

## Risk Factors Comparison 2024-02-15 to 2023-02-16 Form: 10-K

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You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition, or results of operations could be materially adversely affected. In such case, the market price of our class A common stock could decline, and you may lose all or part of your investment.

**Risks Related to Our Business in General** Our quarterly operating results, revenues, and expenses may fluctuate significantly, which could have an adverse effect on the market price of our stock. For many reasons, including those described below, our operating results, revenues, and expenses have varied in the past and may vary significantly in the future from quarter to quarter. These fluctuations could have an adverse effect on the market price of our class A common stock.

**Fluctuations in Quarterly Operating Results.** Our quarterly operating results may fluctuate, in part, as a result of:

- fluctuations in the price of bitcoin, of which we have significant holdings and with respect to which we expect to continue to make significant future purchases, and potential material impairment charges that may be associated therewith;
- any sales by us of our bitcoin at prices above their then-current carrying costs, which would result in our recording gains upon sale of our digital assets;
- regulatory, commercial, and technical developments related to bitcoin or the **Bitcoin** blockchain, **or digital assets more generally**;
- the size, timing, volume, and execution of significant orders and deliveries;
- the mix of our offerings ordered by customers, including product licenses and cloud subscriptions, which can affect the extent to which revenue is recognized immediately or over future quarterly periods;
- the timing of the release or delivery of new or enhanced offerings and market acceptance of new and enhanced offerings;
- the timing of announcements of new offerings by us or our competitors;
- changes in our pricing policies or those of our competitors;
- the length of our sales cycles;
- seasonal or other buying patterns of our customers;
- changes in our operating expenses;
- the impact of **war, terrorism, infectious diseases (such as COVID-19) and its variants, or natural disasters and other future infectious diseases, global events, and government responses to such events**, on the global economy and on our customers, suppliers, employees, and business;
- the timing of research and development projects;
- utilization of our consulting and education services, which can be affected by delays or deferrals of customer implementation of our software;
- fluctuations in foreign currency exchange rates;
- bilateral or multilateral trade tensions, which could affect our offerings in particular foreign markets;
- our profitability and expectations for future profitability and their effect on our deferred tax assets and net income for the period in which any adjustment to our net deferred tax asset valuation allowance may be made;
- increases or decreases in our liability for unrecognized tax benefits; and
- changes in customer decision-making processes or customer budgets.

**Limited Ability to Adjust Expenses.** We base our operating expense budgets on expected revenue trends and strategic objectives. Many of our expenses, such as interest expense on our long-term debt, office leases and certain personnel costs, are relatively fixed. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall or impairment losses related to our digital assets. Accordingly, any shortfall in revenue from our enterprise analytics software business or impairment losses related to our digital assets may cause significant variation in operating results in any quarter. Based on the above factors, we believe quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is possible that in one or more future quarters, our operating results may be below the expectations of public market analysts and investors. In that event, the market price of our class A common stock may fall. We may not be able to **regain-achieve** profitability in the future **periods**. We generated a net ~~loss~~ **income** for the fiscal year ended December 31, **2023, due in part to a \$ 553.6 million tax benefit generated primarily from the release of the valuation allowance on our deferred tax asset related to the impairment on our bitcoin holdings (attributable to the increase in market value of bitcoin as of December 31, 2023 compared to December 31, 2022)**; ~~primarily due to digital asset impairment losses, and a \$ 44.7 million gain on debt extinguishment resulting from the repayment of the 2025 Secured Term Loan, however,~~ we may not be able to **regain-achieve** profitability ~~on a quarterly or annual basis~~ in the future **periods**. If our revenues are not sufficient to offset our operating expenses, we are unable to adjust our operating expenses in a timely manner in response to any shortfall in anticipated revenue, or we incur additional significant impairment losses related to our digital assets, we may incur operating losses in future periods, our profitability may decrease, or we may cease to be profitable. As a result, our business, results of operations, and financial condition may be materially adversely affected. As of December 31, ~~2022~~ **2023**, we had \$ ~~188,757.26~~ **511.4** million of deferred tax assets, which reflects a \$ ~~188,757.26~~ **511.4** million valuation allowance. The largest deferred tax asset relates to the impairment on our bitcoin holdings. Changes to the valuation allowance against the deferred tax asset are largely dependent on the change in the market value of bitcoin from the previous reporting date. ~~If~~ **During 2023, the value of bitcoin increased substantially which allowed us to release the valuation allowance recorded against the bitcoin holding; however, if** the market value of bitcoin at a future reporting date is less than the ~~market value~~ **average cost basis** of our bitcoin **holdings** at ~~such~~ **the previous** reporting date, we may be required to **establish a** ~~increase further the~~ valuation allowance against ~~the~~ **our U. S. deferred tax asset assets**. Additionally, if we **do not achieve** ~~are unable to regain~~ profitability in the future, we may also be required to increase the valuation allowance against the remaining deferred tax assets. A significant increase in the valuation allowance could result in a charge that would materially adversely affect net income in the period in which the charge is incurred. We may have exposure to greater than anticipated tax liabilities. We are subject to income taxes and non-income taxes in a variety of domestic and foreign jurisdictions. Our future income tax liability could be materially adversely affected by earnings that are lower than anticipated in jurisdictions where we have lower statutory rates, earnings that are higher than anticipated in jurisdictions where we have higher

statutory rates, changes in the valuation of our deferred tax assets and liabilities, changes in the amount of our unrecognized tax benefits, or changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, if we sold any of our bitcoin at prices greater than the cost basis of the bitcoin sold, we would incur a tax liability with respect to any gain recognized, and such tax liability could be material. Changes in the tax laws of foreign jurisdictions could arise, including as a result of the project undertaken by the Organisation for Economic Co- operation and Development (“ OECD ”) to combat base erosion and profit shifting (“ BEPS ”). The OECD, which represents a coalition of member countries, has issued recommendations that, in some cases, make substantial changes to numerous long- standing tax positions and principles. These changes, many of which have been adopted or are under active consideration by OECD members and / or other countries, could increase tax uncertainty and may adversely affect our provision for income taxes. After enactment of the U. S. Tax Cuts and Jobs Act, most of our income is taxable in the U. S. with a significant portion taxable under the Global Intangible Low- Taxed Income (“ GILTI ”) regime. Beginning in fiscal year 2027, the deduction allowable under the GILTI regime will decrease from 50 % to 37. 5 %, which will increase the effective tax rate imposed on our income. The U. S. also enacted the Inflation Reduction Act of 2022 (“ IRA ”) in August 2022. The IRA applies to tax years beginning after December 31, 2022 and introduces a 15 % corporate alternative minimum tax for corporations whose average annual adjusted financial statement income for any consecutive three- tax- year period preceding the tax year exceeds \$ 1 billion and a 1 % excise tax on certain stock repurchases made by publicly traded ~~US-U. S.~~ corporations after December 31, 2022. **Subject to the release and content of the final regulations by the IRS with respect to the application of the minimum tax and treatment of unrealized fair value gains, upon our adoption of Accounting Standards Update No. 2023- 08, Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350- 60): Accounting for and Disclosure of Crypto Assets (“ ASU 2023- 08 ”), we could become subject to the alternative minimum tax if, for example, we experience significant unrealized gains on our bitcoin holdings.** If we ~~are become~~ subject to these new taxes under the IRA **for these or any other reasons**, it could materially affect our financial results, including our earnings and cash flow **, and our financial condition**. Our determination of our tax liability is subject to review by applicable domestic and foreign tax authorities. Any adverse outcome of such reviews could have an adverse effect on our operating results and financial condition. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment and there are many transactions and calculations, including in respect of transactions involving bitcoin, where the ultimate tax determination is uncertain. Moreover, as a multinational business, we have subsidiaries that engage in many intercompany transactions in a variety of tax jurisdictions where the ultimate tax determination is uncertain. We also have contingent tax liabilities that, in management’ s judgment, are not probable of assertion. If such unasserted contingent liabilities were to be asserted, or become probable of assertion, we may be required to record significant expenses and liabilities in the period in which these liabilities are asserted or become probable of assertion. As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may materially affect our financial results in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined. Risks Related to Our Bitcoin Acquisition Strategy and Holdings Our bitcoin acquisition strategy exposes us to various risks associated with bitcoin Our bitcoin acquisition strategy exposes us to various risks associated with bitcoin, including the following: Bitcoin is a highly volatile asset. Bitcoin is a highly volatile asset that has traded below \$ 20, 000 per bitcoin and above \$ ~~45-50~~, 000 per bitcoin on the Coinbase exchange (our principal market for bitcoin) in the 12 months preceding the date of this Annual Report. **The During the year ended December 31, 2022, the significant decrease in the trading price of bitcoin significantly reduced decreased during prior periods, and such declines may occur again in the future** value of the bitcoin we hold. Bitcoin does not pay interest or dividends. Bitcoin does not pay interest or other returns and **we can only** so our ability to generate cash from our bitcoin holdings **depends on sales if we sell or our bitcoin or** implementing ~~--- implement~~ strategies that we may consider to create income streams or otherwise generate cash by using our bitcoin holdings. Even if we pursue any such strategies, we may be unable to create income streams or otherwise generate cash from our bitcoin holdings, and any such strategies may subject us to additional risks. Our bitcoin holdings significantly impact our financial results **and the market price of our class A common stock**. **If Our bitcoin holdings have significantly affected our financial results and if** we continue to increase our overall holdings of bitcoin in the future, **they our bitcoin holdings** will have **a-an even** greater impact on our financial results and the market price of our class A common stock. See “ Risks Related to Our Bitcoin Acquisition Strategy and Holdings – Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to our bitcoin holdings. ” Our bitcoin acquisition strategy has not been tested over an extended period of time or under different market conditions. We are continually examining the risks and rewards of our bitcoin acquisition strategy. This strategy has not been tested over an extended period of time or under different market conditions. For example, although we believe bitcoin, due to its limited supply, has the potential to serve as a hedge against inflation in the long term, the short- term price of bitcoin ~~has declined in recent periods~~ **even as during which** the inflation rate increased. Some investors and other market participants may disagree with our bitcoin acquisition strategy or actions we undertake to implement it. If bitcoin prices ~~continue were~~ to ~~fall decrease~~ or our bitcoin acquisition strategy otherwise proves unsuccessful, our financial condition, results of operations, and the market price of our class A common stock would be materially adversely impacted. We are subject to counterparty risks, including in particular risks relating to our custodians. Although we have implemented various measures that are designed to mitigate our counterparty risks, including by storing substantially all of the bitcoin we own in custody accounts at U. S.- based, institutional- grade custodians and negotiating contractual arrangements intended to establish that our property interest in custodially- held bitcoin is not subject to claims of ~~the our custodian custodians~~’ s creditors, applicable insolvency law is not fully developed with respect to the holding of digital assets in custodial accounts. If our custodially- held bitcoin were nevertheless considered to be the property of our ~~custodian custodians~~’ s estate ~~estates~~ in the event that ~~the any such custodian custodians were to~~ ~~enters enter~~ bankruptcy, receivership or similar insolvency proceedings, we could be treated as a general unsecured creditor of ~~the such custodian~~

**custodians**, inhibiting our ability to exercise ownership rights with respect to such bitcoin and this may ultimately result in the loss of the value related to some or all of such bitcoin. Even if we are able to prevent our bitcoin from being considered the property of the a custodian's bankruptcy estate as part of an insolvency proceeding, it is possible that we would still be delayed or may otherwise experience difficulty in accessing our bitcoin held by the affected custodian during the pendency of the insolvency proceedings. Any such outcome could have a material adverse effect on our financial condition and the market price of our class A common stock. The broader digital assets industry is subject to counterparty risks, which could adversely impact the adoption rate, price, and use of bitcoin. A series of recent high-profile bankruptcies, **closures, liquidations, regulatory enforcement actions and other events** relating to companies operating in the digital asset industry and certain of their affiliates, including **the filings for bankruptcy protection by** Three Arrows Capital, Celsius Network, Voyager Digital, FTX Trading and Genesis Global Capital, **the closure or liquidation of certain financial institutions that provided lending and other services to the digital assets industry, including Signature Bank and Silvergate Bank, SEC enforcement actions against Coinbase, Inc. and Binance Holdings Ltd., the placement of Prime Trust, LLC into receivership following a cease-and-desist order issued by Nevada's Department of Business and Industry, and the filing and subsequent settlement of a civil fraud lawsuit by the New York Attorney General against Genesis Global Capital, its parent company Digital Currency Group, Inc., and former partner Gemini Trust Company,** have highlighted the counterparty risks applicable to **owning and transacting in digital asset assets ownership and trading.** Although these bankruptcies, closures, liquidations and other events have not resulted in any loss or misappropriation of our bitcoin, nor have ~~Such such developments events~~ **adversely impacted our access to our bitcoin, they** have, in the short-term, likely negatively impacted the adoption rate of bitcoin and use of bitcoin. ~~additional~~ **Additional** bankruptcies, **closures, liquidations, regulatory enforcement actions or other events involving participants in the digital assets industry** in the future may further negatively impact the adoption rate, price, and use of bitcoin, **limit the availability to us of financing collateralized by bitcoin, or create or expose additional counterparty risks.** Changes in our ownership of bitcoin could have accounting, regulatory and other impacts. While ~~we~~ **our bitcoin is currently owned** ~~own bitcoin~~ **directly and through** by us or our wholly owned subsidiaries, we may investigate other potential approaches to owning bitcoin, including indirect ownership (for example, through ownership interests in a fund that owns bitcoin). If we were to own all or a portion of our bitcoin ~~indirectly~~ **in a different manner**, the accounting treatment for our bitcoin, our ability to use our bitcoin as collateral for additional borrowings, and the regulatory requirements to which we are subject, may correspondingly change. Changes in the accounting treatment of our bitcoin holdings could have significant accounting impacts, including increasing the volatility of our results. ~~A change in~~ **In December 2023, the FASB issued ASU 2023- 08** accounting treatment of our bitcoin holdings could have a material impact on our results of operations in future periods and could increase the volatility of our reported results of operations as well as affect the carrying value of our bitcoin on our balance sheet, which **upon** in turn could have a material adverse effect on our **adoption will require us** financial results and the market price of our class A common stock. For example, at its October 12, 2022 meeting, the Financial Accounting Standards Board announced it intends to **measure** issue an exposure draft for comment that would cause in-scope crypto assets ( ~~such as~~ **including our** bitcoin **holdings** ) to be measured at fair value **in our statement of financial position**, **with and to recognize gains and losses from changes in the** fair value changes recorded of our bitcoin **in current net income each reporting period.** ASU 2023- 08 will also require us to provide certain interim and annual disclosures with respect to our bitcoin holdings. The standard is effective for our interim and annual periods beginning January 1, 2025, with a cumulative-effect adjustment to the opening balance of retained earnings. ~~If as of the new standards are~~ **beginning of the annual reporting period in which we adopted-- adopt**, the change **guidance. Early adoption is permitted** in presentation ~~could~~ **any interim or annual period for which our financial statements have not been issued as of the beginning of the annual reporting period. Due in particular to the volatility in the price of bitcoin, we expect the adoption of ASU 2023- 08 to have a material impact on our financial results in future periods,** increase the volatility of our reported financial results, and of operations as well as affect the carrying value of our bitcoin on our balance sheet, **and could have adverse tax consequences, which in turn could have a material adverse effect on our financial results and the market price of our class A common stock. Additionally, as a result of ASU 2023- 08 requiring a cumulative-effect adjustment to our opening balance of retained earnings as of the beginning of the annual period in which we adopt the guidance and not permitting retrospective restatement of our historical financial statements, our future results will not be comparable to results from periods prior to our adoption of the guidance.** The broader digital assets industry, including the technology associated with digital assets, the rate of adoption and development of, and use cases for, digital assets, market perception of digital assets, and the legal, regulatory, and accounting treatment of digital assets are constantly developing and changing, and there may be additional risks in the future that are not possible to predict. ~~The~~ **Bitcoin is a highly volatile asset, and fluctuations in the** price of bitcoin ~~may be~~ **have in the past** influenced by legal, commercial, technical and industry factors that are highly uncertain, and ~~fluctuations in the price of bitcoin are likely~~ **to continue** to influence our financial results and the market price of our class A common stock. ~~Bitcoin is a highly volatile asset, and~~ **Fluctuations fluctuations** in the price of bitcoin have in the past **influenced** and are likely to continue to influence our financial results and the market price of our class A common stock. Our financial results and the market price of our class A common stock would be adversely affected, and our business and financial condition would be negatively impacted, if the price of bitcoin decreased substantially (as it has in the past, including during 2022), including as a result of: • decreased user and investor confidence in bitcoin, **including due to the various factors described herein**; • investment and trading activities, **such as (i) trading activities** of highly active retail and institutional users, speculators, miners and investors, **(ii) actual or expected significant dispositions of bitcoin by large holders, including the expected liquidation of digital assets associated with entities that have filed for bankruptcy protection, such as FTX, which in September 2023 received approval to sell up to \$ 3 billion worth of digital assets, including bitcoin, and the transfer and sale of bitcoins associated with the hacked cryptocurrency exchange Mt. Gox, and**

(iii) actual or perceived manipulation of the spot or derivative markets for bitcoin or spot bitcoin ETPs; • negative publicity, media or social media coverage, or sentiment due to events in or relating to bitcoin, including potential or perception of, bitcoin or the broader digital assets industry, for example, (i) public perception backlash against bitcoin to the extent the public views bitcoin as a vehicle that may bitcoin can be used as a vehicle to circumvent sanctions, including the recent sanctions imposed on Russia or certain regions related to the ongoing conflict between Russia and Ukraine, or to fund criminal or terrorist activities, such as the purported use of digital assets by Hamas to fund its terrorist attack against Israel in October 2023; • negative (ii) expected or pending civil, criminal, regulatory enforcement or other high profile actions against major participants in the bitcoin ecosystem, including the SEC's enforcement actions against Coinbase, Inc. and Binance Holdings Ltd.; (iii) additional filings or for unpredictable media bankruptcy protection or bankruptcy proceedings social media coverage of major bitcoin or the digital asset industry participants, such as the including in connection with bankruptcy proceedings proceeding of industry participants FTX Trading and its affiliates; and (iv) • negative public sentiment related to the actual or perceived environmental impact of bitcoin and related activities, including environmental concerns raised by private individuals, governmental, and non-governmental organizations, and other actors related to the energy resources consumed in the bitcoin mining process; • changes in consumer preferences and the perceived value or prospects of bitcoin; • competition from other digital assets that exhibit better speed, security, scalability, or energy efficiency, that feature other more favored characteristics, that are backed by governments, including the U. S. government, or reserves of fiat currencies, or that represent ownership or security interests in physical assets; • a decrease in the price of other digital assets, including stablecoins, or the crash or unavailability of stablecoins that are used as a medium of exchange for bitcoin purchase and sale transactions, such as the crash of the stablecoin Terra USD in 2022, to the extent the decrease in the price of such other digital assets or the unavailability of such stablecoins may cause a decrease in the price of bitcoin or adversely affect investor confidence in digital assets generally; • the identification of Satoshi Nakamoto, the pseudonymous person or persons who developed bitcoin, or the transfer of substantial amounts of bitcoin from bitcoin wallets attributed to Mr. Nakamoto; • disruptions, failures, unavailability, or interruptions in service or failures of trading venues the principal markets for bitcoin, such as, for example, the announcement by the digital asset exchange FTX Trading that it would freeze withdrawals and transfers from its accounts and subsequent filing for bankruptcy protection and the recent SEC enforcement action brought against Binance Holdings Ltd., which initially sought to freeze all of its assets during the pendency of the enforcement action; • the filing for bankruptcy protection by, liquidation of, or market concerns about the financial viability of digital asset custodians, trading venues, lending platforms, investment funds, or other digital asset industry participants, such as the filing for bankruptcy protection by digital asset trading venues FTX Trading and BlockFi and digital asset lending platforms Celsius Network and Voyager Digital Holdings in 2022, and the ordered liquidation of the digital asset investment fund Three Arrows Capital in 2022, the announced liquidation of Silvergate Bank in 2023, the government-mandated closure and sale of Signature Bank in 2023, the placement of Prime Trust, LLC into receivership following a cease- and-desist order issued by the Nevada Department of Business and Industry in 2023, and the exit of Binance from the U. S. market as part of its settlement with the Department of Justice and other federal regulatory agencies; • regulatory, legislative, enforcement and judicial actions that adversely affect the price, ownership, transferability, trading volumes, legality or public perception of bitcoin, or that adversely affect the operations of or otherwise prevent digital asset custodians or, trading venues, lending platforms or other digital assets industry participants from operating in a manner that allows them to continue to deliver services to the digital assets industry; • further reductions in mining rewards of bitcoin, including block reward halving events, which are events that occur after a specific period of time that reduce the block reward earned by "miners" who validate bitcoin transactions, or increases in the costs associated with bitcoin mining, including increases in electricity costs and hardware and software used in mining, that may cause a decline in support for the Bitcoin network; • transaction congestion and fees associated with processing transactions on the bitcoin-Bitcoin network; • macroeconomic changes, such as changes in the level of interest rates and inflation, fiscal and monetary policies of governments, trade restrictions, and fiat currency devaluations; • developments in mathematics or technology, including in digital computing, algebraic geometry and quantum computing, that could result in the cryptography being used by the bitcoin-Bitcoin blockchain becoming insecure or ineffective; and • changes in national and international economic and political conditions, including, without limitation, the adverse impact attributable to the economic and political instability caused by the current conflict between Russia and Ukraine and the economic sanctions adopted in response to the conflict. In addition, and the potential broadening of the Israel-Hamas conflict to other countries in the Middle East, bitcoin-Bitcoin and other digital assets are novel assets, and are subject to significant legal, commercial, regulatory and technical uncertainty Bitcoin and other digital assets are relatively novel and are subject to significant various risks and uncertainties uncertainty that may, which could adversely impact their price. The application of state and federal securities laws and other laws and regulations to such digital assets is unclear in certain respects, and it is possible that regulators in the United States or foreign countries may interpret or apply existing laws and regulations in a manner that adversely affects the price of bitcoin. The U. S. federal government, states, regulatory agencies, and foreign countries may also enact new laws and regulations, or pursue regulatory, legislative, enforcement or judicial actions, that could materially impact the price of bitcoin or the ability of individuals or institutions such as us to own or transfer bitcoin. For example: • On March 9, 2022, President Biden signed an executive order relating to cryptocurrencies. While the executive order did not mandate the adoption of any specific regulations, it instructed various federal agencies to consider potential regulatory measures, including the evaluation of the creation of a U. S. CBDC. A number of reports issued pursuant to the executive order have focused on various risks related to the digital asset ecosystem, and have recommended additional legislation and regulatory oversight. On September 16, 2022, the White House released a framework for digital asset development, based on reports from various government agencies, including the U. S. Department of Treasury, the Department of Justice, and the Department of Commerce. Among other things, the framework

encourages regulators to pursue enforcement actions, issue guidance and rules to address current and emergent risks, support the development and use of innovative technologies by payment providers to increase access to instant payments, consider creating a federal framework to regulate nonbank payment providers, and evaluate whether to call upon Congress to amend the Bank Secrecy Act and laws against unlicensed money transmission to apply explicitly to digital asset service providers. **There have also been several bills introduced** • On September 8, 2022, the White House Office of Science and Technology Policy issued a report in **Congress** coordination with other federal agencies relating to the climate and energy implications of digital assets, including bitcoin, in the United States. Among its findings are that **propose to establish additional** digital assets are energy intensive and drive significant environmental impacts, and the report recommends further study of the environmental impact of digital assets and the development of environmental performance regulations- **regulation for and oversight of the** digital asset **markets** miners, which may include limiting or eliminating digital assets that use high energy intensity consensus mechanisms, including the proof-of-work consensus mechanisms on which the Bitcoin blockchain is based. • On April 4, 2022, SEC Chair Gary Gensler announced that he has asked SEC staff to work (i) to register and regulate digital asset platforms like securities exchanges; (ii) with the **Commodities** **Commodity** Futures Trading Commission on how to jointly address digital asset platforms that trade both securities and non- securities; (iii) on segregating out digital asset platforms' custody of customer assets, if appropriate; and (iv) on segregating out the market making functions of digital asset platforms, if appropriate. Similarly, foreign government authorities have recently expanded their efforts to restrict certain activities related to bitcoin and other digital assets. • **In** On September 8, 2022, the White House Office of Science and Technology Policy issued a report in coordination with the other federal agencies relating to the climate and energy implications of digital assets, including bitcoin, in the United States. Among its findings are that digital assets are energy intensive and drive significant environmental impacts, and the report recommends further study of the environmental impact of digital assets and the development of environmental performance regulations for digital asset miners, which may include limiting or eliminating digital assets that use high energy intensity consensus mechanisms, including the proof-of-work consensus mechanisms on which the Bitcoin blockchain is based. • On March 1, 2023, the U. S. Under Secretary for Domestic Finance provided an update on the development of a U. S. CBDC, indicating that the U. S. Department of Treasury would be providing an initial set of findings and recommendations regarding the development and adoption of a U. S. CBDC in the coming months. • On April 14, 2023, the SEC reopened the comment period for its proposal to amend the definition of "exchange" under Exchange Act Rule 3b-16 to encompass trading and communication protocol systems for digital asset securities and trading systems that use distributed ledger or blockchain technology, including both so-called "centralized" and "decentralized" trading systems. The comment period is now closed. The SEC may determine whether to adopt the revised definition after an evaluation of comments provided during the comment period. If adopted in its proposed form, the new definition would have a sweeping impact on digital asset trading venues and other digital asset industry participants. • The European Union's, in October 2022, the Council of the EU agreed to the full legal text of legislation known as the Markets in Crypto Assets Regulation ("MiCA"), a comprehensive digital asset which contains provisions which will regulate **regulatory framework for** the issuance and use of digital assets, like bitcoin, **became effective in June 2023, with various requirements phasing into effect through 2024**. While MiCA still also requires approval from the European Parliament, the legislation approved by the Council of the EU included provisions that will require the European Commission (i) to provide a report on the environmental impact of crypto- assets and (ii) based upon such report, introduce mandatory minimum sustainability standards for consensus mechanisms, including the proof-of-work consensus mechanisms on which the Bitcoin blockchain is based. • **On June 5** In the United Kingdom, in February 2023, His Majesty's Treasury issued its first comprehensive set **the SEC filed a complaint against Binance Holdings Ltd. and other affiliated entities in federal district court for the District of Columbia, alleging, among other claims regulate-- related digital assets. Of note to the operation of the affiliates and their platforms, that: (i) the Binance entities commingled and diverted customer assets; (ii) various affiliates of Binance Holdings Ltd. operated as exchanges, brokers, dealers and clearing agencies without registration under the Exchange Act; (iii) Binance Holdings Ltd. engaged in the unregistered offer and sale of securities; (iv) affiliates of Binance Holdings Ltd. operated in a manner to evade U. S. federal securities laws, and (v) affiliates of Binance Holdings Ltd. misled customers and investors concerning the existence and adequacy of market surveillance and controls to detect and prevent manipulative trading.** • On June 6, 2023, the SEC filed a complaint against Coinbase, Inc. and other affiliated entities in federal district court in the Southern District of New York, alleging, among other claims: (i) that Coinbase, Inc. violated the Exchange Act by failing to register with the SEC as a national securities exchange, broker-dealer, and clearing agency, in connection with activities involving certain identified digital assets that the SEC's complaint alleges are securities, (ii) that Coinbase, Inc. violated the Securities Act by failing to register with the SEC the offer and sale of securities in connection with its staking program, and (iii) that Coinbase Global Inc. is jointly and severally liable as a control person under the Exchange Act for Coinbase Inc.'s violations of the Exchange Act to the same extent as Coinbase Inc. • In the United Kingdom, on June 29, 2023, the Financial Services and Markets Act 2023 ("FSMA 2023") became law. FSMA 2023 (i) clarifies that "cryptoassets" are subject to the regulated activities and financial promotion orders and (ii) establishes that digital assets firms, including exchanges and custodians, operating in or providing services to the United Kingdom **would carrying out certain activities involving "cryptoassets" are performing a regulated activity that need needs a license to operate and would be required authorized by the Financial Conduct Authority and may also be subject to empty oversight from the Bank of England.** Several additional pieces of proposed legislation in the United Kingdom, including The Public Offers and Admissions to Trading Regulations 2023, may subject "cryptoassets" to further regulation. FSMA 2023 gave the UK Treasury powers to create financial market infrastructure sandboxes. The legislative framework for the UK's Digital Securities Sandbox will take effect in January 2024. • On November 20, 2023, the SEC filed a complaint against Payward Inc. and Payward

Ventures Inc., together known as Kraken, alleging, among other claims, that Kraken's crypto trading platform was operating as an unregistered securities exchange, broker, dealer, and clearing agency. The SEC's complaint also alleges that Kraken's business practices, deficient internal controls, and poor recordkeeping practices present a range of risks for its customers. • On November 21, 2023, Binance Holdings Ltd. and its then chief executive officer reached a settlement with minimum capital and liquidity requirements the U. S. Department of Justice, CFTC, the U. S. Department of Treasury's Office of Foreign Asset Control, and (ii) the Financial Crimes Enforcement Network to resolve a multi-year investigation by the agencies and a civil suit brought by the CFTC, pursuant to which Binance agreed to, among the other proposed rules would impose issuer liability on exchanges things, pay \$ 4. 3 billion in penalties across the four agencies and to discontinue its operations in the United States. Binance Holdings Ltd. also acknowledged that it willfully operated permit the trading of decentralized digital assets, including bitcoin. The current proposed rules are subject to a comment and an unlicensed money transmitting business review period that is open until April 30, 2023, after which the government will consider the feedback pleaded guilty to criminal charges of not having adequate anti- money laundering protocols in place and prepare committed violations of the International Emergency Economic Powers Act, and its response then chief executive officer pleaded guilty to failing to maintain an effective anti- money laundering program and resigned as chief executive officer of Binance. This settlement does not include any settlement of the SEC's complaint against Binance referenced above. • In China, the People's Bank of China and the National Development and Reform Commission have outlawed cryptocurrency mining and declared all cryptocurrency transactions illegal within the country. It is not possible to predict whether, or when, any of these developments will lead to Congress granting additional authorities to the SEC or other regulators, or whether, or when, any other federal, state or foreign legislative bodies will take any similar actions. It is also not possible to predict the nature of any such additional authorities, how additional legislation or regulatory oversight might impact the ability of digital asset markets to function or the willingness of financial and other institutions to continue to provide services to the digital assets industry, nor how any new regulations or changes to existing regulations might impact the value of digital assets generally and bitcoin specifically. The consequences of increased regulation of digital assets and digital asset activities could adversely affect the market price of bitcoin and in turn adversely affect the market price of our class A common stock. Moreover, the risks of engaging in a bitcoin acquisition strategy are relatively novel and have created, and may could continue to create further, complications due to the lack of experience that third parties have with companies engaging in such a strategy, such as increased costs of director and officer liability insurance or the unavailability potential inability to obtain such coverage on acceptable terms in the future, or increased cost, of director and officer liability insurance. The growth of the digital assets industry in general, and the use and acceptance of bitcoin in particular, may also impact the price of bitcoin and is subject to a high degree of uncertainty. The pace of worldwide growth in the adoption and use of bitcoin may depend, for instance, on public familiarity with digital assets, ease of buying and, accessing or gaining exposure to bitcoin, institutional demand for bitcoin as an investment asset, the participation of traditional financial institutions in the digital assets industry, consumer demand for bitcoin as a means of payment, and the availability and popularity of alternatives to bitcoin. Even if growth in bitcoin adoption occurs in the near or medium- term, there is no assurance that bitcoin usage will continue to grow over the long- term. Because bitcoin has no physical existence beyond the record of transactions on the Bitcoin blockchain, a variety of technical factors related to the Bitcoin blockchain could also impact the price of bitcoin. For example, malicious attacks by miners, inadequate mining fees to incentivize validating of bitcoin transactions, hard " forks " of the Bitcoin blockchain into multiple blockchains, and advances in digital computing, algebraic geometry, and quantum computing could undercut the integrity of the Bitcoin blockchain and negatively affect the price of bitcoin. The liquidity of bitcoin may also be reduced and damage to the public perception of bitcoin may occur, if financial institutions were to deny or limit banking services to businesses that hold bitcoin, provide bitcoin- related services or accept bitcoin as payment, which could also decrease the price of bitcoin. Recent actions by U. S. banking regulators have reduced the ability of bitcoin- related services provides to access to banking services, including (i) the issuance of the February 23, 2023 " Interagency Liquidity Risk Statement " by the Federal banking agencies cautioning banks on contagion risks posed by providing services to digital assets customers, (ii) the Federal Reserve Board's denial of Custodia Bank's application of a Federal Reserve account, and (iii) the inclusion of crypto- related divestiture conditions in recent merger transaction approvals. Additionally, in August 2023, the Federal Reserve established a Novel Activities Supervision Program to enhance the supervision of novel activities conducted by banking organizations supervised by the Federal Reserve. The program will focus on novel activities related to crypto- assets, distributed ledger technology, and complex, technology- driven partnerships with nonbanks to deliver financial services to customers. Liquidity of bitcoin may also be impacted to the extent that changes in applicable laws and regulatory requirements negatively impact the ability of exchanges and trading venues to provide services for bitcoin and other digital assets. Our historical financial statements do not fully reflect the potential variability in earnings that we may experience in the future from holding or selling significant amounts of bitcoin. The price of bitcoin has historically been subject to dramatic price fluctuations and is highly volatile. As explained more fully in Note 2 (g) to our the consolidated Consolidated financial Financial statements Statements included in this Annual Report on Form 10- K for the year ended December 31, 2022 2023 included in this Annual Report, we determine the fair value of our bitcoin based on quoted (unadjusted) prices on the Coinbase exchange (our principal market for bitcoin). We perform an analysis each quarter to identify whether events or changes in circumstances, principally decreases in the quoted (unadjusted) prices on the active exchange, indicate that it is more likely than not that any of our bitcoin assets are impaired. In determining if an impairment has occurred, we consider the lowest price of one bitcoin quoted on the active exchange at any time since acquiring the specific bitcoin held. If the carrying value of a bitcoin exceeds that lowest price at any time during the quarter, an impairment loss is deemed to have occurred with respect to that bitcoin in the amount equal to the difference between its carrying value and such lowest price, and subsequent increases in

the price of bitcoin will not affect the carrying value of our bitcoin. Gains (if any) are not recorded until realized upon sale, at which point they would be presented net of any impairment losses. In determining the gain to be recognized upon sale, we calculate the difference between the sale price and carrying value of the specific bitcoin sold immediately prior to sale. As a result, any decrease in the fair value of bitcoin below our carrying value for such assets at any time since their acquisition requires us to incur an impairment charge, and such charge could be material to our financial results for the applicable reporting period, which may create significant volatility in our reported earnings and decrease the carrying value of our digital assets, which in turn could have a material adverse effect on the market price of our class A common stock. Conversely, any sale of bitcoins at prices above our carrying value for such assets creates a gain for financial reporting purposes even if we would otherwise incur an economic or tax loss with respect to such transaction, which also may result in significant volatility in our reported earnings.

**In December 2023, the FASB issued ASU 2023-08, which upon our adoption will require us to measure our bitcoin holdings at fair value in our statement of financial position, and to recognize gains and losses from changes in the fair value of our bitcoin in net income each reporting period. ASU 2023-08 will also require us to provide certain interim and annual disclosures with respect to our bitcoin holdings. The standard is effective for our interim and annual periods beginning January 1, 2025, with a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period in which we adopt the guidance. Early adoption is permitted in any interim or annual period for which our financial statements have not been issued as of the beginning of the annual reporting period. Due in particular to the volatility in the price of bitcoin, we expect the adoption of ASU 2023-08 to increase the volatility of our financial results and significantly affect the carrying value of our bitcoin on our balance sheet. Additionally, as a result of ASU 2023-08 requiring a cumulative-effect adjustment to our opening balance of retained earnings as of the beginning of the annual period in which we adopt the guidance and not permitting retrospective restatement of prior period, our future results will not be comparable to results from periods prior to our adoption of the guidance.**

At December 31, 2022-2023, we carried \$ 1.3 billion of digital assets on our balance sheet, consisting of approximately 132,189,500-150 bitcoins and reflecting \$ 2.153-269 billion in cumulative impairment losses attributable to bitcoin trading price fluctuations, and held \$ 43-46.8 million in cash and cash equivalents, compared to a carrying value of \$ 2.1850-840 billion of digital assets, consisting of approximately 124-132,391-500 bitcoins, and \$ 63-43.48 million in cash and cash equivalents at December 31, 2021-2022. Digital asset impairment losses, net of gains on sale, of \$ 1.286 billion incurred during the year ended December 31, 2022 represented 76.9% of our operating expenses for such year, compared contributing to our net loss of \$ 830-1.6-470 million billion for in digital asset impairment losses representing 69.0% of our operating expenses in the year ended December 31, 2021, contributing to our net loss of \$ 1.470 billion for the year ended December 31, 2022 compared to net loss of \$ 535.5 million for the year ended December 31, 2021. Because we intend to purchase additional bitcoin in future periods and increase our overall holdings of bitcoin, we expect that the proportion of our total assets represented by our bitcoin holdings will increase in the future. As a result, volatility and in our earnings in particular with respect to the quarterly periods and full fiscal year with respect to which ASU 2023-08 will apply, and for all future periods, volatility in our earnings may be significantly more than what we experienced in prior periods. The availability changes in securities regulations, or the adoption of spot new laws or regulations, relating to bitcoin could ETPs may adversely affect the price of bitcoin or our ability to transact in or own bitcoin, which may adversely impact the market price of our class A common stock. Although bitcoin and other digital assets have experienced a surge of investor attention since bitcoin was invented in 2008, until recently investors in the United States had currently have limited means to gain direct exposure to bitcoin through traditional investment channels, and instead generally must were only able to hold bitcoin through “hosted” wallets provided by digital asset service providers or through “unhosted” wallets that expose the investor to risks associated with loss or hacking of their private keys. Given the relative novelty of digital assets, general lack of familiarity with the processes needed to hold bitcoin directly, as well as the potential reluctance of financial planners and advisers to recommend direct bitcoin holdings to their retail customers because of the manner in which such holdings are custodied, some investors have sought exposure to bitcoin through investment vehicles that hold bitcoin and issue shares representing fractional undivided interests in their underlying bitcoin holdings. These Although a number of investment vehicles currently offer this exposure to bitcoin, which were previously none of these investment vehicles currently offers its shares directly to the public in the United States, and such shares are offered only to “accredited investors” on a private placement basis. Investors who are not eligible to participate in these private placements may nevertheless purchase shares of these investment vehicles in the over-the-counter market, where such shares have in the past traded at a substantial premium-premiums to the net asset value (“NAV”) of the underlying bitcoin. These premiums have at times been substantial, possibly due although such vehicles have recently traded at a discount to NAV. One reason that such vehicles have in the past traded at substantial premium to NAV may be because of the relative scarcity of traditional investment vehicles providing investment exposure to bitcoin. On January 10, 2024, the SEC approved the listing and trading of spot bitcoin ETPs, the shares of which can be sold in public offerings and are traded on U. S. national securities exchanges. The approved ETPs commenced trading directly to the public on January 11, 2024, with a trading volume of \$ 4.6 billion on the first trading day. On January 11, 2024, and in the subsequent days following the SEC’s approval of the listing and trading of spot bitcoin ETPs, the trading price of our shares of class A common stock declined significantly relative to the value of our bitcoin. To the extent investors view the value of our class A common stock as providing such exposure to bitcoin, it is possible that the value of our class A common stock may also have include-included a premium over the value of our bitcoin. Any due to the prior scarcity of traditional investment vehicles providing investment exposure to bitcoin, and that the value declined due to investors now having a greater range of options to gain exposure to bitcoin and investors choosing to gain such exposure through ETPs rather than premium may increase or decrease in different market conditions and the value of our class A common stock could also trade at. Although we are an operating company, and we believe we offer a different discount relative to the value proposition

than a passive of our bitcoin. Another reason for the substantial premium to NAV exhibited in the past by the trading prices of shares of some bitcoin investment vehicles—vehicle is that such vehicles operate in a manner similar to closed-end investment funds as opposed to exchange-traded funds (“ETFs”) and therefore do not continuously offer to create and redeem their shares at NAV in exchange for bitcoin. Although several bitcoin investment vehicles have attempted to list their shares on a U. S. national securities exchange to permit them to function in the manner of an ETF with continuous share creation and redemption at NAV, the SEC has generally declined to approve any such listing, citing concerns over the surveillance of trading in markets for the underlying bitcoin as well as concerns about fraud and manipulation in bitcoin trading markets. Most recently, in June 2022 the SEC denied proposals from NYSE Area, Inc. to convert Grayscale Bitcoin Trust into a spot bitcoin ETP ETF and to list and trade shares of the Bitwise Bitcoin ETF. However, in October 2021, the SEC permitted the listing of ETFs that invest investors primarily in bitcoin futures contracts. It is unclear as to whether or to what extent the existence of ETFs that invest in bitcoin futures contracts will have on any premium over the value of our bitcoin holdings that may nevertheless view be included in the value of our class A common stock as. If the SEC were to further resolve its concerns regarding surveillance of and— an alternative to the existence of fraud and— an manipulation investment in the bitcoin trading markets, it is possible that the SEC would permit the listing of ETFs specializing in the direct acquisition and— an ETP holding of bitcoin, and choose allowing these funds to purchase offer their shares directly to the public. In addition to greatly simplifying the task of gaining investment exposure to bitcoin, the listing of a spot bitcoin ETP instead ETF with continuous share creation and redemption at NAV would be expected to eliminate the NAV premiums currently exhibited by shares of investment vehicles that trade in the over-the-counter market. To the extent that our class A common stock. They may do so for is viewed as an alternative-to bitcoin investment vehicle and trades at a premium to variety of reasons, including if the they believe value of our bitcoin holdings, that premium may also be eliminated, causing the price of our class A common stock to decline. In addition, the introduction of the bitcoin futures focused ETFs ETPs and any future bitcoin focused ETFs on U. S. national securities exchanges may be viewed by investors as offering— offer a “pure play” exposure to bitcoin that would is generally not be subject to federal income tax at the entity level as we are, or the. As a result of the other foregoing risk factors, applicable to an operating business, such as ours. Additionally, unlike spot bitcoin ETPs, we (i) do not seek for our shares of Class A common stock to track the value of the underlying bitcoin we hold before payment of expenses and liabilities, (ii) do not benefit from various exemptions and relief under the Securities Exchange Act of 1934, as amended, including Regulation M, and other securities laws, which enable spot bitcoin ETPs to continuously align the value of their shares to the price of the underlying bitcoin the they extent investors view hold through share creation and redemption, (iii) are a Delaware corporation rather than a statutory trust, and do not operate pursuant to a trust agreement that would require us to pursue one or more stated investment objectives, and (iv) are not required to provide daily transparency as to our bitcoin holdings or our daily NAV. Furthermore, recommendations by broker-dealers to buy, hold, or sell complex products and non-traditional ETPs, or an investment strategy involving such products, may be subject to additional or heightened scrutiny that would not be applicable to broker-dealers making recommendations with respect to our class A common stock. Based on how we are viewed in the market relative to ETPs, and other vehicles which offer economic exposure to bitcoin, such as linked bitcoin futures ETFs and leveraged bitcoin futures ETFs, any premium or discount in our class A common stock relative to the value of our bitcoin holdings, the introduction may increase or decrease in different market conditions. As a result of the foregoing factors, availability of spot bitcoin ETPs ETPs on U. S. national securities exchanges could have a material adverse effect on the market price of our class A common stock. Our bitcoin acquisition strategy subjects us to enhanced regulatory oversight. As noted above, several spot bitcoin ETPs investment vehicles have attempted received approval from the SEC to list their shares on a U. S. national securities exchange to permit them to function in the manner of an ETF with continuous share creation and redemption at NAV. To date the SEC has declined to approve any such listing, citing concerns over the surveillance of trading in markets for the underlying bitcoin as well as concerns about fraud and manipulation in bitcoin trading markets. Even though we are not, and do not function in the manner of, a spot bitcoin ETP an ETF and do not offer continuous share creation and redemption at NAV, it is possible that we nevertheless could face regulatory scrutiny from the SEC or other federal or state agencies due to our bitcoin holdings. In addition, there has been increasing focus on the extent to which digital assets can be used to launder the proceeds of illegal activities, fund criminal or terrorist activities, or circumvent sanctions regimes, including those sanctions imposed in response to the ongoing conflict between Russia and Ukraine. While we have implemented and maintain policies and procedures reasonably designed to promote compliance with applicable anti-money laundering and sanctions laws and regulations and take care to only acquire our bitcoin through entities subject to anti-money laundering regulation and related compliance rules in the United States, if we are found to have purchased any of our bitcoin from bad actors that have used bitcoin to launder money or persons subject to sanctions, we may be subject to regulatory proceedings and any further transactions or dealings in bitcoin by us may be restricted or prohibited. We have entered into a As of February 14, 2024, approximately 16,931 bitcoin bitcoins—serve as part of the collateralized— collateral loan securing our 2028 Secured Notes and we may consider issuing additional debt or other financial instruments that may be collateralized by our bitcoin holdings. We may also consider pursuing strategies to create income streams or otherwise generate funds using our bitcoin holdings. These types of bitcoin-related transactions are the subject of enhanced regulatory oversight. These and any other bitcoin-related transactions we may enter into, beyond simply acquiring and holding bitcoin, may subject us to additional regulatory compliance requirements and scrutiny, including under federal and state money services regulations, money transmitter licensing requirements and various commodity and securities laws and regulations. Additional laws, guidance and policies may be issued by domestic and foreign regulators following the filing for Chapter 11 bankruptcy protection by FTX, one of the world’s largest cryptocurrency exchanges, in November 2022. While the financial and regulatory fallout from FTX’s collapse did not directly impact our business, financial condition or corporate assets, the FTX collapse may have increased regulatory focus on the digital assets



industry. For example, the SEC has recently proposed a number of rules with implications for digital assets. Notably, on April 14, 2023, the SEC reopened the comment period for its proposal to significantly expand the definition of “exchange” under Exchange Act Rule 3b-16 to encompass trading and communication protocol systems for digital asset securities and trading systems that use distributed ledger or blockchain technology, including both so-called “centralized” and “decentralized” trading systems. If adopted in its proposed form, the proposed rule would have a sweeping impact on digital asset trading venues and other digital asset industry participants. U. S. and foreign regulators have also increased, and are highly likely to continue to increase, enforcement activity, and are likely to adopt new regulatory requirements in response to FTX’s collapse. Increased enforcement activity and changes in the regulatory environment, including changing interpretations and the implementation of new or varying regulatory requirements by the government or any new legislation affecting bitcoin, as well as enforcement actions involving or impacting our trading venues, counterparties and custodians, may impose significant costs or significantly limit our ability to hold and transact in bitcoin. In addition, private actors that are wary of bitcoin or the regulatory concerns associated with bitcoin have in the past taken and may in the future take further actions that may have an adverse effect on our business or the market price of our class A common stock. For example, an affiliate of HSBC Holdings has prohibited customers of its HSBC InvestDirect retail investment platform from buying shares of our class A common stock after determining that the value of our stock is related to the performance of bitcoin, indicating that it did not want to facilitate exposure to virtual currencies. Due to the unregulated nature and lack of transparency surrounding the operations of many bitcoin trading venues, bitcoin trading venues may experience greater fraud, security failures or regulatory or operational problems than trading venues for more established asset classes, which may result in a loss of confidence in bitcoin trading venues and adversely affect the value of our bitcoin. Bitcoin trading venues are relatively new and, in many cases, unregulated. Furthermore, there are many bitcoin trading venues which do not provide the public with significant information regarding their ownership structure, management teams, corporate practices and regulatory compliance. As a result, the marketplace may lose confidence in bitcoin trading venues, including prominent exchanges that handle a significant volume of bitcoin trading and / or are subject to regulatory oversight, in the event one or more bitcoin trading venues cease or pause for a prolonged period the trading of bitcoin or other digital assets, or experience fraud, significant volumes of withdrawal, security failures or operational problems. In For example, in 2019 there were reports claiming that 80- 95 % of bitcoin trading volume on trading venues was false or non-economic in nature, with specific focus on unregulated exchanges located outside of the United States. The SEC also alleged as part of its June 5, 2023, complaint that Binance Holdings Ltd. committed strategic and targeted “wash trading” through its affiliates to artificially inflate the volume of certain digital assets traded on its exchange. Such reports and allegations may indicate that the bitcoin market is significantly smaller than expected and that the United States makes up a significantly larger percentage of the bitcoin market than is commonly understood. Any actual or perceived false trading in the bitcoin market, and any other fraudulent or manipulative acts and practices, could adversely affect the value of our bitcoin. Negative perception, a lack of stability in the broader bitcoin markets and the closure, temporary shutdown or operational disruption of bitcoin trading venues, lending institutions, institutional investors, institutional miners, custodians, or other major participants in the bitcoin ecosystem, due to fraud, business failure, cybersecurity events hackers or malware, government-mandated regulation, bankruptcy, or for any other reason, may reduce result in a decline in confidence in bitcoin and the broader bitcoin ecosystem and may result in greater volatility in the price of bitcoin. For example, in 2022, each of Celsius Networks Network, Voyager Digital Holdings, Three Arrows Capital, FTX, and BlockFi filed for bankruptcy, following which the market prices of bitcoin and other digital assets significantly declined. To In addition, in June 2023, the SEC announced enforcement actions against Coinbase, Inc., and Binance Holdings Ltd., two providers of large trading venues for digital assets, which similarly was followed by a decrease in the market price of bitcoin and the other extent investors view digital assets. These were followed in November 2023, by an SEC enforcement action against Payward Inc. and Payward Ventures Inc., together known as Kraken, another large trading venue for digital assets. As the price of our class A common stock as linked to is affected by the value of our bitcoin holdings, the failure of a major participant in the bitcoin ecosystem could have a material adverse effect on the market price of our class A common stock. The concentration of our bitcoin holdings enhances the risks inherent in our bitcoin acquisition strategy. As of February 15-14, 2023-2024, we held approximately 132-190, 500-000 bitcoins that were acquired at an aggregate purchase price of \$ 3-5, 993-933 billion and we intend to purchase additional bitcoin and increase our overall holdings of bitcoin in the future. The concentration of our bitcoin holdings limits the risk mitigation that we could take advantage of by purchasing a more diversified portfolio of treasury assets, and the absence of diversification enhances the risks inherent in our bitcoin acquisition strategy. The price of bitcoin has recently experienced a significant decline in 2022, and this has had, and any further-future significant declines in the price of bitcoin would have, a more pronounced impact on our financial condition than if we used our cash to purchase a more diverse portfolio of assets. The emergence or growth of other digital assets, including those with significant private or public sector backing, could have a negative impact on the price of Bitcoin-bitcoin and adversely affect our business. As a result of our bitcoin acquisition strategy, the majority of our assets are concentrated in our bitcoin holdings. Accordingly, the emergence or growth of digital assets other than bitcoin may have a material adverse effect on our financial condition. As of December 31, 2023 the date of this Annual Report, bitcoin was the largest digital asset by market capitalization. However, there are numerous alternative digital assets and many entities, including consortiums and financial institutions, are researching and investing resources into private or permissioned blockchain platforms or digital assets that do not use proof- of- work mining like the bitcoin-Bitcoin network. For example, in late 2022, the Ethereum network transitioned to a “proof- of- stake” mechanism for validating transactions that requires significantly less computing power than proof- of- work mining. The Ethereum network has completed another major upgrade since then and may undertake additional upgrades in the future. If the mechanisms for validating transactions in Ethereum and other alternative digital assets are perceived as superior to proof- of-

work mining, those digital assets could gain market share relative to bitcoin. Other alternative digital assets that compete with bitcoin in certain ways include “stablecoins,” which are designed to maintain a constant price because of, **for instance,** their issuers’ promise to hold high- quality liquid assets (such as U. S. dollar deposits and short- term U. S. treasury securities) equal to the total value of stablecoins in circulation. Stablecoins have grown rapidly as an alternative to bitcoin and other digital assets as a medium of exchange and store of value, particularly on ~~cryptocurrency~~ **digital asset** trading platforms. As of **December 31 the date of this Annual Report, three 2023, two** of the seven largest digital assets by market capitalization are U. S. dollar-backed stablecoins. Additionally, central banks in some countries have started to introduce digital forms of legal tender. For example, China’s CBDC project was made available to consumers in January 2022, and governments including the United States ~~and,~~ the European Union, **and Israel** have been discussing the potential creation of new CBDCs. Whether or not they incorporate blockchain or similar technology, CBDCs, as legal tender in the issuing jurisdiction, could also compete with, or replace, bitcoin and other digital assets as a medium of exchange or store of value. As a result, the emergence or growth of these or other digital assets could cause the market price of bitcoin to decrease, which could have a material adverse effect on our business, prospects, financial condition, and operating results. Our bitcoin holdings are less liquid than our existing cash and cash equivalents and may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents. In September 2020, we adopted bitcoin as our primary treasury reserve asset. Historically, the bitcoin markets have been characterized by ~~more~~ **significant volatility in price volatility, less limited** liquidity, ~~and lower~~ trading volumes compared to sovereign currencies markets, ~~as well as~~ relative anonymity, a developing regulatory landscape, **potential** susceptibility to market abuse and manipulation, **compliance and internal control failures at exchanges**, and various other risks inherent in its entirely electronic, virtual form and decentralized network. During times of market instability, we may not be able to sell our bitcoin at ~~reasonable~~ **favorable** prices or at all. For example, **a number of bitcoin trading venues temporarily halted deposits and withdrawals in 2022**, although the Coinbase exchange (our principal market for bitcoin) has, to date, not **done so** ~~been impacted, a number of bitcoin trading venues recently have temporarily halted deposits and withdrawals~~. As a result, our bitcoin holdings may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents. Further, **bitcoin we hold with** our custodians (~~including Coinbase~~) **and transact with our trade execution partners does not enjoy the same protections as** ~~are not banking~~ **available to cash or securities deposited with or transacted by** institutions or otherwise ~~members of~~ **subject to regulation by** the Federal Deposit Insurance Corporation (“FDIC”) or the Securities Investor Protection Corporation (“SIPC”) and, therefore, ~~digital asset deposits held with those custodians are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions~~. Additionally, ~~during times of market instability, including in particular at times when the price of bitcoin has materially declined~~, we may be unable to enter into term loans or other capital raising transactions collateralized by our unencumbered bitcoin or otherwise generate funds using our bitcoin holdings, **including in particular during times of market instability or when the price of bitcoin has declined significantly**. If we are unable to sell our bitcoin, enter into additional capital raising transactions using bitcoin as collateral, or otherwise generate funds using our bitcoin holdings, or if we are forced to sell our bitcoin at a significant loss, in order to meet our working capital requirements, our business and financial condition could be negatively impacted. If we or our third- party service providers experience a security breach or cyberattack and unauthorized parties obtain access to our bitcoin, or if our private keys are lost or destroyed, or other similar circumstances or events occur, we may lose some or all of our bitcoin and our financial condition and results of operations could be materially adversely affected. Substantially all of the bitcoin we own is held in custody accounts at institutional- grade digital asset custodians. Security breaches and cyberattacks are of particular concern with respect to our bitcoin. Bitcoin and other blockchain- based cryptocurrencies and the entities that provide services to participants in the bitcoin ecosystem have been, and may in the future be, subject to security breaches, cyberattacks, or other malicious activities. For example, in October 2021 it was reported that hackers exploited a flaw in the account recovery process and stole from the accounts of at least 6, 000 customers of the Coinbase exchange (our principal market for bitcoin), although the flaw was subsequently fixed and Coinbase reimbursed affected customers. Similarly, in November 2022, hackers exploited weaknesses in the security architecture of the FTX Trading digital asset exchange and reportedly stole over \$ 400 million in digital assets from customers. A successful security breach or cyberattack could result in: • a partial or total loss of our bitcoin in a manner that may not be covered by insurance or the liability provisions of the custody agreements with the custodians who hold our bitcoin; • harm to our reputation and brand; • improper disclosure of data and violations of applicable data privacy and other laws; or • significant regulatory scrutiny, investigations, fines, penalties, and other legal, regulatory, contractual and financial exposure. Further, any actual or perceived data security breach or cybersecurity attack directed at other companies with digital assets or companies that operate digital asset networks, **regardless of** ~~or not~~ we are directly impacted, could lead to a general loss of confidence in the broader ~~bitcoin~~ **Bitcoin** blockchain ecosystem or in the use of ~~the bitcoin~~ **Bitcoin networks** ~~network~~ to conduct financial transactions, which could negatively impact us. Attacks upon systems across a variety of industries, including industries related to bitcoin, are increasing in frequency, persistence, and sophistication, and, in many cases, are being conducted by sophisticated, well- funded and organized groups and individuals, including state actors. The techniques used to obtain unauthorized, improper or illegal access to systems and information (including personal data and digital assets), disable or degrade services, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. These attacks may occur on our systems or those of our third- party service providers or partners. We may experience breaches of our security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities or other irregularities. In particular, unauthorized parties have attempted, and we expect that they will continue to attempt, to gain access to our systems and facilities, as well as those of our partners and third- party service providers, through various means, such as hacking, social engineering, phishing and fraud. In the past, hackers have successfully employed a social engineering attack against one of our service providers and misappropriated our digital assets, although, to date, such events have not been material to our financial condition or operating results. Threats can come

from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, and insiders. In addition, certain types of attacks could harm us even if our systems are left undisturbed. For example, certain threats are designed to remain dormant or undetectable, sometimes for extended periods of time, or until launched against a target and we may not be able to implement adequate preventative measures. Further, there has been an increase in such activities **due to the increase in work-from-home arrangements** since the **beginning-onset** of the COVID-19 pandemic. The risk of cyberattacks could also be increased by cyberwarfare in connection with the ongoing **conflict-between-Russia-and-Ukraine-and-Israel-Hamas conflicts**, or other future conflicts, including potential proliferation of malware into systems unrelated to such conflicts. Any future breach of our operations or those of others in the bitcoin industry, including third-party services on which we rely, could materially and adversely affect our business. **The We face risks relating to the custody of our bitcoin, including the loss or destruction of a private key required to access our bitcoin may be irreversible. If we are unable to access our private keys required to access our bitcoin and if we experience a cyberattack cyberattacks** or other data loss relating to our bitcoin, **our financial condition and results of..... cyberattacks, or other malicious activities.** We hold our bitcoin with several regulated custodians that have duties to safeguard our private keys. **Our As of December 31, 2022, one custodian held approximately half of our bitcoin, although our custodial agreements services contracts do not restrict us our ability to reallocate our bitcoin among our custodians, and our bitcoin holdings may be concentrated with a single custodian from time to time** reallocating our bitcoin holdings among our custodians. In light of the significant amount of bitcoin we hold, we **continually are continuing to seek to engage additional custodians to achieve** a greater degree of diversification in the **use of custodial custody services of our bitcoin** as the extent of potential risk of loss is dependent, in part, on the degree of diversification. **If there is a decrease in the availability of digital asset custodians that we believe can safely custody our bitcoin, for example, due to regulatory developments or enforcement actions that cause custodians to discontinue or limit their services in the United States, we may need to enter into agreements that are less favorable than our current agreements or take other measures to custody our bitcoin, and our ability to seek a greater degree of diversification in the use of custodial services would be materially adversely affected.** As of December 31, **2022-2023**, the insurance that covers losses of our bitcoin holdings covers only a small fraction of the value of the entirety of our bitcoin holdings, and there can be no guarantee that such insurance will be maintained as part of the custodial services we have or that such coverage will cover losses with respect to our bitcoin. Moreover, **the-our** use of custodians **to hold our bitcoin** exposes us to the risk that the bitcoin **our** **custodially-custodians - held hold** on our behalf could be subject to insolvency proceedings and we could be treated as a general unsecured creditor of the custodian, inhibiting our ability to exercise ownership rights with respect to such bitcoin. Any loss associated with such insolvency proceedings is unlikely to be covered by any insurance coverage we maintain related to our bitcoin. **materially adversely affected** Bitcoin is controllable only by the possessor of both the unique public key and private key (s) relating to the local or online digital wallet in which the bitcoin is held. While the Bitcoin blockchain ledger requires a public key relating to a digital wallet to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the bitcoin held in such wallet. To the extent the private key (s) for a digital wallet are lost, destroyed, or otherwise compromised and no backup of the private key (s) is accessible, neither we nor our custodians will be able to access the bitcoin held in the related digital wallet. Furthermore, we cannot provide assurance that our digital wallets, nor the digital wallets of our custodians held on our behalf, will not be compromised as a result of a cyberattack. The bitcoin and blockchain ledger, as well as other digital assets and blockchain technologies, have been, and may in the future be, subject to security breaches, cyberattacks, or other **malicious activities**. Regulatory change reclassifying bitcoin as a security could lead to our classification as an "investment company" under the Investment Company Act of 1940 and could adversely affect the market price of bitcoin and the market price of our class A common stock. While senior SEC officials have stated their view that bitcoin is not a "security" for purposes of the federal securities laws, **a contrary determination by the SEC has so far refused to permit the listing of any bitcoin-based ETFs, citing, among other things, concerns regarding bitcoin market integrity and custodial protections. It is possible that the SEC could take a contrary position to the one taken by its senior officials or a federal court could conclude that bitcoin is a security. Such a determination** could lead to our classification as an "investment company" under the Investment Company Act of 1940, which would subject us to significant additional regulatory controls that could have a material adverse effect on our business and operations and **may also may** require us to substantially change the manner in which we conduct our business. In addition, if bitcoin is determined to constitute a security for purposes of the federal securities laws, the additional regulatory restrictions imposed by such a determination could adversely affect the market price of bitcoin and in turn adversely affect the market price of our class A common stock. A significant decrease in the market value of our bitcoin holdings could adversely affect our ability to service our indebtedness. As a result of our bitcoin acquisition strategy and our Treasury Reserve Policy, the majority of our assets are concentrated in our bitcoin holdings. The concentration of our assets in bitcoin limits our ability to mitigate risk that could otherwise be achieved by purchasing a more diversified portfolio of treasury assets. Accordingly, a significant decline in the market value of bitcoin could have a material adverse effect on our financial condition. Any material adverse effect on our financial condition caused by a significant decline in the market value of our bitcoin holdings may create liquidity and credit risks for our business operations, as we would have limited means to obtain cash beyond the revenues generated by our enterprise analytics software business. To the extent that the cash generated by our enterprise analytics software business is insufficient to satisfy our debt service obligations, and to the extent that the liquidation of our bitcoin holdings would be insufficient to satisfy our debt service obligations, we may be unable to make scheduled payments on our current or future indebtedness, which could cause us to default on our debt obligations. Any default on our current or future indebtedness may have a material adverse effect on our financial condition. See "Risks Related to Our Outstanding and Potential Future Indebtedness" for additional details about the risks which may impact us if we are unable to service our indebtedness. Our bitcoin acquisition strategy exposes us to risk of non-performance by counterparties. Our bitcoin acquisition strategy exposes us to the risk of non-performance by counterparties, whether contractual or otherwise.

Risk of non- performance includes inability or refusal of a counterparty to perform because of a deterioration in the counterparty's financial condition and liquidity or for any other reason. For example, our execution partners, custodians, or other counterparties might fail to perform in accordance with the terms of our ~~agreement~~ **agreements** with them, which could result in a loss of bitcoin, a loss of the opportunity to generate funds, or other losses. Our primary counterparty risk with respect to our bitcoin is custodian performance obligations under the various custody arrangements we have entered into. A series of recent high- profile bankruptcies,  **closures, liquidations, regulatory enforcement actions and other events** relating to companies operating in the digital asset industry ~~and certain of their affiliates~~, including **the filings for bankruptcy protection by** Three Arrows Capital, Celsius Network, Voyager Digital, FTX Trading and Genesis Global Capital, **has the closure or liquidation of certain financial institutions that provided lending and other services to the digital assets industry, including Signature Bank and Silvergate Bank, SEC enforcement actions against Coinbase, Inc., Binance Holdings Ltd., and Kraken, the placement of Prime Trust, LLC into receivership following a cease- and- desist order issued by Nevada's Department of Business and Industry, and the filing and subsequent settlement of a civil fraud lawsuit by the New York Attorney General against Genesis Global Capital, its parent company Digital Currency Group, Inc., and former partner Gemini Trust Company have** highlighted the perceived and actual counterparty risk applicable to digital asset ownership and trading. **Although these bankruptcies, closures and liquidations have not resulted in any loss or misappropriation of our bitcoin, nor have such events adversely impacted our access to our bitcoin,** ~~Legal-legal~~ precedent created in these bankruptcy **and other** proceedings may increase the risk of future rulings adverse to our interests in the event one or more of our custodians becomes a debtor in a bankruptcy case or is the subject of other liquidation, insolvency or similar proceedings. **While all** ~~On January 23, 2023, the NYDFS released "Guidance on Custodial Structures for Customer Protection in the Event of Insolvency" with the stated purpose of helping~~ **our custodians are subject to regulatory regimes intended to protect customers in the event that of a custodian-custodial enters bankruptcy, receivership or similar insolvency proceedings- proceeding . While all of our custodians are NYDFS- regulated custodians, no assurance can be provided that the stated guidance from the NYDFS will be followed or our will not be changed or that** ~~custodially- held bitcoin will not become part of the custodian's insolvency estate if in the event~~ one or more of our custodians enters bankruptcy, receivership or similar insolvency proceedings. Additionally, if we pursue any strategies to create income streams or otherwise generate funds using our bitcoin holdings, we would become subject to additional counterparty risks. Any significant non- performance by counterparties, including in particular the custodians with which we custody substantially all of our bitcoin, could have a material adverse effect on our business, prospects, financial condition, and operating results. Risks Related to Our Enterprise Analytics Software Business Strategy We depend on revenue from a single software platform and related services as well as revenue from our installed customer base Our revenue is derived from sales of our analytics software platform and related services. Although demand for analytics software has continued to grow, the market for analytics offerings continues to evolve. Resistance from consumer and privacy groups to commercial collection, use, and sharing of personal data has grown in recent years and our customers, potential customers, or the general public may perceive that use of our analytics software could violate individual privacy rights. In addition, increasing government restrictions on the collection, use, and transfer of personal data could impair the further growth of the market for analytics software, especially in foreign markets. Because we depend on revenue from a single software platform and related services, our business could be harmed by a decline in demand for, or in the adoption or prices of, our platform and related services as a result of, among other factors, any change in our pricing or packaging model, increased competition, maturation in the markets for our platform, or other risks described in this Annual Report. In addition, the adoption of our bitcoin acquisition strategy and the ~~recent~~ increase in our indebtedness has caused and may in the future cause certain of our existing or prospective customers to form negative perceptions regarding our corporate risk profile or our financial viability as a commercial counterparty, and such negative perceptions could negatively impact sales of our analytics software platform and related services to current or prospective customers. Such risks can also be exacerbated if the price of bitcoin declines or ~~by~~ **due to** adverse developments in the digital assets industry including, for example, the high- profile **filings for** bankruptcy ~~filings- protection~~ by companies operating in that industry, such as the recent bankruptcy filings by Three Arrows Capital, Voyager Digital, BlockFi and FTX Trading, **and the SEC enforcement actions against Coinbase, Inc., Binance Holdings Ltd., and Kraken**. We also depend on our installed customer base for a substantial portion of our revenue. If our existing customers cancel or fail to renew their service contracts or fail to make additional purchases from us for any reason, including due to the risks inherent in our bitcoin acquisition strategy, our revenue could decrease and our operating results could be materially adversely affected. As our customers increasingly shift from a product license model to a cloud subscription model, we could face higher future rates of attrition, and such a shift could continue to affect the timing of revenue recognition or reduce product licenses and product support revenues, which could materially adversely affect our operating results We offer our analytics platform in the form of a product license or a cloud subscription. Given that it is relatively easy for customers to migrate on and off our cloud subscription platform, as we continue to shift our customers toward our cloud platform, we could face higher future rates of attrition among our customers. In addition, the payment streams and revenue recognition timing for our product licenses are different from those for our cloud subscriptions. For product licenses, customers typically pay us a lump sum soon after entering into a license agreement, and we typically recognize product licenses revenue when control of the license is transferred to the customer. For cloud subscriptions, customers typically make periodic payments over the subscription period and we recognize subscription services revenues ratably over the subscription period. As a result, as our customers increasingly shift to, or new customers purchase, cloud subscriptions instead of product licenses, the resulting change in payment terms and revenue recognition may result in our recognizing less revenue in the reporting period in which the sale transactions are consummated than has been the case in prior periods, with more revenue being recognized in future periods. This change in the timing of revenue recognition could materially adversely affect our operating results and cash flows for the periods during which such a shift or change in purchasing occurs. Accordingly, in any particular reporting period, cloud

subscription sales could negatively impact product license sales to our existing and prospective customers, which could reduce product licenses and product support revenues. Additionally, our ability to accelerate our cloud strategy could be negatively impacted by any inability to provide necessary sales and sales engineering support, including the support of channel partners, our internal sales team, and digital marketing. Finally, if we are not able to successfully grow sales of our cloud subscription platform, we may not be able to achieve the scale necessary to achieve increased operating margins. We use channel partners and if we are unable to maintain successful relationships with them, our business, operating results, and financial condition could be materially adversely affected. In addition to our direct sales force, we use channel partners, such as system integrators, consulting firms, resellers, solution providers, managed service providers, OEMs, and technology companies, to license and support our offerings. For the year ended December 31, ~~2022~~ **2023**, transactions by channel partners for which we recognized revenue accounted for ~~24-27~~ **7-2** % of our total product licenses revenues, and our ability to achieve revenue growth in the future will depend in part on our ability to maintain these relationships. Our channel partners may offer customers the products and services of several different companies, including competing offerings, and we cannot be certain that they will prioritize or devote adequate resources to selling our offerings. If we are unable to maintain our relationships with our channel partners, or if we experience a reduction in sales by our channel partners, our business, operating results, and financial condition could be materially adversely affected. In addition, we rely on our channel partners to operate in accordance with applicable laws and regulatory requirements. If they fail to do so, we may need to incur significant costs in responding to investigations or enforcement actions or paying penalties assessed by the applicable authorities. We also rely on our channel partners to operate in accordance with the terms of their contractual agreements with us. For example, some of our agreements with our channel partners prescribe the terms and conditions pursuant to which they are authorized to resell or distribute our software and offer technical support and related services. If our channel partners do not comply with their contractual obligations to us, our business, operating results, and financial condition may be materially adversely affected. Our recognition of deferred revenue and advance payments is subject to future performance obligations and may not be representative of revenues for succeeding periods. Our deferred revenue and advance payments totaled \$ ~~230-236~~ **2-7** million as of December 31, ~~2022~~ **2023**. The timing and ultimate recognition of our deferred revenue and advance payments depend on various factors, including our performance of various service obligations. Because of the possibility of customer changes or delays in customer development or implementation schedules or budgets, and the need for us to satisfactorily perform product support and other services, deferred revenue and advance payments at any particular date may not be representative of actual revenue for any succeeding period. In addition, we had \$ ~~94-103~~ **6-0** million of other remaining performance obligations as of December 31, ~~2022~~ **2023**, consisting of the portions of multi-year contracts that will be invoiced in the future that are not reflected on our balance sheet. As with deferred revenue and advance payments, these other remaining performance obligations at any particular date may not be representative of actual revenue for any succeeding period. We may lose sales, or sales may be delayed, due to the long sales and implementation cycles of certain of our offerings, which could materially adversely affect our revenues and operating results. The decision to purchase our offerings typically requires our customers to invest substantial time, money, personnel, and other resources, which can result in long sales cycles that can exceed nine months. These long sales cycles increase the risk that intervening events, such as the introduction of new offerings and changes in customer budgets and purchasing priorities, will affect the size, timing, and completion of an order. Even if an order is completed, the time and resources required to implement and integrate our offerings vary widely depending on customer needs and the complexity of deployment. If we lose sales or sales are delayed due to these long sales and implementation cycles, our revenues and operating results for that period may be materially adversely affected. Our results in any particular period may depend on the number and volume of large transactions in that period and these transactions may involve lengthier, more complex, and more unpredictable sales cycles than other transactions. Larger, enterprise-level transactions often require considerably more resources, are often more complex to implement, and typically require additional management approval, which may result in a lengthier, more complex, and less predictable sales cycle and may increase the risk that an order is delayed or not brought to completion. We may also encounter greater competition and pricing pressure on these larger transactions, and our sales and delivery efforts may be more costly. The presence or absence of one or more large transactions in a particular period may have a material effect on our revenues and operating results for that period and may result in lower estimated revenues and earnings in future periods. For the year ended December 31, ~~2022~~ **2023**, our top three product licenses transactions with recognized revenue totaled \$ ~~13-8~~ **1-9** million, or ~~15-11~~ **1-8** % of total product licenses revenues, compared to \$ ~~12-13~~ **6-1** million, or ~~12-15~~ **4-1** % of total product licenses revenues, for the year ended December 31, ~~2021~~ **2022**. Our offerings face intense competition, which may lead to lower prices for our offerings, reduced gross margins, loss of market share, and reduced revenue. The analytics market is highly competitive and subject to rapidly changing technology **and market conditions**. Within the ~~For enterprise~~ **analytics space**, we compete with ~~global ISVs many different software vendors, including such as~~ **IBM, Microsoft, Oracle, Qlik, Salesforce, and SAP**. Our future success depends on our ability to differentiate our offerings and successfully compete across ~~analytics implementation projects of varying sizes~~ **analytics implementation projects of varying sizes**. Our ability to compete successfully depends on a number of factors, both within and outside of our control. Some of these factors include software ~~deployment options~~ **quality, performance and reliability**; ~~analytical~~ **the quality of our service and support teams; marketing and prospecting effectiveness**; ~~the mobility~~ **ability to incorporate**; ~~data discovery, visualization, artificial intelligence, (“ AI ”) and machine learning capabilities~~ **other technically advanced features**; ~~performance and~~ **our scalability**; ~~ability to differentiate~~; ~~the quality and reliability of our products~~ **customer service and support; and brand recognition**. Failure to ~~perform~~ **compete successfully** in any one of these or other areas may reduce the demand for our offerings and materially adversely affect our revenue from both existing and prospective customers. Some of our competitors have longer operating histories, more focused business strategies and significantly greater financial, technical, and marketing resources than we do. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements or devote greater resources to the development, promotion, sale, and

marketing of their offerings than we can, such as offering certain analytics products free of charge when bundled with other products. In addition, many of our competitors have strong relationships with current and potential customers, extensive industry and specialized business knowledge, and corresponding proprietary technologies that they can leverage. As a result, they may be able to prevent us from penetrating new accounts or expanding existing accounts. Increased competition may lead to price cuts, reduced gross margins, and loss of market share. The failure to compete successfully and meet the competitive pressures we face may have a material adverse effect on our business, operating results, and financial condition. Current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others. By doing so, these competitors may increase their ability to meet the needs of our potential customers by their expanded offerings and rapidly gain significant market share, which could limit our ability to obtain revenues from new customers and to sustain software maintenance revenues from our installed customer base. In addition, basic office productivity software suites, such as Microsoft Office, could evolve to offer advanced analysis and reporting capabilities that may reduce the demand for our analytics offerings.

**Integration of artificial intelligence into our enterprise analytics product offerings and our use of artificial intelligence in our operations could result in reputational or competitive harm, legal liability, and other adverse effects on our business** We have integrated, and plan to further integrate, AI capabilities into certain components of our enterprise analytics product offerings and we expect to use AI in our operations. Such integration and use of AI may become more important in our product offerings and operations over time. These AI-related initiatives, whether successful or not, could cause us to incur substantial costs and could result in delays in our software release cadence. Our competitors or other third parties may incorporate AI into their products or operations more quickly or more successfully than we do, which could impair our ability to compete effectively. Additionally, AI algorithms may be flawed and datasets underlying AI algorithms may be insufficient or contain biased information. If the AI tools integrated into our products or that we use in our operations produce analyses or recommendations that are or are alleged to be deficient, inaccurate, or biased, our reputation, business, financial condition, and results of operations may be adversely affected. Other companies have experienced cybersecurity incidents that implicate confidential and proprietary company data and / or the personal data of end users of AI applications integrated into their software offerings or used in their operations. If we were to experience a cybersecurity incident, whether related to the integration of AI capabilities into our product offerings or our use of AI applications in our operations, our business and results of operations could be adversely affected. AI also presents various emerging legal, regulatory and ethical issues, and the incorporation of AI into our product offerings and our use of AI applications in our operations could require us to expend significant resources in developing, testing and maintaining our product offerings and may cause us to experience brand, reputational, or competitive harm, or incur legal liability. On October 30, 2023, the Biden administration issued an Executive Order to, among other things, establish extensive new standards for AI safety and security. Other jurisdictions may decide to adopt similar or more restrictive legislation that may render the use of such technologies challenging. These restrictions may make it harder for us to conduct our business using AI, lead to regulatory fines or penalties, require us to change our product offerings or business practices, or prevent or limit our use of AI.

**Risks Related to Our Technology and Intellectual Property** If we are unable to develop and release new software product offerings or and software enhancements to respond to rapid technological change, new customer requirements, or our existing offerings evolving industry standards in a timely and cost-effective manner, our business, operating results, and financial condition could be materially adversely affected. The software market for our offerings is characterized by frequent new offerings and software enhancements in response to rapid technological change, new customer requirements, and evolving industry standards. The introduction of new or enhanced offerings can quickly make existing ones obsolete. We believe our future success depends largely on our ability to continue to rapidly develop new and innovative product offerings and enhancements to our existing offerings that achieve market acceptance, maintain and improve our current offerings, support popular operating systems and databases, maintain and improve our current offerings, rapidly develop new offerings and software enhancements that achieve market acceptance, maintain technological competitiveness, and meet an expanding range of customer requirements. Analytics applications are inherently complex, and applications that leverage the Bitcoin blockchain and Lighting Network, can be complex, and research and development for these types of applications can be costly and time consuming. In addition, customers may delay their purchasing decisions because they anticipate that new or enhanced versions of our offerings will soon become available or because of concerns regarding the complexity of migration or performance issues related to new offerings. We cannot be sure that we will succeed in developing, marketing, and delivering, on a timely and cost-effective basis, new or enhanced offerings that will achieve market acceptance. Moreover, even if our new offerings achieve market acceptance, we may experience a decline in revenues of our existing offerings that is not fully matched by the new offering's revenue. This could result in a temporary or permanent revenue shortfall and materially adversely affect our business, operating results, and financial condition. We depend on technology licensed to us by third parties, and changes in or discontinuances of such licenses could impair our software, delay implementation of our offerings, or force us to pay higher license fees. We license third-party technologies that are incorporated into or utilized by our existing offerings. These licenses may be terminated, or we may be unable to license third-party technologies for future offerings. In addition, we may be unable to renegotiate acceptable third-party license terms, or we may be subject to infringement liability if third-party technologies that we license are found to infringe intellectual property rights of others. Changes in or discontinuance of third-party licenses could lead to a material increase in our costs or to our offerings becoming inoperable or their performance being materially reduced. As a result, we may need to incur additional development costs to help ensure continued performance of our offerings, and we may experience a decreased demand for our offerings. Changes in third-party software or systems or the emergence of new industry standards could materially adversely affect the operation of and demand for our existing software. The functionalities of our software depend in part on the ability of our software to interface with our customers' information

technology (“IT”) infrastructure and cloud environments, including software applications, network infrastructure, and end user devices, which are supplied to our customers by various other vendors. When new or updated versions of these third-party software or systems are introduced, or new industry standards in related fields emerge, we may be required to develop updated versions of or enhancements to our software to help ensure that it continues to effectively interoperate with our customers’ IT infrastructure and cloud environments. If new or modified operating systems are introduced or new web standards and technologies or new standards in the field of database access technology emerge that are incompatible with our software, development efforts to maintain the interoperability of our software with our customers’ IT infrastructure and cloud environments could require substantial capital investment and employee resources. If we are unable to update our software in a timely manner, cost-effectively, or at all, the ability of our software to perform key functions could be impaired, which may impact our customers’ satisfaction with our software, potentially result in breach of warranty or other claims, and materially adversely affect demand for our software. The nature of our software makes it particularly susceptible to undetected errors, bugs, or security vulnerabilities, which could cause problems with how the software performs and, in turn, reduce demand for our software, reduce our revenue, and lead to litigation claims against us. Despite extensive testing by us and our current and potential customers, we have in the past discovered software errors, bugs, or security vulnerabilities (including the log4j and SpringShell vulnerabilities which surfaced in December 2021 and March 2022, respectively, and affected companies worldwide) in our offerings after commercial shipments began and they may be found in future offerings or releases. This could result in lost revenue, damage to our reputation, or delays in market acceptance, which could have a material adverse effect on our business, operating results, and financial condition. We may also need to expend resources and capital to correct these defects if they occur. Our customer agreements typically contain provisions designed to limit our exposure to product liability, warranty, and other claims. It is possible these provisions are unenforceable in certain domestic or international jurisdictions, and we may be exposed to such claims. A successful claim against us could have a material adverse effect on our business, operating results, and financial condition. Our intellectual property is valuable, and any inability to protect it could reduce the value of our offerings and brand. Unauthorized third parties may try to copy or reverse engineer portions of our software or otherwise obtain and use our intellectual property. Copyrights, patents, trademarks, trade secrets, confidentiality procedures, and contractual commitments can only provide limited protection. Any intellectual property owned by us may be invalidated, circumvented, or challenged. Any of our pending or future intellectual property applications, whether or not currently being challenged, may not be issued with the scope we seek, if at all. Moreover, amendments to and developing jurisprudence regarding U. S. and international law may affect our ability to protect our intellectual property and defend against claims of infringement. In addition, although we generally enter into confidentiality agreements with our employees and contractors, the confidential nature of our intellectual property may not be maintained. Furthermore, the laws of some countries do not provide the same level of protection of our intellectual property as do the laws of the United States. If we cannot protect our intellectual property against unauthorized copying or use, we may not remain competitive. **We may be obligated to disclose our proprietary source code to our customers, which may limit our ability to protect our intellectual property and could reduce the renewals of our support services. Certain of our customer agreements contain provisions permitting the customer to become a party to, or a beneficiary of, a source code escrow agreement under which we place the proprietary source code for our applicable services and products in escrow with a third party. Under these escrow agreements, the source code to the applicable product may be released to the customer, typically for its use to maintain, modify, and enhance the product, upon the occurrence of specified events, such as our filing for bankruptcy, discontinuance of our support services, and / or ceasing our business operations generally. Disclosing the content of our source code may limit the intellectual property protection we can obtain or maintain for that source code or the services and products containing that source code. It also could permit a customer to which a product’s source code is disclosed to support and maintain that software product without being required to purchase our support services. Each of these could harm our business, results of operations, and financial condition.** Third parties may claim we infringe their intellectual property rights. We periodically receive notices from third parties claiming we are infringing their intellectual property rights. The **number-frequency** of such claims may increase as we expand our offerings and branding, the number of offerings and level of competition in our industry grow, the functionality of offerings overlaps, and the volume of issued patents, patent applications, and copyright and trademark registrations continues to increase. Responding to any infringement claim, regardless of its validity, could: • be time-consuming, costly, and / or result in litigation; • divert management’s time and attention from developing our business; • require us to pay monetary damages or enter into royalty or licensing agreements that we would normally find unacceptable; • require us to stop selling certain of our offerings; • require us to redesign certain of our offerings using alternative non-infringing technology or practices, which could require significant effort and expense; • require us to rename certain of our offerings or entities; or • require us to satisfy indemnification obligations to our customers or channel partners. Additionally, while we monitor our use of third-party software, including open-source software, our processes for controlling such use in our offerings may not be effective. If we fail to comply with the terms or conditions associated with third-party software that we use, if we inadvertently embed certain types of third-party software into one or more of our offerings, or if third-party software that we license is found to infringe the intellectual property rights of others, we could **become** subject ourselves to infringement liability and be required to re-engineer our offerings, discontinue the sale of our offerings, or make available to certain third parties or generally available, in source code form, our proprietary code, any of which could materially adversely affect our business, operating results, and financial condition. If a successful infringement claim is made against us and we fail to develop or license a substitute technology or brand name, as applicable, our business, results of operations, financial condition, or cash flows could be materially adversely affected. Risks Related to Our Operations Business disruptions, including interruptions, delays, or failures of our systems, third-party data center hosting facility, or other third-party services, as a result of geopolitical tensions, acts of terrorism, natural disasters, pandemics (like the COVID-19 pandemic), and similar events, could materially adversely affect our operating results

or result in a material weakness in our internal controls that could adversely affect the market price of our stock. A significant portion of our research and development activities or certain other critical business operations are concentrated in facilities in Northern Virginia, China, Argentina, and Poland. In addition, we serve our customers and manage certain critical internal processes using a third- party data center hosting facility located in the United States and other third- party services, including AWS, Azure, and other cloud services. Any disruptions or failures of our systems or the third- party hosting facility or other services that we use, including as a result of a natural disaster, fire, cyberattack (including the potential increase in risk for such attacks due to cyberwarfare in connection with the ongoing ~~conflict between Russia and Ukraine~~ **and Israel- Hamas conflicts**), act of terrorism, geopolitical conflict (including due to the ongoing ~~conflict between Russia and Ukraine~~ **and Israel- Hamas conflicts** and any potential conflict involving China and Taiwan), pandemic (including the ~~ongoing~~ COVID- 19 pandemic), the effects of climate change, or other catastrophic event, as well as power outages, telecommunications infrastructure outages, a decision by one of our third- party service providers to close facilities that we use without adequate notice or to materially change the pricing or terms of their services, host country restrictions on the conduct of our business operations or the availability of our offerings, or other unanticipated problems with our systems or the third- party services that we use, such as a failure to meet service standards, could severely impact our ability to conduct our business operations or to attract new customers or maintain existing customers, or result in a material weakness in our internal control over financial reporting, any of which could materially adversely affect our future operating results. Our international operations are complex and expose us to risks that could have a material adverse effect on our business, operating results, and financial condition. We receive a significant portion of our total revenues from international sales and conduct our business activities in various foreign countries, including some emerging markets where we have limited experience, where the challenges of conducting our business can be significantly different from those we have faced in more developed markets, and where business practices may create internal control risks. International revenues accounted for ~~40-42 . 27~~ **44-41 . 0** %, and ~~41-44 . 97~~ % of our total revenues for the years ended December 31, **2023**, 2022, **and** 2021 ~~, and 2020~~, respectively. Our international operations require significant management attention and financial resources and expose us to additional risks, including: • new, or changes in, regulatory requirements; • tariffs, export and import restrictions, restrictions on foreign investments, tax laws, sanctions, laws and policies that favor local competitors (such as mandatory technology transfers), and other trade barriers or protection measures; • compliance with a wide variety of laws, including those relating to labor matters, antitrust, procurement and contracting, consumer and data protection, privacy, data localization, governmental access to data, network security, and encryption; • costs of localizing offerings and lack of acceptance of localized offerings; • difficulties in and costs of staffing, managing, and operating our international operations; • economic weakness or currency- related crises; • generally longer payment cycles and greater difficulty in collecting accounts receivable; • weaker intellectual property protection; • increased risk of corporate espionage or misappropriation, theft, or misuse of intellectual property, particularly in foreign countries where we have significant software development operations that have access to product source code, such as China; • our ability to adapt to sales practices and customer requirements in different cultures; • natural disasters, acts of war (including risks relating to the ongoing conflict between Russia and Ukraine **, a potential broadening of the Israel- Hamas conflict to other countries in the Middle East**, and any potential conflict involving China and Taiwan), terrorism, or pandemics (including the ~~ongoing~~ COVID- 19 pandemic); and • political instability and security risks in the countries where we are doing business, including, without limitation, political and economic instability caused by the current conflict between Russia and Ukraine and economic sanctions adopted in response to the conflict **, and a potential broadening of the Israel- Hamas conflict to other countries in the Middle East**. Disruptions to trade, weakening of economic conditions, economic and legal uncertainties, or changes in currency rates may adversely affect our business, financial condition, operating results, and cash flows. The United States has put in place higher tariffs and other restrictions on trade with China, the European Union, Canada, and Mexico, among other countries, including limiting trade and / or imposing tariffs on imports from such countries. In addition, China, the European Union, Canada, and Mexico, among others, have either threatened or put into place retaliatory tariffs of their own. These tariffs and any further escalation of protectionist trade measures could adversely affect the markets in which we sell our offerings and, in turn, our business, financial condition, operating results, and cash flows. It is unclear whether and to what extent such measures will be reversed in the future or whether the Biden administration will make additional changes to U. S. trade policy that may result in further impacts on our business. Changes to the U. S. taxation of our international income, or changes in foreign tax laws, could have a material effect on our future operating results. For example, the Tax Act led to corporate income tax rate changes, the modification or elimination of certain tax incentives, changes to the existing regime for taxing overseas earnings, and measures to prevent BEPS, and the United Kingdom adopted legislation imposing a tax related to offshore receipts in respect of intangible property held in low tax jurisdictions. Moreover, compliance with foreign and U. S. laws and regulations that are applicable to our international operations is complex and may increase our cost of doing business in international jurisdictions. Our failure to comply with these laws and regulations has exposed, and may in the future expose, us to fines and penalties. These laws and regulations include anti- bribery laws, such as the U. S. Foreign Corrupt Practices Act, the UK Bribery Act, local laws prohibiting corrupt payments to government officials, and local laws relating to procurement, contracting, and antitrust. These laws and regulations also include import and export requirements and economic and trade sanctions administered by the Office of Foreign Assets Control and the U. S. Department of Commerce based on U. S. foreign policy and national security goals against targeted foreign states, organizations, and individuals. Although we have implemented policies and procedures designed to help ensure compliance with these laws, our employees, channel partners, and other persons with whom we do business may take actions in violation of our policies or these laws. For example, following an internal review initiated in 2018, we believe our Brazilian subsidiary failed or likely failed to comply with local procurement regulations in conducting business with certain Brazilian government entities and these matters are the subject of investigation by Brazilian authorities. Any violation of these laws could subject us to civil or administrative penalties, including substantial fines, prohibitions, or other limitations on our



ability to sell our offerings to one or more countries, and could also materially damage our reputation and our brand. These factors may have a material adverse effect on our future sales, business, operating results, and financial condition. We face a variety of risks in doing business with U. S. and foreign federal, state, and local governments and government agencies, including risks related to the procurement process, budget constraints and cycles, termination of contracts, and compliance with government contracting requirements. Our customers include the U. S. government, state and local governments and government agencies. There are a variety of risks in doing business with government entities, including: Procurement. Contracting with public sector customers is highly competitive and can be time- consuming and expensive, requiring us to incur significant up-front time and expense without any assurance that we will win a contract. **Further, even if we win a contract, it may be placed on hold, or reversed, due to a post- award protest.** Budgetary Constraints and Cycles. Public sector funding reductions or delays adversely impact demand and payment for our offerings. Termination of Contracts. Public sector customers often have contractual or other legal rights to terminate contracts for convenience or due to a default. If a contract is terminated for **the customer's** convenience, we may only be able to collect fees for software or services delivered prior to termination and settlement expenses. If a contract is terminated due to **a our** default, we may not recover even those amounts, and we may be liable for excess costs incurred by the customer for procuring alternative software or services. Compliance with Government Contracting Requirements. Government contractors are required to comply with a variety of complex laws, regulations, and contractual provisions relating to the formation, administration, or performance of government contracts that give public sector customers substantial rights and remedies, many of which are not typical for commercial contracts. These may include rights regarding price protection, the accuracy of information provided to the government, contractor compliance with socio-economic policies, and other terms unique to government contracts. Governments and government agencies routinely investigate and audit contractors for compliance with these requirements. If, as a result of an audit or review, it is determined that we have failed to comply with these requirements, we may be subject to civil and criminal penalties or administrative sanctions, including contract termination, forfeiture of profits, fines, **treble damages**, and suspensions or debarment from future government business and we may suffer harm to our reputation. Our customers also include foreign governments and government agencies. Similar procurement, budgetary, contract, and audit risks also apply to these entities. In addition, compliance with complex regulations and contracting provisions in a variety of jurisdictions can be expensive and consume significant management resources. In certain jurisdictions, our ability to win business may be constrained by political and other factors unrelated to our competitive position in the market. Each of these difficulties could materially adversely affect our business and results of operations. If we are unable to recruit or retain skilled personnel, or if we lose the services of Michael J. Saylor, our business, operating results, and financial condition could be materially adversely affected. Our future success depends on our continuing ability to attract, train, assimilate, and retain highly skilled personnel. **There has historically been significant Competition-competition** for qualified employees in the technology industry ~~has historically been high~~, and **such competition** may be further amplified by evolving restrictions on immigration, travel, or availability of visas for skilled technology workers, ~~including restrictions imposed in response to the COVID-19 pandemic~~. We may not be able to retain our current key employees or attract, train, assimilate, and retain other highly skilled personnel in the future. Our future success also depends in large part on the continued service of Michael J. Saylor, our Chairman of the Board of Directors and Executive Chairman. If we lose the services of Mr. Saylor, or if we are unable to attract, train, assimilate, and retain the highly skilled personnel we need, our business, operating results, and financial condition could be materially adversely affected. Changes in laws or regulations relating to privacy or the collection, processing, disclosure, storage, localization, or transmission of personal data, or any actual or perceived failure by us or our third- party service providers to comply with such laws and regulations, contractual obligations, or applicable privacy policies, could materially adversely affect our business. Aspects of our business involve collecting, processing, disclosing, storing, and transmitting personal data, which are subject to certain privacy policies, contractual obligations, and U. S. and foreign laws, regulations, and directives relating to privacy and data protection. We store a substantial amount of customer and employee data, including personal data, on our networks and other systems and the cloud environments we manage. In addition, the types of data subject to protection as personal data in the European Union, China, the United States, and elsewhere have been expanding. In recent years, the collection and use of personal data by companies have come under increased regulatory and public scrutiny, especially in relation to the collection and processing of sensitive data, such as healthcare, biometric, genetic, financial services, and children's data, precise location data, and data regarding a person's race or ethnic origins, political opinions, or religious beliefs. For example, in the United States, protected health information is subject to ~~the Health Insurance Portability and Accountability Act of 1996 ("HIPAA ")~~, which can provide for civil and criminal penalties for noncompliance. Entities (such as us) that engage in creating, receiving, maintaining, or transmitting protected health information provided by covered entities and other business associates are subject to enforcement under HIPAA. Our access to protected health information triggers obligations to comply with certain privacy rules and data security requirements under HIPAA. **In addition to potential enforcement by the United States Department of Health and Human Services for potential HIPAA violations, we are also potentially subject to privacy enforcement from the FTC. The FTC has been particularly focused on certain activities related to the processing of sensitive data, including the unpermitted processing of health and genetic data through its recent enforcement actions and is expanding the types of privacy violations that it interprets to be " unfair " under Section 5 of the FTC Act, as well as the types of activities it views to trigger the Health Breach Notification Rule (which the FTC also has the authority to enforce). The agency is also in the process of developing rules related to commercial surveillance and data security that may impact our business. We will need to account for the FTC's evolving rules and guidance for proper privacy and data security practices in order to mitigate our risk for a potential enforcement action, which may be costly. If we are subject to a potential FTC enforcement action, we may be subject to a settlement order that requires us to adhere to very specific privacy and data security practices, which may impact our business. We may also be required to pay fines as part of a settlement**

**(depending on the nature of the alleged violations). If we violate any consent order that we reach with the FTC, we may be subject to additional fines and compliance requirements. We face risks of similar enforcement from State Attorneys General and, potentially, other regulatory agencies.** Any systems failure or security breach that results in the release of, or unauthorized access to, personal data, or any failure or perceived failure by us or our third-party service providers to comply with applicable privacy policies, contractual obligations, or any applicable laws or regulations relating to privacy or data protection, could result in proceedings against us by domestic or foreign government entities or others, including private plaintiffs in litigation. Such proceedings could result in the imposition of sanctions, fines, penalties, liabilities, government orders, and / or orders requiring that we change our data practices, any of which could have a material adverse effect on our business, operating results, reputation, and financial condition. Various U. S. and foreign government bodies may enact new or additional laws or regulations, or issue rulings that invalidate prior laws or regulations, concerning privacy, data storage, data protection, and cross-border transfer of data that could materially adversely impact our business. In the European Union, the GDPR took effect in May 2018. GDPR establishes requirements regarding the handling and security of personal data, requires disclosure of data breaches to individuals, customers, and data protection authorities in certain circumstances, requires companies to honor data subjects' requests relating to their personal data, permits regulators to impose fines of up to € 20, 000, 000 or 4 % of global annual revenue, whichever is higher, and establishes a private right of action. Furthermore, a new ePrivacy Regulation, regulating electronic communications, was proposed in 2017 and is under consideration by the European Commission, the European Parliament, and the European Council. **More recently In July 2020**, the **Court of Justice of the European Union ("CJEU")** invalidated the U. S.- EU Privacy Shield, **which in July 2020**. The U. S.- EU Privacy Shield provided a mechanism to lawfully transfer personal data from the European Union to the United States and certain other countries. In the wake of the invalidation of the U. S.- EU Privacy Shield, we have transitioned to reliance on **the EU Standard Contractual Clauses ("SCCs")** to lawfully transfer certain personal data from the European Union to the United States. **The CJEU decision also drew into question the long-term viability of the SCCs for transfers of personal data from the EU and European Economic Area to the U. S. As a result, in October 2022, President Biden signed an executive order to implement the EU- U. S. Data Privacy Framework, which would serve as a replacement to the EU- U. S. Privacy Shield. The European Union initiated the process to adopt an adequacy decision for the EU- U. S. Data Privacy Framework in December 2022 and the European Commission adopted the adequacy decision on July 10, 2023. The adequacy decision will permit U. S. companies who self-certify to the EU- U. S. Data Privacy Framework to rely on it as a valid data transfer mechanism for data transfers from the EU to the U. S. and will also provide support for the use of standard contractual clauses. However, some privacy advocacy groups have already suggested that they will be challenging the EU- U. S. Data Privacy Framework. If these challenges are successful, they may not only impact the EU- U. S. Data Privacy Framework, but they may also further limit the viability of the standard contractual clauses and other data transfer mechanisms. The uncertainty around this issue has the potential to impact our business internationally. Because the rules involving this alternative data transfer option mechanism are also undergoing revision and this transfer mechanism may also be declared invalid (or require us to change our business practices) in the future, these developments may require us to provide an alternative means of data transfer. In addition, the required terms for contracts containing SCCs along with recommended supplemental provisions are changing and may require us to assume additional obligations, otherwise inhibit or restrict our ability to undertake certain activities, or incur additional costs related to data protection. In addition, in June 2021, the European Data Protection Board ("EDPB") issued a new set of SCCs and formal recommendations on measures to ensure compliance with the EU data protection requirements when transferring personal data outside of the European Economic Area (the "EDPB Recommendations"). The new SCCs were required to be in place for new transfers of personal data as of September 27, 2021 and to replace those being used for existing transfers of personal data by December 27, 2022. The new SCCs place obligations on us in relation to government authorities' access requests in respect of personal data transferred under the SCCs, and other obligations to bring the SCCs in line with the requirements of the GDPR. The EDPB Recommendations are designed to be read in tandem with the new SCCs and set out new requirements for organizations to assess third countries and identify appropriate supplementary data protection and security measures to be implemented on a case-by-case basis where needed. Moreover, due to Brexit, the SCCs issued by the European Commission are no longer automatically adopted in the United Kingdom post-Brexit. In response, the UK's Information Commissioner's Office ("ICO") published a template Addendum to the new EU SCCs which adapts the new EU SCCs for UK use. In the alternative, the ICO also published the international data transfer agreement ("IDTA"). The IDTA replaces the current set of SCCs being used in the UK. The UK SCCs Addendum and IDTA, after having been put before UK parliament, have been in force as of March 2022 and UK-based organizations were required to start using the UK IDTA or Addendum for new data transfer arrangements starting in September 2022. The UK and the U. S. also agreed to a U. S.- UK "data bridge," which went into effect on October 12, 2023. This functions similarly to the EU- U. S. Data Privacy Framework and provides an additional legal mechanism for companies to transfer data from the UK to the U. S. The rules involving these alternative SCC data transfer options are continually undergoing revision and these transfer mechanisms may also be declared invalid (or require us to change our business practices) in the future, requiring us to provide an alternative means of data transfer or implement significant changes in our data security and protection practices. In addition, the required terms for contracts containing SCCs along with recommended supplemental provisions are changing and may require us to assume additional obligations, otherwise inhibit or restrict our ability to undertake certain activities, or incur additional costs related to data protection. Similar requirements are also coming into force in other countries. Brazil enacted the Lei Geral de Proteção de Dados (the "Brazilian General Data Protection Law"), which became effective in August 2020 and imposes requirements largely similar to GDPR on products and services offered to users in Brazil. In China, we may also be subject to the Cybersecurity Law that went into effect in June 2017 and the revision of the Personal Information Security Specification that went into effect in October 2020, which have broad but uncertain application and impose**

a number of new privacy and data security obligations. China also adopted new legislation on the protection of privacy and personal data in November 2021, including the ~~Personal Information Protection Law (“PIPL”)~~ and Data Security Law that impose new data processing obligations on us. Under these new regulations, if an entity operating in China violates the law, regulators may order it to take corrective actions, issue warnings, confiscate illegal income, suspend services, revoke operating permits or business licenses, or issue a fine. The fine can be up to ¥ 50 million or 5 percent of an organization’s annual revenue for the prior financial year. Further, in connection with cross- border transfer of personal information under the PIPL in China, China regulators published the Draft Rules on Standard Contracts Regarding Export of Personal Information and, under the PIPL, the adoption of standard contractual clauses between the data controller (the entity which transfers personal information to a location outside the PRC) and the offshore recipient is required to lawfully facilitate the offshore transfer of personal information from China. These requirements apply to companies operating in China and seeking to transfer personal data outside of China and organizations which do not satisfy these conditions may be required to satisfy additional regulatory requirements and / or be subject to penalties or fines. Other countries are considering new or expanded laws governing privacy and data security that may impact our business practices. These developments, including in Brazil and China, may impact our activities with our customers, other MicroStrategy entities and vendors, and require us to take additional and appropriate steps in light of data transfers between the U. S. and the EU (and the UK), as well as transfers and onward transfers of personal data from the EU to other non- EU countries. State privacy laws in the United States also may impact our business operations. The state of California has ~~also~~ adopted a comprehensive privacy law, the ~~California Consumer Privacy Act (“CCPA”)~~, which took effect in January 2020 and became enforceable in July 2020. We ~~may be~~ **have been** required to devote substantial resources to implement and maintain compliance with the CCPA, and noncompliance could result in regulatory investigations and fines or private litigation. Moreover, in November 2020, California voters approved a privacy law, the ~~California Privacy Rights Act (“CPRA”)~~, which amends the CCPA to create additional privacy rights and obligations in California, and went into effect on January 1, 2023. **Numerous other states** ~~Virginia, Colorado, Utah, and Connecticut~~ have passed laws similar to the CCPA, **all of which will** go into effect in 2023 ~~and several other~~ **beyond. More** states **may follow. These** are considering bills similar to the CCPA or other generally applicable privacy laws that may impose additional costs and obligations on us. **In Similarly, in** March 2022, the U. S. federal government also passed the Cyber Incident Reporting for Critical Infrastructure Act of 2022, which will require companies deemed to be part of U. S. critical infrastructure to report any substantial cybersecurity incidents or ransom payments to the federal government within 72 and 24 hours, respectively. The implementing regulations are not expected for another two- to- three years. **The Securities and Exchange Commission also has issued new regulations related to cybersecurity that may require additional reporting and other compliance obligations, as well as creating additional risks related to public notifications concerning cyber incidents.** Furthermore, the U. S. Congress is considering comprehensive privacy legislation. At this time, it is unclear whether Congress will pass such a law and if so, when and what it will require and prohibit. Moreover, it is not clear whether any such legislation would give the ~~Federal Trade Commission (“FTC”)~~ any new authority to impose civil penalties for violations of the Federal Trade Commission Act in the first instance, whether Congress will grant the FTC rulemaking authority over privacy and information security, or whether Congress will vest some or all privacy and data security regulatory authority and enforcement power in a new agency, akin to EU data protection authorities. Complying with these and other changing requirements could cause us or our customers to incur substantial costs or pay substantial fines or penalties, require us to change our business practices, require us to take on more onerous obligations in our contracts, or limit our ability to provide certain offerings in certain jurisdictions, any of which could materially adversely affect our business and operating results. New laws or regulations restricting or limiting the collection or use of mobile data could also reduce demand for certain of our offerings or require changes to our business practices, which could materially adversely affect our business and operating results. If we or our third- party service providers experience a disruption due to a cybersecurity attack or security breach and unauthorized parties obtain access to our customers’, prospects’, vendors’, or channel partners’ data, our data, our networks or other systems, or the cloud environments we manage, our offerings may be perceived as not being secure, our reputation may be harmed, demand for our offerings may be reduced, our operations may be disrupted, we may incur significant legal and financial liabilities, and our business could be materially adversely affected As part of our business, we process, store, and transmit our customers’, prospects’, vendors’, and channel partners’ data as well as our own, including in our networks and other systems and the cloud environments we manage. Security breaches may occur due to technological error, computer viruses, or third- party action, including intentional misconduct by computer hackers or state actors, physical break- ins, industrial espionage, fraudulent inducement of employees, customers, or channel partners to disclose sensitive information such as ~~usernames~~ **user names** or passwords, and employee, customer, or channel partner error or malfeasance. A security breach could result in unauthorized access to or disclosure, modification, misuse, loss, or destruction of our customers’, prospects’, vendors’, or channel partners’ data, our data (including our proprietary information, intellectual property, or trade secrets), our networks or other systems, or the cloud environments we manage. Third parties may also conduct attacks designed to prevent access to critical data or systems through ransomware or temporarily deny customers access to our cloud environments. We, and our service providers, ~~may experience and~~ **and may in the future experience** attempts by third parties to identify and exploit software and service vulnerabilities, penetrate or bypass our security measures, and gain unauthorized access to our or our customers’ or service providers’ cloud environments, networks, and other systems. Security measures that we or our third- party service providers have implemented may not be effective against all current or future security threats ~~, including any potential threats from the exploitation of the log4j or SpringShell vulnerabilities~~. Because there are many different security breach techniques and such techniques continue to evolve, we may be unable to anticipate, detect, or mitigate attempted security breaches and implement adequate preventative measures. Any security breach, ransomware attack, or successful denial of service attack could result in a loss of customer confidence in the security of our offerings and damage to our brand, reduce the demand for our offerings, disrupt our normal business operations, require us to

spend material resources to investigate or correct the breach, require us to notify affected customers or individuals and / or applicable regulators and others, provide identity theft protection services to individuals, expose us to legal liabilities, including litigation, regulatory enforcement **actions**, and indemnity obligations, and materially adversely affect our revenues and operating results. Our software operates in conjunction with and is dependent on third- party products and components across a broad ecosystem. If there is a security vulnerability in one of these products or components, and if there is a security exploit targeting it, we could face increased costs, liability claims, customer dissatisfaction, reduced revenue, or harm to our reputation or competitive position. **Our insurance policies may not be adequate to compensate us for the potential losses arising from any cybersecurity breach or incident. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and could have high deductibles in any event, and defending a suit, regardless of its merit, could be costly and divert management attention.** These risks will increase as we continue to grow the number and scale of our cloud subscriptions and process, store, and transmit increasingly large amounts of our customers', prospects', vendors', channel partners', and our own data. In particular, ~~in connection with the COVID-19 pandemic and recent geopolitical conflicts, there has been an increase in cyberattacks and other malicious activities~~ as remote working conditions have led businesses to increasingly rely on virtual environments and communication systems, ~~we face risks related to the~~ **there** COVID-19 pandemic that could significantly disrupt or materially adversely affect our business and operating results. The COVID-19 pandemic has **been** had a significant adverse impact on global commercial activity and ~~an increase~~ has created significant volatility in **cyberattacks** financial markets. Government recommendations and requirements may continue to change, and we may not be able to immediately respond to, meet or enforce all required health and safety measures or other **malicious activities** government requirements in all of our locations. There is significant uncertainty around the impact of the COVID-19 pandemic, and the measures enacted to address it, on the global economy and consumer confidence. A resurgence of COVID-19 or its variants, and the implementation of new restrictions to address any such resurgence, could have a significant adverse impact on economic and market conditions and trigger a period of prolonged global economic slowdown, which could decrease technology spending, adversely affect demand for our offerings, and harm our business and operating results. Although our total revenues for the year ended December 31, 2022 were not materially impacted by COVID-19, our revenues may be negatively impacted in future periods until the effects of the pandemic and the efforts to address it have fully subsided and the current macroeconomic environment has substantially recovered. The uncertainty related to COVID-19 may also result in increased volatility in the financial projections we use as the basis for estimates and assumptions used in our financial statements. The full extent to which COVID-19 may impact our business and operating results will depend on future developments, including the potential reoccurrence of the COVID-19 pandemic, and the duration, spread, severity, and impact of such recurrence on our customers and our sales cycles, our ability to generate new business leads, our customer, employee, and industry events, and our vendors, all of which are highly uncertain and cannot be predicted. Our having entered into ~~an~~ **an** indemnification agreements- **agreement** with Michael J. Saylor, our Chairman of the Board of Directors and Executive Chairman, that ~~supplement supplements~~ our conventional director and officer liability insurance provided by third- party insurance carriers could negatively affect our business and the market price of our class A common stock **We** Due to market trends toward higher premiums and the novelty of our bitcoin acquisition strategy, we were unable to obtain our desired coverage level for director and officer liability insurance from commercial carriers on acceptable terms, and in lieu of such insurance from June 2021 through June 2022, and as a supplement to commercial carrier coverage we were able to obtain beginning in June 2022, we have entered into ~~an~~ **an** indemnification agreements- **agreement** with Michael J. Saylor, our Chairman of the Board of Directors and Executive Chairman, pursuant to which Mr. Saylor has agreed to personally indemnify our directors and officers with respect to **certain** claims and expenses **excluded from** substantially similar to those-- ~~the typically insurance covered~~ **coverage under** conventional **provided by our commercial** director and officer insurance policies to the extent such claims and expenses are not covered by insurance provided by commercial carriers, for which we agreed to pay Mr. Saylor ~~an~~ **an** applicable **annual** fees- **fee**. Our having entered into ~~such this~~ **such this** indemnification agreements- **agreement** with Mr. Saylor could have adverse effects on our business, including making it more difficult to attract and retain qualified directors and officers due to the unconventional nature of the arrangement and potential concerns that the indemnification arrangement might not provide the same level of protection that might otherwise be provided by coverage obtained entirely through conventional director and officer insurance. In addition, our ~~indemnity indemnification arrangements-- arrangement~~ **arrangement** with Mr. Saylor may result in some investors perceiving that our independent directors are not sufficiently independent from Mr. Saylor due to their entitlement to personal indemnification from him, which may have an adverse effect on the market price of our class A common stock. Volatile and significantly weakened global economic conditions have in the past and may in the future adversely affect our industry, business and results of operations Our overall performance depends in part on worldwide economic and geopolitical conditions. The United States and other key international economies have experienced significant economic and market downturns ~~in recently--~~ **recent periods, which have been** characterized by restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, inflation, **bank failures**, bankruptcies and overall uncertainty with respect to the economy. In addition, geopolitical and domestic political developments, such as existing and potential trade wars and other events beyond our control, ~~such as including the conflict conflicts~~ **in the** Ukraine **and the Middle East**, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Moreover, these conditions have affected and may continue to affect the rate of IT spending; could adversely affect our customers' ability or willingness to attend our events or to purchase our software and service offerings; have delayed and may delay customer purchasing decisions; have reduced and may in the future reduce the value and duration of customer subscription contracts; and we expect these conditions will adversely affect our customer attrition rates. All of these risks and conditions could materially adversely affect our future sales and operating results. Risks Related to Our Class A Common Stock The market price of our

class A common stock has been and may continue to be volatile. The market price of our class A common stock has historically been volatile and this volatility has been significant in recent periods. Since August 11, 2020, the date on which we announced our initial purchase of bitcoin, the closing price of our class A common stock has increased from \$ 123.62 as of August 10, 2020, the last trading day before our announcement, to \$ ~~298.769~~ ~~.40~~ ~~88~~ as of February ~~15-14~~, ~~2023~~ ~~2024~~. The market price of our class A common stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include, but are not limited to: • fluctuations in the price of bitcoin, of which we have significant holdings, and in which we expect we will continue to make significant purchases and announcements about our transactions in bitcoin; • changes to our bitcoin acquisition strategy; • announcement of additional capital raising transactions; • regulatory, commercial and technical developments related to bitcoin or the Bitcoin blockchain; • quarterly variations in our results of operations or those of our competitors; • announcements about our earnings that are not in line with analyst expectations, the likelihood of which may be enhanced because it is our policy not to give guidance relating to our anticipated financial performance in future periods; • announcements by us or our competitors of acquisitions, dispositions, new offerings, significant contracts, commercial relationships, or capital commitments; • our ability to develop, market, and deliver new and enhanced offerings on a timely basis; • commencement of, or our involvement in, litigation; • recommendations by securities analysts or changes in earnings estimates and our ability to meet those estimates; • investor perception of our Company, **including as compared to investment vehicles that are designed to track the price of bitcoin, such as spot bitcoin ETPs**; • announcements by our competitors of their earnings that are not in line with analyst expectations; • the volume of shares of our class A common stock available for public sale; • sales or purchases of stock by us or by our stockholders and issuances of awards under our ~~stock~~ ~~equity~~ incentive plan; and • general economic conditions and slow or negative growth of related markets, including as a result of ~~the war~~, **terrorism, infectious diseases (such as COVID-19 pandemic), natural disasters and other global events, and government responses to such events**. In addition, the stock market and the markets for both bitcoin- influenced and technology companies have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies in those markets. These market and industry factors may seriously harm the market price of our class A common stock, regardless of our actual operating performance. Because of the rights of our two classes of common stock and because we are controlled by Michael J. Saylor, who beneficially owns the majority of our class B common stock, Mr. Saylor could transfer control of MicroStrategy to a third party without the approval of our Board of Directors or our other stockholders, prevent a third party from acquiring us, or limit the ability of our other stockholders to influence corporate matters. We have two classes of common stock: class A common stock and class B common stock. Holders of our class A common stock generally have the same rights as holders of our class B common stock, except that holders of class A common stock have one vote per share while holders of class B common stock have ten votes per share. As of February ~~2-1~~, ~~2023~~ ~~2024~~, there are 1,964,025 shares of class B common stock outstanding, which accounts for approximately ~~67.56~~ ~~.27~~ % of the total voting power of our outstanding common stock. As of February ~~2-1~~, ~~2023~~ ~~2024~~, Mr. Saylor, our Chairman of the Board of Directors and Executive Chairman, beneficially owned 1,961,668 shares of class B common stock, or ~~67.56~~ ~~.16~~ % of the total voting power. Accordingly, Mr. Saylor can control MicroStrategy through his ability to determine the outcome of elections of our directors, amend our certificate of incorporation and by- laws, and take other actions requiring the vote or consent of stockholders, including mergers, going- private transactions, and other extraordinary transactions and their terms. Our certificate of incorporation allows holders of class B common stock to transfer shares of class B common stock, subject to the approval of stockholders holding a majority of the outstanding class B common stock. Mr. Saylor could, without the approval of our Board of Directors or our other stockholders, transfer voting control of MicroStrategy to a third party. Such a transfer of control could have a material adverse effect on our business, operating results, and financial condition. Mr. Saylor could also prevent a change of control of MicroStrategy, regardless of whether holders of class A common stock might otherwise receive a premium for their shares over the then current market price. In addition, this concentrated control limits stockholders' ability to influence corporate matters and, as a result, we may take actions that our non- controlling stockholders do not view as beneficial or that conflict with their interests. As a result, the market price of our class A common stock could be materially adversely affected. Our status as a "controlled company" could make our class A common stock less attractive to some investors or otherwise materially adversely affect our stock price. Because we qualify as a "controlled company" under Nasdaq corporate governance rules, we are not required to have independent directors comprise a majority of our Board of Directors. Additionally, our Board of Directors is not required to have an independent compensation or nominating committee or to have the independent directors exercise the nominating function. We are also not required to have the compensation of our executive officers be determined by a compensation committee of independent directors. In addition, we are not required to empower our Compensation Committee with the authority to engage the services of any compensation consultants, legal counsel, or other advisors, or to have the Compensation Committee assess the independence of compensation consultants, legal counsel, and other advisors that it engages. In light of our status as a controlled company, our Board of Directors has determined not to establish an independent nominating committee or have its independent directors exercise the nominating function and has elected instead to have the Board of Directors be directly responsible for nominating members of the Board. A majority of our Board of Directors is currently comprised of independent directors, and our Board of Directors has established a Compensation Committee comprised entirely of independent directors. The Compensation Committee determines the compensation of our Chief Executive Officer and ~~will also determine the compensation of our~~ Executive Chairman. However, our Board of Directors has authorized our Chief Executive Officer to determine the compensation of executive officers other than himself and the Executive Chairman, except that equity- based compensation is determined by the Compensation Committee. Awards made to directors and officers subject to Section 16 of the Exchange Act under the ~~2013~~ ~~2023~~ Equity Plan are also approved by the Compensation Committee. Additionally, while our Compensation Committee is empowered with the authority to retain and terminate outside counsel, compensation consultants, and other experts or consultants, it is not required to assess their independence. Although currently a

majority of our Board of Directors is comprised of independent directors and the Compensation Committee is comprised entirely of independent directors, we may elect in the future not to have independent directors constitute a majority of the Board of Directors or the Compensation Committee, our Executive Chairman's and Chief Executive Officer's compensation determined by a compensation committee of independent directors, or a compensation committee of the Board of Directors at all. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections that are afforded to stockholders of companies that are required to follow all of the Nasdaq corporate governance rules. Our status as a controlled company could make our class A common stock less attractive to some investors or otherwise materially adversely affect our stock price. Future sales, or the perception of future sales, of our class A common stock, convertible debt instruments or other convertible securities could depress the price of our class A common stock. We may issue and sell additional shares of class A common stock, convertible notes, or other securities in subsequent offerings to raise capital or issue shares for other purposes, including in connection with the acquisition of additional bitcoin. For example, ~~through the date of this report~~ **since January 1, 2023**, we have sold \$ ~~462.6~~ **2.6** ~~029~~ **029** billion of shares of class A common stock ~~through at-the-market equity offering programs~~, and we may sell class A common stock having an aggregate offering price of up to an additional \$ ~~453.137~~ **1.48** billion from time to time, through Cowen and Company LLC, **Canaccord Genuity LLC**, and BTIG, LLC, as agents (the "**November 2022-2023** Sales Agents") under the **November 2023** Sales Agreement ~~described in Note 13 (the "2022 Sales Agreement")~~ **we entered into with the 2022 Sales Agents on September 9, 2022. At-the-Market Equity Offerings, to our Consolidated Financial Statements**. We cannot predict: • the size of future issuances of equity securities; • the size and terms of future issuances of convertible debt instruments or other convertible securities; or • the effect, if any, that future issuances and sales of our securities will have on the market price of our class A common stock. Transactions involving newly issued class A common stock, convertible debt instruments, or other convertible securities could result in possibly substantial dilution to holders of our class A common stock. Our amended and restated by-laws provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, then any other state court located in the State of Delaware, or if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for such disputes with us or our directors, officers or employees. Our amended and restated by-laws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, then any other state court located in the State of Delaware, or if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, other employee or stockholder of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware or the Company's certificate of incorporation or by-laws (in each case, as they may be amended from time to time), or (iv) any action asserting a claim governed by the internal affairs doctrine. This exclusive forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act, which provides for exclusive jurisdiction of the federal courts. It could apply, however, to a suit that falls within one or more of the categories enumerated in the choice of forum provision and asserts claims under the Securities Act, inasmuch as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. There is uncertainty as to whether a court would enforce such provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated by-laws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. Our level and terms of indebtedness could adversely affect our ability to raise additional capital to further execute on our bitcoin acquisition strategy, fund our enterprise analytics software operations, and take advantage of new business opportunities. As of December 31, ~~2022~~ **2023**, we had \$ ~~2.4~~ **2.4** ~~210~~ **210** billion aggregate indebtedness, consisting of \$ ~~650.0~~ **650.0** million aggregate principal amount of 0.750% Convertible Senior Notes due 2025 (the "2025 Convertible Notes"), \$ ~~1.05~~ **1.05** billion aggregate principal amount of 0% Convertible Senior Notes due 2027 (the "2027 Convertible Notes"), and collectively with the 2025 Convertible Notes, the "Convertible Notes"), \$ ~~500.0~~ **500.0** million aggregate principal amount of 6.125% Senior Secured Notes due 2028 (the "2028 Secured Notes"), ~~\$ 205.0 million of outstanding borrowings under a secured term loan (the "2025 Secured Term Loan") pursuant to a Credit and Security Agreement between our MacroStrategy subsidiary and Silvergate Bank (the "Credit and Security Agreement"),~~ and \$ ~~10.9~~ **10.9** ~~3~~ **3** million of other long-term indebtedness. Our substantial indebtedness and interest expense could have important consequences to us, including: • limiting our ability to use a substantial portion of our cash flow from operations in other areas of our business, including for acquisition of additional bitcoin, working capital, research and development, expanding our infrastructure, capital expenditures, and other general business activities and investment opportunities in our company, because we must dedicate a substantial portion of these funds to pay interest on and / or service our debt; • limiting our ability to obtain additional financing in the future for acquisition of additional bitcoin, working capital, capital expenditures, debt service, acquisitions, execution of our strategy, and other expenses or investments planned by us; • limiting our flexibility and our ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation, our business, and our industry; • increasing our vulnerability to a downturn in our business and to adverse economic and industry conditions generally;

• placing us at a competitive disadvantage as compared to our competitors that are less leveraged; and • limiting our ability, or increasing the costs, to refinance indebtedness. We may be unable to service our indebtedness, which could cause us to default on our debt obligations and could force us into bankruptcy or liquidation. Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our financial and operating performance, which is influenced, in part, by general economic, financial, competitive, legislative, regulatory, counterparty business, and other risks that are beyond our control, including the availability of financing in the U. S. banking and capital markets. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. We cannot assure you that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness, to refinance our indebtedness, or to fund our other liquidity needs. Even if refinancing indebtedness is available, any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. In addition, our bitcoin acquisition strategy anticipates that we may issue additional debt in future periods to finance additional purchases of bitcoin, but if we are unable to generate sufficient cash flow to service our debt and make necessary capital expenditures, we may be required to sell bitcoin. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or our financial covenants, which could cause us to default on our debt obligations. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. Upon the occurrence of an event of default under any of MicroStrategy's indebtedness, the holders of the defaulted indebtedness could elect to declare all the funds borrowed to be due and payable, together with accrued and unpaid interest and, in the case of our 2028 Secured Notes, enforce their security interests on substantially all of MicroStrategy's assets and the assets of our subsidiary guarantors, but excluding bitcoins that are currently owned by ~~our~~ **MacroStrategy LLC, a wholly-owned subsidiary of MicroStrategy Incorporated, ("MacroStrategy")**, or acquired by MacroStrategy in future periods in transactions permitted by the terms of the 2028 Secured Notes. ~~Similarly, upon the occurrence of an event of default under the Credit and Security Agreement, the lender thereunder could elect to declare all outstanding loan principal under the 2025 Secured Term Loan to be due and payable, together with accrued and unpaid interest, and enforce its security interest on the \$ 5.0 million cash reserve account and the bitcoin held in the account securing the borrowings under the Credit and Security Agreement.~~ Any of these events could in turn result in cross-defaults under our other indebtedness. We may not have sufficient funds available to pay the amounts due upon any such default, particularly in the event that there has been a decrease in the market value of our bitcoin holdings, and we may not be able to raise additional funds to pay such amounts on a timely basis, on terms we find acceptable, or at all. Any financing that we may undertake under such circumstances could result in substantial dilution of our existing stockholders, and in the absence of being able to obtain such financing, we could be forced into bankruptcy or liquidation. The indenture governing our 2028 Secured Notes imposes significant operating and financial restrictions on us and certain ~~restricted~~ **restricted subsidiaries of ours, which may prevent us from capitalizing on business opportunities**. The indenture governing our 2028 Secured Notes imposes significant operating and financial restrictions on us and certain designated ~~restricted~~ **Restricted subsidiaries Subsidiaries of ours (as defined in the indenture for the 2028 Secured Notes)**. These restrictions limit our ability, and the ability of such restricted subsidiaries, to, among other things: • incur or guarantee additional debt or issue disqualified stock or certain preferred stock; • create or incur liens; • pay dividends, redeem stock, or make certain other distributions; • make certain investments; • create restrictions on the ability of our ~~restricted~~ **Restricted subsidiaries Subsidiaries** to pay dividends to us or make other intercompany transfers; • transfer or sell assets; • merge or consolidate; and • enter into certain transactions with affiliates. As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional indebtedness or conduct equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders or amend the covenants. Our failure to comply with the restrictive covenants described above, as well as other terms of our indebtedness or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date, **the liquidation of our assets serving as collateral** and / or **face-potential** insolvency proceedings. If we are forced to refinance these borrowings on less favorable terms or **if we** cannot refinance these borrowings, our results of operations and financial condition could be adversely affected. We may be required to repay the 2028 Secured Notes prior to their stated maturity date, if the springing maturity feature is triggered. The 2028 Secured Notes have a stated maturity date of June 15, 2028, but include a springing maturity feature that will cause the stated maturity date to spring ahead to the date that is (i) 91 days prior to the existing maturity date of the 2025 Convertible Notes (which is September 15, 2025), (ii) 91 days prior to the existing maturity date of the 2027 Convertible Notes (which is November 16, 2026), or (iii) the maturity date of any future convertible debt that we may issue that is then outstanding, unless on such dates we meet specified liquidity requirements or less than \$ 100, 000, 000 of aggregate principal amount of the 2025 Convertible Notes, the 2027 Convertible Notes, or such future convertible debt, as applicable, remains outstanding. If such springing maturity feature is triggered, we will be required to pay all amounts outstanding under the 2028 Secured Notes sooner than they would otherwise be due, we may not have sufficient funds available to pay such amounts at that time, and we may not be able to raise additional funds to pay such amounts on a timely basis, on terms we find acceptable, or at all. ~~Our MacroStrategy subsidiary has no independent operations other than holding bitcoin and financing activities and will depend on cash contributions from us and / or sales of bitcoin to meet its obligations under the Credit and Security Agreement pursuant to which the 2025 Secured Term Loan was issued. Our MacroStrategy subsidiary primarily holds bitcoin, a \$ 5.0 million cash reserve account held as collateral for the 2025 Secured Term Loan, and certain cash proceeds retained from the 2025 Secured Term Loan. As of December 31, 2022, MacroStrategy had no operations other~~

than purchasing and holding bitcoin and those related to the administration and repayment of the loan principal outstanding and interest due under the Credit and Security Agreement. MacroStrategy's principal sources of funds to make payments pursuant to the Credit and Security Agreement are capital contributions, loans or other cash payments from us, which may be restricted by the covenants governing the 2028 Secured Notes, and sales of bitcoin, which in turn may be restricted due to the requirement in the Credit and Security Agreement requiring MacroStrategy to maintain the LTV Ratio below 50%. Accordingly, MacroStrategy may not have sufficient funds available to pay amounts owed under the Credit and Security Agreement when they become due, and MacroStrategy and we may not be able to raise additional funds to pay such amounts on a timely basis, on terms we find acceptable, or at all. MacroStrategy has contributed and may in the future be required to contribute additional bitcoin to the collateral package securing the 2025 Secured Term Loan or repay certain amounts outstanding thereunder prior to its stated maturity date, if the value of bitcoin declines. The Credit and Security Agreement has a stated maturity date of March 23, 2025, but includes a requirement that MacroStrategy maintain an LTV Ratio of less than 50%. As a result, MacroStrategy is required to maintain more than \$ 410.0 million of bitcoin in the account securing the 2025 Secured Term Loan under the Credit and Security Agreement, assuming the full \$ 205.0 million aggregate principal amount of the 2025 Secured Term Loan remains outstanding. If the price of bitcoin drops such that the LTV Ratio equals or exceeds 50%, MacroStrategy will be required to either deposit additional bitcoin into such account or prepay a portion of the 2025 Secured Term Loan such that the LTV Ratio is reduced to 25% or less (or 35% or less, provided that in such case the interest rate on the 2025 Secured Term Loan will be increased by 25 basis points until such time as the LTV Ratio is reduced to 25% or less). During 2022, as the price of bitcoin declined causing the LTV Ratio to increase, MacroStrategy deposited an aggregate of 15,153 additional bitcoins into the account securing the 2025 Secured Term Loan to help ensure that the LTV Ratio remained below 50%. As of December 31, 2022, approximately 34,619 bitcoins were held in the Bitcoin Collateral Account and approximately 82,991 bitcoins remained unencumbered at MacroStrategy. If MacroStrategy is not able to maintain an LTV Ratio of less than 50% at any time prior to the maturity date of the Credit and Security Agreement, MacroStrategy may be required to repay some of the principal outstanding under the Credit and Security Agreement sooner than such amounts would otherwise be due, MacroStrategy may not have sufficient funds available to pay such amounts at that time or the ability to sell bitcoin to generate additional funds, and MacroStrategy and we may not be able to raise additional funds to pay such amounts on a timely basis, on terms we find acceptable, or at all. We may not be able to finance required repurchases of the 2028 Secured Notes or the Convertible Notes upon a change of control or a fundamental change or the repayment of amounts due under the 2025 Secured Term Loan upon a change of control. Upon a change of control or a fundamental change as defined in the indentures governing the 2028 Secured Notes and the Convertible Notes, the holders of such notes will have the right to require us to offer to purchase all of the applicable notes then outstanding at a price equal to 101% of the principal amount of the 2028 Secured Notes and 100% of the principal amount of the Convertible Notes, respectively, plus, in each case, accrued and unpaid interest, if any, to, but excluding, the repurchase date. In order to obtain sufficient funds to pay the purchase price of such notes, we expect that we would have to refinance the notes and we may not be able to refinance the notes on reasonable terms, if at all. Our failure to offer to purchase all applicable notes or to purchase all validly tendered notes would be an event of default under the indentures governing the 2028 Secured Notes and the Convertible Notes. If a change of control or a fundamental change occurs, we may not have enough assets to satisfy all obligations under the indentures governing the 2028 Secured Notes and the Convertible Notes. Upon the occurrence of a change of control or a fundamental change we could seek to refinance the indebtedness under the 2028 Secured Notes or the Convertible Notes or obtain a waiver from the applicable note holders. However, we may not be able to obtain a waiver or refinance the applicable notes on commercially reasonable terms, if at all. Moreover, the exercise by holders of the 2028 Secured Notes or the Convertible Notes of their right to require us to repurchase such notes could cause a default under future debt agreements, even if the change of control or fundamental change itself does not, due to the financial effect of such repurchase on us. Similarly, the Credit and Security Agreement under which the 2025 Secured Term Loan was issued includes customary change-of-control provisions, providing the lender with a right to declare all outstanding loan principal to be immediately due and payable, together with accrued and unpaid interest, in connection with a change of control (as such term is defined therein), as well as the right to foreclose on the assets of MacroStrategy serving as collateral for the 2025 Secured Term Loan. In order to obtain sufficient funds to repay the amounts due under the Credit and Security Agreement, we expect that we or MacroStrategy would need to refinance the amount due and may not be able to do so on reasonable terms, if at all. We may not have the ability to raise the funds necessary to settle for cash conversions of the Convertible Notes. Upon conversion of the 2025 Convertible Notes or the 2027 Convertible Notes, unless we elect (or have previously irrevocably elected) to deliver solely shares of our class A common stock to settle the conversion of such Convertible Notes (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the applicable Convertible Notes being converted as described in the applicable indenture. However, we may not have enough available cash or be able to obtain financing at the time we are required to pay cash with respect to such notes being converted. In addition, our ability to pay cash upon conversions of the Convertible Notes may be limited by law, regulatory authority, the covenants contained in the indenture governing the 2028 Secured Notes, or agreements governing any future indebtedness. Our failure to pay any cash payable on future conversions of the Convertible Notes as required by the respective indentures would constitute a default under the indenture for that series of Convertible Notes and could also lead to a default under the indenture for the other series of Convertible Notes or the 2028 Secured Notes. A default under any indenture could also lead to a default under agreements governing any future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness. The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results. In the event the conditional conversion feature of either the 2025 Convertible Notes or the 2027 Convertible Notes is triggered, holders of the applicable Convertible Notes will be entitled to convert such notes at any time during specified periods at their option. If one or more



holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the applicable Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. We rely on the receipt of funds from our subsidiaries in order to meet our cash needs and service our indebtedness, including the 2028 Secured Notes, the Convertible Notes, and our other long-term indebtedness, and certain of our subsidiaries holding digital assets may not provide any dividends, distributions, or other payments to us to fund our obligations and meet our cash needs. We depend on dividends, distributions, and other payments from our subsidiaries to fund our obligations, including those arising under the 2028 Secured Notes, the Convertible Notes, and our other long-term indebtedness, and meet our cash needs. The operating results of our subsidiaries at any given time may not be sufficient to make dividends, distributions, or other payments to us in order to allow us to make payments on the 2028 Secured Notes, the Convertible Notes, and our other long-term indebtedness. Our wholly-owned subsidiary, MacroStrategy, which holds the bitcoin that we owned prior to the issuance of the 2028 Secured Notes, the bitcoin that MacroStrategy acquired using the proceeds from the 2025 Secured Term Loan, and the bitcoin that MacroStrategy acquired from the proceeds of the sale of our class A shares pursuant to the ~~sales~~ **2021 Open Market Sale Agreement agreements** with ~~various sales~~ **Jefferies LLC, as agent agents** (the “~~2021 Open Market Sale Agreement~~”) and the ~~2022 Sales Agreement~~, is not obligated to provide and may in the future be prohibited from providing any dividends, distributions, or other payments to us to fund our obligations and meet our cash needs under such indebtedness. MacroStrategy holds approximately ~~117,173, 610,069~~ **34,619** bitcoins that, as of December 31, ~~2022~~ **2023**, had a carrying value of \$ ~~1.3, 610,363~~ **1.3** billion on our Consolidated Balance Sheet, representing ~~66-70, 8-6~~ **8-6**% of our consolidated total assets at such date. ~~As of December 31, 2022, approximately 34,619 bitcoins held by MacroStrategy are pledged as collateral under the Credit and Security Agreement that secures MacroStrategy’s obligations under the 2025 Secured Term Loan.~~ In addition, dividends, distributions, or other payments, as well as other transfers of assets, between our subsidiaries and from our subsidiaries to us may be subject to legal, regulatory, or contractual restrictions, which may materially adversely affect our ability to transfer cash within our consolidated companies and our ability to meet our cash needs and service our indebtedness. Despite our current level of indebtedness, we may be able to incur substantially more indebtedness and enter into other transactions in the future which could further exacerbate the risks related to our indebtedness. Although the indenture governing our 2028 Secured Notes contains, and future debt instruments may contain, restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions and we may be able to incur significant additional indebtedness in the future. For example, these restrictions do not prevent us from incurring obligations, such as certain trade payables and operating leases, which do not constitute indebtedness as defined under our debt instruments. To the extent we incur additional indebtedness or other obligations, the risks described herein with respect to our indebtedness may increase significantly.