Risk Factors Comparison 2023-08-02 to 2022-08-29 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

We are at an early stage of development of our hosting business, currently have limited sources of revenue, and may not become profitable in the future. Although we **began generating revenue from crypto mining in June 2021 and** began generating revenue from hosting operations when our first co- hosting facility came online on February 2, 2022, we are subject to the risks and uncertainties of a new business, including the risk that we may never **further** develop, complete development **of** or market any of our proposed services. During the building of our co- hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co- hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022, we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We have no plans to return to crypto mining operations in the future. Accordingly, we have only a limited history upon which an evaluation of our prospects and future performance can be made. Hosting revenues includes only fees from access to space and electricity and not maintenance or other services provided by us. Direct costs of sales from hosting includes operations, maintenance **,** and power related costs. However, any increased hosting revenue or decreased costs, for instance, as a result of pricing power, economies of scale and additional services provided, or any decrease in demand for our hosting services, for example as a result of increased regulation on cryptoasset mining of our hosting customers or a significant decrease in cryptoasset prices, will significantly change the terms on which we are able to enter into additional agreements necessary to expand our business and thus impact the results of our hosting revenues and direct hosting costs. We intend to reduce the impact of such variability on our hosting revenue and hosting costs by entering into long term contracts with the goal of having one blue chip anchor tenant that has signed a 3- 5 year long- term contract at each site and filling the rest of the facility with customers with 18- 36 month terms. The actual results may vary significantly from the plans set forth above and we make no representations with respect thereto. If we are unable to successfully implement our development plan or to increase our generation of revenue, we will not become profitable, and we may be unable to continue our operations. Furthermore, our proposed operations are subject to all business risks associated with new enterprises. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a business, operation in a competitive industry, and the continued development of advertising, promotions and a corresponding customer base. There can be no assurances that we will operate profitably. Our success depends on external factors in the cryptomining industry. ~~All~~ **We have a material concentration** of ~~our current~~ customers ~~are~~ **in the** crypto ~~miners~~ **mining industry** . The cryptomining industry is subject to various risks which could adversely affect our current customers' ability to continue to operate their businesses, including, but not limited to: • ongoing and future government or regulatory actions that could effectively prevent our customers' mining operations, with little to no access to policymakers and lobbying organizations in many jurisdictions; • a high degree of uncertainty about cryptoassets' status as a " security, " a " commodity " or a ~~"~~ financial instrument ~~"~~ in any relevant jurisdiction which may ~~be~~ subject our customers to regulatory scrutiny, investigations, fines, and other penalties; • banks or financial institutions may close the accounts of businesses engaging in cryptoasset- related activities as a result of compliance risk, cost, government regulation or public pressure; • use of cryptoassets in the retail and commercial marketplace is limited; • extreme volatility in the market price of cryptoassets that may harm our customers financial resources, ability to meet their contractual obligations to us or cause them to reduce or cease mining operations **;** • use of a ledger- based platform may not necessarily benefit from viable trading markets or the rigors of listing requirements for securities creating higher potential risk for fraud or the manipulation of the ledger due to a control event; • concentrated ownership, large sales of cryptoassets, or distributions or redemptions by vehicles invested in cryptoassets could have an adverse effect on the demand ~~or~~ **for** , and market price of, such cryptoasset; • our customers could face difficulty adapting to emergent digital ledgers, blockchains, or alternatives thereto, rapidly changing technology or methods of, rules of, or access to, platforms; • the number of cryptoassets awarded for solving a block in a blockchain could decrease **,** which may adversely affect our customers' incentive to expend processing power to solve blocks and / or continue mining and our customers may not have access to resources to invest in increasing processing power when necessary ~~in order to~~ in order to maintain the continuing revenue production of their mining operations; • our customers may face third parties' intellectual property claims or claims relating to the holding and transfer of cryptoassets and their source code, which, regardless of the merit of any such action, could reduce confidence in some or all cryptoasset networks' long- term viability or the ability of end- users to hold and transfer cryptoassets; • contributors to the open- source structure of the cryptoasset network protocols are generally not directly compensated for their contributions in maintaining and developing the protocol and may lack incentive to properly monitor and upgrade the protocols; • a disruption of the Internet on which our customers' business of mining cryptoassets is dependent; • decentralized nature of the governance of cryptoasset systems, generally by voluntary consensus and open competition with no clear leadership structure or authority, may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles; and • security breaches, hacking, or other malicious activities or loss of private keys relating to, or hack or other compromise of, digital wallets used to store our customers' cryptoassets could adversely affect their ability to access or sell their cryptoassets or effectively utilize impacted platforms. Even if we are able to diversify our customer base, negative impacts to the cryptomining industry may negatively affect our business, financial condition, operating results, liquidity and prospects. If we fail to effectively manage our growth, our business, financial condition and results of operations could be harmed. We are a development stage company with a small management team and are subject to the strains of ongoing development and growth, which will place significant demands on our management and our operational and financial infrastructure. Although we may not grow as we expect, if we fail to manage our growth effectively or to develop and expand our managerial, operational and financial resources and systems, our business and financial results could be materially harmed. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify emerging trends and growth opportunities in this business sector and we may lose out on opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations. We ~~have an evolving business model which is subject to various uncertainties. As cryptoassets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. Future regulations may require our co-hosting customers to change their businesses in order to comply fully with federal and state laws regulating cryptoasset (including Ethereum and Bitcoin) mining. In order to stay current with the industry, our business model may need to evolve as well. From time to time, we may modify aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business. We~~ may be unable to raise additional capital needed to grow our business. We expect to need to raise substantial additional capital to expand our operations, pursue our growth strategies and to respond to competitive pressures or unanticipated working capital requirements. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, pay dividends to our shareholders, or take other actions. We may also be required to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders **. If we incorrectly estimate our hosting capacity requirements and related capital expenditures, our results of operations could be adversely affected. We are continuously evaluating our capacity requirements in order to effectively manage our capital expenditures and operating results. However, we may be unable to accurately project our future capacity needs or sufficiently allocate resources to address such needs. If we under estimate these requirements, we may not be able to provide sufficient service to existing customers or may be required to limit new customer acquisition, both of which may materially and adversely impair our results of operations. Similarly, we have entered into multi- year contract commitments with colocation service providers. If we overestimate our capacity requirements and therefore secure excess capacity and have excess capital expenditures, our operating material could be materially reduced** . Any disruption of service experienced by certain of our third- party service providers, or our ineffective management of relationships with third- party service providers could harm our business, financial condition, operating results, cash flows, and prospects. We rely on several third- party service providers for services that are essential to our business model, the most important of which are our suppliers of power, electrical equipment, building materials, and construction services. **Additionally, as we build our AI Cloud services, we also expect to rely on third parties to lease or sell us equipment which we then lease to certain of our AI Cloud customers.** If these third parties experience difficulty providing the services **or products** we require, or if they experience disruptions or financial distress or cease operations temporarily or permanently **, or if the products they supply are defective or cease to operate for any reason** , it could make it difficult for us to execute our operations. If we are unsuccessful in identifying or finding highly qualified third- party service providers, or if we fail to negotiate cost- effective relationships with them or if we are ineffective in managing and maintaining these relationships, it could materially and adversely affect our business and our financial condition, operating results, cash flows, and prospects. Certain natural disasters or other external events could harm our business, financial condition, results of operations, cash flows, and prospects **.** We may experience disruptions due to mechanical failure, power outage, human error, physical or electronic security breaches, war, terrorism, fire, earthquake, pandemics, hurricane, flood and other natural disasters, sabotage and vandalism. Our systems may be susceptible to damage, interference, or interruption from modifications or upgrades, power loss, telecommunications failures, computer viruses, ransomware attacks, computer denial of service attacks, phishing schemes, or other attempts to harm or access our systems. Such disruptions could materially and adversely affect our business and our financial condition, operating results, cash flows, and prospects. Various actual and potential conflicts of interest may be detrimental to stockholders. Certain conflicts of interest may exist, or be perceived to exist, between certain of our directors or officers and us. Mr. Cummins and certain of our directors have other business interests to which they also must devote time, resources and attention. These other interests may conflict with such officer' s or director' s interest in us, including conflicting with interests in allocating resources, time and attention to our business and impacting decisions made on our behalf with respect to such entities, their affiliates or competitors. ~~Our Service Providers (other than SparkPool which discontinued its operations as of June 2022) and Bitmain, operate businesses related to crypto mining. Specifically, GMR and Bitmain actively mine cryptoassets. Valuefinder consults with and advise other cryptoasset- related companies. Our Service Providers' and Bitmain' s interest in their own business and that of entities they advise may conflict with our interests and may impact the advice provided to us or our competitors such that our business, operations and financial results may be negatively impacted.~~ We do not have specific procedures in place with respect to potential conflicts of interest, however, in determining to engage with potential competitors and entities with whom our officers or directors may have relationships, we considered the risks and risk mitigation factors, including requiring that transactions ~~with entities that are related to~~ **valued at over $ 120, 000 in which** our officers ~~and~~ **,** directors **and holders of more than 5 % of our common stock have an interest** be approved or ratified by our Audit Committee. ~~Recognizing that~~ Mr. Cummins holds over ~~23~~ **22** % of our common stock, and **has** ~~our Service Providers, other than Xsquared which no longer operates, hold between 3. 2 % and 7. 5 % of our common stock, all of them have~~ a financial interest in the success of our operations. ~~Additionally, none of our Service Providers or Bitmain operate in the co-hosting business.~~ We ~~have~~ also have more than a majority of independent directors on our Board in order to ensure that there are limitations on the risks of conflicts of interest impacting Board level decisions. ~~Because we are not engaging in the crypto mining business at this time and focusing on expanding our co- hosting business, the effects of any such risks of conflicts of interest are limited in scope. We expect that as our co- hosting business continues to grow, the risks of conflicts of interest will become more limited over time.~~ We cannot, however, guarantee that the conflicts of interest described above, or other future conflicts of interest, will not manifest in advice or decisions that negatively impact our financial results and our operations. The loss of any of our management team, our inability to execute an effective succession plan, or our inability to attract and retain qualified personnel, could adversely affect our business. Our success and future growth will depend to a significant degree on the skills and services of our management team. We will need to continue to grow our management team in order to alleviate pressure on our existing team and in order to continue to develop our business. If our management team, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Furthermore, if we fail to execute an effective contingency or succession plan with the loss of any member of our management team, the loss of such management personnel may significantly disrupt our business. The loss of key members of our management team could inhibit our growth prospects. Our future success also depends in large part on our ability to attract, retain and motivate key management and operating personnel. As we continue to develop and expand our operations, we may require personnel with different skills and experiences, and who have a sound understanding of our business and ~~the cryptoasset industry~~ **high computing power technologies** . The market for highly qualified personnel in this industry is very competitive and we may be unable to attract such personnel. If we are unable to attract such personnel, our business could be harmed **. Employee disputes or litigation and related unfavorable publicity may negatively affect our future business, financial condition and operating results. We may become involved in lawsuits or other disputes relating to employment matters, such as hostile work place, discrimination, wage and hour disputes, sexual harassment, or other employment issues. These types of claims, depending on their nature, can have a significant negative impact on businesses. Certain companies that have faced employment- or harassment- related lawsuits have had to terminate management or other key personnel, and have borne economic and other costs and suffered reputational harm that has negatively impacted their business. If we were to face any employment- related claims, our business could be negatively affected. As previously disclosed, on June 23, 2023, the Company announced an internal investigation with respect to a potential sexual harassment claim between two of our executive officers. Based on information obtained through the investigation, the Audit Committee of our Board of Directors determined that the relationship between the parties was consensual and the allegations of workplace harassment are unfounded. However, we cannot guarantee that this matter is resolved or that these or subsequent allegations will not result in litigation or other disputes. In such an event, we would likely incur significant legal fees and expenses, and any dispute could distract our management from the operation of our business or lead to employee separations from the Company. Moreover, while we do not believe any such claim would have merit, any dispute or resolution could result in the payment of damages, severance, vesting of equity awards or payment of other amounts by the Company, which could be significant. All of these factors could negatively affect our business, financial condition, operating results, liquidity and prospects** . We may depend upon outside advisors who may not be available on reasonable terms as needed. To supplement the business experience of our officers and directors, we may be required to employ technical experts, appraisers, attorneys, or other consultants or advisors. Our management, with our ~~board of directors ("~~ Board ~~")~~ approval in certain cases, without any input from stockholders will make the selection of any such advisors. Furthermore, it is anticipated that such persons may be engaged on an " as needed " basis without a continuing fiduciary or other obligation to us. In the event we consider it necessary to hire outside advisors, we may elect to hire persons who are affiliates, if they are able to provide the required services. COVID- 19 or any pandemic, epidemic or outbreak of an infectious disease in the United States or elsewhere may adversely affect our business. **COVID- 19 or any pandemic, epidemic or outbreak of an infectious disease in the United States or elsewhere may adversely affect our business.** The COVID- 19 virus has had unpredictable and unprecedented impacts in the United States and around the world ~~. China has prohibited the shipment of cryptoasset related products in and out of its borders, which could negatively impact our ability to receive mining equipment from China- based suppliers on behalf of our customers. Third- party manufacturers, suppliers, sub- contractors and customers have been and could continue to be disrupted by worker absenteeism, quarantines, restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health- related restrictions. Depending on the magnitude of such effects on our supply chain, shipments of parts for our customers' existing miners may be delayed. As our customers' equipment requires repair or becomes obsolete and requires replacement, our and their ability to obtain adequate replacements or repair parts from their manufacturer may therefore be hampered. To the extent we are providing maintenance and repair services to our customers, our ability to provide such services may also be hampered by supply chain and labor disruptions. If not resolved quickly, supply chain disruptions could negatively impact our operations~~ . The implications of the COVID- 19 pandemic on our results of operations and overall financial performance remain uncertain. The economic effects of the pandemic and any recovery and resulting societal changes, including the impact of current labor shortages in the United States, are currently not predictable, and the future financial impacts could vary from current projections. If our co- hosting customers determine not to use our co- hosting facility, our co- hosting operations may suffer from significant losses. We **currently** have material customer concentration **of cryptomining** ~~in our co- hosting business. We have entered into contracts with five~~ customers ~~to utilize our first co- hosting facility in North Dakota. These five customers account for 100 % of the revenue from our first co- hosting facility (100 MW). These customers have also contracted for 85MW of power at our second co- hosting facility once it is completed and operational. In addition, in July 2022, the Company entered into a five- year hosting contract with Marathon Digital Holdings, Inc. for 200 MW of mining capacity~~ . As ~~a result of this arrangement, the Company will supply Marathon with 90 MW of hosting capacity at its facility being built in Texas and at least 110 MW of hosting capacity at its second facility to be built in North Dakota. There are inherent risks whenever a large~~

~~percentage of total revenues are concentrated with a limited number of customers. Additionally, as~~ a result of the risks our crypto mining customers face, it is not possible for us to predict the future level of demand for our services that will be generated by these customers or the future demand for the products and services of these customers. Should some or all of our co- hosting customers suffer from harm or loss due to a set of circumstances, their businesses could be negatively impacted or prevented. Further, our contracts with these customers permit them to terminate our services at any time (subject to notice and certain other provisions). If any of our customers **'** experience declining mining operations for any reason or determine to stop utilizing our co- hosting facilities, we could be pressured to reduce the prices we charge for our services or we could lose a major customer. Any such development could have an adverse effect on our margins and financial position, and would negatively affect our revenues and results of operations. ~~Risks Related~~ **Under the Inflation Reduction Act of 2022, we may have liability for the 1 % stock buyback tax** to ~~our Common~~ **the extent holders of Series E Preferred** Stock **require that we redeem** ~~The liquidity of our common stock is uncertain; the limited trading volume of the common stock may depress the price of~~ such stock **. On August 16, 2022, the Inflation Reduction Act of 2022 (the " IR Act ") was signed into federal law. The IR Act provides** ~~or~~ **for** ~~cause it to fluctuate significantly~~ **, among other things, a new U** . ~~Although our common~~ **S. federal 1 % excise tax (the " Excise Tax ") on certain repurchases of** stock **by publicly traded U. S. domestic corporations and certain U. S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The Excise Tax** is ~~listed~~ **imposed** on ~~Nasdaq, there~~ -- **the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount of the Excise Tax is generally 1 % of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the Excise Tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the Excise Tax. The U. S. Department of the Treasury (the " Treasury ")** has been **given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the Excise Tax. Any share redemption or other share repurchase that occurs after December 31, 2022 may be subject to the Excise Tax. Whether and to what extent we would be subject to the Excise Tax will depend on** a **number of factors, including (i) the fair market value of any redemptions and repurchases, (ii) the nature and amount of any equity issuances, and (iii) the content of regulations and other guidance from the Treasury. Depending on the number of shares of our Series E Preferred Stock we sell and the number of holders of Series E Preferred Stock who redeem their stock, the Excise Tax could be applicable to the Company and adversely affect the cash we have available for our operations. As of the date of this prospectus supplement we have not sold or issued any shares of Series E Preferred Stock. We maintain cash deposits in excess of federally insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance. We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation (" FDIC ") insured banks that exceed the FDIC insurance limits. Bank failures, events involving** limited ~~public~~ **liquidity, defaults, non- performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the FDIC. The failure of a bank, or other adverse conditions in the financial or credit** ~~market~~ **markets** ~~for the common stock~~ **impacting financial institutions at which we maintain balances, could adversely impact our liquidity** and **financial performance.** ~~there~~ **There** can be no assurance that ~~a more active trading market~~ **our deposits in excess of the FDIC or other comparable insurance limits** will ~~develop~~ **be backstopped by the U** . **S.** ~~As a result~~ , ~~shareholders may not~~ **or that any bank or financial institution with which we do business will** be able to **obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis. Accounting for our power purchase agreements could cause variability in the results we report. With respect to certain of our power purchase agreements, it is both possible and probable that we will net settle them, meaning that we have the ability and intent to** sell ~~shares of common stock~~ **power back into the grid** in ~~short time periods~~ **lieu of taking full physical delivery of all of the contracted power. Accordingly** , **these agreements will meet the definition of an accounting derivative. This means that these agreements will be accounted** ~~or~~ **for** ~~possibly~~ at ~~all. The absence of~~ **fair value at each quarterly measurement period,** ~~an~~ **and these values** ~~active trading market~~ may ~~cause the price per share of the common stock to~~ fluctuate significantly. ~~Our~~ **As a result, our consolidated financial statements and results of operations may fluctuate quarterly based on factors outside of our control. We could have substantial variability in our financial results and disclosures, which, if material, could affect our operating results and in turn could impact our** stock price ~~has been volatile and may~~ **. Investors should consider such derivative accounting matters when evaluating our financial results. Risks Related to our Common Stock** ~~continue~~ **Continued** ~~to be volatile in the future; this~~ volatility **of our stock price** may affect the price at which you could sell our common stock. The trading price of our common stock has been volatile and may continue to be volatile in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on an investment in our securities: • actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us; • changes in the market' s expectations about our operating results; • relative success of our competitors; • our operating results failing to meet the expectations of securities analysts or investors in a particular period; • changes in financial estimates and recommendations by securities analysts concerning us and the market for our co- hosting facilities **and services** ; • operating and stock price performance of other companies that investors deem comparable to us; • our ability to continue to expand our operations; • changes in laws and regulations affecting our business or our industry; • commencement of, or involvement in, litigation involving us; • changes in our capital structure, such as future issuances of securities or the borrowing of additional debt; • the volume of shares of common stock available for public sale pursuant to an effective registration statement or exemption from registration requirements ~~;~~ • any major change in our board of directors or management; • sales of substantial amounts of our common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and • general economic and political conditions such as recessions, interest rates, international currency and crypto currency fluctuations and acts of war or terrorism. Broad market and industry factors may materially harm the market price of our common stock irrespective of our operating performance. The stock market in general, and Nasdaq in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our common stock, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies that investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our common stock also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future. We do not expect to declare or pay dividends **on our common stock** in the foreseeable future, which may limit the return our shareholders realize on their investment. We do not expect to declare or pay dividends **on our common stock** in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business. Therefore, holders of our common stock may not receive any return on their investment in our common stock unless and until the value of such common stock increases and they are able to sell such shares of common stock, and there is no assurance that any of the foregoing will occur. Failure to establish and maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock value. We are a newly public company and are now required to comply with the SEC' s rules implementing Section 302 of the Sarbanes- Oxley Act (~~"~~**“** SOX ~~"~~**”**), which requires our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. ~~We will not be required to make our first assessment of our internal control over financial reporting until the year following this annual report, (i. e., the fiscal year ending May 31, 2023).~~ To comply with the requirements of being a public company, we will need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting, finance and legal staff. We ~~currently~~ have **identified the following** material ~~weaknesses~~ -- **weakness** in the design ~~or operation~~ of our internal controls ~~, which could adversely affect our ability~~ **: • We have not designed and implemented controls** to **ensure we can** record, process, summarize **,** and report financial data. **•** We have not yet designed and ~~/ or~~ implemented user access controls to ensure appropriate segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to appropriate personnel. **• We did not design and maintain effective controls associated with related party transactions and disclosures. Controls in place were not designed or implemented at a sufficient level of precision or rigor to effectively identify related party relationships and disclose their related transactions in our financial statements. •** We also do not ~~currently~~ have ~~an~~ **a properly designed** internal control system that identifies critical processes and key controls. We are in the process of remediating such material weaknesses and there can be no assurance as to when or if we will fully remediate such material weaknesses. Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future and comply with the certification and reporting obligations under Sections 302 and 404 of SOX. Any failure to maintain effective controls or any difficulties encountered in our implementation or improvement of our internal controls over financial reporting could result in material misstatements that are not prevented or detected on a timely basis, which could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Ineffective internal controls could also cause investors to lose confidence in our reported financial information. You may experience dilution of your ownership interest because of the future issuance of additional equity in our company. In the future, we may issue additional shares of capital stock in our company, resulting in the dilution of current stockholders' relative ownership. Our board and stockholders have approved an employee incentive plan and a non- employee director incentive plan. We have reserved ~~15~~ **18** , ~~166~~ **000** , ~~666~~ **897** shares of our common stock for future issuance under our plans. Such conversions and issuances would also result in dilution of current stockholders' relative ownership. On January 6, 2022, we and Antpool entered into a Limited Liability Company Agreement of 1. 21 Gigawatts, LLC pursuant to which we and Antpool will own 80 % and 20 %, respectively, of 1. 21 Gigawatts. Antpool' s interest in each such entity will be convertible by it at any time into a number of shares of our common stock equal to Antpool' s capital contribution in connection with the acquisition of such interests divided by $ ~~1. 25 (or $~~ 7. 50 ~~after giving effect to the Reverse Stock Split)~~ . Antpool' s potential ownership of our common stock is dependent on its capital contributions to 1. 21 Gigawatts which in turn will depend on which projects are approved by us and Antpool and the costs associated therewith. Accordingly, we cannot predict the amount of Antpool' s potential ownership of our common stock. On January 14, 2022, we granted an aggregate of 1, 791, 666 restricted stock units (" RSUs ") to three consultants, consisting of 125, 000 RSUs to Roland Davidson, who acts as our Executive Vice President of Engineering, 416, 666 RSUs to Nick Phillips, our Executive Vice President of Hosting and Public Affairs, and 1, 250, 000 RSUs to Etienne Snyman, who acts as our Executive Vice President of Power. **Subsequently, Mr. Phillips' 416, 666 RSUs were terminated and Mr. Phillips was hired as an employee receiving awards under our employee incentive plan. On June 27, 2023, the Company began issuing and selling common stock under an" at the market" sale agreement, with Craig- Hallum Capital Group LLC (" Craig- Hallum Capital"), pursuant to which the Company may sell up to $ 125 million in shares of our common stock, par value $. 001 per share (the" Common Stock"). The Company has sold approximately 7. 9 million shares.** We may also issue other securities that are convertible into or exercisable for equity in our company in connection with hiring or retaining employees or consultants, future acquisitions or future sales of our securities. Provisions in our Articles, our Bylaws, and Nevada law may discourage a takeover attempt even if a takeover might be beneficial to our stockholders. Provisions contained in our Articles and Bylaws could make it more difficult for a third party to acquire us if we have become a publicly traded company. Provisions of our Articles and Bylaws impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our Articles authorize our Board to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock without any vote or action by our stockholders. Thus, our Board can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our other series of capital stock. These rights may have the effect of delaying or deterring a change of control of our company. Additionally, our Bylaws establish limitations on the removal of directors and on the ability of our stockholders to call special meetings. For a more complete understanding of these provisions, please refer to the Nevada Revised Statutes and our Articles and Bylaws **filed with the SEC** . Though we are not currently, in the future we may become subject to Nevada' s control share law. A corporation is subject to Nevada' s control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and it does business in Nevada or through an affiliated corporation. The law focuses on the acquisition of a " controlling interest " which means the ownership of outstanding voting shares sufficient, but for the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (i) one- fifth or more but less than one- third; (ii) one- third or more but less than a majority; or (iii) a majority or more. The ability to exercise such voting power may be direct or indirect, as well as individual or in association with others. The effect of the control share law is that the acquiring person, and those acting in association with it, obtains only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to strip voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non- voting shares. The acquiring person is free to sell its shares to others. If the buyers of those shares themselves do not acquire a controlling interest, their shares do not become governed by the control share law. If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, any stockholder of record, other than an acquiring person, who has not voted in favor of approval of voting rights is entitled to demand fair value for the redemption of such stockholder' s shares. Nevada' s control share law may have the effect of discouraging takeovers of the corporation. In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and " interested stockholders " for two years after the " interested stockholder " first becomes an " interested stockholder, " unless our Board approves the combination in advance or thereafter by both the Board and 60 % of the disinterested stockholders. For purposes of Nevada law, an " interested stockholder " is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term " business combination " is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation' s assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders. The effect of Nevada' s business combination law is to potentially discourage parties interested in taking control of us from doing so if it cannot obtain the approval of our Board. **If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, its trading price and volume could decline. We expect the trading market for our common stock to be influenced by the research and reports that industry or securities analysts publish about us, our business or our industry. As a new public company, we have only minimal research coverage by securities and industry analysts. If we do not expand securities or industry analyst coverage, or if one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline and our common stock to be less liquid. Moreover, if one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, or if our results of operations do not meet their expectations, our stock price could decline.** We may not be able to maintain the listing of our ~~Common~~ **common** ~~Stock~~ **stock** on Nasdaq, which may adversely ~~effect~~ **affect** the ~~flexibility~~ **ability** of holders of ~~Common~~ **common** ~~Stock~~ **stock** to resell their securities in the secondary market. Our ~~Common~~ **common** ~~Stock~~ **stock** is presently listed on Nasdaq, which requires us to meet certain conditions to maintain our listing status. If the Company is unable to meet the continued listing criteria of Nasdaq and the ~~Common~~ **common** ~~Stock~~ **stock** became delisted, trading of the ~~Common~~ **common** ~~Stock~~ **stock** could thereafter be conducted in the over- the- counter markets in the OTC Pink **Market** , also known as " pink sheets " or, if available, on another OTC trading platform. We cannot assure you that we will meet the criteria for continued listing, in which case the ~~Common~~ **common** ~~Stock~~ **stock** could become delisted. Any such delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the loss of confidence in our financial stability by suppliers, customers and employees. Investors would likely find it more difficult to dispose of, or to obtain accurate market quotations for, the ~~Common~~ **common** ~~Stock~~ **stock** , as the liquidity that Nasdaq provides would no longer be available to investors. In addition, the failure of our ~~Common~~ **common** ~~Stock~~ **stock** to continue to be listed on the Nasdaq could adversely impact the market price for the ~~Common~~ **common** ~~Stock~~ **stock** and our other securities, and we could face a lengthy process to re- list the ~~Common~~ **common** ~~Stock~~ **stock** , if we are able to re- list **such** ~~the Common Stock~~ **stock . We are a public reporting company. There are ongoing costs in maintaining compliance with being a public reporting company and our management will spend a significant amount of time ensuring such compliance** . If **we are unable to maintain compliance with our public reporting company obligations, our** securities **may be delisted and we may be unable to re- list** ~~or~~ **our** ~~industry analysts~~ **common stock on another national stock exchange or quotation system. Risks Related to Possible REIT Status We have not yet determined if or when we may elect to be taxed as a REIT. Our board of directors has not yet determined whether we will elect to be taxed as a REIT and / or when any such election would be effective. In addition, even if we do make an election to be taxed as a REIT, our board of directors may revoke or otherwise terminate the**

REIT election of the Company, without the approval of holders of the common stock, if the board determines that it is no longer in the best interest of the stockholders to continue to qualify as a REIT. We can make no assurance that we will ever elect to be taxed as a REIT or, if we do make such an election, that such REIT election will be in place during a stockholder' s entire holding period of our stock. Our board of directors' broad discretion in setting policies and our stockholders' inability to exert control over those policies increases the uncertainty and risks our stockholders face. Our qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, and other tests imposed by the Code. If we fail to quality as a REIT after electing to be taxed as a REIT, we would generally be disqualified from qualifying as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. To qualify for REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90 % of our REIT taxable income, determined without regard for any deduction for distributions paid and excluding any net capital gain to our stockholders. If we do not ~~publish research or reports about~~ **qualify as a REIT (either because we choose not to elect to be taxed as a REIT** ~~our~~ - **or** ~~business~~ **because we failed to so qualify after having made a REIT election)** , **this would reduce** ~~or~~ **our** ~~if~~ **net earnings available for distribution and would adversely affect** ~~they~~ - **the** ~~downgrade their recommendations regarding~~ **timing, amount, and character of distributions to our common stockholders. If we do not elect to be taxed as a REIT** ~~our~~ - **or fail to maintain REIT status, we will continue to be subject to federal income tax at regular corporate rates. If we elect REIT status, the REIT ownership and distribution requirements may inhibit opportunities or have an impact on the Company. If we elect to be taxed as a REIT, then in order to qualify as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, ownership requirements, the sources of our income, nature of our assets, and the amounts we distribute to our stockholders. For example, in order for us to qualify as a REIT, not more than 50 % in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after the first year for which we elect to qualify as a REIT. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of a taxable year (other than the first taxable year for which we elect to be taxed as a REIT). Additionally, as typical for REITs, our board of directors would likely pursue an amendment of our Articles to restrict any person from owning more than 9. 8 % by value of our outstanding capital stock. These ownership limits could delay or prevent a transaction or a change in control of our company that might involve a premium price for our shares of** common stock ~~, its trading price and volume could decline. We expect the trading market for~~ - **or otherwise** ~~our common stock to~~ be **in** ~~influenced by~~ the **best interest of** ~~research and reports that industry or~~ **our stockholders** ~~securities analysts publish about us, our business or our industry. As a new public company, we have only minimal research coverage by securities and industry analysts~~ . If **we elect to be taxed as a REIT and** we do not **have other funds available** ~~expand securities or industry analyst coverage, or if one or more of these analysts cease coverage of our company or fail~~ to ~~publish reports on~~ **make distributions sufficient to enable** us ~~regularly~~ **to pay out enough of our taxable income to satisfy the REIT distribution requirement** , we could ~~lose visibility in~~ **be subject to corporate income tax and** the ~~financial markets~~ **4 % excise tax in a particular year. To qualify as a REIT, we must not have any non-REIT accumulated earnings and profits, as measured for U. S. federal income tax purposes, at the end of any REIT taxable year. Such non- REIT earnings and profits generally will include any accumulated earnings and profits of any corporations acquired by us (or whose assets we acquire)** , which **,** ~~in turn could cause our stock price or~~ **for this purpose** ~~trading volume to decline and our common stock to be less liquid. Moreover~~ , ~~if one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, or if our results of operations do not meet their expectations, our stock price could~~ **would** ~~decline~~ **include any earnings and profits we have in a taxable year in which we were taxed as a C corporation prior to the taxable year in which our REIT election is effective** .