

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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 UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commissions file number 001-40792

BTCS Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of Incorporation or organization)

90-1096644

(I.R.S. Employer
Identification No.)

9466 Georgia Avenue #124, Silver Spring, MD

(Address of principal executive offices)

20910

(Zip Code)

Registrant's telephone number, including area code **(202) 430-6576**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	BTCS	The Nasdaq Stock Market (The Nasdaq Capital Market)

Securities registered under Section 12(g) of the Exchange 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 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) 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, 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

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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 Act). Yes No

The aggregate market value of voting and non-voting stock held by non-affiliates of the registrant was approximately \$ 11.0 million, based on the closing sales price of Common Stock of \$1.19 on June 30, 2023.

As of March 19, 2024, there were 15,691,209 shares of common stock, par value \$0.001, issued and outstanding.

Documents Incorporated By Reference

Portions of the registrant's Proxy Statement for the 2024 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission (the "SEC") within 120 days of the registrant's fiscal year ended December 31, 2023.

**BTCS INC.
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PART I

ITEM 1. BUSINESS

BTCS Inc. ("BTCS" or the "Company") is a Nasdaq listed company operating in the blockchain technology sector since 2014 and is one of the only U.S. publicly traded companies with a primary focus on proof-of-stake blockchain infrastructure. Our core focus is on driving scalable growth through a diverse range of business streams leveraging and built on top of our core and proven blockchain infrastructure operations. BTCS secures and operates validator nodes on cutting-edge blockchain networks that power Web 3, earning native token rewards by staking our proof-of-stake crypto assets (also referred to "cryptocurrencies", "crypto", "crypto assets", "digital assets", or "tokens"), with an emphasis on Ethereum. Our innovative "StakeSeeker" platform empowers crypto holders with an analytics-focused cryptocurrency dashboard. We also offer a non-custodial Staking-as-a-Service solution, enabling users to earn staking rewards, while we earn a percentage of token holders' rewards, creating the potential for scalable revenue with limited additional costs. We recently introduced "Builder+", an Ethereum block builder. Builder+ leverages advanced algorithms to maximize profit through optimized block construction and creates opportunities for new scalable revenue streams.

OUR BUSINESS

Blockchain Infrastructure

BTCS's blockchain infrastructure entails operating validator nodes (or "nodes") on various proof-of-stake ("PoS") and delegated proof-of-stake ("dPoS")-based blockchain networks. In connection with the validation of transactions occurring on those blockchain networks, BTCS stakes (or "delegates") blockchain-based crypto assets native to those blockchains networks ("native crypto assets") to earn staking rewards. We also specialize in operating validator nodes on various PoS and dPoS-based blockchain networks, including Ethereum, Cosmos, Kava, Tezos, Avalanche, Kusama, Mina, Akash, Evmos, Oasis, and NEAR Protocol.

BTCS utilizes cloud infrastructure to operate and run its validator nodes and does not operate a data center or own physical assets such as servers. In addition to staking our crypto assets to our nodes, we also stake certain crypto assets to nodes operated by third-parties.

PoS blockchain infrastructure is akin to Bitcoin's proof-of-work ("PoW") mining consensus mechanism but differs in a few key ways. PoW is a consensus mechanism that requires nodes to dedicate computational resources to validate transactions on a blockchain. In PoW, miners use energy-consuming computers to do "work," and they are rewarded with crypto assets for validating transactions on the blockchain. The reward is comprised of transaction fees and crypto assets. Conversely, PoS is a consensus mechanism that requires validator nodes to dedicate financial resources in the form of crypto assets, which are staked to participate in the consensus algorithm. Validators, the equivalent of miners in PoW networks, operate nodes and validate transactions on the blockchain. Validators are rewarded in crypto assets for aligning behavior with the rules of the algorithm.

We primarily earn crypto assets through the operation of our non-custodial validator nodes, with the intention of enhancing our production of crypto assets in various blockchain networks. While we have no formal policy, our primary objective is to hold and re-stake these earned crypto assets for network security and additional production opportunities, we may, on occasion, sell a portion for cash to meet operational needs. Our primary

cryptocurrency exchange is Kraken; however, we also have basic accounts with multiple alternative cryptocurrency exchanges and OTC desks. As of the filing date, we have no exclusive agreements with any cryptocurrency exchanges, nor do we maintain margin or other type accounts that could create additional liability for the Company. Our approach to our crypto asset holdings remains adaptable to evolving market conditions and operational requirements.

Details of the Company's crypto asset held can be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Staking-as-a-Service

Through BTCS's blockchain infrastructure operations, we validate transactions on behalf of those who delegate their crypto holdings (or "Stake") to BTCS-operated validator nodes (referred to as "Staking as a Service" or "StaaS") on dPoS blockchains.

Delegation is a non-custodial process that allows token holders ("Delegators", or "customers") to maintain control of their private keys and revoke their delegation at any time (subject to the rules of a particular blockchain). There is no transfer of ownership, often referred to as "private keys", of any Delegator's crypto assets as part of the Delegation process. Delegation provides a method for token holders to designate to a validator node operator the ministerial task of running a validator node while still participating in the network consensus mechanism and earning rewards.

StaaS providers are operators of computer infrastructure and validation software that allow them and their Delegators to stake certain native crypto assets utilizing a dPoS consensus protocol. dPoS protocols provide for the validation of transactions on the related network as well as a "sybil resistance" mechanism to help secure the network.

The nodes comprising a blockchain network use a protocol (or set of rules) to reach an agreement as to whether a given transaction proposed by a user of the network is valid under the rules of the protocol and should be added to the ledger (such agreement being referred to as "consensus"). Protocols typically group transactions into blocks that can only be added to the common ledger when validated by a sufficient percentage of a dispersed network of unrelated computers or servers called "nodes" in the network. A complete record (or "blockchain") is maintained on the ledger by adding these groups (or "blocks") of transactions to the chain, and the nodes constantly automatically monitor the blocks to ensure record accuracy.

dPoS networks rely on validators who own native crypto assets and operate nodes for the network to confirm the validity of the transactions comprising each block to be added to the network ledger. The dPoS protocol software run by the relevant network nodes generally determines the validator node for each block at random, though each blockchain may have differing selection criteria. To be eligible to validate transactions and to write new blocks to the chain, validators are required to "stake" the relevant native crypto assets whereby validators commit value (in the form of the native crypto asset) to the underlying network and lock their native crypto assets, preventing them from otherwise transacting with those native crypto assets while they are staked. The dPoS mechanism is a sybil-resistance tool (fights against attacks on nodes) that incentivizes validators to confirm transactions that conform to the rules of the protocol at the risk of losing their staked crypto assets ("slashing"). Validators utilizing their native crypto assets to participate in dPoS protocols secure the relevant network and receive staking rewards for doing so.

As a non-custodial Validator operator, BTCS may charge a validator node fee, typically determined as a percent of the crypto asset rewards earned on crypto assets delegated to its node, creating the opportunity for potential scalable revenue and business growth with limited additional costs. This fee is broadcast by the Validator to the network and publicly available. Both the crypto reward paid to the Delegator and the crypto fee paid to the Validator are distributed by the blockchain network. These "validator fees" in the dPoS network encourage validators to participate in the network and thereby help to secure and decentralize the network.

A StaaS provider maintains a ministerial role in validating transactions on a given dPoS network on behalf of its Delegators by: (1) arranging transactions using open-source software to stake the relevant crypto assets; (2) monitoring the nodes it is operating to ensure the computers remain online to validate transactions; and (3) verifying transactions on the network when required.

As a StaaS provider, BTCS does not take custody of or pool Delegator crypto assets or Delegator crypto rewards (i.e. BTCS does not take possession of users' private "keys" or "crypto"). The rewards earned on delegated crypto assets are sent directly to Delegators by the respective blockchain network and are never in BTCS's possession. Therefore, BTCS does not obtain custody or facilitate transfers of any third-party crypto assets in its role as a Validator or StaaS provider.

StakeSeeker Platform

The Company's internally developed "StakeSeeker" platform is a personal finance software and education center with a comprehensive crypto dashboard for crypto asset holders to connect, monitor, track, and analyze their crypto portfolios across exchanges and wallets in a single analytics platform. The StakeSeeker dashboard reads user data from digital wallets and utilizes application programming interfaces (APIs) to read data from crypto exchanges and is non-custodial, meaning it does not allow for the trading or custody of crypto assets. StakeSeeker's Stake Hub functions as an educational center, offering users guidance on how to delegate their crypto assets to our non-custodial validator nodes, along with the ability to monitor such delegation activities through data analysis. StakeSeeker does not provide or facilitate direct crypto asset delegation through its StakeHub, nor does it facilitate transaction execution on our platform. Stake Hub's primary role is to offer instructional support and monitoring capabilities. Crypto asset holders are able to delegate to our validator nodes without signing up for our StakeSeeker platform; conversely, crypto asset holders can delegate to validator nodes not operated by the Company and utilize our StakeSeeker software and data analytics. The StakeSeeker platform is currently free-to-use for registered users so is not currently generating revenue. The Company is not a broker-dealer or an investment advisor and does not provide any such related services. StakeSeeker operates exclusively as an informational and educational resource for the monitoring and analysis of crypto assets, with its non-custodial and non-transactional approach ensuring compliance with federal securities laws, thereby precluding any regulatory concerns as the platform continues to develop.

StakeSeeker provides a valuable analytical platform to crypto enthusiasts and strategically seeks to entice users with its features. One underlying strategic objective of the platform is to drive the expansion of Delegators to our validator nodes. The growth of the size of delegations is central to the scalability of BTCS's StaaS business strategy. The Company believes that StaaS provides a more accessible and cost-effective way for crypto asset holders to participate in blockchain network consensus, thereby promoting the growth and adoption of blockchain technology.

The estimated staking rewards, expressed as the Annual Percentage Reward (APR), as displayed on StakeSeeker's Stake Hub and our StakeSeeker website (www.stakeseeker.com), are determined using the most recent network data obtained through API data pulls from www.stakingrewards.com, a third-party blockchain data provider. To ensure accuracy and consistency, BTCS conducts periodic checks to validate the APR data obtained against the data reported on each respective blockchain network's blockchain explorer. Disclosure on StakeSeeker's website clearly states that the APR presented is not guaranteed and does not include StakeSeeker's validator fee. The APR figures are provided for informational purposes and are subject to change based on the dynamics of the underlying blockchain networks.

The Company anticipates taking the StaaS Platform out of beta prior to the end of 2024. The current functionality allows crypto asset holders to connect, monitor, track, and analyze their crypto portfolios across exchanges and wallets in a single analytics platform. In the future we may add support for additional blockchains and provide other analytic tools. We are also exploring the feasibility of adding Ethereum non-custodial staking to StakeSeeker in 2024. We anticipate the costs associated with doing so would be in line with our historical research and development costs.

Ethereum Block Building

On February 1, 2024, we introduced Builder+, a newly developed Ethereum block builder ("Builder") to maximize validator earnings by utilizing advanced algorithms to construct optimized blocks for on-chain validation. Builders actively monitor the Ethereum transaction queue, known as the "mempool", for pending transactions and strategically reorder them to create 'optimized blocks' containing transactions with the highest fees. Builders pay a fee to Validators for block space in order to increase the chances of their blocks being selected by a validator and, in return, earn the associated crypto transaction fees.

Builder+ represents an innovative extension of our core Ethereum blockchain infrastructure operations, aimed at driving scalable revenue growth by leveraging our current Ethereum validator operations. We seek to capture a larger share of the Builder market within the Ethereum ecosystem with Builder+ and secure a share of the crypto rewards generated by Ethereum validators who use Builder+. We believe this market offers significant potential for scalable revenue growth.

Builder+ was in the development and testing phase in 2023 and did not have a material impact on our operations or 2023 financial results.

ChainQ

ChainQ is an under-development AI-powered blockchain data and analytics platform, designed to allow users to query real-time and historical on-chain blockchain data. Through comprehensive indexing of public blockchain data from our Blockchain Infrastructure operations, ChainQ is intended to provide an intuitive and straightforward platform for users to access on-chain data. We continue to incur costs associated with the research and development of ChainQ, with a goal to publicly launch in 2024.

Custody and Key Storage

BTCS prioritizes self-custody of its crypto assets through secure storage of most of its crypto assets in cold digital wallets, with the goal of typically maintaining less than 0.1% of its crypto assets on crypto exchanges at any given time, except during necessary transfers between wallets and exchanges for sales or purchases. Occasionally, we may use hot wallets or move crypto assets to exchanges for operational or transactional requirements. Additionally, we regularly transfer crypto assets to more secure cold wallets when appropriate. As of December 31, 2023, 97% of BTCS's crypto assets were held in cold storage wallets and 3% of crypto assets were held in other storage wallets, including hot wallets.

The Company currently does not maintain any insurance policies that provide coverage for potential losses of crypto assets in cases of theft, lost keys, or any other events that might lead to the loss of private keys or crypto assets held within our secure digital wallets.

Our cold wallet private keys are protected through a variety of methods, including key sharding, key encryption, and offline encrypted key storage in safety deposit boxes situated across multiple geographic locations. We believe this multi-layered approach ensures the utmost security for our crypto assets.

As a result of our prioritizing the self-custody of our crypto assets, our exposure to crypto related companies that have declared bankruptcy such as FTX, BlockFi, and Celsius has been limited to the negative impact these platforms had on the value of our assets in the crypto markets.

INDUSTRY AND MARKET OVERVIEW (CRYPTO ASSET AND BLOCKCHAIN TECHNOLOGIES)

Blockchain and Cryptocurrencies

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Business Profile and Risks

The decision to pursue blockchain and crypto asset businesses exposes the Company to risks associated with a new and untested strategic direction. The prices of crypto assets have experienced substantial volatility, which may reflect "bubble" type volatility, meaning that high or low prices may have little or no merit, are subject to rapidly changing investor sentiment, and may be influenced by factors such as technology, regulatory void or changes, fraudulent actors, manipulation, and media reporting.

Government Oversight

Blockchain networks are a relatively new technological innovation and the regulatory schemes to which crypto assets and their blockchain networks are or may be subject, including both the interpretation and applicability of existing laws and regulations and the potential establishment of new laws and regulations, have not been fully explored or developed.

Recent actions taken by the SEC, including enforcement actions brought against crypto asset companies with a focus on custodial staking, are more particularly described under certain "Risk Factors", demonstrate the SEC's position that many, if not most, crypto assets may be securities and therefore reflect the reality that we will likely face increased government regulation and oversight as our industry and government treatment of the crypto assets on which our operations are based continue to evolve. These developments follow the SEC's July 25, 2017, DAO Report, wherein its Chairman expressed concerns about the "Wild West" nature of the cryptocurrency market. More recently, the SEC Enforcement Division has taken action against crypto asset focused enterprises, and if the interpretations of federal securities laws are further expanded to apply to the Company, it would adversely affect the Company's future acquisition of crypto assets by limiting the amount of crypto asset securities ("Digital Securities") it may acquire, potentially limiting or precluding the use of its blockchain infrastructure and other operations, and creating increased compliance and legal costs. In October 2020 the U.S. Department of Justice ("DOJ") published a report entitled "Cryptocurrency: An Enforcement Framework" that detailed the DOJ's strategies and abilities to handle the threats posed by digital assets. In January 2023, the House of Representatives created the Financial Services Subcommittee on Digital Assets with the goal to develop rules and policies covering digital assets. In addition, each state has its own securities laws and regulations with varying provisions and effects, any of which may require us to alter or reduce our current or planned operations in the future. We continue to monitor legislative matters related to our industry.

Because of the foregoing or other regulatory developments, in the future, before we acquire or transact in crypto assets, we may be required to examine how they were originally offered to determine if they were offered as an investment contract or other type of security. Because of legal uncertainties, careful examination of the results of our compliance review will be required by experienced securities counsel. Because we must stay under the requirement under Investment Company Act of 1940 (the "1940 Act") that no more than 40% of our assets (excluding cash items) constitute investment securities to avoid being deemed an investment company, we will limit the amount of Digital Securities we acquire. Further, while we believe our operations and platform are meaningfully different than Kraken's and Coinbase's custodial staking platforms that were subject to SEC enforcement proceedings in 2023, that development or future positions the SEC may take, including potentially against us and our business, may demonstrate a differing view and require us to adjust, reduce, limit or even cease some or all of our operations or business plans. If our compliance procedures and legal reviews prove to be incorrect, we may incur the likelihood of prohibitive SEC penalties and/or private lawsuit defense costs and adverse rulings.

Gary Gensler, the current SEC Chairman, has continued to voice his concerns about and continued intention to regulate crypto assets, referring to decentralized finance, or DeFi, platforms that focus on crypto assets as well as the crypto assets themselves, and concluding by stating that the SEC would "continue to take our authorities as far as they go." In late 2023, Mr. Gensler stated that cryptocurrency entrepreneurs have "generally built a business model around noncompliance with the law." There has not been any definitive guidance provided as of the date of this Report, however a number of regulatory proceedings and enforcement actions have been brought against crypto assets developers and their proponents such as Coinbase, Binance, and Kraken.

The Company may acquire additional crypto assets and continues to develop and expand upon its StakeSeeker, Builder+, and ChainQ platforms to enable it to offer a wider range of functions and availability for use with a greater variety of crypto assets. The Company currently owns and plans to expand its crypto asset holdings, both through staking its existing crypto asset holdings on PoS blockchain networks and potentially through other means. To avoid being inadvertently classified as an investment company under the 1940 Act, we actively focus, in consultation with legal counsel, on ensuring that our ownership of assets that are not considered securities under the 1940 Act always exceed 60% of our total assets, excluding cash items. In separate SEC complaints, the SEC identified Cardano, Tezos, Solana, Cosmos, Polygon, Axie Infinity, and NEAR Protocol crypto assets as securities. As a matter of practice the Company typically targets keeping in excess of 60% of the Company's total assets (excluding cash and government securities) in Ethereum. Therefore, to the extent the SEC identified all other crypto assets held by the Company excluding Ethereum as securities, the Company would still not meet the definition of an "investment company" under Section 3(a)(1)(C) of the 1940 Act. By doing so, we can avoid being subject to the regulatory requirements and oversight that apply to investment companies.

The Company has conducted a detailed legal analysis which has led us to determine that certain crypto assets that are identified as securities by the SEC should not impact our business, financial condition, and results of operations. Provided, however, if over 40% of our assets are considered securities, excluding cash, we may be considered a 1940 Act company (*see the risk factor on page 12 herein*). Further, the aforementioned assessments are risk-based judgments and not a legal standard or determination binding on any regulatory body or court. To the extent a regulatory body or court finds that our conclusions are incorrect, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

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In addition to the securities laws and investment company considerations, as our business model and operations continue to evolve, including StakeSeeker, Builder+, and ChainQ we may become subject to additional laws and regulations. For example, to the extent we collect, analyze, distribute, or otherwise use data concerning individuals or entities and their holdings and transactions, we may become subject to the ever-growing number of data privacy and security laws within and without the U.S. which often have far-reaching implications for businesses. In general these laws require disclosure and preventative measures designed to protect users from unauthorized access or disclosure of their personal information, and impose fines and sanctions for failure to comply with their requirements. On the other hand, because transactions in crypto assets often provide a reasonable degree of anonymity, they are susceptible to misuse for criminal activities, such as money laundering. This misuse, or the perception of such misuse (even if untrue), could lead to greater regulatory oversight of crypto platforms and operations such as ours, and there is the possibility that regulators could close crypto platforms or other crypto asset-related technology and infrastructure with little or no notice or opportunity for challenge, and prevent users of custodial platforms from accessing or retrieving crypto assets held on or connected to such platforms or infrastructure. For example, lawmakers and regulators have in recent years expressed views that government oversight is needed, including with a view to curtailing the use of crypto asset use for malign and illegal activities.

Many PoW crypto assets have also been subject to skepticism due to concerns about the high energy consumption used in mining on blockchain networks. In the U.S., in March 2022 President Biden issued *Executive Order 14067 on Ensuring the Responsible Development of Digital Assets*, which prioritized the responsible development of crypto assets in a manner which includes reducing negative climate impacts and environmental pollution. In November 2022, the Governor of New York signed a law banning certain bitcoin mining operations that run on carbon-based power sources for two years. While our focus is currently on PoS blockchain networks which use significantly lower amounts of energy when compared to PoW, future regulations may arise in response to these concerns that could apply to us and the cryptocurrency industry as a whole.

Given the growing interest by regulators and other stakeholders, we anticipate that legislation and regulation of crypto assets is forthcoming and will intensify in the future.

Given the above developments, both our current and planned operations, and the cryptocurrency industry in general, continue to be subject to expanding, complex and uncertain government oversight. See "Risk Factors" beginning on page 12 and "Business" beginning on page 3 for more information.

As both the regulatory landscape develops and journalistic familiarity with crypto assets increases, mainstream media's understanding of them and the regulation thereof may improve. Regulation of crypto assets varies from country to country as well as within countries. An increase in the regulation of crypto assets may affect our proposed business by increasing compliance costs or prohibiting certain or all of our proposed activities.

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COMPETITION

The Company's current and future competition is centered on the following areas:

- **Exchange-Based Companies:** Companies in the exchange industry that offer both custodial and non-custodial staking solutions as well as other blockchain infrastructure and data analytics pose a significant competitive challenge. These exchanges often boast substantial customer bases, making it easier for them to attract those looking for integrated staking services, portfolio tracking, and position them well to enter blockchain infrastructure operations. Additionally, they may possess greater resources, allowing them to enhance their custodial or non-custodial staking offerings and other offerings in the future.
- **Crypto Asset-Focused Companies and Node Operators:** Numerous companies and node operators specializing in crypto assets compete with our non-custodial crypto asset staking services and validator node operation. Key competitors in this space include companies such as Blockdaemon, Allnodes, Everstake, Figment, P2P, Foundry, Stakin, and Stakefish.
- **Analytic Services Providers:** Various mobile applications, websites, and niche aggregation sites, such as CoinTracker, Koinly, CoinLedger, and Rotki, offer similar analytic services. These competitors provide tools and insights that may overlap with StakeSeeker's offerings.
- **Secure Storage Solution Providers:** Providers of mobile applications and websites that offer secure storage solutions for crypto assets represent another category of competition.
- **Traditional Financial Service and Data Analytics Firms:** Established financial service firms and data analytics companies serving traditional asset markets may choose to enter the market by offering data analytic solutions as well as their own custodial or non-custodial staking for crypto assets. These entities can leverage their extensive resources, market presence, and expertise to enter the market.
- **Cryptocurrency-Focused Companies:** Companies specializing in cryptocurrency-related services, including exchanges, payment processing, and financial services, are formidable competitors in the crypto asset space.
- **On-Chain Blockchain Data Providers:** Companies offering data analytics and insights services, with accessible on-chain blockchain data and user-friendly interfaces, like Chainalysis and Elliptic, pose competition in providing vital data and insights for crypto assets.
- **Ethereum Block Builders and Relay Providers:** Competition also exists for Builder+, our block building initiative, from other Ethereum block builders or relay providers who currently have significant market share.

Many of our current and potential competitors enjoy advantages such as greater financial resources, longer operational histories, larger user bases, bigger teams, and stronger brand recognition. Most are also not burdened with the additional costs and time commitments required of being an exchange-listed public company. These competitors may allocate more substantial resources to technology development, infrastructure enhancement, and marketing efforts. Moreover, they may be able to develop and deploy solutions more rapidly than us.

In addition to existing competitors, the Company must contend with the potential of new entrants to the industry and the possibility of industry consolidation through business combinations and alliances, which could further strengthen the competitive positions of our rivals. Given our small team and relative lack of capital to many peers, we acknowledge that we face a competitive disadvantage in this landscape.

ASSETS

The Company's primary assets consist of its crypto assets and cash as well as its human capital and intellectual property noted below.

INTELLECTUAL PROPERTY AND TRADE SECRETS

Our business depends in large part on our proprietary technology, particularly with regards to StakeSeeker, the operation of validator nodes as part of our blockchain infrastructure, our efforts and development with respect to our initiatives, and our brand. We rely on, and expect to continue to rely on, a combination of trademark, domain name, and trade secret laws, as well as confidentiality and license agreements with our employees, contractors, consultants, and third parties with whom we have relationships, to establish and protect our brand and intellectual property rights.

GROWTH STRATEGY

BTCS remains steadfast in its commitment to its core business of blockchain infrastructure operation, validation, and data analytics. Our growth strategy is structured around expanding our infrastructure, attracting a larger Delegator base, tapping into the Ethereum MEV market through Builder+, and launching ChainQ as a revenue-generating platform. These initiatives are discussed further below and are designed to position us for sustainable growth in the dynamic and evolving blockchain industry. We will continue to monitor and adapt our strategy to remain competitive and capitalize on emerging opportunities in the blockchain space.

Expansion of Blockchain Infrastructure:

Our primary objective is to expand our presence in the blockchain ecosystem by operating validator nodes on PoS and dPoS-based blockchain networks. To achieve this, subject to available capital, we plan to continue to identify promising blockchain networks and allocate resources towards the development and operation of validator nodes.

Growth of Delegator Base and Assets:

A critical component of our growth strategy is to increase the number of Delegators and crypto assets delegated to our validator nodes including our own. We plan to achieve this by: 1) acquiring more crypto assets and staking them to our nodes, and 2) enhancing the StakeSeeker platform's capabilities as an educational center and analytical tool. We believe that leveraging StakeSeeker's capabilities to provide insights and guidance will foster trust and confidence among potential Delegators.

Penetrating Ethereum Block Builders Market with Builder+:

We believe we are strategically positioned to capture a large share of the Builder market within the Ethereum ecosystem and available MEV rewards through the introduction of Builder+. Builder+ is an innovative solution designed to optimize validator earnings by actively monitoring the Ethereum mempool and strategically reordering transactions to create optimized blocks. To achieve this, we plan to promote Builder+ and will seek to build strategic relationships to expand its adoption. Continuous refinement of Builder+ algorithms and strategy will be a priority to ensure competitiveness and maximize rewards for validators.

Roll Out Subscription-Based ChainQ Offering:

We are actively developing ChainQ, an AI-powered blockchain data and analytics platform, with the goal of launching it as a subscription-based service in 2024. ChainQ plans to provide users with access to real-time and historical on-chain blockchain data. To achieve this, we plan to work towards the completion of the development of ChainQ, potentially establish partnerships and collaborations with other blockchain projects for integration, and implement a subscription-based pricing model to monetize the platform.

HUMAN CAPITAL / EMPLOYEES

As of December 31, 2023, we had five full-time employees, all of whom work full-time, none of which are covered by a collective bargaining agreement. We engage third-party contractors and consultants on an as-needed basis.

We are a remote-first Company. We believe that allowing our employees to work in the location that best suits them provides us access to a larger talent pool and a sustained advantage in hiring and retaining employees and consultants in the United States and worldwide.

Human capital management is critical to our ongoing business success, which requires investing in our people. Our aim is to create a highly engaged and motivated workforce where employees are inspired by leadership, engaged in purpose-driven, meaningful work, and have opportunities for growth and development. We are committed to creating and maintaining a work environment in which employees are treated with respect and dignity. We value our diverse employees, and provide career and professional development opportunities that foster the success of our Company.

We are committed to the principles of equal employment and complying with all federal, state, and local laws providing equal employment opportunities, and all other employment laws and regulations. It is our intent to maintain a work environment that is free of harassment, discrimination, or retaliation because of age, race, color, national origin, ancestry, religion, sex, sexual orientation (including transgender status, gender identity or expression), pregnancy (including childbirth, lactation, and related medical conditions), physical or mental disability, genetic information (including testing and characteristics), veteran status, uniformed servicemember status, or any other status protected by federal, state, or local laws. We are dedicated to the fulfillment of this policy in regard to all aspects of employment, including but not limited to recruiting, hiring, placement, transfer, training, promotion, rates of pay, and other compensation, termination, and all other terms, conditions, and privileges of employment.

Our Compensation Committee is also actively involved in reviewing and approving executive compensation, and succession plans so that we have leadership in place with the requisite skills and experience to deliver results the right way. We offer fair, competitive compensation and benefits appropriate for a company of our size that supports our employees. While we do not offer health benefits, we do offer 401(k) plans with 100% matching of employees' contributions subject to IRS limitations.

CAPITALIZATION

The following table details the Company's capitalization as of March 19, 2024.

Class of Security	Shares of Common Stock as Converted
Common Stock Issued and Outstanding	15,691,209
Restricted Stock Units Issued (Not Vested)	1,806,373
Options to Purchase Common Stock (weighted average exercise price of \$2.04)	1,200,000
Warrants to Purchase Common Stock (weighted average exercise price of \$11.50)	712,500
Total Common Shares Diluted	19,410,082
Series V Preferred Stock (non-convertible)	14,567,829

The table above describes the shares of Common Stock and Preferred Stock which are outstanding and/or are issuable under outstanding securities. The Series V preferred Stock is perpetual and does not convert into shares of the Company's Common Stock.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements, including our liquidity, our belief that our blockchain infrastructure efforts will form the core growth for our business, including but not limited to Builder+, StakeSeeker, and Chain, plans to expand our PoS operations, growth opportunities for the Company, our belief regarding blockchain, expected increase in our revenues and gross margins and future business plans. Forward-looking statements can be identified by words such as "anticipates," "intends," "may," "potential," "continues," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the Risk Factors below. Any forward-looking statement made by us speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies. However, our principal risk factors are described under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

We are subject to various cyber and other security threats, including attempts to gain unauthorized access to sensitive information and networks; virtual and cyber threats to our directors, officers, and employees; and threats to the security of our infrastructure and assets. To mitigate the threats to

our business, we take a comprehensive approach to cybersecurity risk management. Our Board and our management oversee our risk management program, including the management of cybersecurity risks. We have established policies, standards, processes, and practices for assessing, identifying, and managing material risks from cybersecurity threats, including those discussed in our Risk Factors, and have integrated these processes into our overall risk management systems and processes. We have devoted financial and personnel resources to implement and maintain security measures to meet regulatory requirements and stakeholder expectations, and we intend to continue to make investments as may be required to maintain the security of our data and cybersecurity infrastructure. While there can be no guarantee that our policies and procedures will be properly followed in every instance or that those policies and procedures will be effective, we believe that the Company's sustained investment in people and technologies has contributed to a culture of continuous improvement that has put the Company in a position to protect against potential compromises.

As of the date of this report, we are not aware of any cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. We can provide no assurance that there will not be incidents in the future or that past or future attacks will not materially affect us, including our business strategy, results of operations, or financial condition.

Risk Management and Strategy

Our cybersecurity risk management program ("cybersecurity program") is designed and assessed by leveraging the National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF"), customized to align with our entity size, risk profile, and industry best practices. This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

The key objectives for the Company's cybersecurity program are to implement and sustain effective security controls to stop intrusion attempts and to maintain and continuously improve its ability to respond to attacks and incidents. Success in achieving these objectives relies upon using quality technology solutions, cultivating and maintaining a team of skilled professionals, and continuously improving processes. Our cybersecurity program in particular focuses on the following key areas:

Risk Assessment: We conduct risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments are designed to identify reasonably foreseeable internal and external material cybersecurity risks to our critical systems, information, products, services, and our broader Company-wide IT environment, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks. Risk assessments take into account information from internal stakeholders, known information security vulnerabilities, and information from external sources, including reported security incidents that have impacted other companies, industry trends, and evaluations by third parties and consultants as needed. The results of our assessments are used to develop initiatives to enhance our security controls, make recommendations to improve processes, and inform a broader Company-wide risk assessment that is then periodically reported to our Board and Audit Committee.

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Technical Safeguards: We regularly assess and deploy technical safeguards designed to protect our information systems from cybersecurity threats. Such safeguards are regularly evaluated and improved based on vulnerability assessments, cybersecurity threat intelligence, and incident response experience.

Incident Response and Recovery Planning: We have established a comprehensive incident response and recovery plan that guides our response in the event of a cybersecurity incident.

Vendor Risk Management: We have implemented a robust vendor risk management program, which is designed to identify and mitigate cybersecurity threats associated with our use of third-party service providers. Such providers are subject to security risk assessments at the time of onboarding, contract renewal, and upon detection of an increase in risk profile. We use a variety of inputs in such risk assessments, including information supplied by providers in response to questionnaires and meetings as well as information from third parties. In addition, we require our providers to meet appropriate security requirements, controls and responsibilities, and investigate security incidents that have impacted our third-party providers, as appropriate. We also obtain and review Systems and Organization Control ("SOC") reports from several of our key service providers.

Education and Awareness: Our policies require each of our employees to contribute to our data security efforts. We regularly remind employees and third-party contractors of the importance of handling and protecting data, including through privacy and security training to enhance employee awareness of how to detect and respond to cybersecurity threats. All employees and third-party contractors are directed to report to our senior management any irregular or suspicious activity that could indicate a cybersecurity threat or incident.

Governance

Our senior management team, led by our Chief Financial Officer and Chief Technology Officer, is responsible for assessing and managing our material risks from cybersecurity threats. Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence, and other information obtained from governmental, public, or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

The Audit Committee of our Board of Directors considers cybersecurity risks and other information technology risks as part of its risk oversight function and evaluates our risk assessment and management policies, including periodic discussions with our senior officers. In addition, management updates the Board of Directors, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential. Our Audit Committee also meets at least quarterly with our independent registered accounting firm and communicates with them regarding any cybersecurity-related risks.

ITEM 2. PROPERTIES.

As of the date of this report, the Company did not have any owned or leased properties.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we are party to certain legal proceedings that arise in the ordinary course and are incidental to our business. We know of no material, active or pending legal proceedings against us.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET INFORMATION

Our Common Stock is listed and traded on the Nasdaq Stock Market under the symbol "BTCS". The last reported sale price of our Common Stock on March 19, 2024 was \$1.22.

HOLDERS

As of March 19, 2024, there were 177 stockholders of record of our Common Stock, one of which is Cede & Co., a nominee for Depository Trust Company, or DTC. Shares of Common Stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC and are considered to be held of record by Cede & Co. as one stockholder.

DIVIDENDS

Effective January 27, 2023, the Company's Board of Directors (the "Board") approved the issuance of a newly designated Series V Preferred Stock ("Series V") on a one-for-one basis to the Company's shareholders (including restricted stock unit holders and warrant holders who were entitled to such distribution). The distribution of Series V shares was approved and completed on June 2, 2023 to shareholders as of the record date of May 12, 2023. The Series V: (i) is non-convertible, (ii) has a 20% liquidation preference over the shares of common stock, (iii) is non-voting and (iv) has certain rights to dividends and distributions (at the discretion of the Board). A total of 14,542,803 shares of Series V Preferred Stock were distributed to shareholders on June 2, 2023. In June 2023, the Series V shares commenced trading on Upstream, a Merj Exchange market ("Upstream"). In November 2023, Upstream announced that it was no longer providing U.S. individuals with the ability to trade on Upstream. All Series V shares owned by U.S. investors were returned to the transfer agent.

On January 5, 2022, the Board declared a non-recurring special dividend of \$0.05 for each outstanding share of Common Stock of the Company, payable to holders of record as of the close of business on March 17, 2022. Shareholders were provided the option to receive proceeds of their dividend payable in either cash or Bitcoin. The dividend distributions were considered a return of capital distribution for IRS income tax purposes as the value was in excess of the Company's current and accumulated earnings and profits. The return of capital distribution reduces the Company's additional paid in capital balance. The total value of dividends paid in 2022 was approximately \$631,000. The Company will evaluate the appropriateness of potential future dividends as the Company continues to grow its operations.

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RECENT SALES OF UNREGISTERED SECURITIES

In addition to those unregistered securities previously disclosed in reports filed with the SEC, during the year ended December 31, 2023, we have issued securities without registration under the Securities Act of 1933 (the "Securities Act"), as described below.

Name or Class of Investor	Date of Sale	No. of Securities	Reason for Issuance
Executive Officers (1)	January 1, 2023	354,713 shares of restricted stock	Performance awards
Executive Officers (1)	January 1, 2023	50,000 shares of restricted stock units	Compensation for services
Non-Employee Directors (1)	March 31, 2023	27,576 shares of restricted stock	Compensation for services
Non-Employee Directors (1)	June 30, 2023	31,647 shares of restricted stock	Compensation for services
Non-Employee Directors (1)	September 29, 2023	39,894 shares of restricted stock	Compensation for services
Non-Employee Director (1)	December 29, 2023	23,007 shares of restricted stock	Compensation for services

(1) Exempt under Section 4(a)(2) of the Securities Act and Regulation 506(b) thereunder. The securities were issued to an accredited investor and there was no general solicitation.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our historical financial statements and the notes to those statements that appear elsewhere in this report. Certain statements in the discussion contain forward-looking statements based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under "Risk Factors" and elsewhere in this report. When we refer to the "Fiscal 2023" and the "Fiscal 2022" we are referring to the years ended December 31, 2023 and December 31, 2022, respectively.

COMPANY OVERVIEW

BTCS Inc. is a Nasdaq listed company operating in the blockchain technology sector since 2014 and is one of the only U.S. publicly traded companies with a primary focus on proof-of-stake blockchain infrastructure. Our core focus is on driving scalable growth through a diverse range of business streams leveraging and built on top of our core and proven blockchain infrastructure operations.

Blockchain Infrastructure

The Company specializes in operating validator nodes on various delegated proof-of-stake and proof-of-stake based blockchain networks, with an emphasis on Ethereum. We earn native token rewards by validating transactions across various blockchain networks by staking our crypto assets on validator nodes operated by BTCS and third parties. Subject to available capital and the restrictions of certain blockchains, BTCS intends to expand its blockchain infrastructure operations to secure other disruptive blockchain protocols that allow for delegating, which presents a significant growth opportunity for the Company.

Our evaluation of blockchain networks involves comprehensive due diligence procedures, including assessments of blockchain quality, reward potential, and the technical challenges associated with running validator nodes. Criteria for assessing blockchain quality encompass factors such as i) market and on-chain statistics, ii) liquidity, iii) potential blockchain utility, iv) history and milestones, v) growth and development roadmap, vi) use cases, vii) community interest, viii) quality of documentation, ix) decentralization, and ix) any other publicly available information.

StakeSeeker – Staking-as-a-Service

BTCS's Staking-as-a-Service ("StaaS") business model allows for crypto asset holders to earn token rewards by participating in network consensus mechanisms through staking and delegating their crypto assets to Company operated validator nodes. As a non-custodial validator operator, the Company receives a percentage of a crypto asset holders' staking rewards generated as a validator node fee, for our ministerial role in hosting the validator node. This creates an opportunity for scalable revenue and business growth with limited additional costs. The Company's StaaS strategy provides a more accessible and cost-effective alternative for crypto asset holders to participate in blockchain networks' consensus mechanisms, promoting the growth and adoption of blockchain technology.

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The Company's internally-developed "StakeSeeker" platform is a personal finance software and education center with a comprehensive crypto dashboard for crypto asset holders to connect, monitor, track, and analyze their crypto portfolios across exchanges and wallets in a single analytics platform. The StakeSeeker dashboard reads user data from digital wallets and utilizes application programming interfaces (APIs) to read data from crypto exchanges and does not allow for the trading or custody of crypto assets. StakeSeeker's Stake Hub functions as an educational center, offering users guidance on the delegation of their crypto assets to our non-custodial validator nodes, along with the ability to monitor such delegation activities through data analysis. StakeSeeker does not provide or facilitate direct, crypto asset delegation or transaction execution on our platform. The Stake Hub's primary role is to offer instructional support and tracking capabilities. There is no active process for crypto asset delegation through the Stake Hub dashboard; it is primarily a monitoring tool. Crypto asset holders are able to delegate to our validator nodes without signing up for our StakeSeeker platform; conversely, crypto asset holders can delegate to validator nodes not operated by the Company and sign up for StakeSeeker to utilize our software and data analytics. The StakeSeeker platform is currently free-to-use for registered users so is not currently generating revenue. The Company is not a broker-dealer or an investment advisor and does not provide any such related services.

A StaaS provider maintains a ministerial role in validating transactions on a given dPoS network on behalf of its Delegators by (1) arranging transactions using open-source software to stake the relevant crypto assets; (2) monitoring the nodes it is operating to ensure the computers remain online to validate transactions; and (3) verifying transactions on the network when required.

As a non-custodial StaaS provider, we do not hold or take possession of any Delegator funds, crypto assets, or crypto asset rewards at any point during the staking or delegation process. Delegation does not involve the transfer of crypto asset ownership to a Validator. During the process of staking, delegated crypto assets remain in the Delegator's digital wallets. The blockchain network calculates rewards earned, which are then distributed directly to the Delegator's wallet. At no point does the Validator gain access, control, or custody of the original staked crypto assets or the earned crypto rewards through staking to its node. Therefore, the Company does not have any exposure to the custodial risks that a crypto exchange would have related to excessive redemptions or withdrawals of crypto assets, suspension of redemptions, or withdrawals. Further, we do not issue or hold crypto assets on behalf of third parties and have no exposure to the risks an exchange would have with respect to loans, rehypothecation, or margin.

The following table sets forth the number of third-party crypto assets delegated to our non-custodial validator nodes as of December 31, 2023:

Blockchain	Delegated Crypto Assets (Native Tokens)	Delegated Crypto Assets (\$USD)
Cosmos	81,000 ATOM	\$ 858,000
Akash	190,000 AKT	\$ 465,000
Near protocol	89,000 NEAR	\$ 325,000
Oasis	1548,000 ROSE	\$ 213,000
Avalanche	1,000 AVAX	\$ 39,000
Kava	34,000 KAVA	\$ 30,000
Total		\$ 1,930,000

Builder+ – Ethereum Block Building

In January 2024, we introduced "Builder+", an Ethereum block builder. Builder+ utilizes advanced algorithms to maximize validator earnings by constructing optimized blocks for on-chain validation. We believe Builder+ should enhance our Ethereum blockchain infrastructure and create opportunities for new scalable revenue streams on Ethereum's blockchain. Builder+ did not have a material impact to 2023 operations.

ChainQ – AI Analytics

ChainQ is an under-developed AI-powered blockchain data and analytics platform, designed to allow users to query real-time and historical on-chain blockchain data. Through comprehensive indexing of public blockchain data from our Blockchain Infrastructure operations, ChainQ is intended to provide an intuitive and straightforward platform for users to access on-chain data.

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Crypto Assets

The tables below describes BTCS's quarterly crypto assets holdings as of the end of Fiscal 2022 through the end of Fiscal 2023.

Crypto Assets Held at Period End

Asset	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Ethereum (ETH)	8,454	8,524	7,833	7,748	7,815
Cardano (ADA)	262,860	262,860	263,293	264,751	265,254
Kusama (KSM)	6,493	6,767	6,946	7,246	7,313
Tezos (XTZ)	73,486	74,765	25,375	25,760	26,174
Solana (SOL)	7,371	7,493	7,621	7,752	7,845
Polkadot (DOT)	7,280	7,526	7,882	8,284	8,650
Cosmos (ATOM)	96,318	102,298	243,472	256,784	270,098
Polygon (MATIC)	480,825	486,806	492,965	499,548	506,010
Avalanche (AVAX)	17,178	17,178	17,824	17,824	17,842
Axie Infinity (AXS)	42,030	46,482	50,955	55,584	60,552
Kava (KAVA)	290,909	304,968	315,362	327,862	345,394
Band Protocol (BAND)	992	992	992	992	992
Mina (MINA)	74,177	79,937	81,377	84,257	90,017
Oasis Network (ROSE)	359,607	2,569,991	2,600,279	2,626,600	2,647,629

Akash (AKT)	107,405	110,213	113,063	115,735	119,071
NEAR Protocol (NEAR)	74,702	75,724	77,389	79,067	80,267
Evmos (EVMOS)	-	-	295,422	322,693	345,777

Fair Market Value of Crypto Assets at Period End

Asset	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Ethereum (ETH)	10,117,237	15,530,133	15,141,859	12,948,491	17,829,264
Cardano (ADA)	64,786	104,861	75,553	67,259	157,615
Kusama (KSM)	149,981	236,070	175,352	138,166	329,353
Tezos (XTZ)	52,720	83,614	20,452	17,569	26,379
Solana (SOL)	73,426	158,625	144,010	165,849	796,327
Polkadot (DOT)	31,410	47,720	40,763	34,009	70,879
Cosmos (ATOM)	900,440	1,144,459	2,261,411	1,859,407	2,860,870
Polygon (MATIC)	364,714	544,815	325,857	266,400	491,138
Avalanche (AVAX)	187,286	304,341	231,941	164,759	687,713
Axie Infinity (AXS)	253,943	389,893	302,966	254,967	535,546
Kava (KAVA)	166,752	270,486	305,501	207,289	301,429
Band Protocol (BAND)	1,396	1,857	1,260	1,121	2,174
Mina (MINA)	32,187	62,101	39,579	32,095	122,007
Oasis Network (ROSE)	12,291	156,698	128,686	109,516	363,571
Akash (AKT)	19,938	34,510	63,311	94,686	291,574
NEAR Protocol (NEAR)	93,785	150,854	107,088	89,660	293,204
Evmos (EVMOS)	-	-	26,069	24,089	43,886
Total	12,522,292	19,221,037	19,391,658	16,475,332	25,202,929
QoQ Change	-15%	53%	1%	-15%	53%
YoY Change	-61%	-48%	63%	11%	101%

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Prices of Crypto Assets at Period End

Asset	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Ethereum (ETH)	\$ 1,197	\$ 1,822	\$ 1,933	\$ 1,671	\$ 2,281
Cardano (ADA)	\$ 0.25	\$ 0.40	\$ 0.29	\$ 0.25	\$ 0.59
Kusama (KSM)	\$ 23.10	\$ 34.89	\$ 25.24	\$ 19.07	\$ 45.04
Tezos (XTZ)	\$ 0.72	\$ 1.12	\$ 0.81	\$ 0.68	\$ 1.01
Solana (SOL)	\$ 9.96	\$ 21.17	\$ 18.90	\$ 21.40	\$ 102
Polkadot (DOT)	\$ 4.31	\$ 6.34	\$ 5.17	\$ 4.11	\$ 8.19
Cosmos (ATOM)	\$ 9.35	\$ 11.19	\$ 9.29	\$ 7.24	\$ 10.59
Polygon (MATIC)	\$ 0.76	\$ 1.12	\$ 0.66	\$ 0.53	\$ 0.97
Avalanche (AVAX)	\$ 10.90	\$ 17.72	\$ 13.01	\$ 9.24	\$ 38.54
Axie Infinity (AXS)	\$ 6.04	\$ 8.39	\$ 5.95	\$ 4.59	\$ 8.84
Kava (KAVA)	\$ 0.57	\$ 0.89	\$ 0.97	\$ 0.63	\$ 0.87
Band Protocol (BAND)	\$ 1.41	\$ 1.87	\$ 1.27	\$ 1.13	\$ 2.19
Mina (MINA)	\$ 0.43	\$ 0.78	\$ 0.49	\$ 0.38	\$ 1.36
Oasis Network (ROSE)	\$ 0.03	\$ 0.06	\$ 0.05	\$ 0.04	\$ 0.14
Akash (AKT)	\$ 0.19	\$ 0.31	\$ 0.56	\$ 0.82	\$ 2.45
NEAR Protocol (NEAR)	\$ 1.26	\$ 1.99	\$ 1.38	\$ 1.13	\$ 3.65
Evmos (EVMOS)	\$ -	\$ -	\$ 0.09	\$ 0.07	\$ 0.13

The tables below detail BTCS's quarterly crypto assets earned as staking rewards during Fiscal 2023.

Crypto Asset Rewards

Crypto assets earned from staking to BTCS validator nodes

Asset	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Ethereum (ETH)	98	108	85	67
Cosmos (ATOM)	5,980	10,662	13,312	13,314
Kava (KAVA)	13,008	10,394	12,500	17,532
Kusama (KSM)	273	180	300	67
Mina (MINA)	5,760	1,440	2,880	5,760
Evmos (EVMOS)	-	32,236	27,271	30,084
Akash (AKT)	2,807	2,851	2,671	3,337
Avalanche (AVAX)	-	646	-	18
Oasis Network (ROSE)	20,364	30,287	26,321	21,029
NEAR Protocol (NEAR)	1,022	1,665	1,606	1,200
Tezos (XTZ)	1,179	435	385	414

Crypto assets earned from staking to third-party validator nodes

Asset	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Axie Infinity (AXS)	4,452	4,474	4,629	4,967
Polygon (MATIC)	5,981	6,158	6,276	6,462
Solana (SOL)	121	128	131	93
Polkadot (DOT)	246	356	402	366
Cardano (ADA)	-	433	1,458	503

Fair Value of Crypto Asset Rewards Earned Recognized as Revenue

Revenue earned from staking to BTCS validator nodes

Asset	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Ethereum (ETH)	\$ 154,634	\$ 201,121	\$ 151,699	\$ 131,903
Cosmos (ATOM)	75,469	109,787	106,982	116,726
Kava (KAVA)	11,735	9,351	9,523	13,033
Kusama (KSM)	9,412	4,960	6,416	1,193
Mina (MINA)	3,837	1,070	1,234	4,818
Evmos (EVMOS)	-	5,862	2,016	2,929
Akash (AKT)	1,045	1,159	2,263	5,341
Avalanche (AVAX)	-	8,403	-	714
Oasis Network (ROSE)	1,196	1,735	1,183	1,688
NEAR Protocol (NEAR)	2,111	2,841	2,050	1,834
Tezos (XTZ)	1,269	432	288	337
Total revenue earned from staking to BTCs validator nodes	\$ 260,708	\$ 346,721	\$ 283,654	\$ 280,516

Revenue earned from staking to third-party validator nodes

Asset	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Axie Infinity (AXS)	\$ 40,028	\$ 29,313	\$ 23,755	\$ 34,595
Polygon (MATIC)	6,737	5,057	3,676	5,143
Solana (SOL)	2,531	2,581	2,860	3,620
Polkadot (DOT)	1,504	1,957	1,898	1,999
Cardano (ADA)	-	124	399	251
Total revenue earned from staking to third-party validator nodes	\$ 50,800	\$ 39,032	\$ 32,588	\$ 45,609
Total	\$ 311,508	\$ 385,753	\$ 316,242	\$ 326,125

Prior to the Company's adoption of ASU No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets* during Fiscal 2023, the Company accounted for all crypto asset holdings as long-lived intangible assets, carrying them at their impaired cost value. The following table presents the Fair Market Value of crypto assets held compared to the GAAP Book Value reported on the Company's balance sheet in Fiscal 2022.

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Asset	December 31, 2022	
	Book Value	Fair Value
Ethereum (ETH)	\$ 5,708,624	\$ 10,117,237
Cardano (ADA)	63,178	64,786
Kusama (KSM)	142,242	149,981
Tezos (XTZ)	51,651	52,720
Solana (SOL)	60,012	73,426
Polkadot (DOT)	30,859	31,410
Cosmos (ATOM)	568,359	900,440
Polygon (MATIC)	161,293	364,714
Avalanche (AVAX)	182,964	187,286
Axie Infinity (AXS)	245,443	253,943
Kava (KAVA)	165,426	166,752
Band Protocol (BAND)	982	1,396
Mina (MINA)	32,002	32,187
Oasis Network (ROSE)	12,045	12,291
Akash (AKT)	17,993	19,938
NEAR Protocol (NEAR)	92,840	93,785
Total	\$ 7,535,913	\$ 12,522,292

The adoption of ASU No. 2023-08 required an adjustment to the Company's opening Retained Earnings balance, which is included in the 'Accumulated Deficit' line on the statement of stockholder's equity for Fiscal 2023. This adjustment was made during the year of adoption (Fiscal 2023) to recognize the cumulative effect of initially applying the change in accounting principle to the previous periods. Specifically, it accounted for the difference between the Fiscal 2022 ending book value of crypto assets and their fair market value, as disclosed in the table above.

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Results of Operations for the Years Ended December 31, 2023 and 2022

The following tables reflect our operating results for the years ended December 31, 2023 and 2022:

	For the Year Ended December 31,		\$ Change 2023	% Change 2023
	2023	2022		
Revenues				
Validator revenue (net of fees)	\$ 1,339,628	\$ 1,692,454	\$ (352,826)	(21)%
Total revenues	<u>1,339,628</u>	<u>1,692,454</u>	<u>(352,826)</u>	<u>(21)%</u>
Cost of revenues				
Validator expenses	359,778	426,440	(66,662)	(16)%
Gross profit	<u>979,850</u>	<u>1,266,014</u>	<u>(286,164)</u>	<u>(23)%</u>
Operating expenses:				
General and administrative	\$ 1,863,916	\$ 1,916,193	\$ (52,277)	(3)%
Research and development	687,288	611,758	75,530	12%

Compensation and related expenses	2,129,144	3,313,638	(1,184,494)	(36)%
Marketing	12,153	78,171	(66,018)	(84)%
Impairment loss on crypto assets	-	13,348,874	(13,348,874)	(100)%
Realized (gains) losses on crypto asset transactions	604,269	(506,757)	1,111,026	(219)%
Total operating expenses	5,296,770	18,761,877	(13,465,107)	(72)%
Other income (expenses):				
Change in unrealized appreciation (depreciation) on crypto assets	12,135,648	-	12,135,648	100%
Change in fair value of warrant liabilities	-	1,638,750	(1,638,750)	(100)%
Distributions to warrant holders	-	(35,625)	35,625	(100)%
Total other income (expenses)	12,135,648	1,603,125	10,532,523	657%
Net income (loss)	\$ 7,818,728	\$ (15,892,738)	23,711,466	149%

Validator Revenue

The decrease in revenue during Fiscal 2023 as compared to Fiscal 2022 is primarily due to a drop in the fair value of our crypto assets earned as rewards for staking since the market's highs in the first quarter of 2022. Despite the late upswing in market prices of crypto assets at the end of Fiscal 2023, revenue was recognized throughout the year at lower average prices than Fiscal 2022. Although we believe the number of crypto assets we earn from staking and revenue recognized may increase as we continue to expand our blockchain infrastructure efforts, we recognize that volatility in the crypto asset markets may impact the market prices of the crypto assets we earn from staking.

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Cost of Revenues

The decrease in cost of revenues during Fiscal 2023 as compared to Fiscal 2022 is due to efficiencies realized in our blockchain infrastructure validating operating costs, including streamlining of web service hosting fees and reduction of services provided by third-party vendors. We believe our cost of revenues will increase as we continue to ramp up our business. However, we believe gross margin may improve as we add scale to our blockchain infrastructure operations and reduce costs as a result of increased operational efficiencies, leading to improved gross profits.

Operating expenses

General and administrative expenses consist of director compensation, legal and professional fees, and other personnel and related costs. These expenses decreased slightly during Fiscal 2023 compared to Fiscal 2022 as a result of cost-cutting measures employed by management in numerous areas, including investor relation related as the Company focused on cost management and transitioning related efforts in-house from third-party engagements. These decreases were partially offset by increases in legal service costs during Fiscal 2023, driven primarily by services surrounding the Series V Preferred Stock distribution and related listing on Upstream Exchange.

Research and development expenses increased during Fiscal 2023 as the Company focused on the beta release of our proprietary StakeSeeker platform, including responding to user feedback and continued planned feature development and incorporation onto the platform. We anticipate research and development costs to remain consistent as we continue to expand on technological solutions in the blockchain sector, including the development of Builder+ and ChainQ with a focus on cost management of our third-party development team.

Compensation and related expenses decreased during Fiscal 2023 primarily due to approximately \$2,825,000 non-cash equity-based contingent bonuses granted to employees during Fiscal 2022 for the achievement of performance milestones compared to only approximately \$1,643,000 non-cash equity-based compensation during Fiscal 2023. We believe our compensation expenses will increase from those reported in Fiscal 2023 as the Company continues to utilize equity-based compensation incentives as a core part of our compensation strategy.

Marketing costs decreased during Fiscal 2023 as the Company focused on cost-reduction efforts.

The decrease in operating expenses during Fiscal 2023 can be attributed primarily to the Company's change in accounting principles resulting from its adoption of ASU No. 2023-08 in Fiscal 2023. This accounting change permits the Company to value its crypto assets at their fair market value and eliminates the necessity to recognize impairment losses on crypto assets, which had been a significant contributor to net losses in prior years. Notably, in Fiscal 2022, the Company recorded an impairment loss of approximately \$13,349,000 on crypto assets, which is no longer required under the revised accounting treatment.

The Company realized losses on sale of crypto assets during Fiscal 2023, compared to gains realized in Fiscal 2022, primarily resulting from the Company's sale of approximately 968 ETH earned as crypto rewards from our staking operations at prices below their original cost after liquidity was unlocked in April 2023 as part of Ethereum's Shanghai upgrade.

Other income (expense)

The changes in other income for Fiscal 2023 were primarily attributed to the recognition of the change in unrealized appreciation on crypto assets resulting from the Company's adoption of ASU No. 2023-08 for Fiscal 2023. This adoption allows the Company to account for its crypto assets at their fair market value. Prior to its adoption in Fiscal 2023, the Company accounted for its crypto assets as long-lived intangible assets with carrying values based on the original cost, less any impairment. Changes in the unrealized appreciation or depreciation of crypto assets are directly influenced by the volatility in crypto markets, which can be challenging for management to predict.

Furthermore, the changes in other income for Fiscal 2022 were primarily driven by the decrease in the fair value of warrant liabilities throughout the year. This non-cash expense is influenced by the value of our stock price at the end of each quarter, a factor that we cannot predict.

Net income (loss)

The increase in net income for Fiscal 2023, compared to the net loss in Fiscal 2022, is primarily attributable to a change in accounting principle resulting from the Company's adoption of ASU No. 2023-08 during Fiscal 2023. This change had significant implications for crypto assets, including the elimination of the need for the Company to recognize impairment losses on its crypto assets, which had been a primary contributor to net losses in previous years. Additionally, this change allowed the Company to account for its crypto assets at their fair market value and include the change in fair market value of crypto assets as part of net income for the fiscal year. We acknowledge that our net income (loss) may exhibit significant fluctuations due to the volatility in the crypto asset markets, impacting changes in the fair value of crypto assets during future reporting periods.

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LIQUIDITY AND CAPITAL RESOURCES

Recent Financing

On September 14, 2021, the Company entered into an At-The-Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC, as agent ("H.C. Wainwright"), pursuant to which the Company may offer and sell, from time-to-time through H.C. Wainwright, shares of the Company's Common Stock having an aggregate offering price of up to \$98,767,500. From the period September 14, 2021 through March 19, 2024, the Company sold a total of 4,346,748 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately \$17,256,000 at an average selling price of \$3.97 per share, resulting in net proceeds of approximately \$16,696,000 after deducting commissions and other transaction costs.

Liquidity

The Company's financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At December 31, 2023, the Company had approximately \$1,458,000 of cash and working capital of approximately \$26,055,000.

As of March 19, 2024, the Company had approximately \$870,000 of cash and the fair market value of the Company's liquid crypto assets was approximately \$35,665,000. The Company has no outstanding debt. As of March 19, 2024, the Company also has approximately \$5.5 million available under the ATM Agreement over the next twelve months under the Form S-3 baby shelf rules, although, the amount that we may raise under the Form S-3 may increase or decrease based upon our stock price. The Company believes that the existing cash and liquid crypto assets held by us, in addition to the funds available to the Company from the issuance of additional stock through the ATM Agreement, provide sufficient liquidity to meet working capital requirements, anticipated capital expenditures and contractual obligations for at least the next twelve months.

Certain of our staked crypto assets may be locked up for varying durations, depending on the specific blockchain protocol, and we may be unable to unstake them in a timely manner in order to liquidate to the extent desired. Lock-up periods for our staked crypto assets range from several hours to six months. During times of instability in the market of crypto assets, we may not be able to sell our crypto assets at reasonable prices or at all. As a result, our crypto assets may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.

Cash Flows

Cash used in operating activities was approximately \$3,562,000 during Fiscal 2023 compared to approximately \$777,000 during Fiscal 2022. The sale of our remaining bitcoin holdings during 2022 was the primary contributor to the approximately \$2,547,000 operating cash inflows from the sale of non-productive crypto assets during the Fiscal 2022 compared to \$0 in Fiscal 2023. We do not anticipate any future material cash inflows from the sale of non-productive assets, as our blockchain infrastructure strategy focuses primarily on acquiring and staking productive proof-of-stake blockchain networks. Additional non-cash adjustments to our operating cash flows consisted of approximately \$13,349,000 impairment loss on crypto assets ("Crypto Asset Impairment") during Fiscal 2022 compared to \$0 in Fiscal 2023. Due to the Company's change in accounting principle resulting from its adoption of ASU No. 2023-08 in Fiscal 2023, the Company will no longer be required to recognize impairment on its crypto assets in future reporting periods. This is partially offset by the approximately \$2,688,000 equity-based contingent bonuses granted to employees during Fiscal 2022 for the achievement of performance milestones compared to only approximately \$1,342,000 equity-based compensation in Fiscal 2023. We anticipate similar levels of equity-based compensation in future periods as reported in Fiscal 2023.

Cash provided by investing activities was approximately \$186,000 during Fiscal 2023 compared to cash used in investing activities of approximately \$8,973,000 for Fiscal 2022. Net cash outflows for investing activities were used primarily for the purchase of crypto assets for blockchain infrastructure operations. We anticipate purchase activity to remain lower and consistent with the levels reported during Fiscal 2023 as we focus our strategies on technical developments. Fiscal 2022 included large purchases of productive crypto assets to build on our blockchain infrastructure operations. Fiscal 2023 included a higher than typical volume of sales of crypto assets, primarily driven by the re-allocation of Ethereum rewards earned to other productive crypto assets which were subsequently staked.

Cash provided by financing activities was approximately \$2,688,000 during Fiscal 2023 compared to approximately \$10,496,000 during Fiscal 2022. The cash inflows from financing activities in Fiscal 2023 and Fiscal 2022 were entirely from proceeds of Common Stock sold pursuant to the ATM Agreement. The cash inflows from financing activities during Fiscal 2022 was partially offset by a one-time return of capital distribution of \$631,000 made to record holders as of March 17, 2022. The Company has plans to continue to raise proceeds from the sale of Common Stock to fund operations as needed.

Off Balance Sheet Transactions

As of December 31, 2023, there were no off-balance sheet arrangements and we were not a party to any off-balance sheet transactions. We have no guarantees or obligations other than those which arise out of normal business operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Accounting Treatment of Crypto Assets

Fair Value Measurement

The Company's fair value measurement for its crypto assets is guided by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 - *Fair Value Measurement*. According to ASC 820, fair value is defined as the price that would be received for an asset in a current sale, assuming an orderly transaction between market participants on the measurement date. It requires the Company to assume that its crypto assets are sold in their principal market or, in the absence of a principal market, the most advantageous market. In this context, market participants are considered to be independent, knowledgeable, and willing and able to transact.

Kraken has been identified as the principal market for the Company's crypto assets, serving as the Company's primary cryptocurrency exchange for both purchases and sales. This determination is based on a comprehensive evaluation process that considers various factors, including regulatory compliance, trading activity, and price stability. The Company places significant trust in Kraken's well-established reliability and robust capabilities.

To determine the fair value of its crypto assets, the Company relies primarily on coinmarketcap.com ("CoinMarketCap") as the principal pricing

source. The selection of CoinMarketCap is the result of thorough due diligence, which identified it as the most reliable source for consistently obtaining timely and accurate crypto asset price data, covering all the crypto assets held by the Company. The real-time pricing from CoinMarketCap is notably aligned with the bid/ask quotes observed on the Company's primary exchange and principal market, Kraken.

While Kraken is designated as the primary exchange, the Company maintains the flexibility to engage in cryptocurrency transactions on other exchanges where it maintains accounts. This flexibility allows the Company to adapt to changing market conditions and explore alternative platforms when necessary to ensure cost-effective execution and fair value measurement using the most advantageous market.

The determination of Kraken as the principal market reflects the Company's commitment to making informed decisions based on regulatory compliance, trading activity, and price stability and achieving the most accurate representation of fair value for its crypto assets. The Company regularly reviews and assesses its choice of principal market to ensure it aligns with its objectives and the evolving landscape of the cryptocurrency market.

Accounting for Crypto Assets

The cost basis of the Company's crypto assets is initially recorded at their fair value using the U.S. dollar spot price of the related crypto asset at 4:00 p.m., New York time, on the date of receipt (or "carrying value").

Crypto assets are measured at their fair respective fair market values at each reporting period end on the balance sheets and classified as either 'Staked Crypto Assets' or 'Crypto Assets' to distinguish their nature within the respective balances. Staked crypto assets are presented as current assets if their lock-up periods are less than 12 months, and as long-term other assets if the lock-up extends beyond one year. The majority of our crypto assets are staked, typically with lock-up periods of less than 21 days, and are considered current assets in accordance with ASC 210-10-20, *Balance Sheet*, due to the Company's ability to sell them in a liquid marketplace, as we have a reasonable expectation that they will be realized in cash or sold or consumed during the normal operating cycle of our business to support operations when needed.

The classification of purchases and sales in the statements of cash flows is determined based on the nature of the crypto assets, which can be categorized as 'productive' (i.e. acquired for purposes of staking) or 'non-productive' (e.g. bitcoin). Acquisitions of non-productive crypto assets are treated as operating activities, while acquisitions of productive crypto assets are classified as investing activities in accordance with ASC 230-10-20, *Investing activities*. Productive crypto assets staked with lock-up periods of less than 12 months are listed as current assets in the 'Staked Crypto Assets' line item on the balance sheet. Staked crypto assets with lock-up periods exceeding 12 months are categorized as long-term other assets. Non-productive crypto assets are included in the 'Crypto Assets' line item on the balance sheet.

Effective January 1, 2023, the Company has elected to early adopt ASU No. 2023-08, resulting in a material change in accounting principle related to the Company's accounting treatment of crypto assets. The impacts of the change in accounting principle are discussed further in Note 3.

Prior to the Company's adoption of ASU No. 2023-08, the Company accounted for its crypto assets as indefinite-lived intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other*. 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 occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. 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 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. If the Company concludes otherwise, it is required to perform a 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.

Prior to the Company's adoption of ASU No. 2023-08, on a quarterly basis, crypto assets were measured at carrying value, net of any impairment losses incurred since receipt. The Company recorded impairment losses as the fair value fell below the carrying value of the crypto assets at any time during the period, as determined using the lowest intraday U.S. dollar spot price of the related crypto asset subsequent to its acquisition. The crypto assets could only be marked down when impaired and not marked up when their value increases. Impairment losses could not be recovered for any subsequent increase in fair value until the sale or disposal of the asset. Such impairment in the value of crypto assets was recorded as a component of costs and expenses in our statements of operations. The Company recorded impairment losses of approximately \$0 and \$13,349,000 related to crypto assets during the years ended December 31, 2023 and 2022, respectively.

Realized gain (loss) on sale of crypto assets are included in other income (expense) in the statements of operations. The Company recorded realized gains (losses) on crypto assets of approximately (\$604,000) and \$507,000 during the years ended December 31, 2023 and 2022, respectively.

Revenue Recognition

The Company recognizes revenue under ASC 606, *Revenue from Contracts with Customers*. The core principle of the new 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
- Step 5: Recognize revenue when the Company satisfies a performance obligation

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company generates revenue through staking rewards generated from its blockchain infrastructure operations.

The transaction consideration the Company receives – the crypto asset awards and gas fees – are a non-cash consideration, which the Company measures at fair value on the date received. The fair value of the crypto asset award received is determined using the U.S. dollar spot price of the related crypto asset at 4:00 p.m., New York time, on the date of receipt.

Blockchain Infrastructure

The Company engages in network-based smart contracts by running its own crypto asset validator nodes as well as by staking (or "delegating") crypto assets directly to both its own validator nodes and nodes run by third-party operators. Through these contracts, the Company provides crypto assets to stake to a node for the purpose of validating transactions and adding blocks to a respective blockchain network. The term of a smart contract can vary based on the rules of the respective blockchain and typically last from a few days to several weeks after it is cancelled (or "un-staked") by the delegator and requires that the crypto assets staked remain locked up during the duration of the smart contract.

In exchange for staking the crypto assets and validating transactions on blockchain networks, the Company is entitled to all of the fixed crypto

asset award earned from the network when delegating to the Company's own node and is entitled to a fractional share of the fixed crypto asset award a third-party node operator receives (less crypto asset transaction fees payable to the node operator, which are immaterial and are recorded as a deduction from revenue), for successfully validating or adding a block to the blockchain. The Company's fractional share of awards received from delegating to a third-party validator node is proportionate to the crypto assets staked by the Company compared to the total crypto assets staked by all Delegators to that node at that time.

The provision of validating blockchain transactions is an output of the Company's ordinary activities. Each separate block creation or validation under a smart contract with a network represents a performance obligation. The satisfaction of the performance obligation for processing and validating blockchain transactions occurs at a point in time when confirmation is received from the network indicating that the validation is complete, and the awards are available for transfer. At that point, revenue is recognized.

Cost of Revenue

The Company's cost of revenue related to its blockchain infrastructure operations primarily includes direct production costs associated with transaction validation on the network, cloud-based server hosting expenses related to our validator nodes, and allocated employee salaries dedicated to node maintenance and support. Additionally, the cost of revenue encompasses fees, including equity compensation stock-based fees paid to third parties for their assistance in software maintenance and node operations. These costs directly related to production of revenues are collectively summarized as "Validator expenses" in the statements of operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 addresses all forms of share-based payment awards including shares issued under employee stock purchase plans and stock incentive shares. Under ASC 718, awards result in a cost that is measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest and will result in a charge to operations.

Share-based payment awards exchanged for services are accounted for at the fair value of the award on the estimated grant date.

Options

Stock options issued under the Company's long-term incentive plans are granted with an exercise price equal to 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 grant. These options often vest over a one-year period.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

Expected Volatility – The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the option.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the option.

Expected Term – The Company's expected term represents the weighted-average period that the Company's stock options are expected to be outstanding. The expected term is based on the expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options to derive employee behavioral patterns used to forecast expected exercise patterns.

Expected Dividend – The Company has not historically declared or paid any cash dividends on its common shares and does not plan to pay any recurring cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in its valuation models.

Restricted Stock Units (RSUs)

For awards vesting upon the achievement of a service condition, compensation cost measured on the grant date will be recognized on a straight-line basis over the vesting period. Stock-based compensation expense for the market-based restricted stock units with explicit service conditions is recognized on a straight-line basis over the longer of the derived service period or the explicit service period, regardless of whether the market condition is satisfied. However, in the event that the explicit service period is not met, previously recognized compensation cost would be reversed. Market-based restricted stock units subject to market-based performance targets require achievement of the performance target as well as a service condition in order for these RSUs to vest.

The Company estimates the fair value of market-based RSUs as of the grant date and expected derived term using a Monte Carlo simulation that incorporates pricing inputs covering the period from the grant date through the end of the derived service period.

Expected Volatility – The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the RSUs.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the RSUs.

Expected Term – The Company's expected term represents the weighted-average period that the Company's RSUs are expected to be outstanding. The expected term is based on the stipulated 5-year period from the grant date until the market-based criteria are achieved. If the market-based criteria are not achieved within the five-year period from the grant date, the RSUs will not vest and shall expire.

Vesting Hurdle Price – The vesting hurdle prices are determined by taking the vesting Market Cap criteria divided by the shares outstanding as of the valuation dates.

Effective January 1, 2017, the Company elected to account for forfeited awards as they occur, as permitted by ASU 2016-09. Ultimately, the actual expenses recognized over the vesting period will be for those shares that vested. Prior to making this election, the Company estimated a forfeiture rate for awards at 0%, as the Company did not have a significant history of forfeitures.

Recent Accounting Pronouncements

See Note 3 to the financial statements for a discussion of recent accounting standards and pronouncements.

COVID-19

The COVID-19 pandemic has created significant national and global economic disruptions, which may adversely affect our business. However, based on our current assessment, we do not expect any material impact on our long-term development, our operations, or our liquidity due to the worldwide spread of COVID-19. We are actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, and the industry.

Inflation

In addition to the impacts of COVID-19, we have experienced, and are experiencing, the impact of domestic and global inflationary pressures largely outside of our control. This inflationary pressure impacts our cost structure, leading to operational adjustments, and increasing the cost of retaining talent and certain professional costs, despite our continued focus on controlling our costs where possible. Management is unable to accurately predict when, or if, these national and global inflationary pressures will subside, or their long-term impacts on our business and results of operations. We are actively monitoring the situation and assessing potential mitigation strategies.

RISK FACTORS

There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our Common Stock could decline and investors could lose all or part of their investment.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our common stock. Set forth below is a summary of the principal risks we face:

- We have a limited operating history, particularly with respect to our blockchain infrastructure solutions business, StakeSeeker, Builder+, ChainQ and staking-as-a-service operations.
- We have an evolving business model which we may be unable to develop, adapt or execute effectively, and we may be unable to manage our growth or implement our business plan as intended or at all.
- We are highly dependent on our executive officers, particularly Charles Allen, our Chairman and Chief Executive Officer, Michal Handerhan, our Chief Operating Officer, Michael Prevoznik, our Chief Financial Officer, and Manish Paranjape, our Chief Technology Officer, and the loss of the services of any of these individuals could materially harm our business.
- We may be subject to regulatory actions, private causes of actions such as intellectual property infringement claims, and restrictions and limited access to banking and financial services due to our operations in the cryptocurrency industry, and regulatory or other adverse developments in the cryptocurrency industry could otherwise adversely affect us.
- Because of our involvement in staking of crypto assets through delegations as part of our StaaS strategy, we are subject to risks inherent in engaging in activities involving financial instruments owned by third-party users, notwithstanding the non-custodial nature of our platform or other features management believes to constitute meaningful distinctions for regulatory, compliance and other purposes.
- A particular crypto asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty, and if we are unable to correctly characterize a crypto asset, we may be subject to regulatory scrutiny, investigations, fines, sanctions, penalties and other adverse consequences, including potentially becoming subject to the Investment Company Act of 1940 which would impose significant regulatory burdens and compliance costs.
- Crypto assets and our related activities are characterized by numerous other risks and uncertainties, including the possibility for adverse developments such as regulatory actions, bans or restrictions, declines in the price of, demand for or public perception of crypto assets, theft, fraud, hacking, manipulation or malicious coding, price volatility, the potential for one cryptocurrency to branch into two, variations among and the potential for adverse changes to blockchain algorithms, and other external forces beyond our control described more fully below.
- The future development and growth of cryptocurrencies is subject to a variety of factors that are difficult to predict and evaluate, and the market for the crypto assets we obtain and hold may not grow as we expect or the prices may decline, including due to political or economic crises or other factors which we neither predict nor control.
- The cryptocurrency space is subject to continuous regulatory uncertainty, and any adverse regulatory changes or other developments with respect to our operations or the crypto assets with which we transact may require us to alter our business model or suspend or cease some or all of our operations.
- Our focus on PoS blockchain networks exposes us to risk of loss due to features unique to those networks, including by virtue of being locked in by smart contracts such that we cannot liquidate a portion of the relevant crypto assets for a period of time during and after the staking process, during which the price or value of the crypto assets may depreciate.
- We are reliant on a single service provider for cloud computing infrastructure deployed in our blockchain infrastructure business, and are therefore exposed to the risks which may arise from potential adverse developments that may be caused or experienced by such service provider.
- We are subject to various other risks and uncertainties relating to our StaaS and other elements of our business, including potential loss of revenue if we experience excessive removal of delegated crypto assets on our validator nodes, potential shifts in the block building landscape, and competitive forces for Ethereum and other crypto assets for which our services are offered, technical failures, bugs, or vulnerabilities in our block builder software, and our efforts with respect to new features and services which were recently launched or are still under development.
- Our critical accounting policies may prove to be incorrect including due to our adoption of new accounting standards applicable to crypto assets in 2023, we may need to implement additional finance and accounting systems, procedures and controls, and we face challenges inherent in operating a crypto assets business which is subject to evolving accounting treatment for which there is limited precedent.

- Our stock price has in the past and may in the future be subject to significant volatility due to a variety of factors, many of which are beyond our control, including its potential connection to the price of one or more of the crypto assets with which we are or may become involved.

Risks Related to Our Company in General

We have a limited operating history, particularly with respect to our blockchain infrastructure operations, including certain features and service offerings which recently commenced and our platform and staking-as-a-service business model, and we have a history of operating losses, and expect to incur significant additional operating losses.

We have a limited operating history, and only recently commenced our blockchain infrastructure operations in 2021. Further, we lack an operating history with respect to our crypto asset analytics and staking-as-a-service platform's functions and operations. In addition, the PoS blockchain networks on which our operations are centered are a relatively new and evolving means of validating crypto asset transactions. In addition to the relative novelty of our business and industry generally, we also launched Builder+ which is designed to enhance validator earnings by deploying algorithms to identify and access optimized blockers to increase reward fees in February 2024. We are in the process of developing ChainQ, an AI-powered blockchain data and analytics platform with the goal of launching later in 2024. The performance and results of these developments, and their impact on our business and financial condition, has yet to be determined. Therefore, there is limited historical financial information upon which to base an evaluation of our performance. Our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies in their early stages of operations in general, and in the cryptocurrency industry in particular with itself remains a relatively new space imbued with risk and uncertainty. While we generated a net gain of \$7.8 million for the year ended December 31, 2023, we generated a net loss of \$15.9 million for the year ended December 31, 2022. We expect to incur additional net losses over the next several years as we seek to expand operations. The amount of future losses and when, if ever, we will achieve profitability are uncertain. If we are unsuccessful at executing our business plan, our business, prospects, and results of operations may be materially adversely affected.

We have an evolving business model which we may be unable to develop, adapt or execute effectively.

As and to the extent crypto assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. In 2017, the SEC issued a DAO Report that promoters that use initial coin offerings or token sales to raise capital may be engaged in the offer and sale of securities in violation of the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act"). The SEC has also brought enforcement actions with respect to crypto assets and related activities, including custodial staking-as-a-service models, and the SEC and courts have issued further orders and guidance as the crypto asset industry continues to develop and evolve, as more particularly described later in these Risk Factors. These or future developments may force or cause us to potentially change our future business in order to comply fully with the federal securities laws as well as applicable state securities laws. As a result, to stay current with the industry, our business model may need to evolve in the future as well. From time to time we may modify aspects of our business model relating to our product mix and service offerings. For example, a main component of our current business objective is developing a comprehensive crypto asset analytics and staking-as-a-service platform which enables users to perform or utilize a variety of functions related to crypto assets, such as portfolio monitoring, and risk assessment all in one place in the hopes of attracting, maintaining and growing a customer base in the long term. However, our investments into and efforts with respect to this goal may not come to fruition, including due to adverse developments in regulatory, technological, competitive or other aspects that are beyond our control. As the crypto industry and technology surrounding it continues to develop, new market entrants offering the same, similar or alternative products and services to ours could arise, challenging our business model and market share. For example, disruptive technologies such as generative artificial intelligence (AI) may fundamentally alter the use of crypto assets and related infrastructure in unpredictable ways.

Because of the foregoing realities and uncertainties surrounding our business and industry, we may invest substantial resources towards developing additional platform features or new offerings such as Builder+ that ultimately fail to achieve the goals or benefits sought, or need to be suspended, due to competitive, regulatory, technological or other conditions or developments beyond our control. Further, any success we have achieved or may in the future achieve towards our goal could be stifled by these forces, particularly if we are unable to adequately or quickly adapt to them, which could render some or all of our offerings obsolete. We cannot offer any assurance that our current business plan or any other modifications or undertakings with respect thereto will be successful or will not result in harm to the business. In addition, we may not be able to manage our growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. If we are unable to effectively develop, execute and adjust our business plan, or successfully manage our growth, you could lose some or all of your investment.

The loss of our executive officers could have a material adverse effect on us.

Our success depends on the continued services of our executive officers who have extensive technological and market knowledge and long-standing industry relationships. In particular, we have relied and will continue to rely on Charles Allen, our Chairman and Chief Executive Officer, Michal Handerman, our Chief Operating Officer, Michael Prevoznik, our Chief Financial Officer, and Manish Paranjape, our Chief Technology Officer, to continue and grow our operations and execute our business plan. Our reputation among and our relationships with key cryptocurrency industry leaders are the direct result of a significant investment of time and effort by these individuals to build our credibility in a highly specialized industry. The loss of services of any of our executive officers could diminish our business and growth opportunities and our relationships with key leaders in the crypto asset industry and could have a material adverse effect on us.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in cryptocurrency-related activities, and turmoil among financial institutions arising from or relating to crypto assets or in general can materially adversely affect us and our industry.

A number of companies that engage in crypto asset and/or other cryptocurrency-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, including in China where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions within China. Government action in the U.S. involving crypto assets and related activities may cause this trend to expand in the U.S. We also may be unable to obtain or maintain these services for our business. Many businesses that provide cryptocurrency-related activities may continue to have difficulties in finding banks and financial institutions willing to provide them services which may decrease the usefulness of cryptocurrencies as a payment system and harm public perception of cryptocurrencies, and could decrease their usefulness.

As an example of adverse events affecting the crypto landscape, in November 2023 Binance, the world's largest crypto exchange, undertook to exit the U.S. and paid a \$4.4 billion fine to settle charges by the U.S. Department of Justice, Treasury, and the Commodity Futures Trading Commission that the exchange violated sanctions and facilitated human and narcotics trafficking. Further, in March 2023 two large financial institutions in the U.S., Silicon Valley Bank and Signature Bank, which both serviced customers involved with crypto assets, collapsed as continued negative economic prospects and failures to obtain payment from borrowers, together with a large number of withdrawals, caused these banks to encounter substantial

financial difficulty leading up to their failures. In response to these events, the Federal Deposit Insurance Corporation (“FDIC”) transferred all the deposits, both insured and uninsured, of these banks to corresponding “bridge banks” operated by the FDIC as it markets the institution to potential bidders. The impact of these developments on the Company and on the crypto asset industry and the economy in general, and whether and to what extent they signal a continuing trend impacting the industry and potentially our business, remain unclear.

The usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if crypto exchanges and other industry participants exit the U.S. markets, and if banks or financial institutions were to close the accounts of businesses engaging in cryptocurrency-related activities, which contingencies may become more likely in the future if and to the extent crypto assets are considered a significant factor in the financial crises or criminal activity such as those described above. This could occur as a result of compliance risk, cost, government regulation, or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and derivatives on commodities exchanges, the over-the-counter market, and the Depository Trust Company, which, if any of such entities adopts or implements similar policies, rules or regulations, could negatively affect our relationships with financial institutions and impede our ability to convert cryptocurrencies to fiat currencies. Such factors 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 harm investors.

Risks Related to Crypto Assets

A particular crypto asset's status as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty, with a growing number of regulators taking the position that certain crypto assets are securities and bringing enforcement actions accordingly, and if we are unable to properly characterize a crypto asset or comply with the applicable regulatory requirements, 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. Legal tests to determine whether a crypto asset is a security have been established by the U.S. Supreme Court case law and the SEC has issued reports, orders, and statements that provide guidance on when a crypto asset may be a security for purposes of the U.S. federal securities laws. The process of determining whether a specific crypto asset qualifies as a security involves a nuanced analysis open to interpretation, making the outcome uncertain and challenging to predict.

Despite regulatory developments in this field, some ambiguity persists, as the identification of crypto assets as securities or otherwise can be a complex matter. Notably, the SEC has identified certain crypto assets as securities in the context of legal actions involving industry participants, such as Ripple, Coinbase, and Binance. The Coinbase action involved alleged securities law violations for its custodial staking-as-a-service activities, which were followed by actions relating to their staking-as-a-service activities by numerous state regulators as well. The potential for and resolution of ongoing enforcement actions and legal proceedings are still pending, potentially leaving room for further clarification to be sought regarding the regulatory treatment of specific crypto assets.

Moreover, based upon decided federal court cases, it appears that the federal courts of appeals, and possibly the U.S. Supreme Court, may ultimately settle unresolved legal issues with respect to the identification of certain crypto assets as securities.

In regard to the 2023 cases, in separate SEC complaints, the SEC has alleged several crypto assets we hold, specifically Cardano, Tezos, Solana, Cosmos, Polygon, Axie Infinity, and NEAR Protocol are securities. The Company has conducted a detailed legal analysis which has led us to determine that the identification by the SEC of certain crypto assets held by us as securities should not impact our business, financial condition, and results of operations. However, if our conclusions or any part thereof turn out to be incorrect, or new adverse regulatory developments occur, we could be adversely impacted and/or be forced to modify or cease certain aspects of our current and planned operations and business.

In February 2023, the SEC charged Kraken with failing to register the offer and sale of its staking-as-a-service program, whereby investors transferred crypto assets to Kraken for staking in exchange for advertised annual investment returns. Kraken settled this action by agreeing to cease its custodial staking business and to pay \$30 million in disgorgement, prejudgment interest, and civil penalties. While there are material distinctions between Kraken's staking model and ours, including the fact that we do not take custody of or exert control over the crypto assets that are staked using our platform, the SEC could disagree with our assessment and seek to enforce the federal securities laws and regulations against our operations.

Similarly, in March 2023 the New York Attorney General became the first U.S. regulator to claim in court that Ethereum, one of the major crypto assets which we hold and stake, is a security in its lawsuit against KuCoin, a crypto asset exchange. If we become subject to regulatory scrutiny or enforcement actions by securities regulators, it could result in expensive litigation and penalties and cessation of the allegedly noncompliant operations, which would materially adversely harm us, including due to our recent shift of focus to our non-custodial staking-as-a-service business and the costs and efforts deployed towards its development. These or additional developments that may arise underscore the risks in our business, particularly its reliance on the use of crypto assets and staking of users' crypto asset holdings.

Further, 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.” As a result of the foregoing recent and potential developments, we may be forced to, or voluntarily elect to, limit, suspend or cease our staking services operations or certain aspects thereof in order to comply with applicable laws and regulations and avoid the regulatory scrutiny and adverse consequences that could result. Further, because of how recent these government actions are and the high probability that further action is forthcoming, we anticipate higher compliance costs and diversion of management's limited time and attention towards these events until a more definitive regulatory regime is established to govern the crypto asset industry in which we operate.

While we do not currently, nor do we plan to, offer, sell, trade, and clear crypto assets or take custody of crypto assets as part of any potential staking-as-a-service operations we may undertake, crypto assets we stake and validate transactions for could be deemed to be a “security” under applicable laws. This could be the case even if we conclude that our activities are compliant with these laws and regulations. Our blockchain infrastructure operations which entails securing blockchains by validating blockchain transactions (most analogous to Bitcoin mining) could be construed as facilitating transactions in crypto assets; as such we could be subject to legal or regulatory action in the event the SEC, a foreign regulatory authority, or a court were to determine that a blockchain we secure is a “security” under applicable laws. Because our platform is not registered or licensed with the SEC or foreign authorities as a broker-dealer, national securities exchange, or ATS (or foreign equivalents), and we do not seek to register or rely on an exemption from such registration or license to secure blockchains. We recognize that the application of securities laws to the specific facts and circumstances of crypto assets is a complex and often unpredictable process and subject to change, and staking and securing a blockchain, while similar to Bitcoin mining, does not guarantee any conclusion under the U.S. federal securities laws, particularly given that each crypto asset and blockchain network is unique. Therefore, if we do conclude that a particular crypto asset is not a security on advice of our legal counsel, and the SEC or other government agencies or courts disagree with this assessment, we could be held liable for violation of securities laws. In addition, new laws may be implemented that prevent or hinder us from operating in the manner we currently conduct our business or plan to conduct our business, in which case our business may be materially harmed.

Further, if any 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 crypto asset. For instance, the networks on which such 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, such a development may make it difficult for such supported crypto assets to be traded, cleared, and custodied as compared to other crypto assets that are not considered to be securities. These events could, among things, result in a decline in the market prices for the crypto assets on which our operations rely, and thereby reduce the demand for our solutions and the revenue generated therefrom. To the extent we hold crypto assets allegedly identified as securities by the SEC, it could have a material adverse effect on our business and our stock price.

Because crypto assets may be determined to be Digital Securities, we may inadvertently violate the 1940 Act and incur large losses as a result and potentially be required to register as an investment company. This would have a material adverse effect on an investment in us.

We hold and plan to acquire a portfolio of crypto assets including Ethereum and other crypto assets. There is an increased regulatory examination of crypto assets and Digital Securities. This has led to regulatory and enforcement activities. As described elsewhere in these Risk Factors, the SEC and certain state regulators have in recent years begun to take a more definitive and aggressive stance indicating that crypto assets and related activities, including custodial staking-based services, entail the offer and sale of securities subject to applicable securities laws and regulations. We cannot be certain as to how future regulatory developments will impact the treatment of Ethereum and other crypto assets, or our operations as they relate to such crypto assets or in general, under the law.

Under the 1940 Act, a company may be deemed an investment company under if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on a consolidated basis. Crypto assets we may own in the future may be determined to be Digital Securities by the SEC or a court. Additionally, one or more states may conclude Ethereum, or other crypto assets held by us in the future are securities under state securities laws which would require registration under state laws including merit review laws. For example, California defines the term "investment contract" more strictly than the SEC. In addition, the New York Attorney General has taken the position that Ethereum is a security under New York law, and if this position is upheld it could significantly impact Ethereum and other crypto assets, as notwithstanding the decentralized nature of crypto assets, a substantially large proportion of capital markets activities and the U.S. population are located in New York.

Future legislation, SEC rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which Bitcoin, Ethereum, and other crypto assets are treated for classification and clearing purposes. The SEC's July 25, 2017 DAO Report expressed its view that crypto assets may be securities depending on the facts and circumstances, and recent developments have confirmed that the SEC presently considers many if not most crypto assets to be securities.

If a crypto asset we hold were later determined to be a Digital Security, we could inadvertently become an investment company, as defined by the 1940 Act, if the value of the Digital Securities we owned exceeded 40% of our assets excluding cash. We are subject to the following risks:

- the SEC or a court may conclude that Ethereum, or other crypto assets we later acquire to be securities, notwithstanding differing conclusions we may draw on advice of counsel;
- based on legal advice, we may acquire other crypto assets which we have been advised are not securities but later are held to be securities; and
- we may knowingly acquire crypto assets that are securities and acquire minority investments in businesses which investments are securities.

In the event that the crypto assets held by us exceed 40% of our total assets, exclusive of cash, we may inadvertently become an investment company.

In order to limit our acquisition of Digital Securities to stay within the 40% threshold, we will examine the manner in which a crypto asset was initially marketed to determine if it may be deemed a Digital Security and subject to federal and state securities laws. Even if we conclude that a particular crypto asset is not a security under the 1940 Act, certain states take a stricter view which means the crypto asset may have violated applicable state securities laws.

Should the total value of securities which we hold exceed more than 40% of our assets (exclusive of cash) SEC Rule 3a-2 under the 1940 Act allows an issuer to prevent itself from being deemed an investment company if it reduces its holdings of securities to less than 40% of its assets (exclusive of cash) and does not go above the 40% threshold more than once every three years. Accordingly, if changes in the classification of crypto assets causes us to exceed the 40% threshold, we may experience large losses when we liquidate Digital Securities as a result of continued volatility.

The 40% requirement may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

To the extent that crypto assets held by us are deemed by the SEC or a state legislator to fall within the definition of a security, we may be required to register and comply with additional regulation under the Investment Company Act, including additional periodic reporting and disclosure standards and requirements and the registration of our Company as an investment company. Such additional registrations: i) would result in extraordinary, non-recurring expenses, ii) is time consuming and restrictive, iii) would require a restructuring of our operations, and iv) we would be very constrained in the kind of business we could do as a registered investment company, thereby materially and adversely impacting an investment in us. Further, if our examination of a crypto asset is incorrect, we may incur regulatory penalties and private investor liabilities since Section 5 of the Securities Act is a strict liability statute much like selling spoiled milk and state securities laws generally impose liability for negligence for misrepresentations.

In order to comply with the 1940 Act, we anticipate having increased management time and legal expenses in order to analyze which crypto assets are securities and periodically analyze our total holdings to ensure that we do not maintain more than 40% of our total assets (exclusive of cash) as securities. If our view that the crypto assets we hold are not securities is challenged by the SEC and courts uphold the challenge, we may inadvertently violate the 1940 Act and incur substantial legal fees in defending our position. The cost of such compliance would result in the Company incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact to conduct our operations.

If the SEC concludes that our non-custodial staking business involves the offer and sale of a security in violation of Section 5 of the Securities Act of 1933 and the courts conclude the SEC is correct, we will be required to cease our staking as a service business and seek another business opportunity and may be subject to monetary and other penalties.

The SEC has been successful in litigating against certain companies and individuals who have offered and sold various cryptocurrencies in violation of the registration provisions of the Securities Act of 1933 (the "Securities Act") and the anti-fraud provisions of the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act"). While we believe that our non-custodial staking business does not involve the offer or sale of a security, we do not know if the SEC will agree or whether if we seek relief from the courts, we will be successful. If we are also found to have offered and sold securities in violation of the Securities Act and the Exchange Act, the SEC could sue us for acting as an unregistered dealer. Further, as discussed in the risk factor noted above, we may inadvertently violate the 1940 Act.

Whether we voluntarily cease our current business or litigate and lose, we would be required to find another business opportunity whether

through an acquisition or otherwise. We may also have to pay a civil monetary penalty if the SEC sues us and is successful or as a condition of any settlement.

We have no plans with regard to another business opportunity and our shareholders may not have any opportunity to vote on any new business, unless our common stock remains listed on the Nasdaq Capital Market and its rules require it.

Because of the recent volatility in the cryptocurrency market and other adverse developments and publicity surrounding the industry, our business plans may not be successful and our business and financial condition may be adversely affected.

Our business is focused on the cryptocurrency industry, particularly blockchain infrastructure and staking-as-a-service. We also hold and stake a number of crypto assets to generate revenue from the PoS systems on which they operate. The crypto asset industry is characterized by a high level of volatility, and the significant decline in the prices of most popular crypto assets such as Bitcoin and Ethereum from their all-time highs in 2021 has cast doubt on the future of crypto asset-focused businesses such as ours, despite the partial recovery of those prices as of February 2024. This trend was further impacted by the recent controversy and failure surrounding FTX, a crypto asset exchange that collapsed after its Chief Executive Officer was accused of fraud and misappropriation of corporate funds in a manner that has been compared to both Enron and Madoff. Since then certain other crypto asset-focused companies have filed for bankruptcy, in March 2023 three major U.S. banks with involvement in crypto assets collapsed, and in November 2023 Binance settled charges alleging violation of sanctions and facilitating human and narcotics trafficking which settlement included its forced exit from the United States. These developments appear to reflect a broader regulatory landscape, wherein regulators have begun reviewing crypto asset-focused companies and their operations with greater scrutiny, and have brought enforcement actions seeking to restrict or cease such activities. While we believe the non-custodial staking model we are pursuing for our platform presents distinctions from custodial methods of holding and controlling crypto assets such as those that were employed by defendants in past regulatory actions such as FTX and Kraken, holders of crypto assets, regulators, and other stakeholders may fail to appreciate this distinction or to consider it sufficient to utilize our services or invest in our business. If we are unable to separate ourselves from the recent adverse developments in the crypto asset space, or otherwise develop and execute on our business plan and blockchain infrastructure in a manner that enables us to establish and maintain material revenue sources, our business and financial condition could be materially adversely affected. Further, a perceived lack of stability in the crypto asset and the closure or suspension shutdown of crypto asset exchanges and networks due to business failure, hackers or malware, government-mandated regulation, or fraud, may reduce confidence in crypto asset networks and result in greater volatility in crypto asset values and on our results of operations. Further, our focus on crypto assets, and the above-described past and/or any future adverse developments with respect to our operations or industry, could result in declines or volatility in our stock price, difficulty or inability to obtain adequate financing as needed, on favorable terms or at all, reduction in consumer demand for our platform and services, the risk of increased losses or asset impairments, and the potential for legal proceedings and reputational harm which could arise from any of the foregoing. Such external developments have the potential to affect us even if we believe our financial condition, operations and infrastructure are secure. These potential consequences could materially adversely affect an investment in us.

Past and recent events have increased the likelihood that U.S. federal and state legislatures and regulatory agencies will enact laws and regulations to regulate crypto assets and crypto asset intermediaries, such as crypto exchanges and custodians.

Beginning with the collapse of TerraUSD and Luna in 2022 and the bankruptcy filings of FTX and its subsidiaries, Three Arrows Capital, Celsius Network, Voyager Digital, Genesis Global and BlockFi, as well as alleged violations of law brought against other industry participants, have resulted in calls for heightened scrutiny and regulation of the crypto asset industry, with a specific focus on crypto asset exchanges, platforms, and custodians. Federal and state legislatures and regulatory agencies are expected to introduce and enact new laws and regulations to regulate crypto asset intermediaries, such as crypto asset exchanges and custodians. The March 2023 collapses of Silicon Valley Bank, Silvergate Bank, and Signature Bank are believed to have also contributed to these trends. The U.S. regulatory regime – namely the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the SEC, the CFTC, FinCEN, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Bureau of Investigation) as well as the White House have issued reports and releases concerning crypto assets, including Bitcoin and crypto asset markets, and have formed coalitions aimed at addressing the perceived threats posed by crypto assets and activities involving them. However, the extent and content of any forthcoming laws, regulations and government actions are not yet ascertainable with certainty, and it may not be ascertainable in the near future. A divided Congress makes any prediction difficult. Further the SEC seems to have changed tactics as it has sued multiple crypto asset companies for selling, operating exchanges, and engaging in other prohibited activities involving unregistered securities. We cannot predict how these and other related events will affect us or the crypto asset business generally. We cannot assure you that future legislation or regulation will not have an adverse effect upon us. It is possible that new laws and increased regulation and regulatory scrutiny may require the Company to comply with certain regulatory regimes, which could result in new costs for the Company. The Company may have to devote increased time and attention to regulatory matters, which could increase costs to the Company. New laws, regulations, and regulatory actions could significantly restrict or eliminate the market for, or uses of, crypto assets including Ethereum, which could have a negative effect on the value of Ethereum, which in turn would have a negative effect on the value of the Company's shares.

Because our blockchain infrastructure business is dependent on the value of the crypto assets we stake to obtain blockchain rewards, and because those rewards are paid out in the form of the blockchain's native crypto assets, low market values and/or continued or long-term declines in crypto asset prices will materially and adversely affect our results of operations.

As discussed above, the cryptocurrency market experienced a critical decline in 2022, although prices of some major crypto assets including Bitcoin and Ethereum have partially recovered in 2023 and thus far in 2024. Prospects of a full recovery declined when the FTX controversy arose and was subsequently followed by other adverse developments involving crypto-focused companies. Our reliance on staking, which is expected to increase as we continue to seek to expand our non-custodial staking-as-a-service business, means that if the market values of the crypto assets we stake continues to decline or remain at the relatively low levels they are currently, which appears possible given the adverse developments and wide scale sales of and skepticism surrounding crypto assets that have resulted, the revenue we generate from staking will diminish. This is because the rewards for staking a given crypto asset are paid out in more of that same crypto asset. Therefore, if the market price for the crypto asset declines while staking is ongoing, unless the price later recovers, the rewards we receive may not cover the decline in value of the assets. If this trend continues, our operating results and financial condition will be materially adversely affected.

Our business faces significant scaling obstacles due to its dependence on crypto assets and related infrastructure.

Crypto assets on which our current and planned operations depend face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. Scaling of crypto assets is essential to the widespread acceptance of crypto assets as a means of payment or other uses that stakeholders have in the past cited in demonstrating interest in crypto assets. Many crypto asset networks, including those with which we are or may become involved in our operations, face significant scaling challenges. For example, crypto assets are limited with respect to how many transactions can occur per second. Participants in the crypto asset ecosystem debate potential approaches to increasing the average number of transactions per second that a network can handle and have implemented mechanisms or are researching ways to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and sharding (a horizontal partition of data in a database or search engine), which would not require every single transaction to be included in every single validator's block. However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of crypto asset transactions will be effective.

If adoption of crypto assets as a means of payment or other uses does not occur on the schedule or scale anticipated or at all, the demand for

crypto assets may stagnate or decrease, which could adversely affect future prices of crypto assets we hold or otherwise rely upon in our operations, and our results of operations and financial condition, which could have a material adverse effect on our business or the market price for our securities.

The further development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies, which represent a rapidly changing industry, are subject to a variety of factors that are difficult to evaluate.

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 cryptocurrency assets based upon a computer-generated mathematical and/or cryptographic protocol. Large-scale acceptance of cryptocurrencies as a means of payment has not, and may never, occur. The growth of the cryptocurrency industry in general, and the use of crypto assets in particular, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency industry, include but are not limited to:

- continued worldwide growth in the adoption and use of crypto assets as a medium of exchange;
- government and quasi-government regulation of crypto assets and their use, or restrictions on or regulation of access to and operation of the crypto assets systems;
- the maintenance and development of the open-source software protocol of cryptocurrency networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies and digital forms of fiat currencies;
- general economic conditions and the regulatory environment relating to crypto assets; and
- the impact of regulators focusing on crypto assets and Digital Securities and the costs associated with such regulatory oversight.

A decline in the popularity or acceptance of the Ethereum network or other blockchains networks we have exposure to could adversely affect an investment in us.

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 Ethereum or other crypto assets we hold or acquire, which would harm investors in our securities.

If a malicious actor or botnet obtains control in excess of 50% control of a cryptocurrency network, it is possible that such actor or botnet could manipulate a blockchain in a manner that adversely affects an investment in us.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power or staked assets dedicated to either mining or staking a cryptocurrency, it may be able to alter blockchains on which transactions of cryptocurrency reside and rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though depending on blockchain may not generate new units or transactions using such control. The malicious actor could “double-spend” its own cryptocurrency (i.e., spend the same crypto asset in more than one transaction) and prevent the confirmation of other users’ transactions for as long as it maintained control. To the extent that such malicious actor or botnet does not yield its control of the processing power or staked assets on the network, or the cryptocurrency community does not reject the fraudulent blocks as malicious, reversing any changes made to blockchains may not be possible. The foregoing description is not the only means by which the entirety of blockchains or cryptocurrencies may be compromised but is only an example and may differ from blockchain to blockchain.

The possible crossing of the 50% threshold indicates a greater risk that a single validator could exert authority over the validation of network transactions. To the extent that a blockchain ecosystem including other validators do not act to ensure greater decentralization of validator voting power, the feasibility of a malicious actor obtaining control will increase because the botnet or malicious actor could compromise more than 50% voting power and thereby gain control of blockchain, whereas if the blockchain remains decentralized it is inherently more difficult for the botnet of malicious actor to aggregate enough voting power to gain control of the blockchain, may adversely affect an investment in our Common Stock. Such lack of controls and responses to such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Ethereum or other crypto assets we acquire or hold, and harm investors.

The decentralized nature of crypto asset systems may lead to slow or inadequate responses to crises, which may negatively affect our business.

The decentralized nature of the governance of crypto asset systems may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles. Governance of many crypto asset systems is by voluntary consensus and open competition with no clear leadership structure or authority. To the extent lack of clarity in corporate governance of cryptocurrency systems leads to ineffective decision making that slows development and growth of such crypto assets, the value of our Common Stock may be adversely affected.

Crypto exchanges are relatively new and therefore may be more exposed to fraud and failure than established, regulated exchanges for other products. To the extent that large crypto exchanges representing a substantial portion of the crypto asset volume are involved in fraud or experience security failures or other operational issues, such exchanges’ failures may result in a reduction in the price of crypto assets and adversely affect an investment in us.

A number of crypto exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that make larger exchanges more stable, larger exchanges are more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). A lack of stability in an exchange market and the closure or temporary shutdown of larger crypto exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in crypto assets overall and result in greater volatility in crypto asset values. These potential consequences of an exchange’s failure could adversely affect an investment in us.

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

Crypto assets 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 cryptocurrency 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 or other assets trading on a ledger-based system, which may adversely affect us. Such circumstances could adversely affect an investment in us.

Political or economic crises may motivate large-scale sales of crypto assets, which could result in a reduction in crypto asset values and adversely affect an investment in us.

Geopolitical or economic crises may motivate large-scale sales of crypto assets, which could rapidly decrease the price of crypto assets. For example, market analysts have indicated that in some cases, such as during large scale adverse economic events, trading and market prices of cryptocurrencies such as Bitcoin and Ethereum have correlated to some extent with the movement of equity markets, regardless of the stock or asset class. For example, in March 2020, as global shutdowns ramped up in response to the COVID-19 pandemic, the price of Bitcoin, Ethereum and other crypto assets plummeted together with stock prices globally. Similarly, in 2022 as the Federal Reserve raised interest rates to combat inflation, crypto asset prices declined with stock prices in the U.S. These trends are contrary to a formerly commonly held conception that buying and holding crypto assets can be used as a “hedge” to investing in the more conventional equity markets, and may eventually result in diminished popularity of crypto assets in general by the public. 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 crypto assets 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, crypto assets such as Bitcoin and Ethereum, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of crypto assets either globally or locally. Large-scale sales of crypto assets would result in a reduction in crypto asset values and could adversely affect an investment in us.

The price of crypto assets may be affected by the sale of such crypto assets by other vehicles investing in crypto assets or tracking cryptocurrency markets.

The global market for crypto assets 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 certain cryptocurrencies are mined or minted 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 crypto assets or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for crypto assets, large redemptions of the securities of those vehicles and the subsequent sale of crypto assets by such vehicles could negatively affect crypto asset prices and therefore affect the value of our crypto assets. Such events could have a material adverse effect on an investment in us.

Current interpretations require the regulation of Bitcoin, Ethereum, and other crypto assets under the CEA by the CFTC, we may be required to register and comply with such regulations. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary, non-recurring expenses to us. We may also decide to cease certain operations. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

Current and future legislation, CFTC and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which Bitcoin, Ethereum, and other crypto assets are treated for classification and clearing purposes. In particular, derivatives on these assets are not excluded from the definition of “commodity future” by the CFTC. We cannot be certain as to how future regulatory developments will impact the treatment of Bitcoin, Ethereum, and other crypto assets under the law.

Bitcoin and Ethereum have been deemed to fall within the definition of a commodity and, we may be required to register and comply with additional regulation under the CEA, including additional periodic report and disclosure standards and requirements. Moreover, we may be required to register as a commodity pool operator and to register us as a commodity pool with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

Our interactions with a blockchain may expose us to SDN or blocked persons or cause us to violate provisions of law that did not contemplate distribute ledger technology.

The Office of Financial Assets Control 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, to the extent validation constitutes a transaction, with persons named on OFAC’s SDN list. While we don’t believe validation constitutes a transaction, we can provide no assurances regulators will agree with that view. By way of example our Ethereum validator nodes only use block builders which remove wallet addresses found on the SDN list and Builder+ also screens out these SDN wallet addresses. Our Company’s policy prohibits any transactions with such SDN individuals, but we may not be adequately capable of determining the ultimate identity of the individual who delegate to our nodes. Additionally, the U.S Department of Treasury recently has added sanctions that prevent U.S. persons from using cryptocurrencies to circumnavigate financial sanctions placed on Russia.

Because our business requires us to download and retain one or more blockchains to effectuate our ongoing business, it is possible that such digital ledgers contain prohibited depictions without our knowledge or consent. To the extent government enforcement authorities literally enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm our reputation and affect the value of our Common Stock.

If federal or state legislatures or agencies initiate or release tax determinations that change the classification of Bitcoin, Ethereum or other crypto assets as property for tax purposes (in the context of when such crypto assets are held as an investment), such determination could have a negative tax consequence on our Company or our shareholders.

Current IRS guidance indicates that crypto assets such as Ethereum should be treated and taxed as property, and that transactions involving the payment of Ethereum for goods and services should be treated as barter transactions. While this treatment creates a potential tax reporting requirement for any circumstance where the ownership of an Ethereum passes from one person to another, usually by means of Ethereum transactions (including off-blockchain transactions), it preserves the right to apply capital gains treatment to those transactions which may have adversely affect an investment in our Company.

On December 5, 2014, the New York State Department of Taxation and Finance issued guidance regarding the application of state tax law to crypto assets such as Bitcoin and Ethereum. The agency determined that New York State would follow IRS guidance with respect to the treatment of crypto assets for state income tax purposes. Furthermore, they defined crypto assets to be a form of “intangible property,” meaning the purchase and sale of crypto assets for fiat currency is not subject to state income tax (although transactions of crypto assets for other goods and services maybe subject to sales tax under barter transaction treatment). It is unclear if other states will follow the guidance of the IRS and the New York State Department of

Taxation and Finance with respect to the treatment of crypto assets for income tax and sales tax purposes. If a state adopts a different treatment, such treatment may have negative consequences including the imposition of greater a greater tax burden on investors in crypto assets or imposing a greater cost on the acquisition and disposition of crypto assets, generally; in either case potentially having a negative effect on prices in crypto assets and may adversely affect an investment in our Company.

Foreign jurisdictions may also elect to treat crypto assets differently for tax purposes than the IRS or the New York State Department of Taxation and Finance. To the extent that a foreign jurisdiction with a significant share of the market of crypto asset users imposes onerous tax burdens crypto users, or imposes sales or value added tax on purchases and sales of crypto assets for fiat currency, such actions could result in decreased demand for crypto assets in such jurisdiction, which could impact the price of crypto assets and negatively impact an investment in our Company.

We may suffer losses due to staking, delegating, and other related services.

Crypto assets which utilize PoS consensus mechanisms enable holders to earn rewards by operating nodes and participating in decentralized governance, bookkeeping and transaction confirmation activities on their underlying blockchain networks. We stake certain of our crypto assets and operate nodes on blockchain networks through our blockchain infrastructure operations. Most PoS networks require crypto assets to be transferred into smart contracts on the underlying blockchain networks not under our or anyone's control. If our validators, any third-party service providers, or smart contracts fail to behave as expected, suffer cybersecurity attacks, experience security issues, or encounter other problems, our crypto assets may be irretrievably lost. In addition, most PoS blockchain networks dictate requirements for participation in the relevant decentralized governance activity, and may impose penalties, or "slashing," if the relevant activities are not performed correctly, such as if the node operator acts maliciously on the network, "double signs" any transactions, or experience extended downtimes. Slashing penalties can apply due to prolonged inactivity on a blockchain network and inadvertent errors such as computing or hardware issues, as well as more serious behavior such as intentional malfeasance. If we are slashed by an underlying blockchain network, our crypto assets may be confiscated, withdrawn, or burnt by the network, resulting in permanent losses. Any penalties or slashing events could damage our brand and reputation, cause us to suffer financial losses, and adversely impact our business.

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Builder+, ChainQ, and our blockchain infrastructure operations including Company owned and run validator nodes on PoS blockchains, are subject to concentration risk as they are consolidated on Amazon Web Services.

The development and operation of the Company's validator nodes for non-custodial staking, as well as the development of StakeSeeker, Builder+, and ChainQ, are hosted on cloud computing by Amazon Web Services ("AWS"). The consolidation of our proprietary technology on AWS subjects the Company to cyber security and other risks that face AWS. We have limited control over AWS, the services it provides us and the safety and security measures related thereto. If AWS fails to maintain the continuous functionality or security of its networks and related hardware on which we rely for our operations, we may be unable to generate revenue we otherwise would, and could suffer substantial losses. For example, some PoS networks implement the slashing penalties described above, wherein the crypto assets that were staked to allow us to participate in the validation process are taken away from us, if a validator node on which the crypto asset is staked is offline for a certain amount of time. Additionally, if our Delegators crypto assets become subject to slashing, we could experience significant losses, from resulting claims against us by them, as well as reputational harm and lost customer relationships. If any of the foregoing or other adverse developments occur as a result of our reliance on a single service provider for our PoS validating operations, it could have a material adverse effect on our business, financial condition and results of operations.

Crypto assets staked on Proof-of-Stake blockchains are locked in smart contracts and may not be accessible and liquid.

Crypto assets which utilize PoS consensus mechanisms are locked in smart contracts while staked which limits liquidity of the underlying crypto asset. This is because under PoS network protocols, in order to participate in the staking process validators such as us are required to enter into smart contracts which, among other things, require the validator to continue to keep a specified number of the crypto assets owned by the validator "locked-up" in the network for a specified period of time before they can again be transferred by such validator. This lock-up period often extends beyond the time at which the transaction is validated. We currently stake certain of our crypto assets and operate nodes on blockchain networks through our blockchain infrastructure services business. During times of high volatility or downturns, which are common among crypto assets for many reasons including those described elsewhere in these Risk Factors, we may be unable to liquidate certain crypto assets to the extent desired. As such we may experience large losses when and if we are able to liquidate our crypto assets as a result of continued volatility. Further if we are unable to liquidate our crypto assets we could suffer material financial losses, which would adversely impact our business.

Because our current staking-as-a-service business plan and operations depend on consumers investing in crypto assets and staking to our nodes and monitoring them using our non-custodial platform, economic downturns will materially adversely affect us.

Our non-custodial staking-as-a-service strategy depends on consumers purchasing crypto assets from exchanges and holding them long-term, and staking them to our validator nodes. Therefore, economic downturns or a recession will cause a reduction in delegation traffic to our nodes by causing consumers to reduce spending on investments or non-essential items such as crypto assets. Similarly, a decline in the popularity or public perception of such crypto assets would yield a similar result. In 2022, the U.S. capital markets in general, and crypto assets prices in particular, saw significant declines as the Federal Reserve heightened interest rates to combat inflation. This followed initial declines earlier in 2022 in response to the Ukraine war and worsening supply chain issues and supply shortages. While the markets have appeared to recover as of February 2024, crypto and stock prices have nonetheless experienced substantial volatility in recent years, and in the event of adverse market conditions, consumers may elect to sell their crypto assets, or decline to increase their holdings, rather than hold and stake them to our nodes. Because we and our industry depend on consumers holding and staking crypto assets long-term, such a trend has the potential to materially adversely harm us and our prospects. Particularly in the event of prolonged or recurring recessionary or turbulent market conditions.

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Our obligations to comply with the laws, rules, regulations, and policies of a variety of jurisdictions is uncertain and untested, and we are subject to uncertainty with respect to our Ethereum block building and non-custodial staking-as-a-service businesses and we may be subject to investigations and enforcement actions by U.S. and non-U.S. regulators and governmental authorities.

In addition to the securities laws and regulations discussed elsewhere in these Risk Factors, laws regulating financial services, the internet, mobile technologies, digital, and related technologies inside and outside of the U.S. may impose obligations on us, as well as broader liability. For example, we are required to comply with laws and regulations related to sanctions and export controls enforced by U.S. Department of Treasury's Office of Foreign Assets Control, or OFAC, and U.S. anti-money laundering and counter-terrorist financing laws and regulations, enforced by FinCEN and certain state financial services regulators. U.S. sanctions laws and regulations generally restrict dealings by persons subject to U.S. jurisdiction with certain governments, countries, or territories that are the target of comprehensive sanctions, currently the Crimea Region of Ukraine, Russian Federation, Cuba, Iran, North Korea, Syria, and Venezuela as well as with persons identified on certain prohibited lists. In May 2019, FinCEN issued guidance on the application of FinCEN regulations to certain business models. While the guidance directly addressed Bitcoin mining, it did not address securing PoS blockchains which while similar to Bitcoin mining has technical nuanced differences which could potentially alter the analysis. As such, there can be no guarantee that securing (staking) on PoS blockchain networks will be viewed as compliant, notwithstanding the May 2019 FinCEN guidance. In particular, the nature of blockchains make it technically impossible in all circumstances to prevent or identify transactions with particular persons or addresses. Our

platform, StakeSeeker, utilizes geo-blocking in an effort to prevent its use by persons located in sanctioned jurisdictions by employing third-party software, Cloudflare, to automatically identify and restrict log-in attempts to the StakeSeeker platform from specific countries and jurisdictions. These restricted areas include Cuba, Iran, North Korea, the Russian Federation, Syria, and Venezuela. Any StakeSeeker users detected from these regions will be redirected to a page informing them that their access has been restricted. In addition, our Builder+ block builder software is equipped with a filtering mechanism that screens transactions initiated by wallet addresses listed on OFAC's Specially Designated Nationals And Blocked Persons (SDN) list, ensuring transactions from identified wallets are not included in the blocks we propose to validators. We actively monitor sanctioned jurisdictions to ensure that appropriate restrictions are maintained. If, notwithstanding these efforts, our current or planned activities are found to constitute "facilitating" or assisting the actions of non-U.S. persons that would be prohibited for U.S. persons to perform directly due to U.S. sanctions, despite the fact we don't take custody of staked crypto assets nor pay delegator crypto rewards, it could result in material negative consequences for us, including costs related to government investigations, harsh financial penalties, and harm to our reputation. The impact on us related to these matters could be substantial. We've sought and are seeking additional legal guidance on what, if any, controls and procedures need to be put in place and whether our activities could constitute facilitation of any illicit activities under the current regulatory framework.

Regulators worldwide frequently study each other's approaches to the regulation of the digital economy. Consequently, developments in any jurisdiction may influence other jurisdictions. New developments in one jurisdiction may be extended to additional services and other jurisdictions. In addition, digital economies themselves are subject to rapid and unpredictable change that regulators could decide warrants updates or additions to existing regulatory regimes. As a result, the risks created by any new law or regulation in one jurisdiction are magnified by the potential that they may be replicated, affecting our business in another place. Conversely, if regulations diverge worldwide, we may face difficulty adjusting aspects of our business.

The complexity of U.S. federal and state and international regulatory and enforcement regimes, coupled with the evolving global regulatory environment, could result in a single event prompting a large number of overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brands and business, and adversely affect our operating results and financial condition. Due to the uncertain application of existing laws and regulations, it may be that, despite our planned regulatory and legal analysis that certain products and services are currently unregulated, such products or services may indeed be subject to financial regulation, licensing, or authorization obligations that we have not obtained or with which we have not complied. As a result, we are at a heightened risk of enforcement action, litigation, regulatory, and legal scrutiny which could lead to sanctions, cease, and desist orders, or other penalties and censures which could significantly and adversely affect our continued operations and financial condition.

Security Risks Related to Our Crypto Asset Holdings

Our crypto assets may be subject to loss, damage, theft or restriction on access.

There is a risk that part or all of our crypto assets could be lost, stolen, destroyed or become inaccessible. 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. To minimize the risk of loss, damage and theft, security breaches, and unauthorized access we primarily hold our crypto assets in various cryptocurrency digital wallets and hold minimal amounts at exchanges. Nevertheless, the digital wallets and exchanges we utilize may not be impenetrable and may not be free from defect or immune to acts of God, and any loss due to a security breach, software defect or act of God will be borne by us. Any of these events may adversely affect our operations and, consequently, an investment in us.

To the extent that any of our crypto assets are held by crypto exchanges, we may face heightened risks from cybersecurity attacks and the financial stability of the exchanges.

All crypto assets not held in a Company's controlled digital wallet are held at crypto exchanges and subject to the risks encountered by those exchanges including DDoS Attacks, other malicious hacking, a sale of the exchange, loss of the crypto assets by the exchange, security breaches, and unauthorized access of our account by hackers. The Company may not maintain a custodian agreement with the exchanges with which it holds its crypto assets, and such exchanges do not provide insurance and may lack the resources to protect against hacking and theft. Less than 0.1% of the Company's crypto assets are typically stored at exchanges; however, this may increase at or around the sales or purchase of crypto assets. We may be materially and adversely affected if the exchanges suffer cyberattacks or incur financial problems.

The loss or destruction of a private key required to access a crypto asset may be irreversible. Our loss of access to our private keys could adversely affect an investment in our Company.

Crypto assets are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the crypto assets are held. We are required by the operation of the crypto asset network to publish the public key relating to a digital wallet in use by us when it first verifies a spending transaction from that digital wallet and disseminates such information into the network. We safeguard and keep private the private keys relating to our crypto assets not held at exchanges by utilizing key sharing and multi-signature storage techniques; to the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, we will be unable to access the crypto assets held by it and the private key will not be capable of being restored by the network. Any loss of private keys relating to digital wallets used to store our crypto assets could adversely affect an investment in us.

Security threats to us could result in a loss of Company's crypto assets.

Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm our business operations or result in loss of our Ethereum and other crypto assets. Any breach of our infrastructure could result in damage to our reputation which could adversely affect an investment in us. Furthermore, we believe that, as our assets continue to grow, it may become a more appealing target for security threats such as hackers and malware.

The security system and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of ours, or otherwise, and, as a result, an unauthorized party may obtain access to our, private keys, data, or Ethereum. Additionally, outside parties may attempt to fraudulently induce employees of ours to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security system occurs, the market perception of the effectiveness of our security system could be harmed, which could adversely affect an investment in us. In the event of a security breach, we may be forced to cease operations, or suffer a reduction in assets, the occurrence of each of which could adversely affect an investment in us.

Incorrect or fraudulent crypto asset transactions may be irreversible.

Crypto asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of crypto assets or a theft of crypto assets generally will not be reversible, and we may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our crypto assets could be transferred from us in incorrect amounts or to

unauthorized third parties. To the extent that we are unable to seek a corrective transaction with such third party or are incapable of identifying the third party which has received our crypto assets through error or theft, we will be unable to revert or otherwise recover incorrectly transferred crypto assets. To the extent that we are unable to seek redress for such error or theft, such loss could adversely affect an investment in us.

The limited rights of legal recourse against us, and our lack of insurance protection expose us and our shareholders to the risk of loss of our crypto assets for which no person is liable.

The crypto assets held by us are not insured. Therefore, a loss may be suffered with respect to our crypto assets which are 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.

Crypto assets held by us are not subject to FDIC or SIPC protections.

We do not and will not hold our Ethereum and other crypto assets with a banking institution or a member of the 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.

Risks Related to Our Development Efforts

There is substantial doubt that we will be able to fully develop or commercialize our StakeSeeker platform as intended.

We are continuing to develop our StakeSeeker platform with the ultimate goal of consolidating users' information so that it can be more easily accessed and reviewed by users. We may not successfully fully develop this platform as planned, in a cost-efficient manner, to the extent sought or at all. If we fail to develop a comprehensive dashboard for StakeSeeker as intended, it could have a material adverse effect on our business, especially to the extent that we allocate significant capital, labor and other resources to this endeavor rather than focusing on other business opportunities which may prove to have been more lucrative in hindsight.

Even if we do successfully develop our platform and bring it to the marketplace, there is no guarantee that we will attract enough users to generate revenue or become profitable. Our competitors, most of whom have greater capital and human resources than we do, may develop technologies that are superior to our platform or commercialize comparable technologies before us, in which case our ability to attract users and generate revenue therefrom could be rendered unlikely or even impossible. If we fail to obtain users for our platform or find an alternative means of commercializing our platform to recoup our investment therein, it will have a material adverse effect on our financial condition. Finally, even if we do fully develop the platform and attract users, events outside of our control such as regulatory actions against us or crypto assets on which our platform depend, or economic downturns, could force us to cease operating our platform or render it obsolete. If we fail to fully develop and commercialize our platform in a timely and effective manner, your investment in us could lose some or all of its value.

Even if we develop and commercialize our StakeSeeker platform, we may not be able to generate material revenues.

The continued development of StakeSeeker will require significant time and capital. Even if we do develop this platform and acquire a sufficient number of users to generate revenue, we cannot guarantee the revenue would be material or sufficient to justify the costs we anticipate incurring to develop the platform. While we are pursuing the development of additional features to make our platform more useful and attractive to consumers involved in crypto assets, we may fail to develop these features effectively in an efficient manner, or within a timeframe that enables us to be or remain competitive. Our ability to capitalize on any platform we do develop will depend on a variety of factors and uncertainties beyond our control, including the competition we face and similar or superior services that may already exist by the time we begin marketing our platform, the volatile nature of the blockchain industry generally and the unknown demand for the services we plan to offer through our platform as it is currently envisioned, regulatory developments that have arisen or may arise in the future, and the advancement of new technologies which could arise in the future and render our platform partially or completely obsolete. If any of these or other risks come to fruition to prevent our platform from generating material revenue to justify its costs of production, it would have a material adverse effect on our business.

We may experience loss of revenues resulting from excessive removal of delegated crypto assets from our validator nodes.

To the extent the Company successfully executes on its business plan and earns material revenue from customers who delegate their crypto assets to the Company's validator nodes and subsequently experiences excessive removal of customer staked crypto assets from its validator nodes (i.e. a loss of customers) the Company would lose the related revenue which may have a material adverse impact on the Company.

Shifts in the Ethereum block building landscape and market could increase the difficulty of remaining competitive and increase costs.

Our Ethereum block builder, Builder+, faces competition from existing and potential entrants in the expanding market. New and existing competitors may emerge with superior algorithms or strategies, potentially eroding our current market share, potential growth, and revenue generation potential. Moreover, changes in the Ethereum ecosystem, including network upgrades or shifts to alternative networks, may impact the demand for our services. Staying competitive requires continuous innovation and adaptation to market dynamics, which may necessitate additional investments and resources.

We may experience losses resulting from technical failures, bugs, or vulnerabilities in our block builder software.

The risk of technical failures, bugs, or vulnerabilities in our block builder software could lead to operational disruptions and potential financial losses. Our Ethereum block-building process heavily relies on advanced algorithms and technology. The risk of technical failures, bugs, or vulnerabilities in our block builder software could lead to operational disruptions and potential financial losses. Furthermore, the security of our operation is paramount, as vulnerabilities in smart contracts, blockchain infrastructure, or the Ethereum network could result in security breaches, data breaches, and financial harm to our clients and us. Ensuring the ongoing scalability and efficiency of our algorithms requires continuous investment in research and development.

The development of our StakeSeeker and ChainQ platforms will depend on the successful efforts of our employees.

Our platform development efforts are completely dependent on our infrastructure. We use internally developed systems for the platforms. Any future difficulties in developing aspects of our platforms may cause delays in bringing our platforms to market. If our data stored on AWS and the backups thereof are compromised, our platform and prospects could be harmed. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, the occurrence of any of which could lead to interruptions, delays, loss of critical data, or the inability to launch our platform. The occurrence of any of the foregoing risks could materially harm our business.

We are subject to cyber security risks and may incur delays in platform development in an effort to minimize those risks and to respond to cyber incidents.

StakeSeeker is and will continue to be dependent on the secure operation of our website and systems as well as the operation of the Internet generally. The platform involves reading user data, and storage of user data, and security breaches could expose us to a risk of loss or misuse of this

information, litigation, and potential liability. A number of large Internet companies have suffered security breaches, some of which have involved intentional attacks. From time to time, we and many other internet businesses also may be subject to a denial-of-service attacks wherein attackers attempt to block customers' access to our website. If we are unable to avert a denial-of-service attack for any significant period, we could sustain delays in the development of the platform and when launched risk losing future users and have user dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our users, or exchanges we read data from in general or the communication infrastructure on which we depend. If an actual or perceived attack or breach of our security occurs, user perception of the effectiveness of our security measures could be harmed and we could lose our future user. Actual or anticipated attacks and risks may cause us to incur increasing costs, and delay development. A person who is able to circumvent our security measures might be able to misappropriate our or our users' proprietary information, cause interruption in our operations, damage our computers or those of our users, or otherwise damage our reputation and platform. Any compromise of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, and a loss of confidence in our security measures, which could harm our business.

We may become subject to data privacy and data security laws and regulations by virtue of our StakeSeeker platform, which could force us to incur significant compliance costs and expose us to liabilities.

By virtue of our platform, including planned additional functions, we may become subject to the various local, state, federal, and international laws and regulations that apply to the collection, use, retention, protection, disclosure, transfer, and processing of personal data. These data protection and privacy laws and regulations and their applicability to our current and future operations and offerings are subject to uncertainty and continue to evolve in ways that could adversely impact our business. These laws could have a substantial impact on our operations, depending in large part on the location of our operations, users, employees and other stakeholders with which we are or become involved.

In the United States, state and federal lawmakers and regulatory authorities have increased their attention on the collection and use of user data. For example, California enacted the California Consumer Privacy Act, or CCPA, which became effective in 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California users, and affords such users new privacy rights such as the ability to opt-out of certain sales of personal information and expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is collected, used, and shared. The CCPA provides for civil penalties for violations, as well as a private right of action for security breaches that may increase security breach litigation. Potential uncertainty surrounding the CCPA may increase our compliance costs and potential liability, particularly in the event of a data breach, and could have a material adverse effect on our business, including how we use personal information, our financial condition, the results of our operations or prospects. Since the CCPA was enacted, a growing number of states have enacted similar legislation designed to protect the personal information of consumers and penalize companies that fail to comply, and other states have also proposed similar legislation. The costs of compliance with, and other burdens imposed by, the CCPA, and similar laws may limit our prospective customer base or the use and adoption of our products and services and/or require us to incur substantial compliance costs, which could have an adverse impact on our business. Additionally, many foreign countries and governmental bodies in which our users may reside, have laws and regulations concerning the collection, use, processing, storage, and deletion of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations are often more restrictive than those in the United States. Such laws and regulations may require companies to implement new privacy and security policies, permit individuals to access, correct, and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, require that certain types of data be retained on local servers within these jurisdictions, and, in some cases, obtain individuals' affirmative opt-in consent to collect and use personal information for certain purposes.

There is a risk that as we develop and offer our platform and other services, we may become subject to one or more of these data privacy and security laws. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection, and information security, including by deploying geo-blocking features to limit the jurisdictions from which our platform can be accessed, it is possible that our practices, offerings, or platform, or third parties on which we rely, could fail. For instance, the overall regulatory framework governing the application of privacy laws to blockchain technology is still highly undeveloped and likely to evolve. Further, given the pseudonymous nature of activities involving crypto assets, we may encounter enhanced difficulties in our compliance efforts that are not present to the same degree in other business types. Our failure, or the failure by our third-party providers or partners, to comply with applicable laws or regulations and to prevent unauthorized access to, or use or release of personal data, or the perception that any of the foregoing types of failure has occurred, even if unfounded, could subject us to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, potential severe criminal or civil sanctions, fines or damages, reputational harm, or expensive and time-consuming proceedings by governmental agencies and private claims and litigation, any of which could materially adversely affect our business, operating results, and financial condition.

We may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing the StakeSeeker platform.

Our commercial success depends significantly on our ability to operate without infringing the patents and other intellectual property rights of third parties however, we may not always be able to determine that we are using or accessing protected information or software. For example, there could be issued patents of which we are not aware that our products infringe. There also could be patents that we believe we do not infringe, but that we may ultimately be found to infringe. Moreover, patent applications are in some cases maintained in secrecy until patents are issued. The publication of discoveries in scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications were filed. Because patents can take many years to issue, there may be currently pending applications of which we are unaware that may later result in issued patents that our products infringe.

Because of the foregoing, we may be subject to legal claims of alleged infringement of the intellectual property rights of third parties. We expect this risk to increase as we continue to develop and roll-out additional functions for the StakeSeeker platform and potential StaaS operations in the future. The ready availability of damages, royalties and the potential for injunctive relief has increased the defense litigation costs of patent infringement claims, especially those asserted by third parties whose sole or primary business is to assert such claims. Such claims, even if not meritorious, may result in significant expenditure of financial and managerial resources, and the payment of damages or settlement amounts.

Accordingly, we could expend significant resources defending against patent infringement and other intellectual property right claims, which could require us to divert resources away from operations. Any damages we are required to pay or injunctions against our continued use of such intellectual property in resolution of such claims may cause a material adverse effect to our business and operations, which could adversely affect the trading price of our securities and harm our investors. Additionally, we may become subject to injunctions prohibiting us from using software or business processes we currently use or may need to use in the future or requiring us to obtain licenses from third parties when such licenses may not be available on financially feasible terms or terms acceptable to us or at all. In addition, we may not be able to obtain on favorable terms, or at all, licenses or other rights with respect to intellectual property we do not own in providing ecommerce services to other businesses and individuals under commercial agreements.

We may need to implement additional finance and accounting systems, procedures and controls as we grow our business and organization and to satisfy new reporting requirements.

We are required to comply with a variety of reporting, accounting, and other rules and regulations. Compliance with existing requirements is expensive. We may need to implement additional finance and accounting systems, procedures, and controls to satisfy our reporting requirements and such further requirements may increase our costs and require additional management time and resources. For example, many crypto assets, including those on PoS blockchain networks with which we are or may become involved, demonstrate novel and unique accounting challenges, including due to smart contracts affecting the underlying crypto assets. Any deficiencies in our internal control over financial reporting, should they arise, could cause investors to lose confidence in our reported financial information, negatively affect the market price of our Common Stock, subject us to regulatory investigations and penalties, and adversely impact our business and financial condition.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, estimating valuation allowances and accrued liabilities (including allowances for returns, credit card chargebacks, doubtful accounts and obsolete and damaged inventory), internal use software and website development (acquired and developed internally), accounting for income taxes, valuation of long-lived and intangible assets and goodwill, stock-based compensation and loss contingencies, are highly complex and involve many subjective assumptions, estimates and judgments by our management. Additional complexities can arise with respect to crypto asset operations. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance. Further, in January 2024 we adopted a new accounting treatment (ASU No. 2023-08) for our crypto assets, which may pose challenges or added expenses in the preparation of our financial statements, or render a comparison of our financial performance and condition between periods more difficult or investors, especially given the novelty of this new accounting method for crypto assets.

If our estimates or judgment relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in Part II, Item 7 of this Annual Report on Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve the identification of performance obligations in revenue recognition, evaluation of tax positions, and the valuation of stock-based awards and crypto assets we hold, among others. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of analysts and investors, resulting in a decline in the trading price of our Common Stock.

We are subject to the information and reporting requirements of the Exchange Act, and other federal securities laws, including compliance with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act").

The costs of preparing and filing annual and quarterly reports and other information with the SEC and furnishing audited reports to shareholders will cause our expenses to be higher than they would have been if we were privately held. It may be time-consuming, difficult and costly for us to develop, implement and maintain the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance personnel in order to develop and implement appropriate internal controls and reporting procedures.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these rules and regulations to increase our compliance costs and make certain activities more time-consuming and costly. The impact of the SEC's July 25, 2017 report on Digital Securities (the "DAO Report") as well as enforcement actions and speeches made by the SEC's Chairman will increase our compliance and legal costs. As a public company, we also expect that these rules and regulations will make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board or as executive officers, and to maintain insurance at reasonable rates, or at all.

Risks Related to our Common Stock

Our stock price may be volatile.

The market price of our Common Stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- changes in our industry including changes which adversely affect crypto assets;
- adverse regulatory developments such as the recent actions brought by securities regulators on crypto assets activities;
- public announcements and corporate events;
- continued volatility in the price of crypto assets;
- our ability to obtain working capital financing;
- sales of our securities or those of other companies, or of crypto assets, due to external forces such as geopolitical turmoil, inflation, federal interest rate adjustments or other events;
- additions or departures of key personnel including our executive officers;
- sales of our Common Stock;
- exercise of our warrants and the subsequent sale of the underlying Common Stock;
- conversion of our convertible notes and the subsequent sale of the underlying Common Stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship; and
- economic and other external factors.

In addition, the securities markets have from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Common Stock. As a result, you may be unable to resell your shares at a desired price.

While we paid a cash dividend in 2022, and declared a Series V Preferred stock (“Series V”) dividend in 2023, we do not expect to pay regular or recurring dividends in the future. Any return on investment may be limited to the value of our Common Stock.

While we declared and paid a cash dividend (which came with the option to be paid in Bitcoin if elected by the shareholder) payable to holders of our Common Stock as of March 17, 2022, and distributed Series V dividend to shareholders of our Common Stock of record as of May 12, 2023, we do not anticipate paying dividends on a regular or recurring basis for the foreseeable future.

Any future payment of dividends on our Common Stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our Common Stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

Our articles of incorporation allow for our Board to create new series of preferred stock without further approval by our shareholders, which could adversely affect the rights of the holders of our Common Stock.

Our Board has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board also has the authority to issue preferred stock without further shareholder approval. As a result, our Board could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, provide holders of the preferred anti-dilution protection, the right to receive dividend payments before dividends are distributed to the holders of Common Stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our Common Stock. For example, we issued a total of 14,542,803 shares of Series V Preferred Stock in June 2023, which preferred stock comes with a 20% liquidation preference over our Common Stock and also has certain rights to dividend and distributions at the discretion of the Board. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than our Common Stock or that is convertible into our Common Stock, which could decrease the relative voting power of our Common Stock or result in dilution to our existing shareholders.

Substantial future sales of our Common Stock by us or by our existing shareholders could cause our stock price to fall.

Additional equity financings (in addition to the shares issued under the ATM Agreement) or other share issuances by us, including shares issued in connection with strategic alliances and corporate partnering transactions, could adversely affect the market price of our Common Stock. Sales by existing shareholders of a large number of shares of our Common Stock in the public market or the perception that additional sales could occur could cause the market price of our Common Stock to drop.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15(a)(1)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our internal control over financial reporting is a process designed 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. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective could provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the framework in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 Internal Control-Integrated Framework"). Based on our evaluation under the 2013 Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On November 14, 2023, our Chief Executive Officer, adopted a Rule 10b5-1 trading plan, which is intended to satisfy the affirmative defense in Rule 10b5-1(c). The trading plan provides for the potential sale of up to an aggregate of 1.25 million shares of our common stock. The duration of the plan is through October 15, 2024.

On December 5, 2023, our Chief Operating Officer, adopted a Rule 10b5-1 trading plan, which is intended to satisfy the affirmative defense in Rule 10b5-1(c). The trading plan provides for the potential sale of up to an aggregate of 750,000 shares of our common stock. The duration of the plan is through October 15, 2024.

No other officers, as defined in Rule 16a-1(f), or directors adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the last fiscal quarter.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2023.

Our Board has adopted a Code of Ethics applicable to all officers, directors and employees, which is available on our website (<http://www.btcs.com>) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics and by posting such information on our website at the address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2023.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2023.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2023.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2023.

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PART IV

ITEM 15. EXHIBITS

(a) Documents filed as part of the report.

(1) Financial Statements. See Index to Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Financial Statements are filed herewith in response to this Item.

(2) Financial Statements Schedules. All schedules are omitted because they are not applicable or because the required information is contained in the financial statements or notes included in this report.

(3) Exhibits. See the Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description	Filed/ Furnished Herewith	Incorporated by Reference		
			Form	Exhibit No.	Filing Date
1.1	At-The-Market Offering Agreement, dated September 14, 2021, 2020, by and between BTCS Inc. and H.C. Wainwright & Co., LLC		8-K	1.1	9/14/21
2.1	Articles of Merger		8-K/A	3.1	7/31/15
2.2	Agreement and Plan of Merger		8-K/A	3.2	7/31/15
3.1	Articles of Incorporation		10-K	3.1	3/31/11
3.1(a)	Amendment No. 1 To Articles of Incorporation		8-K	3.1	3/25/13
3.1(b)	Amendment No. 2 To Articles of Incorporation		8-K	3.1	2/5/14
3.1(c)	Certificate of Amendment filed February 13, 2017		8-K	3.1	2/16/17
3.1(d)	Amendment No. 3 To Articles of Incorporation		8-K	3.1	4/9/19
3.1(e)	Certificate of Change – Reverse Split		8-K	3.1	8/17/21
3.1(f)	Certificate of Designation – Series V		8-K	3.1	1/31/23
3.1(g)	Certificate of Amendment to the Series V Certificate of Designation		8-K	3.1	4/19/23
3.1(h)	Amendment No. 4 to Articles of Incorporation – Increase Authorized Capital		8-K	3.1	7/13/23
3.2	Bylaws of TouchIT Technologies, Inc.		S-1	3.2	5/29/08

3.2(a)	Amendment No. 1 to the Bylaws		8-K	3.1	4/12/22
4.1	BTCS Inc. 2021 Equity Incentive Plan, as amended	(2)	10-Q	4.1	8/11/23
4.2	Description of Securities	(1)			

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10.1	Employment Agreement - Charles Allen	(2)	10-K	10.8	6/23/17
10.1(a)	Amendment to Employment Agreement - Charles Allen	(2)	10-K	10.15(a)	3/23/20
10.2	Employment Agreement - Michael Handerhan	(2)	10-K	10.9	6/23/17
10.2(a)	Amendment to Employment Agreement – Michal Handerhan	(2)	10-K	10.16(a)	3/23/20
10.3	Offer Letter – Michael Prevoznik	(2)	10-K	10.4	3/11/22
10.4	Offer Letter – Manish Paranjape	(2)	10-K	10.4	3/31/23
19.1	Insider Trading Policy	(1)			
21.1	List of Subsidiaries	(1)			
23.1	Consent of RBSM LLP	(1)			
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	(1)			
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	(1)			
32	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(3)			
97.1	Clawback Policy	(1)			
101.INS	Inline XBRL Instance Document	(1)			
101.SCH	Inline XBRL Taxonomy Extension Schema	(1)			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	(1)			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	(1)			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	(1)			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	(1)			
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	(1)			

* Exhibits and/or Schedules have been omitted. The Company hereby agrees to furnish to the SEC upon request any omitted information.

- (1) Filed herein
(2) Indicates a management contract or compensatory plan.
(3) Furnished herein

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 21, 2024.

BTCS INC.

Date: March 21, 2024

/s/ Charles Allen

Charles W. Allen
Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of BTCS Inc. and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Charles Allen</u> Charles W. Allen	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors	March 21, 2024
<u>/s/ Michael Prevoznik</u> Michael Prevoznik	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 21, 2024
<u>/s/ Michal Handerhan</u> Michal Handerhan	Director	March 21, 2024
<u>/s/ Melanie Pump</u> Melanie Pump	Director	March 21, 2024
<u>/s/ Charlie Lee</u> Charlie Lee	Director	March 21, 2024

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To the Board of Directors and Stockholders of
BTCS Inc.

Opinion on the Financial Statements

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

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Company has changed its method of accounting for digital assets (crypto currencies) to fair value, with changes in fair value recognized in net income, effective as of January 1, 2023 due to the adoption of Accounting Standards Update ("ASU") No. 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08").

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of audit evidence pertaining to the existence and control of the digital assets

As discussed in Notes 3 to the consolidated financial statements, the Company accounts for its digital assets as indefinite-lived intangible assets measured at fair value pursuant to ASU No. 2023-08. The digital assets are recorded at fair value. As of December 31, 2023, the fair value of the Company's digital assets was \$25.2 million.

We identified the evaluation of audit evidence pertaining to the existence of the digital assets and whether the Company controls the digital assets as a critical audit matter. Especially subjective auditor judgment was involved in determining the nature and extent of evidence required to assess the existence of the digital assets and whether the Company controls the digital assets, as control over the digital assets is provided through stored private cryptographic keys. In addition, information technology (IT) professional with specialized skills and knowledge in IT controls was needed to assist in the evaluation of the sufficiency of certain controls over digital assets.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls over the digital assets process, including a control over the comparison of the Company's records of digital assets held to the information on the representative blockchain via blockchain explorers. This included assessing the controls to prevent unauthorized users from access to the private keys and to prevent the misuse or misappropriation of crypto assets. We involved IT professional with specialized skills and knowledge in IT controls, who assisted in evaluating certain internal controls over the digital assets process, related specifically to the control of the private cryptographic keys, the storing of these keys, and the reconciliation of digital assets per the Company's ledgers to the public blockchain. We also compared on test basis of the Company's record of digital asset transactions to the records on the public blockchain using at least two different blockchain explorers. We performed procedures to establish that the Company has controls over the crypto assets. We evaluated the reasonableness of the prices utilized by the Company to value digital assets by obtaining independent digital asset prices and comparing those to the prices selected by the Company.

We applied auditor judgment in determining the nature and extent of audit evidence required, especially related to assessing the existence of the digital assets and whether the Company controls the digital assets. We evaluated the sufficiency and appropriateness of audit evidence obtained by assessing the results of procedures performed over the digital assets.

/s/ RBSM LLP

PCAOB ID 587

We have served as the Company's auditor since 2016.
Las Vegas, Nevada

March 21, 2024

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Balance Sheets

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,458,327	\$ 2,146,783
Stablecoins	21,044	-
Crypto assets	302,783	982
Staked crypto assets	24,900,146	1,826,307
Prepaid expenses	62,461	123,727
Receivable for capital shares sold	291,440	-
Total current assets	<u>27,036,201</u>	<u>4,097,799</u>
Other assets:		
Investments, at value (Cost \$100,000)	100,000	100,000
Property and equipment, net	10,490	11,152
Staked crypto assets - long term	-	5,708,624
Total other assets	<u>110,490</u>	<u>5,819,776</u>
Total Assets	<u>\$ 27,146,691</u>	<u>\$ 9,917,575</u>
Liabilities and Stockholders' Equity:		
Accounts payable and accrued expenses	\$ 55,058	\$ 76,727
Accrued compensation	712,092	295,935
Warrant liabilities	213,750	213,750
Total current liabilities	<u>980,900</u>	<u>586,412</u>
Stockholders' equity:		
Preferred stock: 20,000,000 shares authorized at \$0.001 par value:	-	-
Series V preferred stock: 14,567,829 and 0 shares issued and outstanding at December 31, 2023 and 2022, respectively	2,563,938	-
Common stock, 975,000,000 shares authorized at \$0.001 par value, 15,320,281 and 13,107,149 shares issued and outstanding at December 31, 2023 and 2022, respectively	15,322	13,108
Additional paid in capital	162,263,634	160,800,263
Accumulated deficit	(138,677,103)	(151,482,208)
Total stockholders' equity	<u>26,165,791</u>	<u>9,331,163</u>
Total Liabilities and Stockholders' Equity	<u>\$ 27,146,691</u>	<u>\$ 9,917,575</u>

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

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BTCS Inc.
Statements of Operations

	<u>For the Year Ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Validator revenue (net of fees)	\$ 1,339,628	\$ 1,692,454
Total revenues	<u>1,339,628</u>	<u>1,692,454</u>
Cost of revenues		
Validator expenses	359,778	426,440
Gross profit	<u>979,850</u>	<u>1,266,014</u>
Operating expenses:		
General and administrative	\$ 1,863,916	\$ 1,916,193
Research and development	687,288	611,758
Compensation and related expenses	2,129,144	3,313,638
Marketing	12,153	78,171
Impairment loss on crypto assets	-	13,348,874
Realized (gains) losses on crypto asset transactions	604,269	(506,757)
Total operating expenses	<u>5,296,770</u>	<u>18,761,877</u>
Other income (expenses):		
Change in unrealized appreciation (depreciation) on crypto assets	12,135,648	-
Change in fair value of warrant liabilities	-	1,638,750
Distributions to warrant holders	-	(35,625)
Total other income (expenses)	<u>12,135,648</u>	<u>1,603,125</u>
Net income (loss)	<u>\$ 7,818,728</u>	<u>\$ (15,892,738)</u>
Net income (loss) per share attributable to common stockholders, basic and diluted	<u>\$ 0.55</u>	<u>\$ (1.25)</u>
Weighted average number of common shares outstanding, basic and diluted	14,092,233	12,732,914

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

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BTCS Inc.
Statements of Stockholders' Equity
For the Years Ended December 31, 2023 and 2022

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' (Deficit) Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance December 31, 2021	10,528,212	\$ 10,529	\$147,682,384	\$(135,589,470)	\$ 12,103,443
Issuance of common stock, net of offering cost / At-the-market offering	2,172,336	2,172	11,124,159	-	11,126,331
Stock-based compensation	406,601	407	2,624,863	-	2,625,270
Dividend distributions	-	-	(631,143)	-	(631,143)
Net loss	-	-	-	(15,892,738)	(15,892,738)
Balance December 31, 2022	13,107,149	\$ 13,108	\$160,800,263	\$(151,482,208)	\$ 9,331,163

	<u>Series V Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance December 31, 2022, as adjusted	-	\$ -	13,107,149	\$ 13,108	\$160,800,263	\$(146,495,831)(1)	\$ 14,317,540(1)
Issuance of common stock, net of offering cost / At-the-market offering	-	-	1,707,621	1,708	2,686,086	-	2,687,794
Issuance of Series V preferred stock	14,542,803	2,559,533	-	-	(2,559,533)	-	-
Stock-based compensation	25,026	4,405	505,511	506	1,336,818	-	1,341,729
Net income (loss)	-	-	-	-	-	7,818,728	7,818,728
Balance December 31, 2023	14,567,829	\$2,563,938	15,320,281	\$ 15,322	\$162,263,634	\$(138,677,103)	\$ 26,165,791

(1) Includes an adjustment to the opening balance of \$4,986,377 resulting from a change in accounting principle. See Note 3 for further details.

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

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BTCS Inc.
Statements of Cash Flows

	<u>For the Year Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Net Cash flows used from operating activities:		
Net income (loss)	\$ 7,818,728	\$ (15,892,738)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	5,033	4,039
Stock-based compensation	1,341,729	2,625,270
Validator revenue	(1,339,628)	(1,692,454)
Blockchain network fees (non-cash)	-	1,321
Change in fair value of warrant liabilities	-	(1,638,750)
Sale of non-productive crypto assets	-	2,547,325
Realized gain on crypto assets transactions	604,269	(506,757)
Change in unrealized (appreciation) depreciation on crypto assets	(12,135,648)	-
Impairment loss on crypto assets	-	13,348,874
Changes in operating assets and liabilities:		
Stablecoins	(21,044)	-
Prepaid expenses and other current assets	61,266	200,824
Receivable for capital shares sold	(291,440)	-
Accounts payable and accrued expenses	(21,669)	(62,332)
Accrued compensation	416,157	288,601
Net cash used in operating activities	(3,562,247)	(776,777)
Cash flows from investing activities:		
Purchase of productive crypto assets for validating	(1,804,482)	(9,453,024)
Sale of productive crypto assets	1,994,851	585,595
Purchase of investments	-	(100,000)
Purchase of property and equipment	(5,276)	(5,408)
Sale of property and equipment	904	-
Net cash provided by (used in) investing activities	185,997	(8,972,837)
Cash flow from financing activities:		
Dividend distributions	-	(630,801)
Net proceeds from issuance common stock/ At-the-market offering	2,687,794	11,126,331
Net cash provided by financing activities	2,687,794	10,495,530
Net (decrease)/increase in cash	(688,456)	745,916

Cash, beginning of period		2,146,783	1,400,867
Cash, end of period	\$	<u>1,458,327</u>	<u>\$ 2,146,783</u>
Supplemental disclosure of non-cash financing and investing activities:			
Series V Preferred Stock Distribution	\$	2,559,533	\$ -

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

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Description of Business and Recent Developments

BTCS Inc. (formerly Bitcoin Shop, Inc.), a Nevada corporation ("BTCS" or the "Company") was incorporated in 2008 and is a Nasdaq listed company operating in the blockchain technology sector since 2014 with a primary focus on blockchain infrastructure. Our core focus is on driving scalable growth through a diverse range of business streams leveraging and built on top of our core and proven blockchain infrastructure operations. The Company secures and operates validator nodes (as a "Validator") on various proof-of-stake ("PoS") and delegated proof-of-stake ("dPoS") based blockchain networks earning native token rewards by staking our proof-of-stake crypto assets (also referred to "cryptocurrencies", "crypto", "crypto assets", "digital assets", or "tokens"), with an emphasis on Ethereum.

The Company's non-custodial Staking-as-a-Service ("StaaS") business allows crypto asset holders to earn staking rewards by participating in network consensus mechanisms through staking (or "delegating") their crypto assets to BTCS-operated validator nodes (or "nodes"). As a non-custodial Validator and StaaS provider, BTCS may charge a validator node fee, typically determined as a percent of the crypto asset rewards earned on crypto assets delegated to its node, creating the opportunity for potential scalable revenue and business growth with limited additional costs. The Company believes that StaaS provides a more accessible and cost-effective way for crypto asset holders to participate in blockchain network consensus, thereby promoting the growth and adoption of blockchain technology.

The Company's internally-developed "StakeSeeker" platform is a personal finance software and education center with a comprehensive crypto dashboard for crypto asset holders to connect, monitor, track, and analyze their crypto portfolios across exchanges and wallets in a single analytics platform. The StakeSeeker dashboard reads user data from digital wallets and utilizes application programming interfaces (APIs) to read data from crypto exchanges and does not allow for the trading or custody of crypto assets. StakeSeeker's Stake Hub functions as an educational center, offering users guidance on the delegation of their crypto assets to our non-custodial validator nodes, along with the ability to monitor such delegation activities through data analysis. StakeSeeker does not provide or facilitate direct, asset delegation or transaction execution on our platform. Stake Hub's primary purpose is to offer instructional support and tracking capabilities. There is no active process for asset delegation through the Stake Hub dashboard; it is primarily a monitoring tool. The StakeSeeker platform is currently free-to-use for registered users so is not currently generating revenue. The Company is not a broker-dealer or an investment advisor and does not provide any such related services. StakeSeeker provides a valuable analytical platform to crypto enthusiasts and strategically seeks to entice users with its cutting-edge features. The underlying strategic objective of the platform is to drive the expansion of Delegators to our validator nodes.

The Company anticipates taking the StaaS Platform out of beta prior to the end of 2024. The current functionality allows for crypto asset holders to connect, monitor, track, and analyze their crypto portfolios across exchanges and wallets in a single analytics platform. In the future we may add support for additional blockchains and provide other analytic tools. We are also exploring the feasibility of adding Ethereum non-custodial staking to StakeSeeker in 2024. We anticipate the costs associated with doing so would be in line with our historical research and development costs.

The Company has introduced "Builder+", a newly developed Ethereum block builder ("Builder") that utilizes advanced algorithms to maximize validator earnings by constructing optimized blocks for on-chain validation. Builders actively monitor the Ethereum transaction queue, known as the "mempool", for pending transactions and strategically reorder them to create 'optimized blocks' containing transactions with the highest fees. Builders pay a fee to increase the chances of their blocks being selected by a validator and, in return, earn the associated crypto transaction fees.

The Company's business is subject to various risks and uncertainties, including risks associated with the evolving regulatory landscape for crypto assets, risks associated with the volatility of crypto asset prices, and risks associated with the development and adoption of blockchain technology. The Company's future success is dependent on various factors, including the growth of the crypto asset market, the adoption of blockchain technology, and the Company's ability to effectively operate and grow its blockchain infrastructure operations and StaaS business.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP").

Reclassifications

Certain prior period amounts have been reclassified in order to conform with the current period presentation. These reclassifications have no impact on the Company's previously reported net income (loss).

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of six months or less when purchased to be cash and cash equivalents. The Company maintains cash and cash equivalent balances at financial institutions that are insured by the FDIC. As of December 31, 2023 and 2022, the Company had approximately \$1,458,000 and \$2,147,000 in cash. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2023 and 2022, the Company had approximately \$933,000 and \$1,682,000 in excess of the FDIC insured limit, respectively.

Stablecoins

The Company holds stablecoins, such as USDT (Tether) and USDC (USD Coin), which are crypto assets that are pegged to the value of one U.S. dollar and can be redeemed on demand for one U.S. dollar. Our stablecoins are typically held in secure digital wallets or on crypto asset exchanges. The Company acquires and holds stablecoins primarily to facilitate crypto asset transactions, including, but not limited to, payments to third-party vendors.

The Company accounts for its stablecoins as indefinite-lived intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other*. While not accounted for as cash or cash equivalents, these stablecoins are considered a liquidity resource.

Crypto Assets

Fair Value Measurement

The Company's fair value measurement for its crypto assets is guided by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*. According to ASC 820, fair value is defined as the price that would be received for an asset in a current sale, assuming an orderly transaction between market participants on the measurement date. It requires the Company to assume that its crypto assets are sold in their principal market or, in the absence of a principal market, the most advantageous market. In this context, market participants are considered to be independent, knowledgeable, and willing and able to transact.

Kraken has been identified as the principal market for the Company's crypto assets, serving as the Company's primary cryptocurrency exchange for both purchases and sales. This determination is based on a comprehensive evaluation process that considers various factors, including regulatory compliance, trading activity, and price stability. The Company places significant trust in Kraken's well-established reliability and robust capabilities.

To determine the fair value of its crypto assets, the Company relies primarily on coinmarketcap.com ("CoinMarketCap") as the principal pricing source. The selection of CoinMarketCap is the result of thorough due diligence, which identified it as the most reliable source for consistently obtaining timely and accurate crypto asset price data, covering all the crypto assets held by the Company. The real-time pricing from CoinMarketCap is notably aligned with the bid/ask quotes observed on the Company's primary exchange and principal market, Kraken.

While Kraken is designated as the primary exchange, the Company maintains the flexibility to engage in cryptocurrency transactions on other exchanges where it maintains accounts. This flexibility allows the Company to adapt to changing market conditions and explore alternative platforms when necessary to ensure cost-effective execution and fair value measurement using the most advantageous market.

The determination of Kraken as the principal market reflects the Company's commitment to making informed decisions based on regulatory compliance, trading activity, and price stability and achieving the most accurate representation of fair value for its crypto assets. The Company regularly reviews and assesses its choice of principal market to ensure it aligns with its objectives and the evolving landscape of the cryptocurrency market.

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Accounting for Crypto Assets

The cost basis of the Company's crypto assets is initially recorded at their fair value using the U.S. dollar spot price of the related crypto asset at 4:00 p.m., New York time, on the date of receipt (or "carrying value").

Crypto assets are measured at their fair respective fair market values at each reporting period end on the balance sheets and classified as either 'Staked Crypto Assets' or 'Crypto Assets' to distinguish their nature within the respective balances. Staked crypto assets are presented as current assets if their lock-up periods are less than 12 months, and as long-term other assets if the lock-up extends beyond one year. The majority of our crypto assets are staked, typically with lock-up periods of less than 21 days, and are considered current assets in accordance with ASC 210-10-20, *Balance Sheet*, due to the Company's ability to sell them in a liquid marketplace, as we have a reasonable expectation that they will be realized in cash or sold or consumed during the normal operating cycle of our business to support operations when needed.

The classification of purchases and sales in the statements of cash flows is determined based on the nature of the crypto assets, which can be categorized as 'productive' (i.e. acquired for purposes of staking) or 'non-productive' (e.g. bitcoin). Acquisitions of non-productive crypto assets are treated as operating activities, while acquisitions of productive crypto assets are classified as investing activities in accordance with ASC 230-10-20, *Investing activities*. Productive crypto assets staked with lock-up periods of less than 12 months are listed as current assets in the 'Staked Crypto Assets' line item on the balance sheet. Staked crypto assets with lock-up periods exceeding 12 months are categorized as long-term other assets. Non-productive crypto assets are included in the 'Crypto Assets' line item on the balance sheet.

Effective January 1, 2023, the Company has elected to early adopt *ASU No. 2023-08*, resulting in a material change in accounting principle related to the Company's accounting treatment of crypto assets. The impacts of the change in accounting principle are discussed further in Note 3.

Prior to the Company's adoption of *ASU No. 2023-08*, the Company accounted for its crypto assets as indefinite-lived intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other*. 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 occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. 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 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. If the Company concludes otherwise, it is required to perform a 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.

Prior to the Company's adoption of *ASU No. 2023-08*, on a quarterly basis, crypto assets were measured at carrying value, net of any impairment losses incurred since receipt. The Company recorded impairment losses as the fair value fell below the carrying value of the crypto assets at any time during the period, as determined using the lowest intraday U.S. dollar spot price of the related crypto asset subsequent to its acquisition. The crypto assets could only be marked down when impaired and not marked up when their value increases. Impairment losses could not be recovered for any subsequent increase in fair value until the sale or disposal of the asset. Such impairment in the value of crypto assets was recorded as a component of costs and expenses in our statements of operations. The Company recorded impairment losses of approximately \$0 and \$13,349,000 related to crypto assets during the years ended December 31, 2023 and 2022, respectively.

Realized gain (loss) on sale of crypto assets are included in other income (expense) in the statements of operations. The Company recorded realized gains (losses) on crypto assets of approximately (\$604,000) and \$507,000 during the years ended December 31, 2023 and 2022, respectively.

BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

The Company recognizes revenue under ASC 606, *Revenue from Contracts with Customers*. The core principle of the new 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
- Step 5: Recognize revenue when the Company satisfies a performance obligation

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company generates revenue through staking rewards generated from its blockchain infrastructure operations.

The transaction consideration the Company receives - the crypto asset awards and gas fees - are a non-cash consideration, which the Company measures at fair value on the date received. The fair value of the crypto asset award received is determined using the U.S. dollar spot price of the related crypto asset at 4:00 p.m., New York time, on the date of receipt.

Blockchain Infrastructure

The Company engages in network-based smart contracts by running its own crypto asset validator nodes as well as by staking (or "delegating") crypto assets directly to both its own validator nodes and nodes run by third-party operators. Through these contracts, the Company provides crypto assets to stake to a node for the purpose of validating transactions and adding blocks to a respective blockchain network. The term of a smart contract can vary based on the rules of the respective blockchain and typically last from a few days to several weeks after it is cancelled (or "un-staked") by the delegator and requires that the crypto assets staked remain locked up during the duration of the smart contract.

In exchange for staking the crypto assets and validating transactions on blockchain networks, the Company is entitled to all of the fixed crypto asset award earned from the network when delegating to the Company's own node and is entitled to a fractional share of the fixed crypto asset award a third-party node operator receives (less crypto asset transaction fees payable to the node operator, which are immaterial and are recorded as a deduction from revenue), for successfully validating or adding a block to the blockchain. The Company's fractional share of awards received from delegating to a third-party validator node is proportionate to the crypto assets staked by the Company compared to the total crypto assets staked by all Delegators to that node at that time.

The provision of validating blockchain transactions is an output of the Company's ordinary activities. Each separate block creation or validation under a smart contract with a network represents a performance obligation. The satisfaction of the performance obligation for processing and validating blockchain transactions occurs at a point in time when confirmation is received from the network indicating that the validation is complete, and the awards are available for transfer. At that point, revenue is recognized.

BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

The following table details the native token rewards and their respective fair market value recognized as revenue during the years ended December 31, 2023. The tables distinguish between token rewards earned from staking to BTCS run Validator nodes as well as delegating to validator nodes operated by unaffiliated third-parties.

Crypto assets earned from staking to BTCS validator nodes

Asset	FY 2022	FY 2022	FY 2023	FY 2023
	Token Rewards	Revenue (\$USD)	Token Rewards	Revenue (\$USD)
Ethereum (ETH)	390	\$ 768,992	358	\$ 639,357
Cosmos (Atom)	15,200	\$ 214,217	43,268	\$ 408,964
Kava (KAVA)	49,690	\$ 114,603	53,435	\$ 43,642
Kusama (KSM)	824	\$ 73,138	820	\$ 21,981
Mina (MINA)	4,320	\$ 2,594	15,840	\$ 10,959
Evmos (EVMOS)	-	\$ -	89,591	\$ 10,807
Akash (AKT)	6,376	\$ 1,459	11,666	\$ 9,808
Avalanche (Avax)	1,051	\$ 30,791	664	\$ 9,117
NEAR Protocol (NEAR)	970	\$ 1,512	5,494	\$ 8,836
Oasis Network (ROSE)	9,758	\$ 533	98,001	\$ 5,802
Tezos (XTZ)	3,620	\$ 7,048	2,413	\$ 2,326
Terra (Luna)	61	\$ 5,401	-	\$ -
Algorand (Algo)	98	\$ 115	-	\$ -
Total earned from staking to BTCS validator nodes		\$ 1,220,403		\$ 1,171,599

Crypto assets earned from staking to third-party validator nodes

Asset	FY 2022	FY 2022	FY 2023	FY 2023
	Token Rewards	Revenue (\$USD)	Token Rewards	Revenue (\$USD)
Axie Infinity (AXS)	17,392	\$ 385,101	18,522	\$ 127,691
Polygon (Matic)	31,395	\$ 27,826	24,878	\$ 20,613
Solana (SOL)	407	\$ 20,428	474	\$ 11,592
Polkadot (DOT)	2,989	\$ 35,658	1,371	\$ 7,358

Cardano (ADA)	5,102	\$ 3,038	2,394	\$ 775
Total earned from staking to third-party validator nodes		\$ 472,051		\$ 168,029
Total		\$ 1,692,454		\$ 1,339,628

Cost of Revenue

The Company's cost of revenue related to its blockchain infrastructure operations primarily includes direct production costs associated with transaction validation on the network, cloud-based server hosting expenses related to our validator nodes, and allocated employee salaries dedicated to node maintenance and support. Additionally, the cost of revenue encompasses fees, including equity compensation stock-based fees paid to third parties for their assistance in software maintenance and node operations. These costs directly related to production of revenues are collectively summarized as "Validator expenses" in the statements of operations.

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Internally Developed Software

Internally developed software consists of the core technology of the Company's StakeSeeker platform, which is being designed to allow users to track, monitor and analyze their aggregate cryptocurrency portfolio holdings by connecting their crypto exchanges and digital wallets as well as providing a non-custodial delegation process to earn staking rewards on crypto asset holdings. For internally developed software, the Company uses both its own employees as well as the services of external vendors and independent contractors. The Company accounts for computer software used in the business in accordance with ASC 985-20 and ASC 350.

ASC 985-20, *Software-Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*, requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product. Some companies use a "tested working model" approach to establishing technological feasibility (i.e., beta version). Under this approach, software under development will pass the technological feasibility milestone when the Company has completed a version that contains essentially all the functionality and features of the final version and has tested the version to ensure that it works as expected.

ASC 350, *Intangibles-Goodwill and Other*, requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. Costs incurred during the preliminary project stage and the post-implementation stages are expensed as incurred. Certain qualifying costs incurred during the application development stage are capitalized as property, equipment and software. These costs generally consist of internal labor during configuration, coding, and testing activities. Capitalization begins when (i) the preliminary project stage is complete, (ii) management with the relevant authority authorizes and commits to the funding of the software project, and (iii) it is probable both that the project will be completed and that the software will be used to perform the function intended.

Property and Equipment

Property and equipment consist of computer, equipment and office furniture and fixtures, all of which are recorded at cost. Depreciation and amortization are recorded using the straight-line method over the respective useful lives of the assets ranging from three to five years. Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable.

Use of Estimates

The accompanying financial statements have been prepared in conformity with U.S. GAAP. This requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The Company's significant estimates and assumptions include the recoverability and useful lives of indefinite life intangible assets, stock-based compensation, and the valuation allowance related to the Company's deferred tax assets. Certain of the Company's estimates, including the carrying amount of the indefinite life intangible assets, could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates and assumptions.

Income Taxes

The Company recognizes income taxes on an accrual basis based on tax positions taken or expected to be taken in its tax returns. A tax position is defined as a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions are recognized only when it is more likely than not (i.e., likelihood of greater than 50%), based on technical merits, that the position would be sustained upon examination by taxing authorities. Tax positions that meet the more likely than not threshold are measured using a probability-weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. A valuation allowance is established to reduce deferred tax assets if all, or some portion, of such assets will more than likely not be realized. Should they occur, the Company's policy is to classify interest and penalties related to tax positions as income tax expense. Since the Company's inception, no such interest or penalties have been incurred.

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Accounting for Warrants

The Company accounts for the issuance of Common Stock purchase warrants issued in connection with the equity offerings in accordance with the provisions of ASC 815, *Derivatives and Hedging*. The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the Company) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). In addition, Under ASC 815, registered Common Stock warrants that require the issuance of registered shares upon exercise and do not expressly preclude an implied right to cash settlement are accounted for as derivative liabilities. The Company classifies these derivative warrant liabilities on the balance sheets as a current liability.

The Company assessed the classification of Common Stock purchase warrants as of the date of each offering and determined that such instruments originally met the criteria for equity classification; however, as a result of the Company no longer being in control of whether the warrants may be cash settled, the instruments no longer qualify for equity classification. Accordingly, the Company classified the warrants as a liability at their fair value and adjusts the instruments to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until the warrants are exercised or expired, and any change in fair value is recognized as "change in the fair value of warrant liabilities" in the statements of operations. The fair value of the warrants has been estimated using a Black-Scholes valuation model (see Note 4).

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*. ASC 718 addresses all forms of share-based payment awards including shares issued under employee stock purchase plans and stock incentive shares. Under ASC 718, awards result in a cost that is measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest and will result in a charge to operations.

Share-based payment awards exchanged for services are accounted for at the fair value of the award on the estimated grant date.

Options

Stock options issued under the Company's long-term incentive plans are granted with an exercise price equal to 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 grant.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Restricted Stock Units ("RSUs")

For awards vesting upon the achievement of a service condition, compensation cost measured on the grant date will be recognized on a straight-line basis over the vesting period. Stock-based compensation expense for the market-based restricted stock units with explicit service conditions is recognized on a straight-line basis over the longer of the derived service period or the explicit service period, regardless of whether the market condition is satisfied. However, in the event that the explicit service period is not met, previously recognized compensation cost would be reversed. Market-based restricted stock units subject to market-based performance targets require achievement of the performance target as well as a service condition in order for these RSUs to vest.

The Company estimates the fair value of market-based RSUs as of the grant date and expected derived term using a Monte Carlo simulation that incorporates pricing inputs covering the period from the grant date through the end of the derived service period.

Dividends

Effective January 27, 2023, the Company's Board of Directors (the "Board") approved the issuance of a newly designated Series V Preferred Stock ("Series V") on a one-for-one basis to the Company's shareholders (including restricted stock unit holders and warrant holders who were entitled to such distribution). The distribution of Series V shares was approved and completed on June 2, 2023 to shareholders as of the record date of May 12, 2023. The Series V: (i) is non-convertible, (ii) has a 20% liquidation preference over the shares of common stock, (iii) is non-voting and (iv) has certain rights to dividends and distributions (at the discretion of the Board). A total of 14,542,803 shares of Series V Preferred Stock were distributed to shareholders on June 2, 2023.

On January 5, 2022, the Board declared a non-recurring special dividend of \$ 0.05 for each outstanding share of Common Stock of the Company, payable to holders of record as of the close of business on March 17, 2022. The dividend distributions were considered a return of capital as the distributions were in excess of the Company's current and accumulated earnings and profits. The return of capital distribution reduces the Company's additional paid in capital balance. Dividend distributions amounted to \$0 and \$631,000 during the years ended December 31, 2023 and 2022, respectively.

The Company will evaluate the appropriateness of potential future dividends as the Company continues to grow its operations.

Advertising Expense

Advertisement costs are expensed as incurred and included in marketing expenses. Advertising and marketing expenses amounted to approximately \$12,000 and \$78,000 for the year ended December 31, 2023 and 2022, respectively.

Net Income (Loss) per Share

Basic income (loss) per share is computed by dividing the net income or loss applicable to common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the Company's restricted stock units, options and warrants. Diluted loss per share excludes the shares issuable upon the conversion of preferred stock, notes and warrants from the calculation of net loss per share if their effect would be anti-dilutive.

The following financial instruments were not included in the diluted loss per share calculation as of December 31, 2023 and 2022 because their effect was anti-dilutive:

	As of December 31,	
	2023	2022
Warrants to purchase common stock	712,500	912,500
Options	1,200,000	1,150,000
Non-vested restricted stock awards units	1,606,373	1,590,553
Total	3,518,873	3,653,053

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60)*, which is intended to improve the accounting for and disclosure of crypto assets. The ASU requires entities to subsequently measure crypto assets that meet specific criteria at fair value, with changes recognized in net income each reporting period. The ASU also requires specific presentation of cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately into cash. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU No. 2023-08 effective January 1, 2023, which had a material impact to its financial statement and related disclosures, which are further discussed in Note 3.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Note 3 - Changes in Accounting Principle

Effective January 1, 2023, the Company has elected to early adopt ASU No. 2023-08, resulting in a material change in accounting principle related to the Company's accounting treatment of crypto assets.

As a result of the adoption of ASU No. 2023-08, crypto assets are recorded at their fair market value on its balance sheet and changes in the fair market value of its crypto assets during reporting periods are recorded within its statements of operations as unrealized appreciation (depreciation). Prior to adopting ASU No. 2023-08, crypto assets were accounted for as intangible assets with an indefinite life in accordance with ASC 350, *Intangibles – Goodwill and Other*, carrying them at their impaired value and recognizing impairment losses during reporting periods. Adoption of the fair market value guidance contained within ASU No. 2023-08 eliminates the need to calculate impairment losses on crypto assets for the year of adoption and moving forward.

The Company elected to early adopt the guidance contained with ASU No. 2023-08 as we believe that the specified changes in financial reporting better reflect the economic realities of the Company's business model and the value of the crypto assets held, enhancing the transparency and accuracy of the financial statements.

The adoption of ASU No. 2023-08 required an adjustment to the Company's opening Retained Earnings balance as of January 1, 2023, to recognize the cumulative effect of initially applying the change in accounting principle to previous periods. The adjustment accounts for the difference between the December 31, 2022 ending book value of crypto assets and their respective fair market value, which amounted to approximately \$4,986,000.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 4 – Crypto Assets

The following table presents the Company's crypto assets held as of December 31, 2023:

<u>Asset</u>	<u>Tokens</u>	<u>Cost</u>	<u>Fair Market Value</u>
Ethereum (ETH)	7,815	\$ 8,862,438	\$ 17,829,264
Cosmos (Atom)	270,098	4,843,231	2,860,870
Solana (SOL)	7,845	535,109	796,327
Avalanche (Avax)	17,842	1,129,281	687,713
Axie Infinity (AXS)	60,552	1,913,988	535,546
Polygon (Matic)	506,010	848,606	491,138
Oasis Network (ROSE)	2,647,629	157,541	363,571
Kusama (KSM)	7,313	1,427,083	329,353
Kava (KAVA)	345,394	1,089,300	301,429
NEAR Protocol (NEAR)	80,267	162,780	293,204
Akash (AKT)	119,071	46,156	291,574
Cardano (ADA)	265,254	402,901	157,615
Mina (MINA)	90,017	63,539	122,007
Polkadot (DOT)	8,650	139,711	70,879
Evmos (EVMOS)	345,777	97,404	43,886
Tezos (XTZ)	26,174	73,318	26,379
Band Protocol (BAND)	992	1,500	2,174
Total		\$ 21,793,886	\$ 25,202,929

The following table presents a rollforward of the Company's crypto asset activities for the years ended December 31, 2023 and 2022:

December 31, 2021 - Book Value	\$ 12,365,472
Purchases of crypto assets	9,453,024
Rewards earned from staking	1,692,454
Sales of crypto assets	(3,132,920)
Realized gains on sale of crypto assets	506,757
Impairment loss	(13,348,874)
December 31, 2022 - Book Value	\$ 7,535,913
Opening adjustment for change in accounting principle	4,986,377
Purchases of crypto assets	1,804,482
Rewards earned from staking	1,339,628
Sales of crypto assets	(1,994,851)
Realized gains on sale of crypto assets	147,295
Realized losses on sale of crypto assets	(751,563)

Change in unrealized appreciation (depreciation) of crypto assets	12,135,648
December 31, 2023 - Fair Market Value	\$ 25,202,929

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Fair Value of Financial Assets and Liabilities

The Company measures certain assets and liabilities at fair value. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability (i.e., an 'exit price') in the principal or most advantageous market in an orderly transaction between market participants at the measurement date.

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, these valuations do not entail a significant degree of judgment.

Level 2 – Valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuations based on inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Financial instruments, including cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of December 31, 2023 and 2022:

	Fair Value Measured at December 31, 2023			
	Total at December 31, 2023	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Crypto Assets	\$ 25,202,929	\$ 25,202,929	\$ -	\$ -
Investments	100,000	-	-	100,000
Total Assets	\$ 25,302,929	\$ 25,202,929	\$ -	\$ 100,000
Liabilities				
Warrant Liabilities	\$ 213,750	\$ -	\$ -	\$ 213,750

	Fair Value Measured at December 31, 2022			
	Total at December 31, 2022	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Investments	\$ 100,000	\$ -	\$ -	\$ 100,000
Liabilities				
Warrant Liabilities	\$ 213,750	\$ -	\$ -	\$ 213,750

The Company did not make any transfers between the levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial assets and liabilities for the years ended December 31, 2023 and 2022, that are measured at fair value on a recurring basis:

	Fair Value of Level 3 Financial Assets	
	December 31, 2023	December 31, 2022
Beginning balance	\$ 100,000	\$ -
Purchases	-	100,000
Unrealized appreciation (depreciation)	-	-
Ending balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>
	Fair Value of Level 3 Financial Liabilities	
	December 31, 2023	December 31, 2022
Beginning balance	\$ 213,750	\$ 1,852,500
Warrant liabilities classification	-	-

Fair value adjustment of warrant liabilities	-	(1,638,750)
Ending balance	<u>\$ 213,750</u>	<u>\$ 213,750</u>

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Level 3 Valuation Techniques

Level 3 financial assets consist of private equity investments for which there is no current public market for these securities such that the determination of fair value requires significant judgment or estimation. As of December 31, 2023, the Company's Level 3 investments were carried at original cost of the investments, with a value of \$100,000. The Company has elected to apply the measurement alternative under ASC 321, *Investments—Equity Securities*, for these investments.

Level 3 financial liabilities consist of the warrant liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation.

Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

A significant decrease in the volatility or a significant decrease in the Company's stock price, in isolation, would result in a significantly lower fair value measurement. Changes in the values of the warrant liabilities are recorded in "change in fair value of warrant liabilities" in the Company's statements of operations.

On March 2, 2021, the Company entered into a securities purchase agreement (the "Offering") with certain purchasers pursuant to which the Company agreed to sell an aggregate of (i) 950,000 shares of Common Stock, and (ii) Common Stock warrants (the "Warrants") to purchase up to 712,500 shares of Common Stock for gross proceeds of \$ 9.5 million in a private placement. The closing of the Offering occurred on March 4, 2021.

The Warrants require, at the option of the holder, a net-cash settlement following certain fundamental transactions (as defined in the Warrants) at the Company. At the time of issuance, the Company maintained control of certain fundamental transactions and as such the Warrants were initially classified in equity. As of December 31, 2023, the Company no longer maintained control of certain fundamental transactions as they did not control a majority of shareholder votes. As such, the Company may be required to cash settle the Warrants if a fundamental transaction occurs which is outside the Company's control. Accordingly, the Warrants are classified as liabilities. The Warrants have been recorded at their fair value using the Black-Scholes valuation model, and will be recorded at their respective fair value at each subsequent balance sheet date. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, risk-free rates, as well as volatility.

The Warrants require the issuance of registered shares upon exercise, do not expressly preclude an implied right to cash settlement and are therefore accounted for as derivative liabilities. The Company classifies these derivative warrant liabilities on the balance sheets as a current liability.

A summary of quantitative information with respect to the valuation methodology and significant unobservable inputs used for the Company's warrant liabilities that are categorized within Level 3 of the fair value hierarchy as of December 31, 2023 and 2022, is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Risk-free rate of interest	4.23%	3.99%
Expected volatility	102.81%	152.84%
Expected life (in years)	2.18	3.18
Expected dividend yield	-	-

The risk-free interest rate was based on rates established by the Federal Reserve Bank. For the Warrants, the Company estimates expected volatility giving primary consideration to the historical volatility of its Common Stock. The general expected volatility is based on the standard deviation of the Company's underlying stock price's daily logarithmic returns. The expected life of the warrants was determined by the expiration date of the warrants. The expected dividend yield was based on the fact that the Company has not historically paid dividends on its Common Stock and does not expect to pay recurring dividends on its Common Stock in the future.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 6 - Stockholders' Equity (Deficit)

Common Stock

The Company received shareholder approval on July 11, 2023 to amend our Articles of Incorporation to increase the number of authorized shares of common stock from 97,500,000 shares to 975,000,000. On July 12, 2023, the Company filed a Certificate of Amendment to the Articles of Incorporation to effectuate the increase of our authorized shares of common stock to 975,000,000.

At The Market Offering Agreement

On September 14, 2021, the Company entered into an At-The-Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC, as agent ("H.C. Wainwright"), pursuant to which the Company may offer and sell, from time-to-time through H.C. Wainwright, shares of the Company's Common Stock having an aggregate offering price of up to \$98,767,500 (the "Shares"). The Company will pay H.C. Wainwright a commission rate equal to 3.0% of the aggregate gross proceeds from each sale of Shares.

During the year ended December 31, 2023, the Company sold a total of 1,707,621 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately \$2,790,000 at an average selling price of \$ 1.63 per share, resulting in net proceeds of approximately \$2,688,000 after deducting commissions and other transaction costs.

During the year ended December 31, 2022, the Company sold a total of 2,172,336 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately \$11,487,000 at an average selling price of \$ 5.29 per share, resulting in net proceeds of approximately \$11,126,000 after deducting commissions and other transaction costs.

Share Based Payments

Effective January 19, 2023, The Board approved the issuance of \$50,000 of common stock to each independent director. The shares will be issued in four equal installments (\$12,500 each) at the end of each calendar quarter beginning March 31st, subject to continued service on each applicable issuance date. The number of shares issuable will be based on the closing price of the Company's common stock on the last trading day prior to the end of the applicable calendar quarter. For the year ended December 31, 2023, 122,124 shares of common stock were issued to independent directors.

For the years ended December 31, 2023 and 2022, 354,713 and 284,722 shares of common stock were issued to officers related to payment of accrued bonus compensation, respectively.

Issuance of Restricted Stock to Service Providers

During the year ended December 31, 2022, the Company issued to one service provider a total of approximately 12,500 shares of restricted Common Stock, representing a total fair value of \$59,000.

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Preferred Stock

Series V

Effective January 27, 2023, the Board approved the issuance of a newly designated Series V Preferred Stock ("Series V") on a one-for-one basis to the Company's shareholders (including restricted stock unit holders and warrant holders). The distribution of Series V shares was approved and completed on June 2, 2023 to shareholders as of the record date of May 12, 2023. The Series V: (i) is non-convertible, (ii) has a 20% liquidation preference over the shares of common stock, (iii) is non-voting and (iv) has certain rights to dividends and distributions (at the discretion of the Board). A total of 14,542,803 shares of Series V Preferred Stock were distributed to shareholders on June 2, 2023. The Series V is listed to trade on Upstream, the trading app for digital securities and NFTs powered by Horizon Fintex and MERJ Exchange Limited, under the ticker symbol BTCSP.

The fair value of the Preferred stock as of the record date, May 12, 2023, amounted to approximately \$ 2,560,000. The Company used a probability valuation model to determine the fair value of the preferred stock.

2021 Equity Incentive Plan

The Company's 2021 Equity Incentive Plan (the "2021 Plan") was effective on January 1, 2021 and approved by shareholders on March 31, 2021 and amended on June 13, 2022. The Company received shareholder approval on July 11, 2023 to increase the authorized amount under the 2021 Plan from 7,000,000 shares to 12,000,000 shares.

Options

During the year ended December 31, 2023, the Company granted 85,000 stock options with a weighted average exercise price of \$ 1.29 to non-executive employees.

During the year ended December 31, 2022, the Company granted 50,000 stock options with a weighted average exercise price of \$ 1.51 to non-executive employees.

The following weighted-average assumptions were used to estimate the fair value of options granted on the deemed grant date during the years ended December 31, 2023 and 2022 for the Black-Scholes formula:

	Year Ended December 31,	
	2023	2022
Exercise price	\$ 1.29	\$ 1.51
Term (years)	5.00	5.00
Expected stock price volatility	151.32%	165.79%
Risk-free rate of interest	3.97%	2.77%

Expected Volatility: The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the option.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the option.

Expected Term: The Company's expected term represents the weighted-average period that the Company's stock options are expected to be outstanding. The expected term is based on the expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options to derive employee behavioral patterns used to forecast expected exercise patterns.

A summary of options activity under the Company's stock option plan for the years ended December 31, 2023 and 2022 are presented below:

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2021	1,235,000	\$ 2.14	\$ 1,488,000	4.0
Employee options granted	50,000	1.51	-	1.4
Employee options expired	(100,000)	1.90	-	-
Employee options forfeited	(35,000)	1.50	-	-
Outstanding as of December 31, 2022	1,150,000	\$ 2.15	\$ -	3.3
Options vested and exercisable as of December 31, 2022	1,135,000	\$ 2.16	\$ -	3.3

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2022	1,150,000	\$ 2.15	\$ -	3.3
Employee options granted	85,000	1.29	-	5.0
Employee options forfeited	(35,000)	1.02	11,100	-
Outstanding as of December 31, 2023	1,200,000	\$ 2.12	\$ 8,700	2.4
Options vested and exercisable as of December 31, 2023	1,145,000	\$ 2.15	\$ -	2.3

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

RSUs

On February 22, 2022, the Company granted 45,767 restricted stock units to the Company's Chief Technology Officer. The restricted stock units are to vest over a five-year period as follows: 20% of the 45,767 restricted stock units vested on January 1, 2023, and the remaining 80% are to vest annually over the following four years with vesting occurring on December 31st of each respective year. The grant date fair value of restricted stock units was approximately \$200,000.

Effective January 2, 2022, the Board ratified grants of RSUs to each independent director. David Garrity, Carol Van Cleef and Charles Lee were each granted 95,544 restricted stock units (the "2022 Board Grants"). The 2022 Board Grants vest in four equal installments at the end of each calendar quarter in 2022. As of December 31, 2022, all 95,544 of the restricted stock units vested with a total fair value of approximately \$ 300,000.

Effective January 2, 2022, the Board, as approved by its Compensation Committee, ratified grants of RSUs to the Company's executive officers as part of a long-term incentive ("LTI") plan, with vesting terms set for when the Company's market capitalization reaches and sustains a market capitalization for 30 consecutive days above four defined market capitalization thresholds of \$100 million, \$150 million, \$200 million and \$400 million.

Effective February 22, 2022, upon appointment of Manish Paranjape as Chief Technology Officer of the Company, Mr. Paranjape was also granted RSUs as part of the LTI plan, with consistent vesting terms set for when the Company's market capitalization above the same four defined market capitalization thresholds.

Effective January 1, 2023 (the "LTI RSU Amendment Date"), upon recommendation of the Compensation Committee of the Board approved an amendment to the LTI plan, whereby the market capitalization threshold targets were lowered to \$50 million, \$100 million, \$150 million, and \$300 million.

The RSUs granted to each executive employee are as follows:

Officer Name	Title	Grant Date	Total RSUs Granted	Market Cap Vesting Thresholds			
				\$ 50 million	\$ 100 million	\$ 150 million	\$ 300 million
Charles Allen	Chief Executive Officer	1/2/2022	694,444	173,611	173,611	173,611	173,611
Michal Handerhan	Chief Operations Officer	1/2/2022	444,444	111,111	111,111	111,111	111,111
Michael Prevoznik	Chief Financial Officer	1/2/2022	222,224	55,556	55,556	55,556	55,556
Manish Paranjape	Chief Technology Officer	2/22/2022	160,184	40,046	40,046	40,046	40,046
			1,521,296	380,324	380,324	380,324	380,324

To the extent any market capitalization targets set forth above for Mr. Prevoznik and Mr. Paranjape are achieved, the RSUs will also be subject to the following five-year vesting schedule: 20% of the LTI RSUs which have met a market capitalization criteria will vest on the one-year anniversary of the grant date, and the remaining 80% of the LTI RSUs which have met a market capitalization criteria will vest annually on each subsequent calendar year-end date over the four years following the one year anniversary of the grant date.

For awards vesting upon the achievement of a service condition, compensation cost measured on the grant date will be recognized on a straight-line basis over the vesting period. Stock-based compensation expense for the market-based restricted stock units with explicit service conditions is recognized on a straight-line basis over the longer of the derived service period or the explicit service period, regardless of whether the market condition is satisfied. However, in the event that the explicit service period is not met, previously recognized compensation cost would be reversed. Market-based restricted stock units subject to market-based performance targets require achievement of the performance target as well as a service condition in order for these RSUs to vest.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

The Company estimates the fair value of market-based RSUs as of the grant date and expected derived term using a Monte Carlo simulation that incorporates pricing inputs covering the period from the grant date through the end of the derived service period.

As of the LTI RSU Amendment Date, the Company determined the pre-modification and post-modification estimated fair value of the LTI RSUs accounting for the amended market cap criteria. The increase in fair value of the LTI RSUs attributable to the modification was valued to be approximately \$83,000 and added to the related unrecognized compensation expense in accordance with ASC 718 – *Share-Based Compensation*, whereby any previously recognized compensation cost that has not vested as of the modification date should be adjusted to reflect the new fair value of the equity awards on the date of the modification.

The following weighted-average assumptions were used to estimate the fair value of options granted during the years ended December 31, 2023 and 2022 for the Monte-Carlo simulation:

	Valuation Dates	
	January 1, 2023 (Modification)	January 2, 2022 (Original Issuance)
Vesting Hurdle Price	\$ 3.81 - \$30.52	\$ 8.07 - \$36.99
Term (years)	4.00	5.00
Expected stock price volatility	97.30%	103.72%
Risk-free rate of interest	4.10%	1.32%

Expected Volatility: The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the RSUs.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the RSUs.

Expected Term: The Company's expected term represents the weighted-average period that the Company's RSUs are expected to be outstanding. The expected term is based on the stipulated 5-year period from the grant date until the market-based criteria are achieved. If the market-based criteria are not achieved within the five-year period from the grant date, the RSUs will not vest and shall expire.

Vesting Hurdle Price: The vesting hurdle prices are determined by taking the vesting Market Cap criteria divided by the shares outstanding as of the valuation dates.

Effective September 30, 2022, Mr. David Garrity resigned as a director of BTCS, Inc. The Board agreed to fully vest Mr. Garrity's remaining unvested restricted stock units (7,962 shares) and pay Mr. Garrity approximately \$ 5,600, which represents the remaining unpaid 2022 director fees as of the date of resignation.

On October 1, 2022, the Company granted a total of 7,962 restricted stock units to Melanie Pump, a non-employee director of the Company, which vested on December 31, 2023 with a total fair value of approximately \$12,000.

On December 9, 2022, upon recommendation of the Compensation Committee, the Board of Directors approved the grant of 25,000 RSUs to Mr. Prevoznik and Mr. Paranjape each, effective January 1, 2023, which vest annually over a five-year period with the first vesting date being on the one-year anniversary of the execution date of the effective grant date, subject to continued employment on each applicable vesting date. The fair value of the RSUs on the grant date was approximately \$16,000, each.

A summary of the Company's restricted stock units granted under the 2021 Plan during the years ended December 31, 2023 and 2022 are as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2022	29,363	\$ 5.96
Granted	1,670,569	3.28
Vested	(109,379)	2.29
Nonvested at December 31, 2022	1,590,553	\$ 3.34
Granted	50,000	0.63
Vested	(34,180)	3.55
Nonvested at December 31, 2023	1,606,373	\$ 3.25

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Stock-based Compensation

Stock-based compensation expenses are recorded as a part of selling, general and administrative expenses, compensation expenses and cost of revenues. Stock-based compensation expenses for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31,	
	2023	2022
Employee bonus stock awards	\$ 675,061	\$ 1,152,525
Employee stock option awards	11,726	97,142
Employee restricted stock unit awards	956,526	1,575,475
Non-employee restricted stock awards	195,784	225,207
	\$ 1,839,097	\$ 3,050,349

Stock Purchase Warrants

The following is a summary of warrant activity for the years ended December 31, 2023 and 2022:

	Number of Warrants
Outstanding as of December 31, 2021	962,794
Expiration of warrants	(50,294)
Outstanding as of December 31, 2022	912,500
Expiration of warrants	(200,000)
Outstanding as of December 31, 2023	712,500

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NOTES TO FINANCIAL STATEMENTS

Note 7 – Executive Compensation

Employment Agreements

Charles W. Allen – Chief Executive Officer and Director

On June 22, 2017, we entered into an employment agreement with Charles Allen (the "Allen Employment Agreement"), whereby Mr. Allen agreed to serve as our Chief Executive Officer and Chief Financial Officer for a period of two (2) years, subject to renewal, in consideration for an annual salary of \$245,000. Additionally, under the terms of the Allen Employment Agreement, Mr. Allen shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Allen shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Allen for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive \$500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional \$500 per month to cover expenses in connection with their office space needs.

On February 6, 2019 we amended the Allen Employment Agreement whereby the annual salary was increased to \$ 345,000 per year effective January 1, 2019, subject to a 4.5% annual increase each subsequent year to adjust for inflation. All other terms of the Allen Employment Agreement remained unchanged including the Annual Increase. For the year ended December 31, 2023, Mr. Allen's annual base salary was \$411,419.

On June 24, 2022, as a part of its cost-cutting measures, Charles Allen agreed to forfeit \$ 25,000 of his annual base salary for 2022. The forfeiture in 2022 does not alter or amend current employment agreements, or any calculations based on those agreements.

Michal Handerhan – Chief Operating Officer and Director

On June 22, 2017, we entered into an employment agreement with Michal Handerhan (the "Handerhan Employment Agreement"), whereby Mr. Handerhan agreed to serve as our Chief Operating Officer and Secretary for a period of two (2) years, subject to renewal, in consideration for an annual salary of \$190,000. Additionally, under the terms of the Handerhan Employment Agreement, Mr. Handerhan shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Handerhan shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Handerhan for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive \$500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional \$500 per month to cover expenses in connection with their office space needs.

On February 6, 2019 we amended the Handerhan Employment Agreement whereby the annual salary was increased to \$ 215,000 per year effective on January 1, 2019, subject to a 4.5% annual increase each subsequent year to adjust for inflation. All other terms of the Handerhan Employment Agreement remained unchanged, including the Annual Increase.

On January 19, 2022, the Board approved a salary increase for Michael Handerhan to \$ 275,000, effective January 1, 2022. For the year ended December 31, 2023 Mr. Handerhan's annual base salary was \$287,375.

On June 24, 2022, as a part of its cost-cutting measures, Michal Handerhan agreed to each forfeit \$ 25,000 of his annual base salary for 2022. The forfeiture in 2022 does not alter or amend current employment agreements, or any calculations based on those agreements.

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BTCS Inc. NOTES TO FINANCIAL STATEMENTS

Michael Prevoznik – Chief Financial Officer

On December 1, 2021 we entered into an employment agreement with Michael Prevoznik (the "Prevoznik Employment Agreement"), whereby Mr. Prevoznik agreed to serve as our Chief Financial Officer in consideration for an annual salary of \$175,000. Additionally, under the terms of the Prevoznik Employment Agreement, Mr. Prevoznik shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Prevoznik shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Prevoznik for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive \$500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional \$500 per month to cover expenses in connection with their office space needs.

On June 1, 2022, the Board approved a salary increase for Michael Prevoznik to \$ 225,000, effective June 1, 2022.

On December 9, 2022, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Prevoznik's annual base salary, effective January 1, 2023.

On January 12, 2024, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Prevoznik's annual base salary, effective January 1, 2024.

For the year ended December 31, 2023 Mr. Prevoznik's annual base salary was \$ 235,125.

Manish Paranjape – Chief Technology Officer

On February 22, 2022 we entered into an employment agreement with Manish Paranjape (the "Paranjape Employment Agreement"), whereby Mr. Paranjape agreed to serve as our Chief Technology Officer in consideration for an annual salary of \$225,000. Additionally, under the terms of the Paranjape Employment Agreement, Mr. Paranjape shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Paranjape shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Paranjape for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive \$500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional \$500 per month to cover expenses in connection with their office space needs.

On December 9, 2022, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Paranjape's annual base salary, effective January 1, 2023.

On January 12, 2024, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Paranjape's annual base salary, effective January 1, 2024.

For the year ended December 31, 2023 Mr. Prevoznik's annual base salary was \$ 235,125.

BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Termination/Severance Provisions

The terms of the Allen Employment Agreement and Handerhan Employment Agreement (collectively the "Employment Agreements") provide each of Messrs. Allen and Handerhan (the "Executives") certain, severance and change of control benefits if the Executive resigns from the Company for good reason or the Company terminates him other than for cause. In such circumstances, the Executive would be entitled to a lump sum payment equal to (i) the Executive's then-current base salary, and (ii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Executive was a participant. In addition, the severance benefit for the Executives the employment agreements include the Company continuing to pay for medical and life insurance coverage for up to one year following termination. If, within eighteen months following a change of control (as defined below), the Executive's employment is terminated by the Company without cause or he resigns from the Company for good reason, the Executive will receive certain severance compensation. In such circumstances, the cash benefit to the Executive will be a lump sum payment equal to two times (i) his then-current base salary and (ii) his prior year cash bonus and incentive compensation. Upon the occurrence of a change of control, irrespective of whether his employment with the Company terminates, each Executive's stock options and equity-based awards will immediately vest.

A "change of control" for purposes of the Employment Agreements means any of the following: (i) the sale or partial sale of the Company to an un-affiliated person or entity or group of un-affiliated persons or entities pursuant to which such party or parties acquire shares of capital stock of the Company representing at least twenty five (25%) of the fully diluted capital stock (including warrants, convertible notes, and preferred stock on an as converted basis) of the Company; (ii) the sale of the Company to an un-affiliated person or entity or group of such persons or entities pursuant to which such party or parties acquire all or substantially all of the Company's assets determined on a consolidated basis, or (iii) Incumbent Directors (Mr. Allen and Mr. Handerhan) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of the Company.

Additionally, pursuant to the terms of the Employment Agreements, we have entered into an indemnification agreement with each executive officer.

Clawback Policy

On November 17, 2023, our Board adopted a clawback policy in accordance with the rules of the Nasdaq Stock Exchange, to recoup "excess" incentive compensation, if any, earned by current and former executive officers during a three year look back period in the event of a financial restatement due to material noncompliance with any financial reporting requirement under the securities laws (with no fault required).

Bonuses

2022 Bonuses

On January 2, 2022, Charles Allen, the Company's Chief Executive Officer, was awarded 173,611 fully-vested shares of Common Stock and Michal Handerhan, the Company's Chief Operating Officer, was awarded 111,111 fully-vested shares of Common Stock granted under the 2021 Equity Incentive Plan (the "Plan") as equity bonuses.

On May 12, 2022, the Compensation Committee of the Board of the Company approved a performance based Annual Cash Incentive Plan ("ACIP") for the Company's executives for fiscal year 2022 whereby if an executive meets their performance milestones, the executive will receive a bonus in amount up to 48% to 107% of the applicable executive's base salary.

BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

On December 9, 2022, upon recommendation of the Compensation Committee, the Board approved an annual performance payout in the aggregate amount of \$278,498, to be paid in stock and cash in the closing price of the Company's common stock on January 1, 2023 as follows:

	For the Year Ended December 31, 2022
Charles Allen - CEO	104,987
Michal Handerhan - COO	82,500
Michael Prevoznik - CFO	45,000
Manish Paranjape - CTO	46,011
Total Performance Bonuses Earned	278,498

2023 Bonuses

On May 11, 2023, the Compensation Committee of the Board of the Company approved a performance based Annual Cash Incentive Plan ("ACIP") for the Company's executives for fiscal year 2023 whereby if an executive meets their performance milestones, the executive will receive a bonus in amount up to 64% to 128% of the applicable executive's base salary.

On December 29, 2023, upon recommendation of the Compensation Committee, the Board approved an annual performance payout in the aggregate amount of \$705,061, to be paid in stock and cash in the closing price of the Company's common stock on January 1, 2023 as follows:

	For the Year Ended December 31, 2023
Charles Allen - CEO	354,849
Michal Handerhan - COO	151,164
Michael Prevoznik - CFO	101,399
Manish Paranjape - CTO	97,649
Total Performance Bonuses Earned	705,061

BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 8 – Accrued Expenses

As of December 31, 2023 and 2022, the Company had accrued expenses consisting of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued compensation	\$ 712,092	\$ 295,935
Accounts payable and accrued expenses	55,058	76,727
	<u>\$ 767,150</u>	<u>\$ 372,662</u>

Accrued compensation and related expenses include approximately \$ 710,000 and \$284,000 related to performance bonus accruals as of December 31, 2023 and 2022, respectively.

Note 9 – Employee Benefit Plans

The Company maintains defined contribution benefit plans under Section 401(k) of the Internal Revenue Code covering substantially all qualified employees of the Company (the “401(k) Plan”). Under the 401(k) Plan, the Company may make discretionary contributions of up to 100% of employee contributions. For the years ended December 31, 2023 and 2022, the Company made contributions to the 401(k) Plan of \$95,000 and \$45,000, respectively.

Note 10 – Liquidity

The Company follows “*Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*”. The Company’s financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the financial statements, the Company has historically incurred a net loss and has an accumulated deficit of approximately \$138,677,000 at December 31, 2023, and net cash used in operating activities of approximately \$ 3,562,000 for the reporting period then ended. The Company is implementing its business plan and generating revenue; however, the Company’s cash position and liquid crypto assets are sufficient to support its daily operations over the next twelve months.

The Company has sustained recurring losses and negative cash flows from operations. Over the past year, the Company’s growth has been funded through the sale of common stock equity. As of December 31, 2023, the Company had approximately \$1,458,000 of unrestricted cash. However, historically the Company has experienced and may continue to experience negative operating margins and negative cash flows from operations, as well as an ongoing requirement for additional capital investment. The Company expects that it will need to raise additional capital to accomplish its business plan over the next several years. The Company expects to seek additional funding through debt or equity financing. There can be no assurance as to the availability or terms upon which such financing and capital might be available.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 11 - Income Taxes

The Company had no income tax expense due to operating loss incurred for the years ended December 31, 2023 and 2022.

The tax effects of temporary differences and tax loss and credit carry forwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2023 and 2022 are comprised of the following:

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Federal net-operating loss carryforward	\$ 3,488,995	\$ 2,776,943
State net-operating loss carryforward	592,038	360,818
Other (non-qualified stock options)	15,997	225,794
Total deferred tax assets	4,097,030	3,363,555
Deferred tax liabilities:		
Unrealized gains on crypto assets	715,899	-
Total deferred tax liabilities	715,899	-
Valuation allowance	(3,381,131)	(3,363,555)
Deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2023, the Company had net operating loss (“NOL”) carry forwards for federal and state tax purposes of approximately \$25,753,000 which begins to expire in 2034. The 20-year carryforward period has been replaced with an indefinite carryforward period for these NOLs generated in tax years beginning after December 31, 2017 and future years.

Accordingly, the amount of Federal NOLs that were generated in the tax year December 31, 2014 in the amount of \$ 1,290,156 will expire after December 31, 2034. The amount of NOLs that were generated in the tax year December 31, 2015 in the amount of \$ 1,545,343 will expire after December 31, 2035. The amount of NOLs that were generated in the tax year December 31, 2016 in the amount of \$ 794,762 will expire after December 31, 2036. The amount of NOLs that were generated in the tax year December 31, 2017 in the amount of \$ 1,084,564 will expire after December 31, 2037. The NOLs generated in the tax years December 31, 2018 in the amounts of \$11,899,437 and onwards will have an indefinite life per current U.S. federal income tax legislation.

Prior to the February 5, 2014 merger, the Company had generated net operating losses, which the Company’s preliminary analysis indicates would be subject to significant limitations pursuant to Internal Revenue Code Section 382. The Company has not completed its IRC Section 382 Valuation, as required and the NOL’s because of potential Change of Ownerships might be completely worthless.

As of December 31, 2023, the Company had a deferred tax liability related to the unrealized gains on its crypto assets amounting to \$ 715,899.

The final tax impact could significantly differ from current estimates due to future market fluctuations and changes in tax laws.

Therefore, Management of the Company has recorded a Full Valuation Reserve, since it is more likely than not that no benefit will be realized for the Deferred Tax Assets.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and taxing strategies in making this assessment. In case the deferred tax assets will not be realized in future periods, the Company has provided a valuation allowance for the full amount of the deferred tax assets at December 31, 2023 and 2022. The valuation allowance increased by approximately \$18,000 as of December 31, 2023.

The expected tax expense (benefit) based on the U.S. federal statutory rate is reconciled with actual tax expense (benefit) as follows:

	For the years ended December 31,	
	2023	2022
Statutory Federal Income Tax Rate	(21.0)%	(21.0)%
State Taxes, Net of Federal Tax Benefit	(6.48)%	(6.72)%
Federal tax rate change	0.0%	0.0%
Other	27.48%	27.72%
Change in Valuation Allowance	(0.0)%	(0.0)%
Income Taxes Provision (Benefit)	-.%	-.%

The Company has not identified any uncertain tax positions requiring a reserve as of December 31, 2023 and 2022.

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BTCS Inc.
NOTES TO FINANCIAL STATEMENTS

Note 12 - Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements other than disclosed.

On December 29, 2023, upon recommendation of the Compensation Committee, the Board of BTCS Inc. approved the grant of 50,000 RSUs to each of its executive officers (Mr. Allen, Mr. Handerhan, Mr. Prevoznik and Mr. Paranjape), effective January 1, 2024. The RSUs granted vest annually over a 5-year period (10,000 per year) with the first vesting date of December 31, 2024 and each subsequent vesting on the one-year anniversary of the first vesting date, subject to continued employment on each applicable vesting date.

On January 12, 2024, Messrs. Allen and Handerhan both informed the Compensation Committee, that for personal reasons, they each do not accept, and forfeit, the 50,000 restricted stock units granted to them each by the Company effective January 1, 2024. Subsequently, effective January 12, 2024, approved the grant of 50,000 additional RSUs to Mr. Prevoznik and Mr. Paranjape, each, which vest annually over a 5-year period (10,000 per year) with the first vesting date of December 31, 2024 and each subsequent vesting on the one-year anniversary of the first vesting date, subject to continued employment on each applicable vesting date.

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**DESCRIPTION OF SECURITIES
REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

Capital Stock

BTCS Inc. (the "Company") is authorized to issue (i) 975,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock") and (ii) 20,000,000 shares of preferred stock, par value \$0.001 per share. The Preferred Stock may be issued in one or more series, each series to be appropriately designated by a distinguishing letter or title, prior to the issuance of any shares thereof. The voting powers, designations, preferences, limitations, restrictions, and relative, participating, optional and other rights, and the qualifications, limitations, or restrictions thereof, of the Preferred Stock shall hereinafter be prescribed by resolution of the board of directors ("Board") pursuant to Section 3 of Article III of the Amended and Restated Articles of Incorporation ("Articles").

Common Stock

The Common Stock is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934.

The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of shareholders, including the election of directors. There is no cumulative voting in the election of directors. The directors of the Company are elected by a plurality of the votes cast by the shareholders. On all other matters submitted to the shareholders, the affirmative vote of the majority of the votes cast for or against a proposal shall be the act of the shareholders unless otherwise provided by the Nevada Revised Statutes ("NRS") or the bylaws of the Company.

Series V Preferred Stock

The Company filed a Certificate of Designation with the Secretary of State of the State of Nevada designating 19,500,000 shares of Series V Preferred Stock. The following descriptions set forth brief summaries of the rights, preferences, and privileges of the Series V Preferred Stock:

(a) *Dividends and Distributions.* If at any time the Corporation declares a dividend and/or distribution to its Common Stockholders, the holders of Series V Preferred, unless otherwise approved by the Board, will not be entitled to it. The Series V, however, shall be entitled to dividends and/or distributions, to the extent approved by the Board, which the Common Stockholders would not be entitled up to a maximum of 20% per annum.

(b) *Liquidation Rights.* In the event of a Liquidation Event, the Series V holders shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or from earnings available for distribution to its stockholders, before any amount shall be paid to the holders of any of shares of Junior Stock, an amount per share of Series V equal to one hundred and twenty percent of the amount per share such Series V holder would receive if such Series V holder converted each Series V into one share of Common Stock (as adjusted for stock splits or other similar corporate actions which affect the outstanding number of shares) immediately prior to the date of such payment. To the extent necessary, the Corporation shall cause such actions to be taken by each of its subsidiaries so as to enable, to the maximum extent permitted by law, the proceeds of a Liquidation Event to be distributed to the Series V Holders. "Liquidation Event" means, whether in a single transaction or series of transactions, the voluntary or involuntary liquidation, dissolution or winding up of the Corporation or such subsidiaries the assets of which constitute all or substantially all of the assets of the business of the Corporation and its subsidiaries, taken as a whole.

(c) *Voting Rights.* Except as otherwise provided within the Certificate or as required by law, the holders of the shares of Series V Preferred shall have no voting rights

(d) *Other Rights.* The shares of Series V Preferred shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth in the Certificate.

Certain Provisions of Our Charter and Bylaws

Common Stock

(a) *Dividend Rate.* Subject to the rights of holders of any Preferred Stock having preference as to dividends and except as otherwise provided by the Articles of Incorporation (hereinafter, the "Articles") or the NRS, the holders of Common Stock shall be entitled to receive dividends when, as and if declared by the Board out of assets legally available therefor.

(b) *Voting Rights.* Except as otherwise provided by the NRS, the holders of the issued and outstanding shares of Common Stock shall be entitled to one vote for each share of Common Stock. No holder of shares of Common Stock shall have the right to cumulate votes.

(c) *Liquidation Rights.* In the event of liquidation, dissolution, or winding up of the affairs of the Company, whether voluntary or involuntary, subject to the prior rights of holders of Preferred Stock to share ratably in the Company's assets, the Common Stock and any shares of Preferred Stock which are not entitled to any preference in liquidation shall share equally and ratably in the Company's assets available for distribution after giving effect to any liquidation preference of any shares of Preferred Stock. A merger, conversion, exchange or consolidation of the Company with or into any other person or sale or transfer of all or any part of the assets of the Company (which shall not in fact result in the liquidation of the Company and the distribution of assets to stockholders) shall not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

(d) *No Conversion, Redemption, or Preemptive Rights.* The holders of Common Stock shall not have any conversion, redemption, or preemptive rights.

(e) *Consideration for Shares.* The Common Stock shall be issued for such consideration as shall be fixed, from time to time, by the Board.

Preferred Stock

(a) *Designation.* The Board is hereby vested with the authority from time to time to provide by resolution for the issuance of shares of Preferred Stock in one or more series not exceeding the aggregate number of shares of Preferred Stock authorized by the Articles, and to prescribe with respect to each such series the voting powers, if any, designations, preferences, and relative, participating, optional, or other special rights, and the qualifications, limitations, or restrictions relating thereto, including, without limiting the generality of the foregoing: the voting rights relating to the shares of Preferred

Stock of any series (which voting rights, if any, may be full or limited, may vary over time, and may be applicable generally or only upon any stated fact or event); the rate of dividends (which may be cumulative or noncumulative), the condition or time for payment of dividends and the preference or relation of such dividends to dividends payable on any other class or series of capital stock; the rights of holders of Preferred Stock of any series in the event of liquidation, dissolution, or winding up of the affairs of the Company; the rights, if any, of holders of Preferred Stock of any series to convert or exchange such shares of Preferred Stock of such series for shares of any other class or series of capital stock or for any other securities, property, or assets of the Company or any subsidiary (including the determination of the price or prices or the rate or rates applicable to such rights to convert or exchange and the adjustment thereof, the time or times during which the right to convert or exchange shall be applicable, and the time or times during which a particular price or rate shall be applicable); whether the shares of any series of Preferred Stock shall be subject to redemption by the Company and if subject to redemption, the times, prices, rates, adjustments and other terms and conditions of such redemption. The powers, designations, preferences, limitations, restrictions and relative rights may be made dependent upon any fact or event which may be ascertained outside the Articles or the resolution if the manner in which the fact or event may operate on such series is stated in the Articles or resolution. The Board is further authorized to increase or decrease (but not below the number of such shares of such series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series. Unless the Board provides to the contrary in the resolution which fixes the characteristics of a series of Preferred Stock, neither the consent by series, or otherwise, of the holders of any outstanding Preferred Stock nor the consent of the holders of any outstanding Common Stock shall be required for the issuance of any new series of Preferred Stock regardless of whether the rights and preferences of the new series of Preferred Stock are senior or superior, in any way, to the outstanding series of Preferred Stock or the Common Stock.

(b) *Certificate.* Before the Company may issue any shares of Preferred Stock of any series, a certificate of designation setting forth a copy of the resolution or resolutions of the Board, and establishing the voting powers, designations, preferences, the relative, participating, optional, or other rights, if any, and the qualifications, limitations, and restrictions, if any, relating to the shares of Preferred Stock of such series, and the number of shares of Preferred Stock of such series authorized by the Board to be issued shall be made and signed by an officer of the corporation and filed in the manner prescribed by the NRS.

Special Meetings

Under our bylaws, (a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board, (ii) the Chief Executive Officer, or (iii) the Board pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), and shall be held at such place, on such date, and at such time, as the Board shall determine. (b) If a special meeting is called by any person or persons other than the Board, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by tele-graphic or other facsimile transmission to the Chairman of the Board, the Chief Executive Officer, or the Secretary of the Company. No business may be transacted at such special meeting otherwise than specified in such notice. The Board shall determine the time and place of such special meeting, which shall be held not less 35 nor more than 120 days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of the Bylaws. If the notice is not given within 60 days after the receipt of the request, the person or persons requesting the meeting may set the time and place of the meeting and give the notice.

Transfer Agent and Registrar

Equity Stock Transfer is the transfer agent and registrar in respect of the Common Stock and Series V Preferred Stock.

Pursuant to Item 202(a), the information regarding the Company's securities contained herein does not constitute a complete legal description of the Company's securities and is qualified in all material respects by the provisions of the Company's Articles and Bylaws, as filed with the Securities and Exchange Commission.



BTCS INC.

INSIDER TRADING COMPLIANCE POLICY

This Insider Trading Compliance Policy (this "*Policy*") consists of seven sections:

- Section I provides an overview;
- Section II sets forth the policies of BTCS Inc. prohibiting insider trading;
- Section III explains insider trading;
- Section IV consists of procedures that have been put in place by BTCS Inc. to prevent insider trading;
- Section V sets forth additional transactions that are prohibited by this Policy;
- Section VI explains Rule 10b5-1 trading plans and provides information about Section 16 and Rule 144; and
- Section VII refers to the execution and return of a certificate of compliance.

I. SUMMARY

Preventing insider trading is necessary to comply with securities laws and to preserve the reputation and integrity of BTCS Inc. (the "*Company*") as well as that of all persons affiliated with the Company. "Insider trading" occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, "inside information" is information that is both "material" and "non-public." Insider trading is a crime. The penalties for violating insider trading laws include imprisonment, disgorgement of profits, civil fines, and criminal fines of up to \$5 million for individuals and \$25 million for corporations. Insider trading is also prohibited by this Policy, and violation of this Policy may result in Company-imposed sanctions, including removal or dismissal for cause.

This Policy applies to all corporate officers ("*Officers*"), members of the board of directors ("*Directors*") and employees of the Company. Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account. This Policy extends to all activities within and outside an individual's Company duties.

Every officer, director and employee must review this Policy. Questions regarding the Policy should be directed to the Company's General Counsel or outside counsel if the Company does not have a general counsel (herein referred to as the "**General Counsel**").

II. STATEMENT OF POLICIES PROHIBITING INSIDER TRADING

No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company.

Additionally, no officer, director or employee listed on Schedule I shall purchase or sell any security of the Company during the period beginning on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon the completion of the first full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company. For the purposes of this Policy, a "trading day" is a day on which national stock exchanges are open for trading.

These prohibitions do not apply to:

- purchases of the Company's securities from the Company or sales of the Company's securities to the Company;
- exercises of warrants, stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);
- *bona fide* gifts of the Company's securities; or
- purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into outside of a black-out period and while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all of the requirements of the affirmative defense provided by Rule 10b5-1 ("**Rule 10b5-1**") promulgated under the Securities Exchange Act of 1934, as amended (the "**1934 Act**"), (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy. For more information about Rule 10b5-1 trading plans, see Section VI below.

No officer, director or employee shall directly or indirectly communicate (or "**Tip**") material, non-public information to anyone outside of the Company (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

III. EXPLANATION OF INSIDER TRADING

"Insider trading" refers to the purchase or sale of a security while in possession of "material," "non-public" information relating to the security or its issuer.

"Securities" includes stocks, bonds, notes, debentures, options, warrants and other convertible securities, as well as derivative instruments.

"Purchase" and *"sale"* are defined broadly under the federal securities law. *"Purchase"* includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. *"Sale"* includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions, including conventional cash-for-stock transactions, conversions, the exercise of stock options, and acquisitions and exercises of warrants or puts, calls or other derivative securities.

It is generally understood that insider trading includes the following:

- trading by insiders while in possession of material, non-public information;
- trading by persons other than insiders while in possession of material, non-public information, if the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and
- communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

A. What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security, or if the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) information about corporate earnings or earnings forecasts; possible mergers, acquisitions, tender offers or dispositions; important business developments, such as entry into or loss of significant contracts; management or control changes; significant financing developments including pending public sales or offerings of debt or equity securities; defaults on borrowings; bankruptcies; and significant litigation or regulatory actions. Moreover, material information does not have to be related to a company's business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

A good general rule of thumb: **When in doubt, do not trade.**

B. What is Non-Public?

Information is “non-public” if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Business Wire, Reuters, The Wall Street Journal, Associated Press, or United Press International, a broadcast on widely available radio or television programs, publication in a widely available newspaper, magazine or news web site, a Regulation FD-compliant conference call, or public disclosure documents filed with the SEC that are available on the SEC’s web site.

The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow two full trading days following publication as a reasonable waiting period before such information is deemed to be public.

C. Who is an Insider?

“Insiders” include officers, directors and employees of a company and anyone else who has material inside information about a company. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material, non-public information relating to the company’s securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about the Company’s business, activities and securities. Officers, directors and employees may not trade in the Company’s securities while in possession of material, non-public information relating to the Company, nor may they tip such information to anyone outside the Company (except in accordance with the Company’s policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual’s own account.

D. Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party (“*tippee*”), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider’s duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee’s liability for insider trading is no different from that of an

insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

E. Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The Securities and Exchange Commission ("*SEC*") and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions;
- securities industry self-regulatory organization sanctions;
- civil injunctions;
- damage awards to private plaintiffs;
- disgorgement of all profits;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of \$1,425,000 or three times the amount of profit gained or loss avoided by the violator;
- criminal fines for individual violators of up to \$5,000,000 (\$25,000,000 for an entity); and
- jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws. Other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated in connection with insider trading.

F. Size of Transaction and Reason for Transaction Do Not Matter

The size of the transaction or the amount of profit received does not have to be significant to result in prosecution. The SEC has the ability to monitor even the smallest trades, and the SEC performs routine market surveillance. Brokers and dealers are required by law to inform the SEC of any possible violations by people who may have material, non-public information. The SEC aggressively investigates even small insider trading violations.

G. Examples of Insider Trading

Examples of insider trading cases include actions brought against corporate officers, directors, and employees who traded in a company's securities after learning of significant confidential corporate developments; friends, business associates, family members and other tippees of such officers, directors, and employees who traded in the securities after receiving such information; government employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's stock. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to \$5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits, and each is liable for all civil penalties of up to three times the amount of the friend's profits. The officer and his friend are also subject to criminal prosecution and other remedies and sanctions, as described above.

H. Prohibition of Records Falsification and False Statements

Section 13(b)(2) of the 1934 Act requires companies subject to the Act to maintain proper internal books and records and to devise and maintain an adequate system of internal accounting controls. The SEC has supplemented the statutory requirements by adopting rules that prohibit (1) any person from falsifying records or accounts subject to the above requirements and (2) officers or directors from making any materially false, misleading, or incomplete statement to any accountant in connection with any audit or filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

IV. STATEMENT OF PROCEDURES PREVENTING INSIDER TRADING

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every officer, director and employee is required to follow these procedures.

A. Pre-Clearance of All Trades by All Officers, Directors and Certain Employees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, **all transactions in the Company's securities (including without limitation, acquisitions and dispositions of Company stock, the exercise of stock options and the sale of Company stock issued upon exercise of stock options) by officers and directors and such other employees as are designated from time to time by the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or the General Counsel as being subject to this pre-clearance process (a "Pre-Clearance Person") must be pre-cleared** by the Company's General Counsel or a board member other than himself. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules.

A request for pre-clearance may be oral or in writing (including without limitation by e-mail), should (but is not required) be made at least two business days in advance of the proposed transaction and should include the identity of the Pre-Clearance Person, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares or options to be involved. In addition, the Pre-Clearance Person must either execute a certification (in the form approved by the General Counsel) or notify via email that he, she or it is not aware of material, nonpublic information about the Company. The General Counsel or a board member shall have discretion to decide whether to clear any contemplated transaction (The Chief Executive Officer shall have sole discretion to decide whether to clear transactions by the General Counsel or persons or entities subject to this policy as a result of their relationship with the General Counsel). All trades that are pre-cleared must be effected prior to the start of a black-out period and shall also end if the Company notifies the Pre-Clearance Person that material events have occurred at the Company. A pre-cleared trade (or any portion of a pre-cleared trade) that has not been effected during the five business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the Pre-Clearance Person becomes aware of material, non-public information or becomes subject to a black-out period before the transaction is effected, the transaction may not be completed.

B. Black-Out Periods

Additionally, no officer, director or employee listed on Schedule I shall purchase or sell any security of the Company during the period beginning on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon the completion of the first full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, except for purchases and sales made pursuant to the permitted transactions described in Section II.

Exceptions to the black-out period policy may be approved only by the Company's General Counsel (or, in the case of an exception for the General Counsel or persons or entities subject to this policy as a result of their relationship with the General Counsel, the Chief Executive Officer or, in the case of exceptions for directors or persons or entities subject to this policy as a result of their relationship with a director, the Board of Directors).

From time to time, the Company, through the Board of Directors, the Company's disclosure committee or the General Counsel, may recommend that officers, directors, employees or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all of those affected should not trade in the Company's securities while the suspension is in effect, and should not disclose to others that the Company has suspended trading.

If the Company is required to impose a "pension fund black-out period" under Regulation BTR, each director and executive officer shall not, directly or indirectly sell, purchase or otherwise transfer during such black-out period any equity securities of the Company acquired in connection with his or her service as a director or officer of the Company, except as permitted by Regulation BTR.

C. Post-Termination Transactions

With the exception of the pre-clearance requirement, this Policy continues to apply to transactions in the Company's securities even after termination of service to the Company. If an individual is in possession of material, non-public information when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer material.

D. Information Relating to the Company

1. Access to Information

Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and employees of the Company on a need-to-know basis. In addition, such information should not be communicated to anyone outside the Company under any circumstances (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company on an other than need-to-know basis.

In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

- maintaining the confidentiality of Company-related transactions;

- conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;
- restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents);
- promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;
- disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;
- restricting access to areas likely to contain confidential documents or material, non-public information;
- safeguarding laptop computers, mobile devices, tablets, memory sticks, CDs and other items that contain confidential information; and
- avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

2. Inquiries From Third Parties

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to the Chief Financial Officer.

V. **ADDITIONAL PROHIBITED TRANSACTIONS**

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, officers, directors and employees shall comply with the following policies with respect to certain transactions in the Company securities:

A. **Short Sales**

Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy. In addition, as noted below, Section 16(c) of

the 1934 Act absolutely prohibits Section 16 reporting persons from making short sales of the Company's equity securities, *i.e.*, sales of shares that the insider does not own at the time of sale, or sales of shares against which the insider does not deliver the shares within 20 days after the sale.

B. Publicly Traded Options

A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that an officer, director or employee is trading based on inside information. Transactions in options also may focus an officer's, director's or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving the Company's equity securities, on an exchange or in any other organized market, are prohibited by this Policy.

C. Hedging Transactions

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, director or employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the officer, director or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the officer, director or employee may no longer have the same objectives as the Company's other stockholders. Therefore, all hedging transactions involving the Company's equity securities are prohibited by this Policy.

D. Purchases of the Company's Securities on Margin; Pledging the Company's Securities to Secure Margin or Other Loans

Purchasing on margin means borrowing from a brokerage firm, bank or other entity in order to purchase the Company's securities (other than in connection with a cashless exercise of stock options through a broker under the Company's equity plans). Margin purchases of the Company's securities are prohibited by this Policy. Pledging the Company's securities as collateral to secure loans is prohibited. This prohibition means, among other things, that you cannot hold the Company's securities in a "margin account" (which would allow you to borrow against your holdings to buy securities).

E. Director and Executive Officer Cashless Exercises

The Company will not arrange with brokers to administer cashless exercises on behalf of directors and executive officers of the Company. Directors and executive officers of the Company may use the cashless exercise feature of their equity awards only if (i) the director or officer retains a broker independently of the Company, (ii) the Company's involvement is limited to confirming that it will deliver the stock promptly upon payment of the exercise price, (iii) the director or officer uses a "T+3" cashless exercise arrangement, in which the Company agrees to deliver stock against the payment of the purchase price on the same day the sale of the stock underlying the equity award settles and (iv) the director or officer otherwise complies with this Policy. Under a T+3 cashless exercise, a broker, the issuer, and the issuer's transfer agent work together to make all transactions settle simultaneously. This approach is to avoid any inference that the Company has "extended credit" in the form of a personal loan to the director or executive officer. Questions about cashless exercises should be directed to the General Counsel.

F. Partnership Distributions

Nothing in this Policy is intended to limit the ability of a private equity partnership or other similar entity with which a director is affiliated to distribute Company securities to its partners, members or other similar persons. It is the responsibility of each affected director and the affiliated entity, in consultation with their own counsel (as appropriate), to determine the timing of any distributions, based on all relevant facts and circumstances and applicable securities laws.

VI. RULE 10b5-1 TRADING PLANS, SECTION 16 AND RULE 144

A. Rule 10b5-1 Trading Plans

1. Overview

Rule 10b5-1 will protect directors, officers and employees from insider trading liability under Rule 10b5-1 for transactions under a previously established contract, plan or instruction to trade in the Company's stock (a "**Trading Plan**") entered into in good faith and in accordance with the terms of Rule 10b5-1 and all applicable state laws and will be exempt from the trading restrictions set forth in this Policy. The initiation of, and any modification to, any such Trading Plan will be deemed to be a transaction in the Company's securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company's securities. Each such Trading Plan, and any modification thereof, must be submitted to and pre-approved by the Company's General Counsel, or such other person as the Board of Directors may designate from time to time (the "**Authorizing Officer**"), who may impose such conditions on the implementation and operation of the Trading Plan as the Authorizing Officer deems necessary or advisable. However, compliance of the Trading Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, not the Company or the Authorizing Officer.

Trading Plans do not exempt individuals from complying with Section 16 short-swing profit rules or liability.

Rule 10b5-1 presents an opportunity for insiders to establish arrangements to sell (or purchase) Company stock without the restrictions of trading windows and black-out periods, even when there is undisclosed material information. A Trading Plan may also help reduce negative publicity that may result when key executives sell the Company's stock. Rule 10b5-1 only provides an "affirmative defense" in the event there is an insider trading lawsuit. It does not prevent someone from bringing a lawsuit.

A director, officer or employee may enter into a Trading Plan only when he or she is not in possession of material, non-public information, and only during a trading window period outside of the trading black-out period. Although transactions effected under a Trading Plan will not require further pre-clearance at the time of the trade, any transaction (including the quantity and price) made pursuant to a Trading Plan of a Section 16 reporting person must be reported to the Company promptly on the day of each trade to permit the Company's filing coordinator to assist in the preparation and filing of a required Form 4. Such reporting may be oral or in writing (including by e-mail) and should include the identity of the reporting person, the type of

transaction, the date of the transaction, the number of shares involved and the purchase or sale price. However, the ultimate responsibility, and liability, for timely filing remains with the Section 16 reporting person.

The Company reserves the right from time to time to suspend, discontinue or otherwise prohibit any transaction in the Company's securities, even pursuant to a previously approved Trading Plan, if the Authorizing Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any Trading Plan submitted for approval hereunder should explicitly acknowledge the Company's right to prohibit transactions in the Company's securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section VI and result in a loss of the exemption set forth herein.

Officers, directors and employees may adopt Trading Plans with brokers that outline a pre-set plan for trading of the Company's stock, including the exercise of options. Trades pursuant to a Trading Plan generally may occur at any time. However, the Company requires a cooling-off period of 30 days between the establishment of a Trading Plan and commencement of any transactions under such plan. An individual may adopt more than one Trading Plan. Please review the following description of how a Trading Plan works.

Pursuant to Rule 10b5-1, an individual's purchase or sale of securities will not be "on the basis of" material, non-public information if:

- First, before becoming aware of the information, the individual enters into a binding contract to purchase or sell the securities, provides instructions to another person to sell the securities or adopts a written plan for trading the securities (i.e., the Trading Plan).
- Second, the Trading Plan must either:
 - specify the amount of securities to be purchased or sold, the price at which the securities are to be purchased or sold and the date on which the securities are to be purchased or sold;
 - include a written formula or computer program for determining the amount, price and date of the transactions; or
 - prohibit the individual from exercising any subsequent influence over the purchase or sale of the Company's stock under the Trading Plan in question.
- Third, the purchase or sale must occur pursuant to the Trading Plan and the individual must not enter into a corresponding hedging transaction or alter or deviate from the Trading Plan.

2. Revocation of and Amendments to Trading Plans

Revocation of Trading Plans should occur only in unusual circumstances. Effectiveness of any revocation or amendment of a Trading Plan will be subject to the prior review and approval of the Authorizing Officer. Revocation is effected upon written notice to the broker. Once a Trading Plan has been revoked, the participant should wait at least 30 days before trading outside of a Trading Plan and 180 days before establishing a new Trading Plan.

A person acting in good faith may amend a prior Trading Plan so long as such amendments are made outside of a quarterly trading black-out period and at a time when the Trading Plan participant does not possess material, non-public information. Plan amendments must not take effect for at least 30 days after the plan amendments are made.

Under certain circumstances, a Trading Plan *must* be revoked. This may include circumstances such as the announcement of a merger or the occurrence of an event that would cause the transaction either to violate the law or to have an adverse effect on the Company. The Authorizing Officer or administrator of the Company's stock plans is authorized to notify the broker in such circumstances, thereby insulating the insider in the event of revocation.

3. Discretionary Plans

Although non-discretionary Trading Plans are preferred, discretionary Trading Plans, where the discretion or control over trading is transferred to a broker, are permitted if pre-approved by the Authorizing Officer.

The Authorizing Officer of the Company must pre-approve any Trading Plan, arrangement or trading instructions, etc., involving potential sales or purchases of the Company's stock or option exercises, including but not limited to, blind trusts, discretionary accounts with banks or brokers, or limit orders. The actual transactions effected pursuant to a pre-approved Trading Plan will not be subject to further pre-clearance for transactions in the Company's stock once the Trading Plan or other arrangement has been pre-approved.

4. Reporting (if Required)

If required, an SEC Form 144 will be filled out and filed by the individual/brokerage firm in accordance with the existing rules regarding Form 144 filings. A footnote at the bottom of the Form 144 should indicate that the trades "are in accordance with a Trading Plan that complies with Rule 10b5-1 and expires." For Section 16 reporting persons, Form 4s should be filed before the end of the second business day following the date that the broker, dealer or plan administrator informs the individual that a transaction was executed, provided that the date of such notification is not later than the third business day following the trade date. A similar footnote should be placed at the bottom of the Form 4 as outlined above.

5. Options

Exercises of options for cash may be executed at any time. "Cashless exercise" option exercises through a broker are subject to trading windows. However, the Company will permit same day sales under Trading Plans. If a broker is required to execute a cashless exercise in accordance with a Trading Plan, then the Company must have exercise forms attached to the Trading Plan that are signed, undated and with the number of shares to be exercised left blank.

Once a broker determines that the time is right to exercise the option and dispose of the shares in accordance with the Trading Plan, the broker will notify the Company in writing and the administrator of the Company's stock plans will fill in the number of shares and the date of exercise on the previously signed exercise form. The insider should not be involved with this part of the exercise.

6. Trades Outside of a Trading Plan

During an open trading window, trades differing from Trading Plan instructions that are already in place are allowed as long as the Trading Plan continues to be followed.

7. Public Announcements

The Company may make a public announcement that Trading Plans are being implemented in accordance with Rule 10b5-1. It will consider in each case whether a public announcement of a particular Trading Plan should be made. It may also make public announcements or respond to inquiries from the media as transactions are made under a Trading Plan.

8. Prohibited Transactions

The transactions prohibited under Section V of this Policy, including among others short sales and hedging transactions, may not be carried out through a Trading Plan or other arrangement or trading instruction involving potential sales or purchases of the Company's securities.

9. Limitation on Liability

None of the Company, the General Counsel, the Authorizing Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a Trading Plan submitted pursuant to this Section VI or a request for pre-clearance submitted pursuant to Section IV of this Policy. Notwithstanding any review of a Trading Plan pursuant to this Section VI or pre-clearance of a transaction pursuant to Section IV of this Policy, none of the Company, the General Counsel, the Authorizing Officer or the Company's other employees assumes any liability for the legality or consequences of such Trading Plan or transaction to the person engaging in or adopting such Trading Plan or transaction.

B. Section 16: Insider Reporting Requirements, Short-Swing Profits and Short Sales

1. Reporting Obligations Under Section 16(a): SEC Forms 3, 4 and 5

Section 16(a) of the 1934 Act generally requires all officers, directors and 10% stockholders ("*insiders*"), within 10 days after the insider becomes an officer, director or 10% stockholder, to file with the SEC an "Initial Statement of Beneficial Ownership of Securities" on SEC Form 3 listing the amount of the Company's stock, options and warrants which the insider beneficially owns. Following the initial filing on SEC Form 3, changes in beneficial ownership of the Company's stock, options and warrants must be reported on SEC Form 4, generally within

two business days after the date on which such change occurs, or in certain cases on Form 5, within 45 days after fiscal year end. A Form 4 must be filed even if, as a result of balancing transactions, there has been no net change in holdings. In certain situations, purchases or sales of Company stock made within six months *prior* to the filing of a Form 3 must be reported on Form 4. Similarly, certain purchases or sales of Company stock made within six months *after* an officer or director ceases to be an insider must be reported on Form 4.

2. Recovery of Profits Under Section 16(b)

For the purpose of preventing the unfair use of information which may have been obtained by an insider, any profits realized by any officer, director or 10% stockholder from any "purchase" and "sale" of Company stock during a six-month period, so called "short-swing profits," may be recovered by the Company. When such a purchase and sale occurs, good faith is no defense. The insider is liable even if compelled to sell for personal reasons, and even if the sale takes place after full disclosure and without the use of any inside information.

The liability of an insider under Section 16(b) of the 1934 Act is only to the Company itself. The Company, however, cannot waive its right to short swing profits, and any Company stockholder can bring suit in the name of the Company. Reports of ownership filed with the SEC on Form 3, Form 4 or Form 5 pursuant to Section 16(a) (discussed above) are readily available to the public, and certain attorneys carefully monitor these reports for potential Section 16(b) violations. In addition, liabilities under Section 16(b) may require separate disclosure in the Company's annual report to the SEC on Form 10-K or its proxy statement for its annual meeting of stockholders. No suit may be brought more than two years after the date the profit was realized. However, if the insider fails to file a report of the transaction under Section 16(a), as required, the two-year limitation period does not begin to run until after the transactions giving rise to the profit have been disclosed. Failure to report transactions and late filing of reports require separate disclosure in the Company's proxy statement.

Officers and directors should consult the attached "Short-Swing Profit Rule Section 16(b) Checklist" attached hereto as "Attachment A" in addition to consulting the General Counsel prior to engaging in any transactions involving the Company's securities, including without limitation, the Company's stock, options or warrants.

3. Short Sales Prohibited Under Section 16(c)

Section 16(c) of the 1934 Act prohibits insiders absolutely from making short sales of the Company's equity securities. Short sales include sales of stock which the insider does not own at the time of sale, or sales of stock against which the insider does not deliver the shares within 20 days after the sale. Under certain circumstances, the purchase or sale of put or call options, or the writing of such options, can result in a violation of Section 16(c). Insiders violating Section 16(c) face criminal liability.

The General Counsel should be consulted if you have any questions regarding reporting obligations, short-swing profits or short sales under Section 16.

C. Rule 144

Rule 144 provides a safe harbor exemption to the registration requirements of the Securities Act of 1933, as amended, for certain resales of “restricted securities” and “control securities.” “Restricted securities” are securities acquired from an issuer, or an affiliate of an issuer, in a transaction or chain of transactions not involving a public offering. “Control securities” are *any* securities owned by directors, executive officers or other “affiliates” of the issuer, including stock purchased in the open market and stock received upon exercise of stock options. Sales of Company restricted and control securities must comply with the requirements of Rule 144, which are summarized below:

- **Holding Period.** Restricted securities must be held for at least six months before they may be sold in the market.
- **Current Public Information.** The Company must have filed all SEC-required reports during the last 12 months or such shorter period that the Company was required to file such reports.
- **Volume Limitations.** For affiliates, total sales of Company common stock for any three-month period may not exceed the *greater* of: (i) 1% of the total number of outstanding shares of Company common stock, as reflected in the most recent report or statement published by the Company, or (ii) the average weekly reported volume of such shares traded during the four calendar weeks preceding the filing of the requisite Form 144.
- **Method of Sale.** For affiliates, the shares must be sold either in a “broker’s transaction” or in a transaction directly with a “market maker.” A “broker’s transaction” is one in which the broker does no more than execute the sale order and receive the usual and customary commission. Neither the broker nor the selling person can solicit or arrange for the sale order. In addition, the selling person or Board member must not pay any fee or commission other than to the broker. A “market maker” includes a specialist permitted to act as a dealer, a dealer acting in the position of a block positioner, and a dealer who holds himself out as being willing to buy and sell Company common stock for his own account on a regular and continuous basis.
- **Notice of Proposed Sale.** For affiliates, a notice of the sale (a Form 144) may be required to be filed with the SEC at the time of the sale. Brokers generally have internal procedures for executing sales under Rule 144 and will assist you in completing the Form 144 and in complying with the other requirements of Rule 144.

If you are subject to Rule 144, you must instruct your broker who handles trades in Company securities to follow the brokerage firm’s Rule 144 compliance procedures in connection with all trades.

VII. EXECUTION AND RETURN OF CERTIFICATION OF COMPLIANCE

After reading this Policy, all officers, directors and employees should execute and return to the Company's General Counsel the Certification of Compliance form attached hereto as "Attachment B."

SCHEDULE I

EMPLOYEES SUBJECT TO QUARTERLY TRADING BLACK-OUTS

- all Vice Presidents
 - all Directors (including Home Office Directors, Area Directors and Regional Directors)
 - any other personnel as determined from time to time by the Chief Financial Officer or the General Counsel
-

ATTACHMENT A

SHORT-SWING PROFIT RULE SECTION 16(B) CHECKLIST

Note: ANY combination of PURCHASE AND SALE or SALE AND PURCHASE within six months of each other by an officer, director or 10% stockholder (or any family member living in the same household or certain affiliated entities) results in a violation of Section 16(b), and the "profit" must be recovered by BTCS Inc. (the "*Company*"). It makes no difference how long the shares being sold have been held or, for officers and directors, that you were an insider for only one of the two matching transactions. The highest priced sale will be matched with the lowest priced purchase within the six-month period.

Sales

If a sale is to be made by an officer, director or 10% stockholder (or any family member living in the same household or certain affiliated entities):

1. Have there been any purchases by the insider (or family members living in the same household or certain affiliated entities) within the past six months?
2. Have there been any option grants or exercises not exempt under Rule 16b-3 within the past six months?
3. Are any purchases (or non-exempt option exercises) anticipated or required within the next six months?
4. Has a Form 4 been prepared?

Note: If a sale is to be made by an affiliate of the Company, has a Form 144 been prepared and has the broker been reminded to sell pursuant to Rule 144?

Purchases And Option Exercises

If a purchase or option exercise for Company stock is to be made:

1. Have there been any sales by the insider (or family members living in the same household or certain affiliated entities) within the past six months?
2. Are any sales anticipated or required within the next six months (such as tax-related or year-end transactions)?
3. Has a Form 4 been prepared?

Before proceeding with a purchase or sale, consider whether you are aware of material, non-public information which could affect the price of the Company stock. All transactions in the Company's securities by officers and directors must be pre-cleared by contacting the Company's General Counsel or other appropriate person.

ATTACHMENT B

CERTIFICATION OF COMPLIANCE

RETURN BY [] *[insert return deadline]*

TO: []

FROM: _____

RE: INSIDER TRADING COMPLIANCE POLICY OF BTCS INC.

I have received, reviewed and understand the above-referenced Insider Trading Compliance Policy and undertake, as a condition to my present and continued employment with (or, if I am not an employee, affiliation with) BTCS Inc., to comply fully with the policies and procedures contained therein.

I hereby certify, to the best of my knowledge, that during the calendar year ending December 31, 202__, I have complied fully or will comply fully with all policies and procedures set forth in the above-referenced Insider Trading Compliance Policy.

SIGNATURE

DATE

TITLE



SUBSIDIARIES OF BTCS INC.

Name of Subsidiary	Jurisdiction of Organization
None	NA

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of BTCS, Inc. on Form S-3 (File Nos. 333-259510 and 333-252509) and Form S-1 (File No. 333-252511) of our report dated March 21, 2024, with respect to our audits of the financial statements of BTCS, Inc., as of December 31, 2023 and 2022 and for each of the years in the two-year period ended December 31, 2023, which report is included in this Annual Report on Form 10-K of BTCS, Inc., for the year ended December 31, 2023.

/s/ RBSM LLP
RBSM LLP
Las Vegas, Nevada
March 21, 2024

CERTIFICATION

I, Charles Allen, certify that:

1. I have reviewed this annual report on Form 10-K of BTCS Inc. (the "Company");
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 Company as of, and for, the periods presented in this report;
4. I am 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 Company 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 Company, 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 controls 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's Board of Directors:
 - 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 Company'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 Company's internal control over financial reporting.

Date: March 21, 2024

/s/ Charles Allen

Charles W. Allen
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Michael Prevoznik, certify that:

1. I have reviewed this annual report on Form 10-K of BTCS Inc. (the "Company");
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 Company as of, and for, the periods presented in this report;
4. I am 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 Company 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 Company, 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 controls 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's Board of Directors:
 - 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 Company'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 Company's internal control over financial reporting.

Date: March 21, 2024

/s/ Michael Prevoznik
Michael Prevoznik
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of BTCS Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles Allen, Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 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; 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 21, 2024

/s/ Charles Allen

Charles W. Allen
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to BTCS Inc. and will be retained by BTCS Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the Annual Report of BTCS Inc. (the "Company") on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Prevoznik, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 21, 2024

/s/ Michael Prevoznik

Michael Prevoznik
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to BTCS Inc. and will be retained by BTCS Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

BTCS INC. (the "Company")
CLAWBACK POLICY

Introduction

The Board of Directors of the Company (the "Board") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "Policy"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the "Exchange Act") and Nasdaq Listing Rule 5608 (the "Clawback Listing Standards").

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with the definition in Section 10D of the Exchange Act and the Clawback Listing Standards, and such other senior executives/employees who may from time to time be deemed subject to the Policy by the Board (the "Covered Executives").

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance 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, the Board will require reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Incentive Compensation

For purposes of this Policy, Incentive Compensation includes any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.

- Restricted stock.
- Restricted stock units.

Financial reporting measures include:

- Company stock price.
- Total shareholder return.
- Revenues.
- Earnings before interest, taxes, depreciation, and amortization.

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board, without regard to any taxes paid by the Covered Executive in respect of the Incentive Compensation paid based on the erroneous data. If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- a. requiring reimbursement of cash Incentive Compensation previously paid;
- b. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- c. offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- d. cancelling outstanding vested or unvested equity awards; and/or
- e. taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation, notwithstanding anything in any Indemnification Agreement to the contrary.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, any applicable rules or standards adopted by the Securities and Exchange Commission, and the Clawback Listing Standards.

Effective Date

This Policy shall be effective as of November 17, 2023 (the "Effective Date") and shall apply to Incentive Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive Compensation was approved, awarded, or granted to Covered Executives prior to the Effective Date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with the Clawback Listing Standards and any other rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Relationship to Other Plans and Agreements

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensation has been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of the Policy shall govern.

Acknowledgment

The Covered Executive shall sign an acknowledgment form in the form attached hereto as Exhibit A in which they acknowledge that they have read and understand the terms of the Policy and are bound by the Policy.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the Clawback Listing Standards.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A
Acknowledgement Form

CLAWBACK POLICY ACKNOWLEDGMENT

The Board of Directors of BTCS INC. has adopted a Clawback Policy (the "Policy") which is applicable to the Company's Covered Executives.

I, the undersigned, acknowledge that I have received a copy of the Policy, as it may be amended, restated, supplemented or modified from time to time, and that I have read it, understand it, and acknowledge that I am fully bound by, and subject to, all of the terms and conditions thereof.

In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program, or arrangement under which Incentive Compensation has been granted, awarded, earned, or paid to me, whether or not deferred, the terms of the Policy shall govern.

If the Board of Directors determines that any Incentive Compensation I have received must be forfeited, repaid, or otherwise recovered by the Company, I shall promptly take whatever action is necessary to effectuate such forfeiture, repayment, or recovery.

I acknowledge that I am not entitled to indemnification in connection with the Company's enforcement of the Policy, notwithstanding anything in any Indemnification Agreement to the contrary.

I understand that any delay or failure by the Company to enforce any requirement contained in the Policy will not constitute a waiver of the Company's right to do so in the future.

Any capitalized terms used in this Acknowledgment that are not otherwise defined shall have the meaning ascribed to them in the Policy.

(Executive's Signature)

(Executive's Printed Name)

(Date)