). If more than one Member bears the economic risk of loss for such Member Nonrecourse Debt, the Member Nonrecourse Deductions attributable to such Member Nonrecourse Debt shall be allocated among the Members according to the ratio in which they bear the economic risk of loss. This Section 4.2(b) is intended to comply with the provisions of Treasury Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.
 - iii. Notwithstanding any other provision of this Agreement to the contrary, if there is a net decrease in Company Minimum Gain during any Fiscal Year or other taxable period (or if there was a net decrease in Company Minimum Gain for a prior Fiscal Year or other taxable period and the Company did not have sufficient amounts of income and gain during prior periods to allocate among the Members under this Section 4.2(c)), each Member shall be specially allocated items of Company income and gain for such Fiscal Year or other taxable period in an amount equal to such Member's share of the net decrease in Company Minimum Gain during such year (as determined pursuant to Treasury Regulations Section 1.704-2(g)(2)). This Section 4.2(c) is intended to constitute a minimum gain chargeback under Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.
 - iv. Notwithstanding any other provision of this Agreement except Section 4.2(c), if there is a net decrease in Member Minimum Gain during any Fiscal Year or other taxable period (or if there was a net decrease in Member Minimum Gain for a prior Fiscal Year or other taxable period and the Company did not have sufficient amounts of income and gain during prior periods to allocate among the Members under this Section 4.2(d)), each Member shall be specially allocated items of Company income and gain in an amount equal to such Member's share of the net decrease in Member Minimum Gain (as determined pursuant to Treasury Regulations Section 1.704-2(i)(4)). This Section 4.2(d) is intended to constitute a partner nonrecourse debt minimum gain chargeback under Treasury
-

- Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.
- v. Notwithstanding any provision hereof to the contrary except Section 4.2(a) and Section 4.2(b), no Losses or other items of loss or expense shall be allocated to any Member to the extent that such allocation would cause such Member to have an Adjusted Capital Account Deficit (or increase any existing Adjusted Capital Account Deficit) at the end of such Fiscal Year or other taxable period. All Losses and other items of loss and expense in excess of the limitation set forth in this Section 4.2(e) shall be allocated to the Members who do not have an Adjusted Capital Account Deficit in proportion to their relative positive Capital Accounts but only to the extent that such Losses and other items of loss and expense do not cause any such Member to have an Adjusted Capital Account Deficit.
 - vi. Notwithstanding any provision hereof to the contrary except Section 4.2(c) and Section 4.2(d), if any Member unexpectedly receives any adjustment, allocation or distribution described in paragraph (4), (5) or (6) of Treasury Regulations Section 1.704-1(b)(2)(ii)(d), items of income and gain (consisting of *apro rata* portion of each item of income, including gross income, and gain for the Fiscal Year or other taxable period) shall be specially allocated to such Member in an amount and manner sufficient to eliminate any Adjusted Capital Account Deficit of that Member as quickly as possible; provided that an allocation pursuant to this Section 4.2(f) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article IV have been tentatively made as if this Section 4.2(f) were not in this Agreement. This Section 4.2(f) is intended to constitute a qualified income offset under Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.
 - vii. If any Member has a deficit balance in its Capital Account at the end of any Fiscal Year or other taxable period that is in excess of the sum of (i) the amount that such Member is obligated to restore and (ii) the amount that the Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), that Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 4.2(g) shall be made only if and to the extent that such Member would have a deficit balance in its Capital Account in excess of such sum after all other allocations provided for in this Article IV have been made as if Section 4.2(f) and this Section 4.2(g) were not in this Agreement.
 - viii. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Sections 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution to any Member in complete liquidation of such Member's Interest in the Company, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment
-

decreases such basis) and such item of gain or loss shall be allocated to the Members in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) if such section applies or to the Member to whom such distribution was made if Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

- ix. The allocations set forth in Section 4.2(a) through Section 4.2(h) (the "**Regulatory Allocations**") are intended to comply with certain requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding any other provision of this Article IV (other than the Regulatory Allocations), the Regulatory Allocations (and anticipated future Regulatory Allocations) shall be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocation of other items and the Regulatory Allocations to each Member should be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred. This Section 4.2(i) is intended to minimize to the extent possible and to the extent necessary any economic distortions which may result from application of the Regulatory Allocations and shall be interpreted in a manner consistent therewith.
- x. Items of income, gain, loss, expense or credit resulting from a Covered Audit Adjustment shall be allocated to the Members in accordance with the applicable provisions of the Partnership Tax Audit Rules, as reasonably determined by the Managing Member.
- xi. Consistent with the principles of Treasury Regulation Section 1.83-6(d), if any Member (or its Affiliate) transfers property (including cash) to any service provider, or to another Person, in satisfaction of an obligation of the Company or any of the Company's Subsidiaries (or other entities in which the Company holds an equity interest), and such Member is not entitled to be reimbursed by (or otherwise elects not to seek reimbursement from) the Company for the value of such property, then any items of deduction or loss resulting from or attributable to such transfer shall be allocated to the Member (or its successor) and such Member shall be deemed to have contributed such property to the Company pursuant to Section 3.7.

b. Allocations for Tax Purposes in General

- i. Except as otherwise provided in this Section 4.3, each item of income, gain, loss, deduction and credit of the Company for U.S. federal income tax purposes shall be allocated among the Members in the same manner as such item is allocated under Section 4.1 and Section 4.2.
 - ii. In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder (including the Treasury Regulations applying the principles of Section 704(c) of the Code to changes in Gross Asset Values), items of income, gain, loss and deduction with respect to any Company property having a Gross Asset Value that differs from such property's adjusted U.S. federal income tax basis shall, solely for U.S. federal income tax purposes, be allocated among the Members to account for any such difference using such method or methods determined by the
-

Managing Member to be appropriate and in accordance with the applicable Treasury Regulations; *provided*, that the Managing Member will, to the greatest extent possible, use the “traditional method with curative allocations,” with the curative allocations applied only to sale gain, under Treasury Regulations Section 1.704-3(c) with respect to the assets owned by the Company immediately following the date of the Third Amended and Restated Limited Liability Company Agreement of the Company, dated as of October 22, 2021.

- iii. Any (i) recapture of Depreciation or any other item of deduction shall be allocated, in accordance with Treasury Regulations Sections 1.1245-1(e) and 1.1254-5, to the Members who received the benefit of such deductions to the maximum extent permissible by Law, and (ii) recapture of grants or credits shall be allocated to the Members in accordance with applicable Law.
- iv. Tax credits of the Company shall be allocated among the Members as provided in Treasury Regulation Sections 1.704-1(b)(4)(ii) and 1.704-1(b)(4)(viii).
- v. Allocations pursuant to this Section 4.3 are solely for purposes of U.S. federal, state and local taxes and shall not affect or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.
- vi. If, as a result of an exercise of a noncompensatory option to acquire an interest in the Company, a Capital Account reallocation is required under Treasury Regulations Section 1.704-1(b)(2)(iv)(s)(3), the Company shall make corrective allocations pursuant to Treasury Regulations Section 1.704-1(b)(4)(x).

c. Other Allocation Rules

- i. The Members are aware of the income tax consequences of the allocations made by this Article IV and the economic impact of the allocations on the amounts receivable by them under this Agreement. The Members hereby agree to be bound by the provisions of this Article IV in reporting their share of Company income and loss for income tax purposes.
 - ii. The provisions regarding the establishment and maintenance for each Member of a Capital Account as provided by Section 3.4 and the allocations set forth in Section 4.1, Section 4.2, and Section 4.3 are intended to comply with the Treasury Regulations and to reflect the intended economic entitlement of the Members. If the Managing Member determines that the application of the provisions in Section 3.4, Section 4.1, Section 4.2, or Section 4.3 would result in non-compliance with the Treasury Regulations or would be inconsistent with the intended economic entitlement of the Members, the Managing Member is authorized to make any appropriate adjustments to such provisions.
 - iii. All items of income, gain, loss, deduction and credit allocable to an interest in the Company that may have been Transferred shall be allocated between the Transferor and the Transferee in accordance with a method
-

determined by the Managing Member and permissible under Section 706 of the Code and the Treasury Regulations thereunder.

- iv. The Members' proportionate shares of the "excess nonrecourse liabilities" of the Company, within the meaning of Treasury Regulations Section 1.752-3(a)(3), shall be allocated to the Members on a *pro rata* basis, in accordance with the number of Units owned by each Member unless otherwise determined by the Managing Member.

B. DISTRIBUTIONS

a. Distributions

- i. Distributions. To the extent permitted by applicable Law and hereunder, and except as otherwise provided in Section 10.2, distributions to Members may be declared by the Managing Member out of funds legally available therefor in such amounts and on such terms (including the payment dates of such distributions) as the Managing Member shall determine using such record date as the Managing Member may designate; any such distribution shall be made to the Members as of the close of business on such record date on a *pro rata* basis (provided that repurchases or redemptions made in accordance with Section 3.1, Section 3.6, or payments made in accordance with Section 6.2 or Section 6.7 need not be on a *pro rata* basis), in accordance with the number of Common Units and Participating Warrant Units owned by each Member as of the close of business on such record date; *provided, however*, that the Managing Member shall have the obligation to make distributions (i) solely with respect to the relevant class of Preferred Pubco Units in such times and in such amounts as correspond to any amounts required to be paid by the PubCo Holdings Group with respect to the corresponding Equity Security issued by PubCo of such Preferred Pubco Units (other than any amounts paid in redemption of the relevant Preferred Pubco Units in accordance with Section 3.1(d)) and (ii) as set forth in Section 5.2 and Section 10.2(b)(iii). Promptly following the designation of a record date and the declaration of a distribution pursuant to this Section 5.1, the Managing Member shall give notice to each Member of the record date, the amount and the terms of the distribution and the payment date thereof.
 - ii. Successors. For purposes of determining the amount of distributions, each Member shall be treated as having made the Capital Contributions and as having received the distributions made to or received by its predecessors in respect of any of such Member's Units.
 - iii. Distributions In-Kind. Except as otherwise provided in this Agreement, any distributions may be made in cash or in kind, or partly in cash and partly in kind, as determined by the Managing Member. Except for repurchases or redemptions made in accordance with Section 3.1(d), Section 3.6, or payments made in accordance with Section 6.2 or Section 6.7, in the event of any distribution of (i) property in kind or (ii) both cash and property in kind, each Member shall be distributed its proportionate share of any such cash so distributed and its proportionate share of any such property so distributed in kind (based on the Fair Market Value of such property). To the extent that the Company distributes property in-
-

kind to the Members, the Company shall be treated as making a distribution equal to the Fair Market Value of such property for purposes of Section 5.1(a) and such property shall be treated as if it were sold for an amount equal to its Fair Market Value. Any resulting gain or loss shall be allocated to the Member's Capital Accounts in accordance with Section 4.1 and Section 4.2.

b. **Tax-Related Distributions**

. The Company shall, subject to any restrictions contained in any agreement to which the Company is bound, make distributions (each, a "**Tax-Related Distribution**") out of legally available funds to all Members, on *apro rata* basis, in accordance with the number of Common Units owned by each Member, at such times and in such amounts as the Managing Member reasonably determines is necessary (taking into account any distributions reasonably expected to be made pursuant to Section 5.1(a), but only to the extent reasonably contemporaneously with such Tax-Related Distribution), to enable the PubCo Holdings Group to timely satisfy its Tax-Related Liabilities; *provided, however*, that to the extent any Tax-Related Liabilities of PubCo have arisen as a result of its ownership of Units or Equity Securities of the Company other than Common Units, the Tax-Related Distribution with respect to such amounts shall be made solely with respect to such other Units or Equity Securities, as applicable.

a. **Distribution Upon Withdrawal**

. No withdrawing Member shall be entitled to receive any distribution or the value of such Member's Interest in the Company as a result of withdrawal from the Company prior to the liquidation of the Company, except as specifically provided in this Agreement.

A. MANAGEMENT

a. **The Managing Member; Fiduciary Duties**

- i. PubCo shall be the sole managing member of the Company (the "**Managing Member**"). Except as otherwise required by Law, (i) the Managing Member shall have full and complete charge of all affairs of the Company, (ii) the management and control of the Company's business activities and operations shall rest exclusively with the Managing Member, and the Managing Member shall make all decisions regarding the business, activities and operations of the Company (including the incurrence of costs and expenses) without the consent of any other Member, and (iii) the Members other than the Managing Member (in their capacity as such) shall not participate in the control, management, direction or operation of the activities or affairs of the Company and shall have no power to act for or bind the Company.
 - ii. Except as otherwise provided herein, in connection with the performance of its duties as the Managing Member of the Company, the Managing Member acknowledges that it will owe to the Members the same fiduciary duties as it would owe to the stockholders of a Delaware corporation under the DGCL if it were a member of the board of directors of such a corporation and the Members were stockholders of such corporation; *provided*, that all Members acknowledge and agree that the Managing Member shall owe no fiduciary or other duty to any Member where this Agreement provides that the Managing Member may act or otherwise proceed in its sole discretion. The Members further acknowledge that the Managing Member will take action through the Board and that the
-

members of the Board will owe comparable fiduciary duties to the stockholders of PubCo.

a. **Indemnification; Exculpation**

- i. The Company shall indemnify and hold harmless, to the fullest extent permitted by applicable Law as it presently exists or may hereafter be amended (provided, that no such amendment shall limit a Covered Person's rights to indemnification hereunder with respect to any actions or events occurring prior to such amendment), any person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") by reason of the fact that such Person (or a Person for whom such Person is the legal representative or a director, officer or employee) is or was a Person entitled to indemnification under the Existing LLC Agreement, or is a Member, or acting as the Managing Member or Company Representative of the Company or, while being a Person entitled to indemnification under the Existing LLC Agreement, a Member, or acting as the Managing Member or Company Representative of the Company, is or was serving at the request of the Company as a member, director, officer, trustee, employee or agent of another limited liability company or of a corporation, partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (each of the Persons referred to above in this Section 6.2(a) being referred to as a "**Covered Person**"), whether the basis of such Proceeding is alleged action or failure of action in an official capacity as a member, director, officer, trustee, employee or agent, or in any other capacity while serving as a member, director, officer, trustee, employee or agent, against all costs, expenses (including reasonable attorneys' fees), Liability and loss incurred or suffered by such Covered Person in connection with such Proceeding, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of such act or omission, and taking into account the acknowledgements and agreements set forth in this Agreement, such Covered Person breached the terms of this Agreement or any duties owed to the Company or the Members. The Company shall, to the fullest extent not prohibited by applicable Law as it presently exists or may hereafter be amended (provided, that no such amendment shall limit a Covered Person's rights to indemnification hereunder with respect to any actions or events occurring prior to such amendment), pay the costs and expenses (including reasonable attorneys' fees) incurred by a Covered Person in defending any Proceeding in advance of its final disposition; *provided, however*, that to the extent required by applicable Law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined by final judicial decision from which there is no further right to appeal that
-

the Covered Person is not entitled to be indemnified under this Section 6.2(a) or otherwise. The rights to indemnification and advancement of expenses under this Section 6.2(a) shall be Contract rights and such rights shall continue as to a Covered Person who has ceased to be a member, director, officer, trustee, employee or agent and shall inure to the benefit of his heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 6.2(a), except for Proceedings to enforce rights to indemnification and advancement of expenses, the Company shall indemnify and advance expenses to a Covered Person in connection with a Proceeding (or part thereof) initiated by such Covered Person only if such Proceeding (or part thereof) was authorized by the Managing Member. If this Section 6.2(a) or any portion of this Section 6.2(a) shall be invalidated on any ground by a court of competent jurisdiction the Company shall nevertheless indemnify each Covered Person as to expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, including a grand jury proceeding or action or suit brought by or in the right of the Company, to the full extent permitted by any applicable portion of this Section 6.2(a) that shall not have been invalidated.

- ii. Subject to other applicable provisions of this Section 6.2, to the fullest extent permitted by applicable Law, the Covered Persons shall not be liable to the Company, any Subsidiary, any director, any Member or any holder of any equity interest in any Subsidiary by virtue of being a Covered Person or for any acts or omissions in their capacity as a Covered Person or otherwise in connection with the Company, this Agreement or the business and affairs of the Company and its Subsidiaries unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such losses or Liabilities were the result of conduct in which such Covered Person breached the terms of this Agreement or any duties owed to the Company or the Members.

a. Maintenance of Insurance or Other Financial Arrangements

. In compliance with applicable Law, the Company (with the approval of the Managing Member) may purchase and maintain insurance or make other financial arrangements on behalf of any Person who is or was a Member, employee or agent of the Company, or at the request of the Company is or was serving as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, for any Liability asserted against such Person and Liability and expenses incurred by such Person in such Person's capacity as such, or arising out of such Person's status as such, whether or not the Company has the authority to indemnify such Person against such Liability and expenses.

a. Resignation or Termination of Managing Member

. PubCo (or its successor, as applicable) shall not, by any means, resign as, cease to be or be replaced as Managing Member except in compliance with this Section 6.4. No termination or replacement of PubCo (or its successor, as applicable) as Managing Member shall be effective

unless proper provision is made, in compliance with this Agreement, so that the obligations of PubCo, its successor (if applicable) and any new Managing Member and the rights of all Members under this Agreement and applicable Law remain in full force and effect. No appointment of a Person other than PubCo (or its successor, as applicable) as Managing Member shall be effective unless PubCo (or its successor, as applicable) and the new Managing Member (as applicable) provide all other Members with contractual rights, directly enforceable by such other Members against PubCo (or its successor, as applicable) and the new Managing Member (as applicable), to cause (a) PubCo (or its successor, as applicable) to comply with all of PubCo's or such member's obligations under this Agreement (including its obligations under Section 3.6) other than those that must necessarily be taken in its capacity as Managing Member and (b) the new Managing Member to comply with all of the Managing Member's obligations under this Agreement.

a. No Inconsistent Obligations

. The Managing Member represents that it does not have any contracts, other agreements, duties or obligations that are inconsistent with its duties and obligations (whether or not in its capacity as Managing Member) under this Agreement and covenants that, except as permitted by Section 6.1, it will not enter into any contracts or other agreements or undertake or acquire any other duties or obligations that are inconsistent with such duties and obligations.

a. Reclassification Events of PubCo

. If a Reclassification Event occurs, the Managing Member or its successor, as the case may be, shall amend this Agreement in compliance with Section 11.1, and enter into supplementary or additional agreements, to ensure that, following the effective date of the Reclassification Event: (i) the Redemption Right of holders of Common Units set forth in Section 3.6 provide that each Unit (together with the surrender and delivery of one Voting Share) is redeemable for the same amount and same type of property, securities or cash (or combination thereof) that one Common Share becomes exchangeable for or converted into as a result of the Reclassification Event, and (ii) PubCo or the successor to PubCo, as applicable, is obligated to deliver such property, securities or cash upon such Redemption. PubCo shall not consummate or agree to consummate any Reclassification Event unless the successor Person, if any, becomes obligated to comply with the obligations of PubCo (in whatever capacity) under this Agreement.

a. Certain Costs and Expenses

. The Company shall (a) pay, or cause to be paid, all costs, fees, operating expenses and other expenses of the Company and its Subsidiaries (including the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of all personnel providing services to the Company and its Subsidiaries) incurred in pursuing and conducting, or otherwise related to, the activities of the Company and (b) reimburse the Managing Member for any costs, fees or expenses incurred by it in connection with serving as the Managing Member (including, for the avoidance of doubt, any tax imposed under Section 4501 of the Code (a "**Buyback Tax**")). To the extent that the Managing Member determines that any expenses or other costs incurred, paid, or otherwise borne by the PubCo Holdings Group are related to the business and affairs of the PubCo Holdings Group that are conducted through the Company or its Subsidiaries (including expenses that relate to the business and affairs of the Company or its Subsidiaries and that also relate to other activities of any member of the PubCo Holdings Group), the Managing Member may cause the Company to pay or bear all such expenses or other costs, including, for the avoidance of doubt, where any member of the PubCo Holdings Group pays or bears any expenses or any other obligations of the Company or its Subsidiaries through the transfer or forfeiture by such member of the PubCo Holdings Group of any Common Units or other Equity Securities of the Company (or Equity Securities of any other member(s) of the PubCo Holdings

Group that directly or indirectly owns Equity Securities of the Company) (an **Equity Payment**"); *provided* that the Company shall not pay or bear any income tax obligations of any member of the PubCo Holdings Group or any obligations of any member of the PubCo Holdings Group pursuant to the TRA or any Subsequent TRA. In the case of an Equity Payment, (i) the Managing Member shall be deemed to automatically cause the Company to issue to such member of the PubCo Holdings Group (and the Company shall be deemed to have automatically issued to such member of the PubCo Holdings Group without further action or agreement) a number of Common Units or such other Equity Securities equal to the number of Common Units or other Equity Securities, as applicable, transferred or forfeited (or held directly or indirectly by the other member(s) of the PubCo Holdings Group whose Equity Securities were transferred or forfeited), and (ii) the Managing Member shall be deemed to automatically cause the Company to issue to the applicable creditor or other payee (and the Company shall be deemed to have automatically issued to the applicable creditor or other payee without further action or agreement) a number of Common Units or such other Equity Securities such that the total number of Common Units or other Equity Securities received by the applicable creditor or other payee in connection with the Equity Payment have a value equal to the Common Units or other Equity Securities initially transferred by the applicable member of the PubCo Holdings Group in such Equity Payment. Any payments made to or on behalf of any member of the PubCo Holdings Group pursuant to this Section 6.7 shall not be treated as a distribution pursuant to Section 5.1(a) but shall instead be treated as an expense of the Company. Consequently, except as otherwise required by applicable Law, notwithstanding anything else in this agreement, the Members and the Company agree that, for U.S. federal and applicable state and local income tax purposes, including the application of the TRA or any Subsequent TRA, any payment or other satisfaction (including by way of transfer or forfeiture of Equity Securities) by any member of the PubCo Holdings Group of any expenses or any other obligations of the Company or its Subsidiaries, together with the reimbursement by the Company to the relevant member of the PubCo Holdings Group in accordance with the second and third sentences of this paragraph, is intended to be treated as though the Company paid the relevant expense or other obligation (including by way of deemed issuance of Common Units or other Equity Securities of the Company, where applicable) directly to the relevant creditor or other payee in direct satisfaction of the Company's (or its Subsidiary's) own obligation.

A. ROLE OF MEMBERS

a. Rights or Powers

- i. Other than the Managing Member, the Members, acting in their capacity as Members, shall not have any right or power to take part in the management or control of the Company or its business and affairs or to act for or bind the Company in any way. Notwithstanding the foregoing, the Members have all the rights and powers specifically set forth in this Agreement and, to the extent not inconsistent with this Agreement, in the Act. A Member, any Affiliate thereof or an employee, stockholder, agent, director or officer of a Member or any Affiliate thereof, may also be an employee or be retained as an agent of the Company. The existence of these relationships and acting in such capacities will not result in the Member (other than the Managing Member) being deemed to be participating in the control of the business of the Company or otherwise affect the limited liability of the Member. Except as specifically provided herein, a Member (other than the Managing Member) shall not, in its

capacity as a Member, take part in the operation, management or control of the Company's business, transact any business in the Company's name or have the power to sign documents for or otherwise bind the Company.

- ii. The Company shall promptly (but in any event within 3 Business Days) notify the Members in writing if, to the Company's knowledge, for any reason, it would be an "investment company" within the meaning of the Investment Company Act, but for the exceptions provided in Section 3(c)(1) or 3(c)(7) thereunder.

b. Voting

- i. Meetings of the Members may be called upon the written request of the Managing Member or Members holding at least 50% of the outstanding Common Units. Such request shall state the location of the meeting and the nature of the business to be transacted at the meeting. Written notice of any such meeting shall be given to all Members not less than 2 Business Days and not more than 30 days prior to the date of such meeting. Members may vote in person, by proxy or by telephone at any meeting of the Members and may waive advance notice of such meeting. Whenever the vote or consent of Members is permitted or required under this Agreement, such vote or consent may be given at a meeting of the Members or may be given in accordance with the procedure prescribed in this Section 7.2. Except as otherwise expressly provided in this Agreement, the affirmative vote of the Members holding a majority of the outstanding Units (excluding Warrant Units) shall constitute the act of the Members.
- ii. Each Member may authorize any Person or Persons to act for it by proxy on all matters in which such Member is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by such Member or its attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Member executing it.
- iii. Each meeting of Members shall be conducted by the Managing Member or such individual Person as the Managing Member deems appropriate.
- iv. Any action required or permitted to be taken by the Members may be taken without a meeting if the requisite Members whose approval is necessary consent thereto in writing.

c. Various Capacities

The Members acknowledge and agree that the Members or their Affiliates will from time to time act in various capacities, including as a Member and as the Company Representative.

a. Investment Opportunities

- i. To the fullest extent permitted by applicable Law, the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to any Member, any of their respective Affiliates (other than the Company, the Managing Member or any of their respective Subsidiaries), or any of their respective officers, directors, agents, shareholders, members, and partners
-

(each, a “**Business Opportunities Exempt Party**”). The Company renounces any interest or expectancy of the Company in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to any Business Opportunities Exempt Party. No Business Opportunities Exempt Party who acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the Company or any of its Subsidiaries shall have any duty to communicate or offer such opportunity to the Company. No amendment or repeal of this Section 7.4 shall apply to or have any effect on the liability or alleged liability of any Business Opportunities Exempt Party for or with respect to any opportunities of which any such Business Opportunities Exempt Party becomes aware prior to such amendment or repeal. Any Person purchasing or otherwise acquiring any interest in any Units shall be deemed to have notice of and consented to the provisions of this Section 7.4. Neither the alteration, amendment or repeal of this Section 7.4, nor the adoption of any provision of this Agreement inconsistent with this Section 7.4, shall eliminate or reduce the effect of this Section 7.4 in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Section 7.4, would accrue or arise, prior to such alteration, amendment, repeal or adoption.

B. TRANSFERS OF INTERESTS

a. Restrictions on Transfer

- i. Except as provided in Section 3.6 or this Article VIII, no Member shall Transfer all or any portion of its Interest without the Managing Member’s prior written consent, which consent shall be granted or withheld in the Managing Member’s sole discretion. If all or any portion of a Member’s Interests are Transferred in violation of this Section 8.1(a), involuntarily, by operation of law or otherwise, then without limiting any other rights and remedies available to the other parties under this Agreement or otherwise, the Transferee of such Interest (or portion thereof) shall not be admitted to the Company as a Member or be entitled to any rights as a Member hereunder, and the Transferor will continue to be bound by all obligations hereunder. Any attempted or purported Transfer of all or a portion of a Member’s Interests in violation of this Section 8.1(a) shall be null and void and of no force or effect whatsoever. The restrictions on Transfer contained in this Article VIII shall not apply to the Transfer of any capital stock of PubCo; except that in no circumstance may Voting Shares be Transferred unless a corresponding number of Common Units are Transferred to the same Person and in no circumstance may Common Units be Transferred unless a corresponding number of Voting Shares are also Transferred to the same Person.
 - ii. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer or assignment of Equity Securities in the Company by any Member be made to any Person who lacks the legal right, power or capacity to own Equity Securities in the Company; if the Managing Member reasonably determines such Transfer (A) would be
-

considered to be effected on or through an “established securities market” or a “secondary market or the substantial equivalent thereof,” as such terms are used in Treasury Regulations Section 1.7704-1, (B) would result in the Company having more than one hundred (100) partners, within the meaning of Treasury Regulations Section 1.7704-1(h)(1)(ii) (determined taking into account the rules of Treasury Regulations Section 1.7704-1(h)(3)), or (C) would cause the Company to be treated as a “publicly traded partnership” within the meaning of Section 7704 of the Code or a successor provision or otherwise become taxable as a corporation under the Code; if such Transfer would cause the Company to become, with respect to any employee benefit plan subject to Title I of ERISA, a “party-in-interest” (as defined in Section 3(14) of ERISA) or a “disqualified person” (as defined in Section 4975(e)(2) of the Code); if such Transfer would, in the opinion of counsel to the Company, cause any portion of the assets of the Company to constitute assets of any employee benefit plan pursuant to the Plan Asset Regulations or otherwise cause the Company to be subject to regulation under ERISA; if such Transfer requires the registration of any Equity Securities issued upon any exchange of any Equity Securities, pursuant to any applicable U.S. federal or state securities Laws; or if such Transfer subjects the Company to regulation under the Investment Company Act or the Investment Advisors Act of 1940, each as amended (or any succeeding Law). Any attempted or purported Transfer of all or a portion of a Member’s Interests in violation of this Section 8.1(b) shall be null and void and of no force or effect whatsoever.

- iii. Notwithstanding the provisions in Section 8.1(a), but subject to the other provisions in this Article VIII, Q Power and its Affiliates may Transfer all or a portion of their Equity Securities in the Company to any Permitted Transferee or their respective members or holders of Equity Securities without the consent of any other Member or Person.
 - iv. A Member making a Transfer (including a deemed Transfer for U.S. federal income tax purposes as described in Section 3.6(g)) permitted by this Agreement shall, unless otherwise determined by the Managing Member, (i) at least 10 Business Days before such Transfer, have delivered to the Company and the Transferee an affidavit of non-foreign status with respect to such Transferor that satisfies the requirements of Section 1446(f)(2) of the Code or other documentation establishing a valid exemption from withholding pursuant to Section 1446(f) of the Code or (ii) contemporaneously with such Transfer, properly withhold and remit to the Internal Revenue Service the amount of tax required to be withheld upon the Transfer by Section 1446(f) of the Code (and provide evidence to the Company of such withholding and remittance promptly thereafter).
 - v. Notwithstanding the foregoing or anything to the contrary herein, PubCo may Transfer its economic interests in the Company pursuant to a pledge to secure Indebtedness of the Company and its subsidiaries and, upon foreclosure on such pledge, such economic interests may be Transferred to a single transferee designated by the lenders (or their representative) who
-

hold such Indebtedness who shall, notwithstanding anything to the contrary herein, then be automatically admitted as a Member hereunder.

b. Notice of Transfer

. Other than in connection with Transfers made pursuant to Section 3.6, each Member shall, no later than 3 Business Days following any Transfer of Equity Securities in the Company, give written notice to the Company of such Transfer. Each such notice shall describe the manner and circumstances of the Transfer.

a. Transferee Members

. A Transferee of Equity Securities in the Company pursuant to this Article VIII shall have the right to become a Member only if (a) the requirements of this Article VIII are met, (b) such Transferee executes an instrument reasonably satisfactory to the Managing Member agreeing to be bound by the terms and provisions of this Agreement and assuming all of the Transferor's then existing and future Liabilities arising under or relating to this Agreement, (c) such Transferee represents that the Transfer was made in accordance with all applicable securities Laws and such other customary representations as determined by the Managing Member, (d) the Transferor or Transferee shall have reimbursed the Company for all reasonable expenses (including attorneys' fees and expenses) of any Transfer or proposed Transfer of all or a portion of a Member's Interest, whether or not consummated, and (e) if such Transferee or his or her spouse is a resident of a community property jurisdiction, then such Transferee's spouse shall also execute an instrument reasonably satisfactory to the Managing Member agreeing to be bound by the terms and provisions of this Agreement to the extent of his or her community property or quasi-community property interest, if any, in such Member's Interest. Unless agreed to in writing by the Managing Member, the admission of a Member shall not result in the release of the Transferor from any Liability that the Transferor may have to each remaining Member or to the Company under this Agreement or any other Contract between the Managing Member, the Company or any of its Subsidiaries, on the one hand, and such Transferor or any of its Affiliates, on the other hand. Written notice of the admission of a Member shall be sent promptly by the Company to each remaining Member.

a. Legend

. Each certificate or book-entry position representing a Unit will be stamped with or otherwise bear a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.

THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT.

THE TRANSFER AND VOTING OF THESE SECURITIES IS SUBJECT TO THE CONDITIONS SPECIFIED IN THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF STRONGHOLD DIGITAL MINING HOLDINGS LLC DATED AS OF APRIL 1, 2021 AMONG THE MEMBERS LISTED THEREIN, AS IT MAY BE AMENDED, SUPPLEMENTED OR RESTATED FROM TIME TO TIME, AND NO TRANSFER OF THESE SECURITIES WILL BE VALID OR EFFECTIVE UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE ISSUER OF SUCH SECURITIES."

A. ACCOUNTING; Certain tax matters

a. Books of Account

. The Company shall, and shall cause each Subsidiary of the Company to, maintain true books and records of account in which full and correct entries shall be made of all its business transactions pursuant to a system of accounting established and administered in accordance with GAAP, and shall set aside on its books all such proper accruals and reserves as shall be required under GAAP.

a. **Partnership Continuation**

. The Members and the Company have agreed to treat the Company as a continuation of the Prior Partnership for U.S. federal (and applicable state and local) income tax purposes and to take no position inconsistent therewith except to the extent required by Law. In accordance with the foregoing, the Company shall use the U.S. employer identification number used by the Prior Partnership immediately prior to the transactions contemplated by that certain Master Transation Agreement, dated as of April 1, 2021, pursuant to which PubCo became admitted as a Member of the Company.

a. **Tax Elections**

- i. The Company and any eligible Subsidiary of the Company (i) shall make an election (or continue a previously made election) pursuant to Section 754 of the Code (and any similar provisions of applicable U.S. state or local law) for the taxable year of the Company that includes the date hereof and shall not thereafter revoke such election and (ii) shall use commercially reasonable efforts to ensure that any entity in which the Company holds a direct or indirect interest that is treated as a partnership for U.S. federal income tax purposes that does not meet the definition of "Subsidiary" herein, will have in effect an election pursuant to Section 754 of the Code (and under any similar provisions of applicable U.S. state or local law). In addition, the Company shall make, to the extent not previously made, the following elections on the appropriate forms or tax returns, if permitted under the Code or applicable Law:
 - a. to adopt the calendar year as the Company's Fiscal Year;
 - b. to adopt the accrual method of accounting for U.S. federal income tax purposes;
 - c. to elect to amortize the organizational expenses of the Company as permitted by Section 709(b) of the Code;
 - d. except where the Managing Member elects to apply Section 9.6(e), to make an election under Section 6226(a) of the Code, commonly known as the "push out" election, or any analogous election under state or local tax law, if applicable; and
 - e. except as otherwise provided herein, any other election the Managing Member may in Good Faith deem appropriate.
- ii. Upon request of the Managing Member, each Member shall cooperate in Good Faith with the Company in connection with the Company's efforts to make any election pursuant to this Section 9.3.

b. **Tax Returns; Information**

. The Managing Member shall arrange for the preparation and timely filing of all income and other tax and informational returns of the Company. The Managing Member shall furnish to each Member a copy of each approved return and statement, together with any schedules (including Internal Revenue Service Schedule K-1) or other information that a Member may

require in connection with such Member's own tax affairs as soon as practicable. The Company shall also (a) provide each Member with an estimate of its share of the Company's taxable income for each Fiscal Year by December 31 of such Fiscal Year, including an estimate of state and local apportionment information, (b) cause an estimated Internal Revenue Service Schedule K-1 or any successor form to be prepared and delivered to the Members within 90 days after the end of each Fiscal Year, including any appropriate state and local apportionment information, and (c) deliver or cause to be delivered to the Members a final Internal Revenue Service Schedule K-1, including any appropriate state and local apportionment information, as soon as practicable, but in any event, at least 45 days prior the due date for such return (including any extensions). Each Member agrees to (a) take all actions reasonably requested by the Company or the Company Representative to comply with the Partnership Tax Audit Rules, including where applicable, filing amended returns as provided in Sections 6225 or 6226 of the Code and providing confirmation thereof to the Company Representative and (b) furnish to the Company (i) all reasonably requested certificates or statements relating to the tax matters of the Company (including an affidavit of non-foreign status pursuant to Section 1446(f)(2) of the Code), and (ii) all pertinent information in its possession relating to the Company's operations that is reasonably necessary to enable the Company's tax returns to be prepared and timely filed.

a. **Company Representative**

. The Managing Member is specially authorized and appointed to act as the Company Representative and in any similar capacity under state or local Law. The Company Representative shall designate a "designated individual" in accordance with Treasury Regulations Section 301.6223-1(b)(3). The Company and the Members (including any Member designated as the Company Representative prior to the date hereof) shall cooperate fully with each other and shall use reasonable best efforts to cause the Managing Member (or any other Person subsequently designated) to become the Company Representative with respect to any taxable period of the Company with respect to which the statute of limitations has not yet expired, including (as applicable) by filing certifications pursuant to Treasury Regulations Section 301.6231(a)(7)-1(d). In acting as Company Representative, the Managing Member shall act, to the maximum extent possible, to cause income, gain, loss, deduction, and credit of the Company, and adjustments thereto, to be allocated or borne by the Members in the same manner as such items or adjustments would have been borne if the Company could have effectively made an election under Section 6221(b) of the Code (commonly known as the "election out") or similar state or local provision with respect to the taxable period at issue. The Company Representative may retain, at the Company's expense, such outside counsel, accountants and other professional consultants as it may reasonably deem necessary in the course of fulfilling its obligations as Company Representative.

a. **Withholding Tax Payments and Obligations**

- i. **Withholding Tax Payments.** Each of the Company and its Subsidiaries may withhold from distributions, allocations or portions thereof if it is required to do so by any applicable Law, and each Member hereby authorizes the Company and its Subsidiaries to withhold or pay on behalf of or with respect to such Member, any amount of U.S. federal, state or local or non-U.S. taxes that the Managing Member determines, in Good Faith, that the Company or any of its Subsidiaries is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement.
-

- ii. Allocation of Tax Payments. To the extent that any tax is paid by (or withheld from amounts payable to) the Company or any of its Subsidiaries and the Managing Member determines, in Good Faith, that such tax (including any Company Level Tax) specifically relates to one or more particular Members, such tax shall be treated as an amount of tax withheld or paid with respect to such Member pursuant to this Section 9.6. Any determinations made by the Managing Member pursuant to this Section 9.6 shall be binding on the Members.
 - iii. Tax Contribution and Indemnity Obligation. Any amounts withheld or paid with respect to a Member pursuant to Section 9.6(a) or Section 9.6(b) (other than the payment of Company Level Taxes) shall be offset against any distributions to which such Member is entitled concurrently with such withholding or payment (a "**Tax Offset**"); *provided* that the amount of any distribution subject to a Tax Offset shall be treated as having been distributed to such Member pursuant to Section 5.1 or Section 10.2(b)(iii) at the time such Tax Offset is made. To the extent that (i) the amount of such Tax Offset exceeds the distributions to which such Member is entitled concurrently with such withholding or payment (an "**Excess Tax Amount**"), or (ii) there is a payment of Company Level Taxes relating to a Member, the amount of such (A) Excess Tax Amount or (B) Company Level Taxes, as applicable, shall, upon notification to such Member by the Managing Member, give rise to an obligation of such Member to make a Capital Contribution to the Company (a "**Tax Contribution Obligation**"), which Tax Contribution Obligation shall be immediately due and payable. If a Member defaults with respect to its Tax Contribution Obligation, the Company shall be entitled to offset the amount of a Member's Tax Contribution Obligation against distributions to which such Member would otherwise be subsequently entitled until the full amount of such Tax Contribution Obligation has been contributed to the Company or has been recovered through offset against distributions and, any such offset shall be treated as distributed to such Member pursuant to Section 5.1 or Section 10.2(b), as applicable, at the time such offset is made for purposes of this Agreement. To the extent the Managing Member determines it is appropriate for purposes of properly maintaining Capital Accounts, (x) any payment by a Member with respect to such Member's Tax Contribution Obligation shall increase such Member's Capital Account, but shall not reduce the amount (if any) that a Member is otherwise obligated to contribute to the Company, and (y) any recovery of such Tax Contribution Obligation through an offset against distributions to such Member shall not reduce such Member's Capital Account by the amount of such offset. Each Member hereby unconditionally and irrevocably grants to the Company a security interest in such Member's Units to secure such Member's obligation to pay the Company any amounts required to be paid pursuant to this Section 9.6. Each Member shall take such actions as the Company may reasonably request in order to perfect or enforce the security interest created hereunder. Each Member hereby agrees to indemnify and hold harmless the Company, the other Members, the Company Representative and the Managing Member from and against
-

- any Liability (including any Liability for Company Level Taxes) with respect to income attributable to or distributions or other payments to such Member.
- iv. Continued Obligations of Former Members. Any Person who ceases to be a Member shall be deemed to be a Member solely for purposes of this Section 9.6, and the obligations of a Member pursuant to this Section 9.6 shall survive until 30 days after the closing of the applicable statute of limitations on assessment with respect to the taxes withheld or paid by the Company or a Subsidiary that relate to the period during which such Person was actually a Member. If the Managing Member determines in its sole discretion that seeking indemnification for Company Level Taxes from a former Member is not practicable, or that seeking such indemnification failed, then, in either case, the Managing Member may (i) recover any Liability for Company Level Taxes from the substituted Member that acquired directly or indirectly the applicable interest in the Company from such former Member or (ii) treat such Liability for Company Level Taxes as a Company expense.
 - v. Managing Member Discretion Regarding Recovery of Taxes. Notwithstanding the foregoing, the Managing Member may choose not to recover an amount of Company Level Taxes or other taxes withheld or paid with respect to a Member under this Section 9.6 to the extent that there are no distributions to which such Member is entitled that may be offset by such amounts if the Managing Member determines, in its reasonable discretion, that such a decision would be in the best interests of the Members (e.g., where the cost of recovering the amount of taxes withheld or paid with respect to such Member is not justified in light of the amount that may be recovered from such Member).

A. DISSOLUTION AND TERMINATION

a. Liquidating Events

. The Company shall dissolve and commence winding up and liquidating upon the first to occur of the following (each, a "Liquidating Event"):

- i. the sale of all or substantially all of the assets of the Company; and
- ii. the determination of the Managing Member to dissolve, wind up, and liquidate the Company.

The Members hereby agree that the Company shall not dissolve prior to the occurrence of a Liquidating Event and that no Member shall seek a dissolution of the Company, under Section 18-802 of the Act or otherwise, other than based on the matters set forth in subsections (a) and (b) above. If it is determined by a court of competent jurisdiction that the Company has dissolved prior to the occurrence of a Liquidating Event, the Members hereby agree to continue the business of the Company without a winding up or liquidation. In the event of a dissolution pursuant to Section 10.1(b), the relative economic rights of each class of Units immediately prior to such dissolution shall be preserved to the greatest extent practicable with respect to distributions made to Members pursuant to Section 10.2 in connection with such dissolution, taking into consideration tax and other legal constraints that may adversely affect one or more parties to such dissolution and subject to compliance with applicable Laws and regulations, unless, with respect to any class of Units, holders of a majority of the Units of such class consent in writing to a treatment other than as described above.

a. **Procedure**

- i. In the event of the dissolution of the Company for any reason, the Managing Member or such other Person as is designated by the Managing Member ("**Winding-Up Member**") shall commence to wind up the affairs of the Company and, subject to Section 10.3(a), such Winding-Up Member shall have full right and unlimited discretion to determine in Good Faith the time, manner and terms of any sale or sales of the Property or other assets pursuant to such liquidation, having due regard to the activity and condition of the relevant market and general financial and economic conditions. The Members shall continue to share profits, losses and distributions during the period of liquidation in the same manner and proportion as though the Company had not dissolved. The Company shall engage in no further business except as may be necessary, in the reasonable discretion of the Managing Member or the Winding-Up Member, as applicable, to preserve the value of the Company's assets during the period of dissolution and liquidation.
 - ii. Following the payment of all expenses of liquidation and the allocation of all Profits and Losses as provided in Article IV, the proceeds of the liquidation and any other funds of the Company shall be distributed in the following order of priority:
 1. first, to the payment and discharge of all of the Company's debts and Liabilities to creditors (whether third parties or Members), in the order of priority as provided by Law, except any obligations to the Members in respect of their Capital Accounts;
 2. second, to set up such cash reserves which the Managing Member reasonably deems necessary for contingent or unforeseen Liabilities or future payments described in Section 10.2(b)(i) (which reserves when they become unnecessary shall be distributed in accordance with the provisions of subsection (iii) below, as applicable); and
 3. third, to the Members holding Preferred Pubco Units, an amount equal to any outstanding amounts required to be paid by the PubCo Holdings Group with respect to the corresponding Equity Securities issued by PubCo to such Preferred Pubco Units;
 4. fourth, the balance to the Members holding Common Units (including, for the avoidance of doubt, any Warrant Units that are automatically converted into Common Units) and Participating Warrant Units *pro rata* in accordance with the number of Common Units and Participating Warrant Units owned by each Member.
 - iii. Except as provided in Section 10.3(a), no Member shall have any right to demand or receive property other than cash upon dissolution and termination of the Company.
 - iv. Upon the completion of the liquidation of the Company and the distribution of all Company funds, the Company shall terminate and the Managing Member or the Winding-Up Member, as the case may be, shall have the authority to execute and record a certificate of cancellation of the
-

Company, as well as any and all other documents required to effectuate the dissolution and termination of the Company.

b. Rights of Members

- i. Each Member irrevocably waives any right that it may have to maintain an action for partition with respect to the property of the Company.
- ii. Except as otherwise provided in this Agreement, (i) each Member shall look solely to the assets of the Company for the return of its Capital Contributions and (ii) no Member shall have priority over any other Member as to the return of its Capital Contributions, distributions or allocations.

c. Notices of Dissolution

. If a Liquidating Event occurs or an event occurs that would, but for the provisions of Section 10.1, result in a dissolution of the Company, the Company shall, within 30 days thereafter, (a) provide written notice thereof to each of the Members and to all other parties with whom the Company regularly conducts business (as determined in the discretion of the Managing Member), and (b) comply, in a timely manner, with all filing and notice requirements under the Act or any other applicable Law.

a. Reasonable Time for Winding Up

. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets in order to minimize any losses that might otherwise result from such winding up.

a. No Deficit Restoration

. No Member shall be personally liable for a deficit Capital Account balance of that Member, it being expressly understood that the distribution of liquidation proceeds shall be made solely from existing Company assets.

A. GENERAL

a. Amendments; Waivers

- i. The terms and provisions of this Agreement may only be waived, modified or amended (including by means of merger, consolidation or other business combination to which the Company is a party) with the approval of (y) the Managing Member and (z) if at such time the Members (other than any member of the PubCo Holdings Group) beneficially own, in the aggregate, more than 10% of the then-outstanding Units, the holders of at least 66 2/3% of the outstanding Units held by Members other than the PubCo Holdings Group; *provided* that no waiver, modification or amendment shall be effective until at least 5 Business Days after written notice is provided to the Members that the requisite consent has been obtained for such waiver, modification or amendment, and any Member, including any Member not providing written consent, shall have the right to file a Redemption Notice prior to the effectiveness of such waiver, modification or amendment; *provided further*, that no amendment to this Agreement may:
 - a. modify the limited liability of any Member, or increase the liabilities or obligations of any Member, in each case, without the consent of each such affected Member; or

- b. materially alter or change any rights, preferences or privileges of any Interests in a manner that is different or prejudicial (or would have a different or prejudicial effect) relative to any other Interests, without the approval of a majority in interest of the Members holding the Interests affected in such a different or prejudicial manner
- ii. Notwithstanding the provisions of Section 11.1(a), the Managing Member, acting alone, may amend this Agreement or update the books and records of the Company (i) to reflect the admission of new Members, Transfers of Interests, the issuance of additional Equity Securities, as provided by the terms of this Agreement, and, subject to Section 11.1(a), subdivisions or combinations of Units made in compliance with Section 3.1(e), (ii) to the minimum extent necessary to comply with or administer in an equitable manner the Partnership Tax Audit Rules in any manner determined by the Managing Member, and (iii) as necessary to avoid the Company being classified as a “publicly traded partnership” within the meaning of Section 7704(b) of the Code.
- iii. No waiver of any provision or default under, nor consent to any exception to, the terms of this Agreement or any agreement contemplated hereby shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided.
- iv. Notwithstanding anything to the contrary in this Agreement, the Company shall not consummate a merger, consolidation or other combination without the consent of the holders of a majority of the Units not held by the PubCo Holdings Group.

b. Further Assurances

. Each party hereto agrees that it will from time to time, upon the reasonable request of another party, execute such documents and instruments and take such further action as may be required to accomplish the purposes of this Agreement.

a. Successors and Assigns

. All of the terms and provisions of this Agreement shall be binding upon the parties and their respective successors and assigns, but shall inure to the benefit of and be enforceable by the successors and assigns of any Member only to the extent that they are permitted successors and assigns pursuant to the terms hereof. No party hereto may assign its rights hereunder except as herein expressly permitted.

a. Certain Representations by Members

. Each Member (or, if such Member is disregarded for U.S. federal income tax purposes, such Member's regarded owner for such purposes), by executing this Agreement and becoming a Member, whether by making a Capital Contribution, by admission in connection with a permitted Transfer, or otherwise, represents and warrants to the Company and the Managing Member, as of the date of its admission as a Member, that such Member is either (a) not a partnership, grantor trust, or a Subchapter S corporation for U.S. federal income tax purposes (e.g., an individual or a Subchapter C corporation), or (b) is a partnership, grantor trust, or a Subchapter S corporation for U.S. federal income tax purposes, but (i) permitting the Company to satisfy the 100-partner limitation set forth in Treasury Regulations Section 1.7704-1(h)(1)(ii) is not a principal purpose of any beneficial owner of such Member in investing in the Company through such Member, (ii) such Member was formed for business purposes prior to or in connection with the investment by such Member in the Company or for estate planning purposes,

and (iii) no beneficial owner of such Member has a redemption or similar right with respect to such Member that is intended to correlate to such Member's right to Redemption pursuant to Section 3.6.

a. **Entire Agreement**

. This Agreement, together with all Exhibits and Schedules hereto and all other agreements referenced therein and herein, including the TRA, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein and therein.

a. **Rights of Members Independent**

. The rights available to the Members under this Agreement and at Law shall be deemed to be several and not dependent on each other and each such right accordingly shall be construed as complete in itself and not by reference to any other such right. Any one or more or any combination of such rights may be exercised by a Member or the Company from time to time and no such exercise shall exhaust the rights or preclude another Member from exercising any one or more of such rights or combination thereof from time to time thereafter or simultaneously.

a. **Governing Law**

. This Agreement, the legal relations between the parties and any Action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware applicable to Contracts made and performed in such State and without regard to conflicts of law doctrines, except to the extent that certain matters are preempted by federal Law or are governed as a matter of controlling Law by the Law of the jurisdiction of organization of the respective parties.

a. **Jurisdiction and Venue**

. The parties hereto hereby agree and consent to be subject to the jurisdiction of any federal court of the District of Delaware or the Delaware Court of Chancery over any action, suit or proceeding (a "**Legal Action**") arising out of or in connection with this Agreement. The parties hereto irrevocably waive the defense of an inconvenient forum to the maintenance of any such Legal Action. Each of the parties hereto further irrevocably consents to the service of process out of any of the aforementioned courts in any such Legal Action by the mailing of copies thereof by registered mail, postage prepaid, to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail. Nothing in this Section 11.8 shall affect the right of any party hereto to serve legal process in any other manner permitted by law.

a. **Headings**

. The Table of Contents and the Article, Section, subsection, and Exhibit titles and headings in this Agreement are inserted for convenience only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

a. **Counterparts**

. This Agreement and any amendment hereto or any other agreement (or document) delivered pursuant hereto may be executed in one or more counterparts and by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement (or other document) and shall become effective (unless otherwise provided therein) when one or more counterparts have been signed by each party and delivered to the other party.

a. **Notices**

. Any notice or other communication hereunder must be given in writing and (a) delivered in person, (b) transmitted by facsimile, by telecommunications mechanism or electronically, or (c) mailed by certified or registered mail, postage prepaid, receipt requested as follows:

If to the Company or the Managing Member, addressed to it at:

With copies (which shall not constitute notice) to:

or to such other address or to such other Person as either party shall have last designated by such notice to the other parties. Each such notice or other communication shall be effective (i) if given by telecommunication or electronically, when transmitted to the applicable number or electronic mail address so specified in (or pursuant to) this Section 11.11 and an appropriate answerback is received or, if transmitted after 4:00 p.m. local time on a Business Day in the jurisdiction to which such notice is sent or at any time on a day that is not a Business Day in the jurisdiction to which such notice is sent, then on the immediately following Business Day, (ii) if given by mail, on the first Business Day in the jurisdiction to which such notice is sent following the date 3 days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, on the Business Day when actually received at such address or, if not received on a Business Day, on the Business Day immediately following such actual receipt.

a. Representation By Counsel; Interpretation

. The parties acknowledge that each party to this Agreement has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of Law, or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived.

a. Severability

. If any provision of this Agreement is determined to be invalid, illegal or unenforceable by any Governmental Entity, the remaining provisions of this Agreement, to the extent permitted by Law shall remain in full force and effect; *provided that* the essential terms and conditions of this Agreement for all parties remain valid, binding and enforceable.

a. Expenses

. Except as otherwise provided in this Agreement, each party shall bear its own expenses in connection with the transactions contemplated by this Agreement.

a. Waiver of Jury Trial

. EACH OF THE COMPANY, THE MEMBERS, THE MANAGING MEMBER AND ANY INDEMNITEES SEEKING REMEDIES HEREUNDER HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE.

a. No Third Party Beneficiaries

. Except as expressly provided in Section 6.2 and Section 10.2(b), nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto

and their respective successors and permitted assigns, any rights or remedies under this Agreement or otherwise create any third party beneficiary hereto.

[Signatures on Next Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Fifth Amended and Restated Limited Liability Company Agreement to be executed as of the date first above written.

COMPANY:

company

STRONGHOLD DIGITAL MINING HOLDINGS LLC, a Delaware limited liability

By: /s/ Greg Beard
Name: Gregory A. Beard
Title: Authorized Person

MEMBERS:

Q Power LLC, a Delaware limited liability company

By: /s/ Greg Beard
Name: Gregory A. Beard
Title: Member

By: /s/ Bill Spence
Name: William B. Spence
Title: Member

Stronghold Digital Mining, Inc., a Delaware corporation

By: /s/ Greg Beard
Name: Gregory A. Beard
Title: Authorized Officer

MANAGING MEMBER:

STRONGHOLD DIGITAL MINING, INC., a Delaware corporation

By: /s/ Greg Beard
Name: Gregory A. Beard
Title: Authorized Officer

A.

Member	Common Units	Series C Preferred Units	2022 Warrant Units	2022 Warrant Units	Series A Warrant Units	Series B Warrant Units	Second 2022 Warrant Units	2022 Pre-Funded Warrant Units
Q Power LLC	26,057,600	0	0	0	0	0	0	0
Stronghold Digital Mining, Inc.	38,317,766	20,042	8,993,606	4,353,399	97,920	18,170	5,602,409	2,725,650
Total	64,375,366	20,042	8,993,606	4,353,399	97,920	18,170	5,602,409	2,725,650

**FIRST AMENDMENT TO THE
STRONGHOLD DIGITAL MINING, INC.
OMNIBUS INCENTIVE PLAN**

THIS FIRST AMENDMENT (the “**First Amendment**”) to the Stronghold Digital Mining, Inc. Omnibus Incentive Plan, as may be amended from time to time (the “**Plan**”), has been adopted by Stronghold Digital Mining, Inc., a Delaware corporation (the “**Company**”). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan.

WITNESSETH:

WHEREAS, the Company previously adopted the Plan;

WHEREAS, Section 9(p) of the Plan provides that the board of directors of the Company (the “**Board**”) or the Compensation Committee of the Board may amend the Plan from time to time without the consent of any stockholders or Participants, except that any amendment or alteration to the Plan, that any amendment or alteration to the Plan, including any increase in any share limitation, shall be subject to the approval of the Company’s stockholders not later than the annual meeting next following such Committee action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted;

WHEREAS, the Board desires to amend the Plan to increase the number of shares of Stock available for delivery with respect to Awards; and

WHEREAS, the Board has determined that the First Amendment shall be made effective as of date the First Amendment is approved by the stockholders of the Company (such date, the “**Amendment Effective Date**”).

NOW, THEREFORE, the Plan shall be amended as of the Amendment Effective Date, as set forth below:

1. Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:

“Number of Shares Available for Delivery. Subject to adjustment in a manner consistent with Section 8, 11,069,517 shares of Stock are reserved and available for delivery with respect to Awards, and such total shall be available for the issuance of shares upon the exercise of ISOs; provided, that, on January 1 of each calendar year occurring after the Effective Date and prior to the tenth anniversary of the Effective Date, the total number of shares of Stock reserved and available for delivery with respect to Awards under the Plan shall increase by a number of shares of Stock equal to the lesser of (i) 3% of the total number of shares of Stock outstanding as of December 31 of the immediately preceding calendar year and (ii) such smaller number of shares of Stock as is determined by the Board.”

RESOLVED FURTHER, that except as amended hereby, the Plan is specifically ratified and reaffirmed.

[Remainder of Page Intentionally Left Blank.]

Subsidiaries of Stronghold Digital Mining, Inc.

<u>Name of Entity</u>	<u>State of Organization</u>
STRONGHOLD DIGITAL MINING HOLDINGS LLC	DELAWARE
STRONGHOLD DIGITAL MINING, INC.	DELAWARE
LIBERTY BELL FUNDING LLC	DELAWARE
EIF SCRUBGRASS, LLC	DELAWARE
PANTHER CREEK POWER OPERATING, LLC	DELAWARE
STRONGHOLD DIGITAL MINING PENN, LLC	PENNSYLVANIA
STRONGHOLD DIGITAL MINING OPERATING, LLC	DELAWARE
SCRUBGRASS POWER LLC	PENNSYLVANIA
STRONGHOLD DIGITAL MINING LLC	DELAWARE
STRONGHOLD DIGITAL MINING EQUIPMENT, LLC	DELAWARE
SCRUBGRASS RECLAMATION COMPANY, L.P.	DELAWARE
STRONGHOLD DIGITAL MINING BT, LLC	DELAWARE
STRONGHOLD DIGITAL MINING TH, LLC	DELAWARE
STRONGHOLD DIGITAL MINING HASHCO, LLC	DELAWARE
OLYMPUS PANTHER HOLDINGS, LLC	DELAWARE
PANTHER CREEK PERMITTING, LLC	DELAWARE
CLEARFIELD PROPERTIES, INC.	DELAWARE
PANTHER OP INTEREST HOLDINGS, LLC	NEW YORK
STRONGHOLD DIGITAL MINING HOSTING, LLC	DELAWARE
STRONGHOLD CARBON CAPTURE, LLC	PENNSYLVANIA

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stronghold Digital Mining, Inc.
New York, New York

We hereby consent to the incorporation by reference in Registration Statements on Form S-3 (No. 333-267869, No. 333-271151, No. 333-271671, No. 333-275901, and No. 333-276446) and Form S-8 (No. 333-260497, No. 333-270966 and No. 333-276974) of our report dated March 8, 2024, relating to the consolidated financial statements of Stronghold Digital Mining, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Stronghold Digital Mining, Inc. and subsidiaries for the year ended December 31, 2023.

/s/ Urish Popeck & Co., LLC

Pittsburgh, PA
March 8, 2024

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory A. Beard, certify that:

1. I have reviewed this Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "registrant") for the year ended December 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2024

By:

/s/ Gregory A. Beard

Gregory A. Beard
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew J. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "registrant") for the year ended December 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2024

By: _____

/s/ Matthew J. Smith

Matthew J. Smith
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "Company") for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Beard, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: _____ /s/ Gregory A. Beard
Gregory A. Beard
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: March 8, 2024

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2024

STRONGHOLD DIGITAL MINING, INC.**Incentive-BASED Compensation Recovery Policy**

1. Policy Purpose. The purpose of this Stronghold Digital Mining, Inc. (the "Company") Incentive-Based Compensation Recovery Policy (this "Policy") is to enable the Company to recover Erroneously Awarded Compensation in the event that the Company is required to prepare an Accounting Restatement. This Policy is intended to comply with the requirements set forth in applicable rules of The NASDAQ Stock Market (the "Rules") and shall be construed and interpreted in accordance with such intent. Unless otherwise defined in this Policy, capitalized terms shall have the meaning ascribed to such terms in Section 7.
 2. Policy Administration. This Policy shall be administered by the Compensation Committee of the Board (the "Committee") unless the Board determines to administer this Policy itself. The Committee has full and final authority to make all determinations under this Policy, in each case to the extent permitted under the Rules and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. All determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its affiliates, its stockholders and Executive Officers. Any action or inaction by the Committee with respect to an Executive Officer under this Policy in no way limits the Committee's actions or decisions not to act with respect to any other Executive Officer under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as a waiver of any rights the Company may have against any Executive Officer other than as set forth in this Policy.
 3. Policy Application. This Policy applies to all Incentive-Based Compensation received by a person: (a) after beginning service as an Executive Officer; (b) who served as an Executive Officer at any time during the performance period for such Incentive-Based Compensation; (c) while the Company had a class of securities listed on a national securities exchange or a national securities association; and (d) during the three completed fiscal years immediately preceding the Accounting Restatement Date. In addition to such last three completed fiscal years, the immediately preceding clause (d) includes any transition period that results from a change in the Company's fiscal year within or immediately following such three completed fiscal years; provided, however, that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to twelve months shall be deemed a completed fiscal year. For purposes of this Section 3, Incentive-Based Compensation is deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.
 4. Policy Recovery Requirement. In the event of an Accounting Restatement, the Company must recover, reasonably promptly, Erroneously Awarded Compensation, in amounts determined pursuant to this Policy. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on if or when the Company files restated financial statements. Recovery under this Policy with respect to an Executive Officer shall not require the finding of any misconduct by such Executive Officer or such Executive Officer being found responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the Company shall satisfy the Company's obligations under this Policy to recover any amount owed from any applicable Executive Officer by exercising its sole and absolute discretion in how to accomplish such recovery, to the extent permitted under the Rules and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. The Company's recovery obligation pursuant to this Section 4 shall not apply to the extent that the Committee, or in the absence of the Committee, a majority of the independent directors serving on the Board, determines that such recovery would be impracticable and:
 - a. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a
-

reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Stock Exchange;

- b. Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the Stock Exchange, that recovery would result in such a violation, and must provide such opinion to the Stock Exchange; or
- c. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

5. Policy Prohibition on Indemnification and Insurance Reimbursement. The Company is prohibited from indemnifying any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation. Further, the Company is prohibited from paying or reimbursing an Executive Officer for purchasing insurance to cover any such loss.

6. Required Policy-Related Filings. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including disclosures required by U.S. Securities and Exchange Commission filings.

7. Definitions.

- a. "Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
 - b. "Accounting Restatement Date" means the earlier to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if the Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.
 - c. "Board" means the board of directors of the Company.
 - d. "Code" means the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.
 - e. "Erroneously Awarded Compensation" means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement, and must be computed without regard to any taxes paid by the relevant Executive Officer; provided, however, that for Incentive-Based Compensation based on stock price or total stockholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-Based Compensation was received; and (ii) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the Stock Exchange.
-

- f. "Executive Officer" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. An executive officer of the Company's parent or subsidiary is deemed an "Executive Officer" if the executive officer performs such policy making functions for the Company.
 - g. "Financial Reporting Measure" means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure; provided, however, that a Financial Reporting Measure is not required to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to qualify as a "Financial Reporting Measure." For purposes of this Policy, "Financial Reporting Measure" includes, but is not limited to, stock price and total stockholder return.
 - h. "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
 - i. "Stock Exchange" means the national stock exchange on which the Company's common stock is listed.
8. Acknowledgement. Each Executive Officer shall sign and return to the Company, within 30 calendar days following the later of (i) the effective date of this Policy first set forth above or (ii) the date the individual becomes an Executive Officer, the Acknowledgement Form attached hereto as Exhibit A, pursuant to which the Executive Officer agrees to be bound by, and to comply with, the terms and conditions of this Policy.
9. Severability. The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision shall be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.
10. Amendment; Termination. The Board may amend this Policy from time to time in its sole and absolute discretion and shall amend this Policy as it deems necessary to reflect the Rules, to comply with (or maintain an exemption from the application of) Section 409A of the Code. The Board may terminate this Policy at any time.
11. Other Recovery Obligations; General Rights. To the extent that the application of this Policy would provide for recovery of Incentive-Based Compensation that the Company recovers pursuant to Section 304 of the Sarbanes-Oxley Act or other recovery obligations, the amount the relevant Executive Officer has already reimbursed the Company will be credited to the required recovery under this Policy. This Policy shall not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law, in each case to the extent permitted under the Rules and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. Nothing contained in this Policy shall limit the Company's ability to seek recoupment, in appropriate circumstances (including circumstances beyond the scope of this Policy) and as permitted by applicable law, of any amounts from any individual, in each case to the extent permitted under the Rules and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.
12. Successors. This Policy is binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.
13. Governing Law; Venue. This Policy and all rights and obligations hereunder are governed by and construed in accordance with the internal laws of the State of Delaware, excluding any choice of law rules or principles that may direct the application of the laws of another jurisdiction. All actions arising out of or relating to this Policy shall be heard and determined exclusively in the Court of Chancery of the State of
-

Delaware or, if such court declines to exercise jurisdiction or if subject matter jurisdiction over the matter that is the subject of any such legal action or proceeding is vested exclusively in the U.S. federal courts, the U.S. District Court for the District of Delaware.

EXHIBIT A

**STRONGHOLD DIGITAL MINING, INC.
Incentive-BASED Compensation Recovery Policy**

Acknowledgement Form

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Stronghold Digital Mining, Inc. (the "Company") Incentive-Based Compensation Recovery Policy (the "Policy").

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy.

EXECUTIVE OFFICER

Signature

Print Name

Date