As filed with the United States Securities and Exchange Commission on March 28, 2022.
Registration No. 333-261278

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1/A

Amendment No. 4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

APPLIED BLOCKCHAIN, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	**7370**	**95-4863690**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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(Address, including zip code, and telephone number, including area code, of principal executive offices)

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Approximate date of proposed sale to public: As soon as practicable on or after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act"). (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 7(a)(2)(B) of the Securities Act. ☐

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED MARCH 28, 2022

Shares of Common Stock

This is a firm commitment public offering of shares of our common stock, par value $0.001 per share, for an assumed offering price of $ (the last reported price of our common stock on the Pink Market operated by OTC Market Group, Inc. (the "OTC Pink") on April , 2022).

Our common stock currently trades on the OTC Pink under the symbol "APLD." On March 25, 2022, the last reported sale price of our common stock on the OTC Pink was $2.10 per share. Quotes of stock trading prices on any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

The public offering price per share of common stock will be determined between us and the underwriters based on market conditions at the time of pricing, and may be at a discount to the then current market price. Therefore, the recent market price used throughout this preliminary prospectus may not be indicative of the final offering price.

We have applied to list our common stock on the Nasdaq Global Select Market under the symbol "APLD." Listing on the Nasdaq Global Select Market will only occur if and when our application is approved and both our registration statement of which this prospectus forms a part and our other registration statement on Form S-1 (Registration No. 333-258818), as amended, registering the resale of 36,441,489 shares of our common stock by certain of our stockholders are declared effective by the SEC. We cannot guarantee that we will be successful in having our common stock listed on the Nasdaq Global Select Market.

In connection with this offering and our application to list our common stock on the Nasdaq Global Select Market, we will effect a one-for-six reverse stock split pursuant to which every six shares of common stock will be reclassified as one share of common stock as more fully described under "Reverse Stock Split" on page 36. We will not effect the reverse stock split unless we uplist to the Nasdaq Global Select Market. Unless otherwise indicated, and other than in the consolidated historical financial statements and related notes included in this prospectus, the number of shares of our common stock represented in this prospectus is adjusted to reflect the Reverse Stock Split.

As of November 30, 2021, we are no longer deemed to be a shell company as defined under Rule 405 of the Securities Act of 1933, as amended. However, stockholders cannot rely on the provisions of Rule 144 for the resale of their shares until certain additional conditions are met.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 10 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount and commissions[1]	$	$
Proceeds, before expenses, to us	$	$

(1) See "Underwriting (Conflicts of Interest)" for additional information regarding underwriting compensation.

We have granted a 30-day option to the underwriters to purchase up to additional shares of common stock solely to cover over-allotments, if any.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2022, through the book-entry facilities of The Depository Trust Company.

Bookrunners

B. Riley Securities **Needham & Company**

Lead Managers

Craig-Hallum **D.A. Davidson & Co.**

Co-Managers

Lake Street **Northland Capital Markets**

The date of this prospectus is , 2022

The information in this prospectus is not complete and may be changed. The securities may not be sold until the registration statement the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an off these securities in any jurisdiction where the offer or sale is not permitted.

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For investors outside of the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of common stock and the distribution of this prospectus outside of the United States.

ABOUT THIS PROSPECTUS

You should rely only on information contained in this prospectus filed with the Securities and Exchange Commission, or the SEC. Neither the delivery of this prospectus nor the sale of our securities means that the information contained in this prospectus is correct after the date of this prospectus.

This prospectus is not an offer to sell or the solicitation of an offer to buy our securities in any circumstances under which the offer or solicitation is unlawful or in any state or other jurisdiction where the offer is not permitted. The information contained in this prospectus is accurate only as of its date regardless of the time of delivery of this prospectus or of any sale of common stock.

Neither we nor the underwriters have authorized anyone to provide you with any information or to make any representations other than those contained in this prospectus or any applicable prospectus supplement or any free writing prospectuses prepared by or on behalf of us or to which we have referred you. Neither we nor the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the underwriters will make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

Unless the context indicates otherwise, references in this prospectus to the "Company," "APLD," "we," "us," "our" and similar terms refer to Applied Blockchain, Inc. and its consolidated subsidiaries.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations, market position, market opportunity, and market size, is based on information from various third-party industry and research sources, as well as assumptions that we have made that are based on those data and other similar sources, and on our knowledge of the markets for our products and services. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe the market position, market opportunity, and market size information included in this prospectus is generally reliable, information of this sort is inherently imprecise. In addition, projections, assumptions, and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

This prospectus contains statistical data, estimates, and forecasts that are based on industry publications or reports generated by third-party providers, or other publicly available information, as well as other information based on internal estimates.

GLOSSARY FOR CRYPTOASSETS

Throughout this prospectus, we use a number of industry terms and concepts which are defined as follows:

- **Altcoin:** Cryptocurrencies other than Bitcoin. They share some characteristics with Bitcoin but are also different in order to appeal to a wide variety of users.
- **Bitcoin:** Bitcoin is a decentralized digital currency, without a central bank or single administrator, that can be sent from user to user on the peer-to-peer bitcoin network without the need for intermediaries.
- **Block**: Synonymous with digital pages in a ledger. Blocks are added to an existing blockchain as transactions occur on the network. Miners are rewarded for "mining" a new block with ETH on the Ethereum platform.

- **Blockchain**: A cryptographically secure digital ledger that maintains a record of all transactions that occur on the network and follows a consensus protocol for confirming new blocks to be added to the blockchain.
- **Consensus Mechanism**: Each of Ethereum and Bitcoin use Proof-of-work (POW) as the Consensus Mechanism.
- **Crypto**: A broad term for any cryptography-based market, system, application, or decentralized network.
- **Cryptoasset**: Any digital asset built using blockchain technology, including cryptocurrencies, stablecoins, and security tokens.
- **Cryptoeconomy**: A new open financial system built upon crypto.
- **Ethereum**: An open software platform based on blockchain technology that enables anyone to build and deploy decentralized applications.
- **Ether or ETH**: The cryptoasset of the Ethereum (a way to pay for the processing power required to run the network and used by users on the Ethereum platform to pay fees).
- **Hash rate:** The hash rate is the measuring unit of the processing power of a blockchain network (1 Mhash/s indicates 1 million hash calculations are done every second).
- **Hosting**: A service that includes a facility powering, housing, and maintaining mining equipment.
- **GPU**: A graphic processing unit which can process many pieces of data simultaneously.
- **Miner**: Individuals or entities who operate a computer or group of computers that add new transactions to Blocks, and verify Blocks created by other miners. Miners collect transaction fees and are rewarded with new tokens for their services.
- **Mining**: The process by which new blocks are created, and thus new transactions are added to the blockchain.
- **Next-Gen datacenters**: Facilities that house computing power-intensive hardware for concentrated applications.
- **Wallet**: A place to store public and private keys for cryptoassets. Wallets are typically software, hardware, or paper-based.

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the sections titled "Risk Factors," "Special Note Regarding Forward-Looking Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the accompanying notes, provided elsewhere in this prospectus. Some of the statements in this prospectus constitute forward-looking statements. See the section titled "Special Note Regarding Forward-Looking Statements." Unless the context otherwise requires, the terms "Applied Blockchain," "the company," "we," "us," and "our" in this prospectus refer to Applied Blockchain, Inc. and our consolidated subsidiaries.

Our Business

We are building Next-Gen datacenters which are designed to provide massive computing power. Our first facility was constructed in North Dakota and as of February 2, 2022 is online and providing 55MW of energy and services to customers, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022. We signed an energy services agreement with a utility to power this facility. The company pays for energy from part of the revenue from customers. Initially, these datacenters will primarily host servers securing the Bitcoin network but can also host hardware for other applications such as artificial intelligence, machine learning and other blockchain networks in the future. We have a colocation business model where our customers place hardware they own into our facilities, and we provide full operational and maintenance services for a fixed fee. We typically enter into long term fixed rate contracts with our customers.

- ***Scaling Hosting Operations***: leveraging partnerships to support scalable, low-cost mining solutions to support crypto and blockchain infrastructure.
- ***Mining Cryptoassets***: the company currently self-mines Ethereum. Operations will not expand.
- ***Fleet Management***: value-add services where from time to time we may facilitate the sale of blockchain mining equipment.

Hosting Operation

Our mission includes building co-hosting facilities in which our customers will lease space and access to electricity to mine cryptoassets. We are targeting bringing 800MW online by May 2023, 1.8GW by May 2024 and 5GW over the next five years.

We are building Next-Gen datacenters which are designed to provide massive computing power. Initially, these datacenters will primarily host servers securing the Bitcoin network but can also host hardware for other applications such as artificial intelligence, machine learning and other blockchain networks in the future. We have a colocation business model where our customers place hardware they own into our facilities and we provide full operational and maintenance services for a fixed fee. We typically enter into long term fixed rate contracts with our customers.

We have purchased property in North Dakota on which we constructed our first co-hosting facility. We have also entered into an Amended and Restated Energy Services Agreement with respect to 100 megawatts to be used by our co-hosting customers. We have also entered into agreements with four customers (JointHash Holding Limited (a subsidiary of GMR), Bitmain Technologies Limited, F2Pool Mining, Inc. and Hashing LLC) which will account for the total available energy under the Amended and Restated Energy Services Agreement at our first facility and 85MW of energy at our second facility once built and able to provide such energy. The company pays for energy from part of the revenue from customers.

Working with expert advisors in the fields of power, crypto mining operations, procurement, and construction, we have designed a plan for a prefabricated facility and organization within the facility that can be delivered and installed quickly and maximize performance and efficiency of the facility and our and our customers' crypto mining equipment. We have engaged a dedicated power/infrastructure team of consultants with expertise in building Next-Gen datacenters, including Etienne Snyman, Executive Vice

President of Power, Nick Phillips, Executive Vice President of Hosting and Public Affairs and Roland Davidson, Executive Vice President of Engineering. Construction of our first co-hosting facility began in September 2021. On February 2, 2022, we brought the facility online as to the first 55MW, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022.

With low-cost energy powering our co-hosting facilities, our customers can expect an agile and cost competitive crypto mining solution. We have identified at least two additional sites for additional facilities and several potential customers to fill such additional sites. We are negotiating leases and/or purchases of such properties, energy agreements to support such facilities and agreements with potential additional co-hosting customers.

On November 24, 2021, we entered into a letter of intent to develop a facility in Texas with 200MW of wind power. The arrangement is subject to entry into definitive agreements by the parties. There can be no assurance that we will enter into such agreements in a particular time period or at all.

On January 6, 2022, we and Antpool Capital Asset Investment L.P., or Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC, pursuant to which we and Antpool contributed $8,000 and $2,000, respectively, and will initially own 80% and 20% of 1.21 Gigawatts, respectively. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5GW of capacity for hosting blockchain infrastructure. We are the managing member of 1.21 Gigawatts and are responsible for all site development, construction and operations of the datacenters. However, certain activities of 1.21 Gigawatts and its subsidiaries require the vote of 90% of the then outstanding units of each such entity. As long as Antpool owns 10% or more of the total issued and outstanding units of 1.21 Gigawatts, Antpool may appoint an individual with industry expertise to serve as an advisor to 1.21 Gigawatts. 1.21 Gigawatts will pay fees to such advisor as reasonably determined by us as managing member. Transfers by members of units of 1.21 Gigawatts are prohibited without approval of 90% of units then outstanding, which consent may be granted or withheld for any reason and transfers of such units to non-affiliates, after obtaining consent, are subject to a right of first refusal of other members to purchase some or all of such units. Additionally, Antpool has the right at any time to convert all or any portion of its 1.21 Gigawatts units into a number of shares of our common stock equal to the capital contributions by Antpool in connection with the acquisition of such units divided by $1.25 (or $7.50, after adjustment for the Reverse Stock Split), which will result in an increase in our ownership percentage of 1.21 Gigawatts.

As our co-hosting operations expand, we believe our business structure will become conducive to a REIT structure. We have begun to investigate the possibility, costs and benefits of converting to a REIT structure.

Mining Operation

Our initial mission was to quickly scale a large mining operation focused on mining Bitcoin and Ethereum (Ether). With a specialized algorithm and advice provided by strategic partners and mining pool managers, we are able to mine the most profitable cryptoassets in the market and adjust in real-time. As a result of changes to Chinese regulations of cryptoasset mining, ultimately leading to the crackdown on mining facilities in locations across the country, this pushed us to explore other co-hosting locations outside of China. By July 2021, we had entered into a co-hosting agreement with Coinmint LLC, had our initial order of mining equipment delivered and installed at Coinmint's co-hosting facility and began our mining operations. We also determined that constructing our own co-hosting facilities would enable us to generate a stable cash flow stream through long-term hosting agreements, lower the cost of power for our own mining operations and eliminate risks to us of relying on a third-party host. During the building of our co-hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co-hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022 we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We have no plans to return to crypto mining operations in the future. We still own some mining equipment. However, the equipment is either not online or was previously purchased but has yet to be delivered. We intend to sell this equipment as soon as possible and have no plans to bring the equipment online or use it for mining purposes.

We do not intend to accept digital assets as payment for services. We do intend to hold digital assets we mined prior to cessation of our mining operations for investment or conversion into fiat currency for working capital purposes.

Our Competitive Strengths

Premier strategic partnerships with leading industry participants. We believe that our partnerships with SparkPool, GMR and Bitmain have provided, and certain partners continue to provide, us with a significant competitive advantage. SparkPool operated one of the largest Ethereum mining pools in the world, and was one of the leading software developers for mining software globally. GMR has also been a proponent of our hosting strategy, having signed a contract for approximately 50% of our 100MW capacity as part of our hosting operation under development. Bitmain, our newest partner, provides us with preferred access to Bitcoin mining equipment as well as leads for potential hosting customers. SparkPool, GMR, and Bitmain are each strategic equity investors in our company. Each of these Service Providers assisted in the creation of our crypto mining operations, which we then terminated on March 9, 2022. Each of them also advised us in connection with the design and buildout of our co-hosting operations. GMR, SparkPool and Bitmain have since become customers of our co-hosting operations.

Access to low-cost power with long-term services agreement One of the main benefits of our Amended and Restated Electric Service Agreement is the low cost of power for mining. Even prior to the crypto mining restrictions in China, power capacity available for Bitcoin mining was scarce, especially at scalable sites with over 100MW of potential capacity. This scarcity of mining power allows us to realize attractive hosting rates in the current market, in particular given our ability to provide long-term (5-year) hosting contracts. For the first 100MW buildout, we secured 5-years of power from a utility that pre-filled the 100MW of planned capacity before breaking ground.

Benefits of Next-Gen datacenters compared to traditional datacenters. Next-Gen datacenters are optimized for large computing power and require more power than traditional datacenters that are optimized for data retention and retrieval. As a result, Next-Gen datacenters are more power intensive than traditional datacenters. Next-Gen datacenters and traditional datacenters also have very different layouts, internet connection requirements and cooling designs to accommodate the different power demands and customer requirements. Traditional datacenters cannot easily convert to Next-Gen datacenter facilities like ours because of these differences. Geographically, traditional datacenters are at a disadvantage because they require fiber bases, low-latency connections and connection redundancies that are usually found in high-cost areas with high-density populations.

Hosting provides predictable, recurring revenue and cash flow to complement more volatile mining operations. The financial performance of mining operations is linked to the value of the underlying cryptocurrencies mined, which can result in volatility in financial results. However, through our Amended and Restated Electric Service Agreement with a utility in the upper Midwest, we have locked in a ceiling for our energy costs. The Amended and Restated Electric Service Agreement has also enabled us to launch our hosting business with long-term customer contracts. Cambridge Bitcoin Electricity Consumption Index reported that as of February 1, 2021 more than 6GW of Bitcoin was mined in China (or $4.3 billion of power cost, assuming $0.08 per kWh average hosting cost). China has since banned cryptoasset mining related activity. We expect much of the demand for hosting locations previously met in China will move to the United States due to its reliable power options. We intend for the steady cash flows generated by our hosting operations to be reinvested into the hosting business.

Strong management team and board of advisors with deep experience in crypto mining and hosting operations. We have recently expanded our leadership team by attracting top talent in the crypto mining and hosting space. Recent hires from both publicly traded and private company competitors have allowed us to build a team capable of designing hosting datacenters, constructing hosting facilities, and efficiently running mining operations at scale. In addition, our board of advisors includes luminaries in the crypto space, including the co-founders of SparkPool and GMR.

Our Growth Strategies

Leverage partners to grow hosting operations while minimizing risk. Our strategic partners GMR and Bitmain have entered into hosting contracts with us that will utilize the available capacity from our first

planned 100MW hosting site, which enabled us to pre-fill our initial site before breaking ground. Beyond their own use of our hosting capabilities, our partners have strong relationships across the cryptocurrency ecosystem, and we believe that we will be able to leverage their networks to identify leads for our expansion of hosting operations. In fact, we believe that we have sufficient demand to fill our planned hosting expansion.

Secure scalable power sites in areas favorable for crypto mining We have developed a pipeline of potential power sources. We are currently developing our first hosting site in the Midwest, and we have visibility into two additional sites in the Midwest as well as solar and wind assets in Texas. Through our build-out of our first Midwest facility and the prior experience our leadership team brings to our initiatives, we believe that we have developed a repeatable power strategy to significantly scale our operations. In addition, we are currently focused on and will continue to target states that have favorable laws and regulations for the crypto mining industry, which we believe further de-risks the scaling of our operations.

Vertically integrate power assets. With recent additions to our management team, we are increasingly looking at various types of power assets to support the growth of our mining and hosting operations. This also includes power generation assets, which longer-term could be used to reduce our cost of power. Our management team has experience not only in evaluating and acquiring power assets, but also in the conversion of power assets to crypto mining/hosting operations and the construction of datacenters with the specific purpose of mining crypto currency assets.

Expand into other cryptocurrency assets and businesses. While we no longer mine cryptoassets and have no plans to return to crypto mining operations, we see potential value in the ecosystems developing around cryptoassets. We deem the following factors important in making a decision to enter into a particular line of business: advice from securities and regulatory legal counsel about the regulatory framework applicable to such line of business, including the Howey test for whether or not a particular asset could be a security and consequences thereof, as applicable at the time, economic conditions, costs and benefits resulting from investing in a new line of business rather than our current co-hosting business, other costs of establishing such new or additional line of business, investor appetite, and other factors that may arise from time to time which could impact the costs and benefits to us and our stockholders.

Our Company History

Applied Blockchain, Inc. was incorporated in Nevada in May 2001 under the name of Reel Staff, Inc. to provide staffing services to film, video and television production companies. In September 2002, in connection with a share exchange with the stockholders of Flight Safety Technologies, Inc. (“FSTO”) and merger with FSTO, we changed our name to Flight Safety Technologies, Inc. On October 23, 2009, we filed a certificate of amendment to our articles of incorporation with the Secretary of State of the State of Nevada to change our name to Applied Science Products, Inc. ceased operations in 2014. As a result of having no business or revenues from 2015 through May 2021, we were deemed a shell company. As of November 30, 2021, we are no longer a shell company.

In December 2020, we began investigating opportunities to acquire, or otherwise build, an operating business. We determined to build a business focused on cryptoassets, and specifically participate in Ethereum (Ether) mining. On March 19, 2021, we entered into the Services Agreement with GMR Limited, a British Virgin Islands limited liability company (“GMR”), Xsquared Holding Limited, a British Virgin Islands limited liability company (“SparkPool”) and Valuefinder, a British Virgin Islands limited liability company (“Valuefinder” and, together with GMR and SparkPool, each a “Service Provider” and collectively, the “Service Providers”). Pursuant to the Services Agreement, we engaged the Service Providers to provide cryptoasset mining management and analysis and to secure equipment to be purchased by us as consideration for 7,440,148 shares of common stock to be issued to each of GMR and SparkPool or their designees and 3,156,426 shares of common stock to be issued to Valuefinder or its designee, in each case upon the occurrence of certain events. On March 25, 2021, we filed a certificate of amendment to our Second Amended and Restated Articles of Incorporation (as amended from time to time, our “Articles”) with the Secretary of State of the State of Nevada to change our name to Applied Blockchain, Inc. By July 2021, we had purchased crypto mining equipment, taken delivery of such equipment, installed such equipment at a cohosting location and began mining and generating revenue. Each of these Service Providers assisted in the creation of our crypto mining operations which we then terminated on March 9, 2022. Each of them also advised us in

connection with the design and buildout of our co-hosting operations. GMR and SparkPool have since become customers of our co-hosting operations. In July 2021, we added a strategic partner, Bitmain Technologies Limited ("Bitmain"), a producer of products for blockchain and artificial intelligence (AI) applications, to assist in the operation and development of our mining and co-hosting business as well as the identification of other strategic business initiatives.

In June 2021, we formed a wholly-owned subsidiary, APLD Hosting, LLC, in Nevada. APLD Hosting is entering into agreements to own and operate our co-hosting facilities. In August 2021, APLD, LLC, purchased property in North Dakota and in September 2021, we began construction of our first co-hosting facility on the North Dakota property. On February 2, 2022, we brought the facility online as to the first 55MW, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022.

On October 22, 2021, we formed 1.21 Gigawatts LLC in Delaware to develop, construct, finance, operate and maintain datacenters.

On November 2, 2021, we formed a wholly-owned subsidiary, Applied Talent Resources LLC, in Nevada to employ and manage our employees, employee staffing among our entities and projects and employment related plans and policies. On November 8, 2021 we formed APLD-JTND Phase II, LLC and on November 15, 2021 we formed APLD-Rattlesnake Den I, LLC and APLD-Rattlesnake Den II, LLC, each of which is a Delaware limited liability company formed to build and operate a co-hosting facility.

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, pursuant to which we own 80% and Antpool owns 20% of 1.21 Gigawatts. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5 GW of capacity for hosting blockchain infrastructure.

During the building of our co-hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co-hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022 we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We have no plans to return to crypto mining operations in the future. We still own some mining equipment. However, the equipment is either not online or was previously purchased but has yet to be delivered. We intend to sell this equipment as soon as possible and have no plans to bring the equipment online or use it for mining purposes.

Summary Risk Factors

An investment in our common stock involves a high degree of risk and uncertainty. You should carefully consider the risks summarized below and the other risks that are discussed more fully in the "Risk Factors" section of this prospectus immediately following this prospectus summary. These risks include, but are not limited to, the following:

- We have little operating history in the co-hosting business with limited sources of revenue and may be unable to increase our revenue from operations or raise additional capital needed to grow our business or become profitable.
- Our customers are dependent on the price of cryptoassets which has fluctuated wildly and could continue to do so. A significant loss by our customers resulting from a decline in cryptoasset prices, could cause a decline in our revenue from co-hosting operations and our expansion of co-hosting operations may be delayed or prevented.
- If we fail to manage our growth, our business, financial conditional and results of operations could be harmed.
- We and our co-hosting customers are subject to a highly-evolving regulatory landscape and any adverse changes to, or our failure to comply with, any laws or regulations could adversely affect our business, prospects or operations, including potential illegality now, or in the future, of acquiring,

owning, holding, selling or using Bitcoin, Ether or other cryptoassets, participating in blockchains or utilizing similar cryptoassets in one or more countries, the ruling of which would adversely affect us.

- Governmental actions may have a materially adverse effect on the cryptoasset mining industry as a whole, which would have an adverse effect on our business and results of operations.
- Cryptoassets' status as a "security," a "commodity" or a "financial instrument" in any relevant jurisdiction is subject to a high degree of uncertainty and if we or our co-hosting customers are unable to properly characterize a cryptoasset, we or they may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.
- Our business is dependent on technology, access to the internet and electricity which may not be available on commercially reasonable terms, if at all. Broad disruption of the internet could also adversely affect the prices of Bitcoin, Ether or other cryptoassets mined by our customers.
- Banks and financial institutions vary in the services they provide to businesses that engage in cryptoasset-related activities or that accept cryptoasset as payment.
- There is a lack of liquid markets for cryptoassets and banks and other services providers may stop providing services to entities involved in cryptoasset mining and such markets could be manipulated.
- Acceptance and/or widespread use of Bitcoin, Ether and other cryptoassets is uncertain.
- Cryptoassets may have concentrated ownership and large sales or distributions by holders of such cryptoassets could have an adverse effect on the market price of such cryptoasset.
- Competition from other methods of investing in Bitcoin, Ether and other cryptoassets or the development of competing blockchain platforms or technologies may adversely affect our operations, investment strategies and profitability.
- We may not adequately respond to rapidly changing technology or methods of, rules of, or access to, platforms which may negatively affect our business. Rapidly changing technology or platform methods, rules and access may render our crypto mining and related equipment and facilities obsolete, unprofitable or unusable.
- The characteristics of cryptoassets have been, and may in the future continue to be, exploited to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware scams; if any of our co-hosting customers do so or are alleged to have done so, it could adversely affect us.
- The open source structure of the Bitcoin and Ethereum network protocols and structure of the platforms are open to manipulation, hacking, decreases in transaction fees. Circumstances may arise that do not provide an adequate incentive to our co-hosting customers to continue mining or to us to continue co-hosting and we may cease co-hosting operations, which would lead to our failure to achieve profitability.
- The loss or destruction of private keys required to access any cryptoassets held in custody for our own or our customers' accounts may be irreversible. If we, or they, are unable to access private keys or if we, or they, experience a hack or other data loss relating to the ability to access any cryptoassets, it could cause regulatory scrutiny, reputational harm, and other losses.
- Cryptoassets and Bitcoin and Ether platforms, including those maintained by our customers, are susceptible to malicious actors, botnets, and cybersecurity threats and may be exposed to cybersecurity threats and hacks.
- Our cryptoassets mined prior to cessation of our mining operations and our customers' cryptoassets may be subject to damage, theft or restriction on access.
- The limited rights of legal recourse against us, and our lack of insurance protection expose us and our stockholders to the risk of loss of our cryptoassets mined prior to cessation of our mining operations for which no person is liable.

- COVID-19 or any pandemic, epidemic or infectious disease outbreak in the United States or elsewhere, may adversely affect our business.
- The price of our common stock may have little or no relationship to the historical bid prices of our common stock on the OTC Pink.
- We will incur increased costs as a result of closing this offering and later becoming a public reporting company.
- You may experience dilution of your ownership interest because of the future issuance of additional equity in our company.
- Until November 30, 2021, we were a shell company and stockholders cannot rely on the provisions of Rule 144 for the resale of their shares until certain additional conditions are met.
- Provisions in Articles, our amended and restated bylaws (as amended from time to time, the "Bylaws"), and Nevada law may discourage a takeover attempt even if a takeover might be beneficial to our stockholders.
- Cryptoassets face significant scaling obstacles that can lead to high fees or slow transaction settlement times which could negatively impact our customers' business and our co-hosting operations.

Our Corporate Information

Our executive office is located at 3811 Turtle Creek Blvd., Suite 2100, Dallas, Texas 75219, and our phone number is (214) 427-1704. Our principal website address is www.appliedblockchaininc.com. The information on any of our websites is deemed not to be incorporated in this prospectus or to be part of this prospectus.

Implications of Being a Smaller Reporting Company

We are a "smaller reporting company" as defined in the Exchange Act. We may take advantage of certain of the scaled disclosures available to smaller reporting companies so long as the market value of our voting and non-voting common stock held by non-affiliates is less than $250.0 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than $100.0 million during the most recently completed fiscal year and the market value of our common stock held by non-affiliates is less than $700.0 million measured on the last business day of our second fiscal quarter.

The Offering

Securities Offered by Us:	shares of common stock, assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022).
Common Stock to be Outstanding after this Offering:	shares of common stock (or shares of common stock if the underwriters exercise their over-allotment option in full) assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022) after giving effect to the Reverse Stock Split.
Over-allotment Option:	We have granted the underwriters a 30-day option to purchase up to an additional shares of our common stock, assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022) at the public offering price to cover over-allotments, if any.
Use of Proceeds:	We estimate that the net proceeds to us from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, assuming a public offering price of $ per share. We expect to use the proceeds to lease or purchase additional property on which to build additional co-hosting facilities, to construct those facilities, to enter into additional energy service agreements for each additional site and for funding our working capital and general corporate purposes. See "Use of Proceeds."
Lock-up:	We, our directors and officers and certain of our existing security holders have agreed with the underwriters not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of our common stock or securities convertible into common stock as described in further detail in the prospectus, for a period of 180 days after the date of this prospectus. See "*Underwriting (Conflicts of Interest)*" on page 95.
Risk Factors:	Investing in our securities is highly speculative and involves a significant degree of risk. See "*Risk Factors*" beginning on page 10 and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our securities.
Conflicts of Interest:	Affiliates of associated persons of B. Riley Securities, Inc. ("B. Riley") will own approximately 7.5% of our issued and outstanding common stock. In addition, our Chief Executive Officer, Wes Cummins, sold a majority interest in 272 Capital LP, a registered investment adviser controlled by him, to B. Riley Financial, Inc. and is the CEO and President of B. Riley Capital Management, LLC. Chuck Hastings, CEO of B. Riley Wealth Management, Inc., serves on our board of directors and Virginia Moore, a member of the Board of Directors, is the spouse of the CEO of B. Riley Securities, Inc. Because B. Riley Securities, Inc. is an underwriter in this offering, it is deemed to have a "conflict of interest" under Rule 5121 ("Rule 5121") of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Accordingly, this offering is being made in compliance with the requirements of Rule 5121. Due to certain of these conflicts of interest, Rule 5121 requires,

	among other things, that a "qualified independent underwriter" participate in the preparation of, and exercise the usual standards of "due diligence" with respect to, the registration statement and this prospectus. Northland Securities, Inc. has agreed to act as a qualified independent underwriter for this offering. Northland Securities, Inc. will receive $50,000 for serving as a qualified independent underwriter in connection with this offering. We have agreed to indemnify Northland Securities, Inc. against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.
Proposed Listing:	We have applied to list our common stock on the Nasdaq Global Select Market under the symbol "APLD." We cannot guarantee that we will be successful in listing our common stock on the Nasdaq Global Select Market.

The number of shares of our common stock that will be outstanding after this offering set forth above is based on 54,763,534 shares of common stock outstanding as of April , 2022, and also includes the following:

- 22,861,661 shares of our common stock issuable upon the automatic conversion of our Series C Preferred Stock and PIK Dividends thereon to be accrued through the date on which the SEC declares our other registration statement on Form S-1 (Registration No. 333-258818), or the Resale Registration Statement effective, or the effective date.
- 13,579,828 shares of our common stock issuable upon the automatic conversion of our Series D Preferred Stock and PIK Dividends thereon to be accrued through the effective date of our Resale Registration Statement.

Unless specifically stated otherwise, all information in this prospectus assumes no exercise by the underwriter of their options to purchase additional shares of common stock to cover over-allotments, if any.

Reverse Stock Split

We will effect a one-for-six reverse stock split in connection with our listing on the Nasdaq Global Select Market pursuant to which holders of our issued and outstanding common stock immediately prior to listing our common stock on Nasdaq Global Select Market will have every six shares of common stock reclassified as one share of common stock. No fractional shares will be issued. We refer to this as the "Reverse Stock Split."

Unless otherwise indicated, and other than in the consolidated historical financial statements and related notes included elsewhere in this prospectus, the number of shares of our common stock represented in this prospectus is adjusted to reflect the Reverse Stock Split.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently believe are immaterial may also become important factors that adversely affect our business. If any of the following risks occur, our business, operating results, financial condition and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. Some statements in this prospectus, including such statements in the following risk factors, constitute forward-looking statements. See the section entitled "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Business

We are at an early stage of development of our hosting business and currently have limited sources of revenue and may never become profitable.

Until 2021, we had no operations since 2014. Although we began generating revenue in 2021 from our cryptoasset mining activities and we began generating revenue from hosting operations when our first co-hosting facility came online on February 2, 2022, we are subject to the risks and uncertainties of a new business, including the risk that we may never develop, complete development or market any of our proposed services or be able to liquidate our cryptoassets. During the building of our co-hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co-hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022, we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We have no plans to return to crypto mining operations in the future. We still own some mining equipment. However, the equipment is either not online or was previously purchased but has yet to be delivered. We intend to sell this equipment as soon as possible and have no plans to bring the equipment online or use it for mining purposes. Accordingly, we have only a limited history upon which an evaluation of our prospects and future performance can be made. Based on our limited current contractual arrangements with customers, energy suppliers and construction companies, assuming the terms of current contracts are the same for all future facilities we build, capital expenditures for our hosting operations would be approximately $350,000 per 1MW, revenues from hosting operations would be approximately $49 million per year per 100MW and direct costs of sales for our hosting operations would be approximately $37 million per year per 100MW. Hosting revenues includes only fees from lease of space and access to electricity and not maintenance or other services provided by us. Direct costs of sales from hosting includes operations, maintenance and power related costs. However, any increased hosting revenue or decreased costs, for instance, as a result of pricing power, economies of scale and additional services provided, or any decrease in demand for our hosting services, for example as a result of increased regulation on cryptoasset mining of our hosting customers or a significant decrease in cryptoasset prices, will significantly change the terms on which we are able to enter into additional agreements necessary to expand our business and thus impact the results of our hosting revenues and direct hosting costs. We intend to reduce the impact of such variability on our hosting revenue and hosting costs by entering into long term contracts with the goal of having one blue chip anchor tenant that has signed a 3-5 year long-term contract at each site and filling the rest of the facility with customers with 18-36 month terms. However, there can be no assurance that the assumptions and the results of the calculations above will happen and as such they are not intended to be estimates or projections but to illustrate the calculation of our hosting revenue. The assumptions and actual results may vary significantly from, and be higher or lower than, those set forth in these calculations and we make no representations with respect thereto. If we are unable to successfully implement our development plan or to increase our generation of revenue, we will not become profitable, and we may be unable to continue our operations. Furthermore, our proposed operations are subject to all business risks associated with new enterprises. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a business, operation in a competitive industry, and the continued development of advertising, promotions and a corresponding customer base. There can be no assurances that we will operate profitably.

Our customers are dependent on the price of cryptoassets. A decline in the price of cryptoassets could result in significant losses to us and our co-hosting customers, a decline in our revenue from co-hosting operations and delay or prevention of the expansion of our co-hosting operations.

If the price of cryptoassets declines, our customers could incur future losses and these losses could be significant as they incur costs and expenses associated with our hosting of their miners at our facilities and other costs and expenses. Such losses could be significant. If our co-hosting customers' losses are significant enough, they may be unable to continue to pay our fees, we may experience a decline in revenue from our co-hosting operations and our expansion of co-hosting operations could be delayed or prevented. We intend to closely monitor our cash balances, cash needs and expense levels.

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

Our customers' businesses are subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, cryptoasset custody, exchange and transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the Internet, mobile technologies, cryptoassets and related technologies. As a result, they do not contemplate or address unique issues associated with the crypto economy, are subject to significant uncertainty, and vary widely across U.S. federal, state and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the crypto economy requires us to exercise our judgement as to whether certain laws, rules and regulations apply to us or our customers, and it is possible that governmental bodies and regulators may disagree with our or our customers' conclusions. To the extent we or our customers have not complied with such laws, rules and regulations, we could be subject to significant fines and other regulatory consequences, which could adversely affect our business, prospects or operations. As cryptoasset has grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the Commodity Futures Trading Commission, the SEC, the Financial Crimes Enforcement Network and the Federal Bureau of Investigation) have begun to examine the operations of cryptoasset networks, cryptoasset users and cryptoasset exchange markets.

Ongoing and future regulatory actions could effectively prevent our customers' mining operations and our ongoing or planned co-hosting operations, limiting or preventing future revenue generation by us or rendering our operations obsolete. Such actions could severely impact our ability to continue to operate and our ability to continue as a going concern or to pursue our strategy at all, which would have a material adverse effect on our business, prospects or operations.

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

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

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

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

As cryptoassets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. Future regulations may require our co-hosting customers to change

their business in order to comply fully with federal and state laws regulating cryptoasset (including Ethereum and Bitcoin) mining. In order to stay current with the industry, our business model may need to evolve as well. From time to time, we may modify aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business.

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

We may operate at a loss as we continue to establish our business model. In addition, we expect to need to raise substantial additional capital to expand our operations, pursue our growth strategies and to respond to competitive pressures or unanticipated working capital requirements. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, take other actions including terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders.

Any disruption of service experienced by certain of our third-party service providers, our failure to manage and maintain existing relationships or identify and engage or hire other qualified third-party service providers or employees to perform similar functions, or other events could harm our business, financial condition, operating results, cash flows, and prospects.

We may depend upon outside advisors who may not be available on reasonable terms as needed. To supplement the business experience of our officers and directors, we may be required to employ technical experts, appraisers, attorneys, or other consultants or advisors. Our management, with approval of our board of directors ("Board") in certain cases, without any input from stockholders, will make the selection of any such advisors. Furthermore, it is anticipated that such persons may be engaged on an "as needed" basis without a continuing fiduciary or other obligation to us. In the event we consider it necessary to hire outside advisors, we may elect to hire persons who are affiliates, if they are able to provide the required services.

On March 19, 2021, we entered into the Services Agreement with GMR Limited, a British Virgin Islands limited liability company ("GMR"), Xsquared Holding Limited, a British Virgin Islands limited liability company ("SparkPool") and Valuefinder, a British Virgin Islands limited liability company ("Valuefinder" and, together with GMR and SparkPool, each a "Service Provider" and collectively, the "Service Providers"). Pursuant to the Services Agreement, we engaged the Service Providers to provide cryptoasset mining management and analysis and to secure equipment to be purchased by us as consideration for 7,440,148 shares of common stock to be issued to each of GMR and SparkPool or their designees and 3,156,426 shares of common stock to be issued to Valuefinder or its designee, in each case upon the occurrence of certain events. On March 25, 2021, we filed a certificate of amendment to our Second Amended and Restated Articles of Incorporation (as amended from time to time, our "Articles") with the Secretary of State of the State of Nevada to change our name to Applied Blockchain, Inc. By July 2021, we had purchased crypto mining equipment, taken delivery of such equipment, installed such equipment at a cohosting location and began mining and generating revenue. Each of these Service Providers assisted in the creation of our crypto mining operations, which we then terminated on March 9, 2022. Each of them also advised us in connection with the design and buildout of our co-hosting operations. GMR and SparkPool have since become customers of our co-hosting operations. In July 2021, we added a strategic partner, Bitmain Technologies Limited ("Bitmain"), a producer of products for blockchain and artificial intelligence (AI) applications, to assist in the operation and development of our mining and co-hosting business as well as the identification of other strategic business initiatives.

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC, pursuant to which we and Antpool contributed $8,000 and $2,000, respectively, and will initially own 80% and 20% of 1.21 Gigawatts, respectively. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen

datacenters with up to 1.5GW of capacity for hosting blockchain infrastructure. We are the managing member of 1.21 Gigawatts and are responsible for all site development, construction and operations of the datacenters. However, certain activities of 1.21 Gigawatts and its subsidiaries require the vote of 90% of the then outstanding units of each such entity. As long as Antpool owns 10% or more of the total issued and outstanding units of 1.21 Gigawatts, Antpool may appoint an individual with industry expertise to serve as an advisor to 1.21 Gigawatts. 1.21 Gigawatts will pay fees to such advisor as reasonably determined by us as managing member. Transfers by members of units of 1.21 Gigawatts are prohibited without approval of 90% of units then outstanding, which consent may be granted or withheld for any reason and transfers of such units to non-affiliates, after obtaining consent, are subject to a right of first refusal of other members to purchase some or all of such units. Additionally, Antpool has the right at any time to convert all or any portion of its 1.21 Gigawatts units into a number of shares of our common stock equal to the capital contributions by Antpool in connection with the acquisition of such units divided by $1.25 (or $7.50, after adjustment for the Reverse Stock Split), which will result in an increase in our ownership percentage of 1.21 Gigawatts.

If these third parties or other outside advisors experience difficulty providing the services we require, or if they experience disruptions or financial distress or cease operations temporarily or permanently, it could make it difficult for us to operate our operations. If we are unsuccessful in identifying or finding highly qualified third-party service providers or employees, if we fail to negotiate cost-effective relationships with them or if we are ineffective in managing and maintaining these relationships, it could materially and adversely affect our business and our financial condition, operating results, cash flows, and prospects.

We may also experience disruptions due to mechanical failure, power outage, human error, physical or electronic security breaches, war, terrorism, fire, earthquake, pandemics, hurricane, flood and other natural disasters, sabotage and vandalism. Our systems may be susceptible to damage, interference, or interruption from modifications or upgrades, power loss, telecommunications failures, computer viruses, ransomware attacks, computer denial of service attacks, phishing schemes, or other attempts to harm or access our systems. Such disruptions could materially and adversely affect our business and our financial condition, operating results, cash flows, and prospects.

Various actual and potential conflicts of interest may be detrimental to stockholders.

Certain conflicts of interest may exist, or be perceived to exit, between certain of our directors or officers and us, including, direct and indirect relationships between certain of our officers and directors with entities that are, or are under common control with, B. Riley Securities, Inc., representative of the underwriters for this offering. Mr. Cummins and certain of our directors have other business interests to which they also must devote time, resources and attention. These other interests may conflict with such officer's or director's interest in us, including conflicting with interests in allocating resources, time and attention to our business and impacting decisions made on our behalf with respect to such entities, their affiliates or competitors.

Our Service Providers, and Bitmain, operate businesses related to crypto mining. Specifically, GMR and Bitmain actively mine cryptoassets. Although SparkPool ceased its operations as a result of China's ban on cryptoasset mining, SparkPool is moving its mining business outside of China. SparkPool and Valuefinder each consult with and advise other cryptoasset-related companies. Our Service Providers' and Bitmain's interest in their own business and that of entities they advise may conflict with our interests and may impact the advice provided to us or our competitors such that our business, operations and financial results may be negatively impacted.

We do not have specific procedures in place with respect to potential conflicts of interest, however, in determining to engage with potential competitors and entities with whom our officers or directors may have relationships, we considered the risks and risk mitigation factors, including requiring that transactions with entities that are related to our officers and directors be approved or ratified by our Audit Committee, and recognizing that Mr. Cummins holds over 24% of our common stock, calculated as if the Series C Preferred Stock and Series D Preferred Stock were converted, and our Service Providers, on an as-if converted basis, hold between 1.3% and 9% of our common stock. All of them therefore have a financial interest in the success of our operations. Additionally, none of our Service Providers or Bitmain operate in the co-hosting business. We have also included more than a majority of independent directors on our Board

in order to ensure that there are limitations on the risks of conflicts of interest impacting Board level decisions. Because we are not expanding our crypto mining business at this time and focusing on expanding our co-hosting business, the effects of any such risks of conflicts of interest are limited in scope. We expect that as our co-hosting business continues to grow, the risks of conflicts of interest will become more limited over time. We cannot, however, guarantee that the conflicts of interest described above, or other future conflicts of interest, will not manifest in advice or decisions that negatively impact our financial results and our operations.

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

Our success and future growth will depend to a significant degree on the skills and services of our management team. We will need to continue to grow our management team in order to alleviate pressure on our existing team and in order to continue to develop our business. If our management team, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Furthermore, if we fail to execute an effective contingency or succession plan with the loss of any member of our management team, the loss of such management personnel may significantly disrupt our business.

The loss of key members of our management team could inhibit our growth prospects. Our future success also depends in large part on our ability to attract, retain and motivate key management and operating personnel. As we continue to develop and expand our operations, we may require personnel with different skills and experiences, and who have a sound understanding of our business and the cryptoasset industry. The market for highly qualified personnel in this industry is very competitive and we may be unable to attract such personnel. If we are unable to attract such personnel, our business could be harmed.

We may depend upon outside advisors who may not be available on reasonable terms as needed.

To supplement the business experience of our officers and directors, we may be required to employ technical experts, appraisers, attorneys, or other consultants or advisors. Our management, with our board of directors ("Board") approval in certain cases, without any input from stockholders will make the selection of any such advisors. Furthermore, it is anticipated that such persons may be engaged on an "as needed" basis without a continuing fiduciary or other obligation to us. In the event we consider it necessary to hire outside advisors, we may elect to hire persons who are affiliates, if they are able to provide the required services.

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

The COVID-19 virus has had unpredictable and unprecedented impacts in the United States and around the world. The World Health Organization has declared the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease. Many countries around the world have imposed quarantines and restrictions on travel and large gatherings to slow the spread of the virus. In the United States, federal, state and local governments have enacted restrictions on travel, gatherings, and workplaces, with exceptions made for essential workers and businesses. We are still assessing potential effects on our business from COVID-19 and any actions implemented by the federal, state and local governments. Although in the United States work-from-home and shelter-in-place recommendations and requirements are beginning to be removed, any future variant of COVID-19, or another epidemic, could cause such measures to be reinstated. We may experience disruptions to our business operations resulting from such quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs. Such restrictions could impact our ability to construct our co-hosting facilities or take delivery of, or effectively service and maintain our customers' crypto mining equipment, which would have an adverse effect on our business and the results of our operations.

China has also prohibited the shipment of cryptoasset related products in and out of its borders, which could negatively impact our ability to receive mining equipment from China-based suppliers on behalf of our customers. Third-party manufacturers, suppliers, sub-contractors and customers have been and could continue to be disrupted by worker absenteeism, quarantines, restrictions on employees' ability to work, office

and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our supply chain, shipments of parts for our customers' existing miners may be delayed. As our customers' equipment requires repair or becomes obsolete and requires replacement, our and their ability to obtain adequate replacements or repair parts from their manufacturer may therefore be hampered. To the extent we are providing maintenance and repair services to our customers, our ability to provide such services may also be hampered by supply chain and labor disruptions. If not resolved quickly, supply chain disruptions could negatively impact our operations.

The implications of the COVID-19 pandemic on our results of operations and overall financial performance remain uncertain. The economic effects of the pandemic and any recovery and resulting societal changes, including the impact of current labor shortages in the United States, are currently not predictable, and the future financial impacts could vary from those foreseen.

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

As cryptoassets have grown in both popularity and market size, various U.S. federal, state, and local and foreign governmental organizations, consumer agencies and public advocacy groups have been examining the operations of crypto networks, users and platforms, with a focus on how cryptoassets can be used to launder the proceeds of illegal activities, fund criminal or terrorist enterprises, and the safety and soundness of platforms and other service providers that hold cryptoassets for users. Many of these entities have called for heightened regulatory oversight, and have issued consumer advisories describing the risks posed by cryptoassets to users and investors. For instance, in July 2019, then-U.S. Treasury Secretary Steven Mnuchin stated that he had "very serious concerns" about cryptoassets. Outside the United States, several jurisdictions have banned so-called initial coin offerings, such as China and South Korea, while Canada, Singapore, Hong Kong, have opined that token offerings may constitute securities offerings subject to local securities regulations. In July 2019, the United Kingdom's Financial Conduct Authority proposed rules to address harm to retail customers arising from the sale of derivatives and exchange-traded notes that reference certain types of cryptoassets, contending that they are "ill-suited" to retail investors due to extreme volatility, valuation challenges and association with financial crimes.

The cryptoeconomy is novel and has little to no access to policymakers and lobbying organizations in many jurisdictions. Competitors from other, more established industries, including traditional financial services, may have greater access to lobbyists or governmental officials, and regulators that are concerned about the potential for cryptoassets for illicit usage may effect statutory and regulatory changes with minimal or discounted inputs from the crypto economy. As a result, new laws and regulations may be proposed and adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that harm the crypto economy or cryptoasset platforms, which could adversely impact our and our customers' businesses.

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

The legal test for determining whether or not any given cryptoasset is a security (the Howey test) is a highly complex, fact-driven analysis the outcome of which is difficult to predict. The SEC took the position that initial coin offerings ("ICOs") are issuances of securities, a position that was upheld by the U.S. District Court for the Southern District of NY in the 2020 case SEC v. Telegram Group Inc. & TON Issuer Inc. The SEC's position on most other cryptoassets, other than Bitcoin, Ether and ICOs, is that it is up to market participants to determine whether or not a particular cryptoasset is a "security." The SEC generally does not provide advance guidance or confirmation on the status of any particular cryptoasset as a security. Furthermore, the SEC's views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the

SEC and its staff. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ether are securities (in their current form). With respect to all other cryptoassets, there is currently no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular cryptoasset could be deemed a "security" under applicable laws. Similarly, though the SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given cryptoasset is a security in April 2019, this framework is also not a rule, regulation or statement of the SEC and is not binding on the SEC.

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

Ongoing and future regulatory actions could effectively interfere with our customers' crypto mining operations and our co-hosting operations, limiting or preventing future revenue generation by us or rendering our operations obsolete. Such actions could severely impact our ability to continue to operate and our ability to continue as a going concern or to pursue our strategy at all, which would have a material adverse effect on our business, prospects or operations.

Banks, financial institutions and other businesses vary in the services they provide to businesses that engage in cryptoasset-related activities or that accept cryptoasset as payment.

Although a number of significant U.S. banks and investment institutions, such as Goldman Sachs, Citi Group, J.P. Morgan and BlackRock, allow customers to carry and invest in cryptoassets, the acceptance and use by banks of cryptoassets varies. Additionally, a number of companies and individuals or businesses associated with cryptoassets may have had and may continue to have their existing banking services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to cryptoassets has been to exclude their use for ordinary consumer transactions. However, in 2020, the Office of the Comptroller of the Currency of the U.S. Treasury Department announced that national banks and federal savings associations may provide cryptoasset custody services for customers. While we expect Ethereum and Bitcoin to continue to gain greater acceptance by banks and investment institutions, we cannot accurately predict the level and scope of services that these institutions will offer to businesses engaging in Ethereum or other cryptoasset related activities.

The usefulness of cryptoassets as payment systems and the public perception of cryptoassets could be damaged if banks or financial institutions were to close the accounts of businesses engaging in cryptoasset-related activities. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and derivatives on commodities exchanges, the over-the-counter market, and the Depository Trust Company, which, if any of such entities adopts or implements similar policies, rules or regulations, could negatively affect our or our customers' relationships with financial institutions and impede our ability to convert cryptoassets we previously mined or our customers' ability to convert cryptoassets to fiat currencies. Such factors could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and harm investors.

In addition to commercial banks, we have experienced reluctance by other service providers including public account firms and insurance companies to engage with companies engaged in cryptoasset mining related business.

If our co-hosting customers suffer from harm or loss as a result of risks relating to crypto mining operations or determine not to use our co-hosting facility, our co-hosting operations may suffer from significant losses.

We have material customer concentration in our co-hosting business. We have entered into contracts with four customers to utilize our first co-hosting facility which was brought online on February 2, 2022 as to the first 55MW, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022. When our first co-hosting facility is fully online, four customers will account for 100% of the revenue from our first co-hosting facility (100MW). These customers have also contracted for 85MW of power at our second co-hosting facility once completed and operational. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of customers. Additionally, our co-hosting customers are crypto miners themselves and subject to the same risks as we are with respect to their crypto mining businesses. It is not possible for us to predict the future level of demand for our services that will be generated by these customers or the future demand for the products and services of these customers. Should some or all of our co-hosting customers suffer from harm or loss due to a set of circumstances, their businesses could be negatively impacted or prevented. Further, our contracts with these customers permit them to terminate our services at any time (subject to notice and certain other provisions).

If any of our customers experience declining mining operations for any reason or determine to stop utilizing our co-hosting facilities, we could be pressured to reduce the prices we charge for our services or we could lose a major customer. Any such development could have an adverse effect on our margins and financial position, and would negatively affect our revenues and results of operations.

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

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

The impact of geopolitical and economic events on the supply and demand for cryptoassets is uncertain.

Geopolitical crises may motivate large-scale purchases of cryptoassets, which could increase the price of Bitcoin , Ether and other cryptoassets rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in Bitcoin, Ether and other cryptoassets as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, Bitcoin, Ether and other cryptoassets, which are relatively new, are subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in our common stock. Political or economic crises may motivate large-scale acquisitions or sales of Bitcoin, Ether and other cryptoasset either globally or locally. Such events could have a material adverse effect on our customers' businesses and our ability to continue as a going concern or to pursue our strategy at all, which

could have a material adverse effect on our business, prospects or operations and potentially the value of any cryptoasset we have mined prior to cessation of our mining operations.

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

Cambridge Bitcoin Electricity Consumption Index reported that as of February 1, 2021 more than 6GW of Bitcoin was mined in China (or $4.3 billion of power cost, assuming $0.08 per kWh average hosting cost). China has since banned cryptoasset mining related activity. China has already made transacting in cryptoassets illegal. Actions were taken in March 2021 by the governmental authorities for the Chinese province of Inner Mongolia, which represents roughly 8% of the world's total mining power, to ban cryptoasset mining in the province due in part to the industry's intense electrical power demands and its negative environmental impacts (both in terms of the waste produced by mining the rare earth metals used to manufacture miners and the production of electrical power used in cryptoasset mining). On September 24, 2021, China imposed a ban on all crypto transactions and mining. Other governments around the world are also reviewing their rules and regulations concerning the cryptoasset industry, including the United States.

On May 3, 2021, a bill was presented to the New York Senate's Environmental Conservation Committee that, if passed, would establish a three-year moratorium on the operation of cryptoasset mining centers pending an environmental impact study on the greenhouse gas emissions caused by the cryptoasset mining industry in the State of New York. Because we are unable to influence or predict future regulatory actions taken by governments in China, the United States or elsewhere, we may have little opportunity or ability to respond to rapidly evolving regulatory positions which may have a materially adverse effect on our industry and, therefore, our business and results of operations. If further extreme regulatory action is taken by various government entities, our business may suffer and investors in our securities may lose part or all of their investment.

Acceptance and/or widespread use of Bitcoin, Ether and other cryptoassets is uncertain.

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

The relative lack of acceptance of cryptoasset in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our customers' businesses and our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of Bitcoin, Ether or other cryptoassets we mined.

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

Although currently cryptoassets generally are not regulated or are lightly regulated in most countries, one or more countries such as China and Russia, which have taken harsh regulatory action in the past, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use these cryptoassets or to exchange for fiat currency. In many nations, particularly in China and Russia, it is illegal to accept payment in cryptoassets for consumer transactions and banking institutions are barred from accepting deposits of some or all cryptoassets. Such restrictions may adversely affect us as the large-scale use of Bitcoin, Ether or other cryptoassets as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on our customers' businesses and our ability

to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin, Ether or other cryptoassets we mined.

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

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

Cryptoassets may have concentrated ownership and large sales or distributions by holders of such cryptoassets could have an adverse effect on the market price of such cryptoasset.

As of December 31, 2020, the largest 100 Ether wallets held approximately 35% of the Ether in circulation. As of December 31, 2020, the largest 100 Bitcoin wallets held approximately 14% of the Bitcoins in circulation. Moreover, it is possible that other persons or entities control multiple wallets that collectively hold a significant number of Ether or Bitcoin, even if they individually only hold a small amount, and it is possible that some of these wallets are controlled by the same person or entity. Similar or more concentrated levels of concentrated ownership may exist for other cryptoassets as well. As a result of this concentration of ownership, large sales or distributions by such holders could have an adverse effect on the market price of Bitcoin, Ether and other cryptoassets which could have a material adverse effect on our customers' business and our business, prospects or operations and, potentially the value of any Bitcoin, Ether or other cryptoassets we mined prior to cessation of our mining operations.

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

Our customers compete with other users and/or companies that are mining Bitcoin, Ether and other cryptoassets and other potential financial vehicles, including securities backed by or linked to cryptoassets through entities similar to them. Market and financial conditions, and other conditions beyond our or their control, may make it more attractive to invest in other financial vehicles, or to invest in Bitcoin, Ether or other cryptoassets directly, which could materially affect our revenue or ability to expand our operations. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applicable to our customers and impact their ability to successfully operate. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin, Ether or other cryptoassets we mined prior to the cessation of our mining operations.

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

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether. Our customers' business utilizes presently existent digital ledgers and blockchains and they could face difficulty adapting to emergent digital ledgers, blockchains, or alternatives thereto. This may adversely affect their business and us and our exposure to various blockchain technologies and prevent us from realizing the

anticipated profits from our investments. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin, Ether or other cryptoassets we mined prior to the cessation of our mining operations.

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

The global market for Ether/Bitcoin is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. To the extent that other vehicles investing in Ether/Bitcoin or tracking Ether/Bitcoin markets form and come to represent a significant proportion of the demand for Ether/Bitcoin, large redemptions of the securities of those vehicles and the subsequent sale of Ether/Bitcoin by such vehicles could negatively affect Ether/Bitcoin prices and therefore affect the value of the Ether/Bitcoin inventory our customers hold. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Ether/Bitcoin we mined prior to cessation of our mining operations.

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

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Further, there have been limited precedents for the financial accounting of cryptoassets and related valuation and revenue recognition, and no official guidance has been provided by the FASB or the SEC. As such, there remains significant uncertainty on how companies can account for cryptoasset transactions, cryptoassets, and related revenue. Uncertainties or changes in regulatory or financial accounting standards could result in the need to change our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition.

Our customers may not adequately respond to rapidly changing technology or methods of, rules of, or access to, platforms which may negatively affect our business. Rapidly changing technology or platform methods, rules and access may render our crypto mining and related equipment and facilities obsolete, unprofitable or unusable.

Competitive conditions within the cryptoasset industry require that our customers use sophisticated technology in the operation of their business. The industry for blockchain technology is characterized by rapid technological changes, new product introductions, enhancements and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies we currently utilize, and we may have to manage transitions to these new technologies to remain competitive. Our customers may not be successful, generally or relative to our competitors in the cryptoasset industry, in timely implementing new technology into their systems, or doing so in a cost-effective manner. During the course of implementing any such new technology into their operations, they may experience system interruptions and failures and may find existing crypto mining equipment and infrastructure investments become obsolete. Furthermore, there can be no assurances that they will recognize, in a timely manner or at all, the benefits that they may expect as a result of our implementing new technology into our operations. Additionally, the methods, rules and access to the platforms which they mine change rapidly and could result in the platforms becoming obsolete or unusable by them. As a result of such changes to technology and/or platforms, our customers' and our business and operations may suffer.

If the award of Ether/Bitcoin reward for solving blocks and transaction fees, is not sufficiently high, our customers may not have an adequate incentive to continue mining and may cease mining operations, which could lead to our failure to achieve profitability.

If the number of Ether/Bitcoin awarded for solving a block in a blockchain decreases, our customers' ability to earn revenue worsens. Decreased use and demand for Ether/Bitcoin rewards may adversely affect their incentive to expend processing power to solve blocks. If the award of Ether/Bitcoin rewards for solving blocks and transaction fees are not sufficiently high, they may not have an adequate incentive to continue mining and may cease mining operations. Additionally, miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to a blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Ethereum network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on a blockchain, potentially permitting such actor or botnet to manipulate a blockchain in a manner that adversely affects our activities. A reduction in confidence in the confirmation process or processing power of the network could result and be irreversible. Such events could have a material adverse effect on our and our customers' ability to continue to pursue our strategy at all, which could have a material adverse effect on our customers' and our business, prospects or operations and potentially the value of any cryptoasset we mined prior to cessation of our mining operations. In addition, such events could have a material adverse effect on our co-hosting facilities, particularly any investment or commitments made by us for co-hosting facilities.

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

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

The award of new Bitcoin for solving blocks continually declines, so that Bitcoin miners must invest in increasing processing power in order to maintain or increase their yield of Bitcoin. If the pricing of Bitcoin were to decline significantly, there can be no assurance that our customers will have the resources to upgrade their processing power in order to maintain the continuing revenue production of their mining operations. Also, the developers of the Bitcoin network or other programmers could propose amendments to the network's protocols and software that, if accepted, might require our customers to modify their Bitcoin operations, and increase their investment in Bitcoin, in order to maintain revenue production. There can be no assurance, however, that they will be able to do so. Any decrease in demand for crypto mining resources would adversely impact our investment in, and operation of, our co-hosting facilities and negatively impact our business, operating results and financial condition.

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

The cryptoassets mined by us prior to cessation of our mining operations are not insured. Therefore, a loss may be suffered with respect to those cryptoassets which is not covered by insurance and for which no person is liable in damages which could adversely affect our operations and, consequently, an investment in us.

We do not hold those cryptoassets with a banking institution or a member of the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC") and, therefore, our cryptoassets are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions.

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

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

Cryptoasset Mining Equipment and Technology Related Risks

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

The Ethereum and Bitcoin networks, for example, operate based on an open-source protocol maintained by contributors. As an open-source projects, Ethereum and Bitcoin are not represented by an official organization or authority. As the network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the network protocols. The lack of guaranteed financial incentive for contributors to maintain or develop the networks and the lack of guaranteed resources to adequately address emerging issues with the networks may reduce incentives to address the issues adequately or in a timely manner. Changes to a cryptoasset network which our customers are mining on may adversely affect our customers' business our co-hosting operations and an investment in us.

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

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

- continued worldwide growth in the adoption and use of Ether and Bitcoin as mediums of exchange;
- governmental and quasi-governmental regulation of Ether and Bitcoin and its use, or restrictions on or regulation of access to and operation of the Ethereum and Bitcoin networks or similar cryptoasset systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network, including software updates and changes to network protocols that could introduce bugs or security risks;
- the increased consolidation of contributors to the Ethereum and Bitcoin blockchains through mining pools;

- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting cryptoassets for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to cryptoassets; and
- negative consumer sentiment and perception of Ethereum and Bitcoin specifically and cryptoassets generally.

The outcome of these factors could have negative effects on our customers' business our co-hosting operations and our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations as well as a potentially negative effect on the value of any Bitcoin, Ether or other cryptoassets we mined prior to cessation of our mining operations.

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

A disruption of the Internet may affect the use of Bitcoin, Ether and other cryptoassets, our ability to provide co-hosting services and subsequently the value of our common stock. Generally, Bitcoin, Ether and our customers' business of mining cryptoassets is dependent upon the Internet. A significant disruption in Internet connectivity could disrupt our ability to provide services and a currency's network operations until the disruption is resolved and have an adverse effect on the price of cryptoassets, our customers' ability to mine them, demand for our co-hosting services and our ability to perform our obligations under our contracts with our co-hosting customers.

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

Our current co-hosting operations are, and any future mining operations our customers establish may be, subject to a variety of risks relating to physical condition and operation, including:

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

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

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

Digital currencies and the digital currency industry are relatively new and, in many cases, lightly regulated or largely unregulated. Some types of digital currency have characteristics, such as the speed with

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

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

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

The decentralized nature of the governance of cryptoasset systems may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles. Governance of many cryptoasset systems is by voluntary consensus and open competition with no clear leadership structure or authority. To the extent lack of clarity in corporate governance of a cryptoasset system leads to ineffective decision making that slows development and growth of such cryptoassets, the business of our customers could be impaired which could negatively impact the operation of our co-hosting operations, business and value of our securities.

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

Cryptoassets are generally controllable only by the possessor of the unique private key relating to the digital wallet in which the cryptoassets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the cryptoassets held in such a wallet. To the extent that any of the private keys relating to our hot wallet or cold storage containing cryptoassets in our own account mined prior to cessation of our mining operations or any of our customers' private keys are lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we, or they, will be unable to access the cryptoassets held in the related wallet. Further, we cannot provide assurance that our, or their, wallet will not be hacked or compromised. Cryptoassets and blockchain technologies have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our or our customers' cryptoassets could adversely affect our or their ability to access or sell our or their cryptoassets, and subject us to significant

financial losses. As such, any loss of private keys due to a hack, employee or service provider misconduct or error, or other compromise by third parties could hurt our or their brands and reputations, result in significant losses, and adversely impact our business. The total value of cryptoassets in our possession and control is currently significantly greater than the total value of insurance coverage that would compensate us in the event of theft or other loss of funds.

Cryptoassets face significant scaling obstacles that can lead to high fees or slow transaction settlement times.

Cryptoassets face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. Scaling cryptoassets is essential to the widespread acceptance of cryptoassets as a means of payment, which widespread acceptance is necessary to the continued growth and development of our business. Many cryptoasset networks, including the Ethereum network, face significant scaling challenges. For example, cryptoassets are limited with respect to how many transactions can occur per second. Participants in the cryptoasset ecosystem debate potential approaches to increasing the average number of transactions per second that the network can handle and have implemented mechanisms or are researching ways to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and sharding (a horizontal partition of data in a database or search engine), which would not require every single transaction to be included in every single miner's or validator's block. However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of cryptoasset transactions will be effective, or how long they will take to become effective, which could adversely affect the business of our customers, our co-hosting operations, our business and an investment in our securities.

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

Our customers' mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining Bitcoin, Ether and other cryptoassets are lower than the price of the Bitcoin, Ether and/or other cryptoassets. As our customers' mining equipment operates, it experiences ordinary wear and tear and general hardware breakdown, and may also face more significant malfunctions caused by a number of extraneous factors beyond our or their control. The physical degradation of their miners will require them to, over time, replace those miners which are no longer functional. Additionally, as the technology evolves, they may be required to acquire newer models of miners to remain competitive in the market. The cost and availability of new machines is unpredictable. As a result, at times, they may obtain miners and other hardware from third parties at premium prices, to the extent they are available. In order to keep pace with technological advances and competition from other mining companies, it will be necessary to purchase new miners, which will eventually need to be repaired or replaced along with other equipment from time to time to stay competitive. This upgrading process requires substantial capital investment, and our customers may face challenges in doing so on a timely and cost-effective basis.

The global supply chain for mining equipment is presently constrained due to unprecedented demand coupled with a global semiconductor shortage, with a significant portion of available miners being acquired by companies with substantial resources. Prices for both new and older models of miners have been on the rise and these supply constraints are expected to continue for the foreseeable future. China, a major supplier of cryptoasset miners, has seen a production slowdown as a result of COVID-19. Should similar outbreaks or other disruptions to the China-based global supply chain for hardware occur, our customers may not be able to obtain adequate replacement parts for their existing miners or to obtain additional miners on a timely basis, if at all, or they may only be able to acquire miners at premium prices. Such events could have a material adverse effect on the value of our securities.

If a malicious actor or botnet obtains control in excess of 50% of the processing power active on any cryptoasset network, it is possible that such actor or botnet could manipulate the blockchain in a manner that adversely affects an investment in us.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated

to mining on any cryptoasset network, including the Ethereum network, it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the blockchain can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new cryptoassets or transactions using such control. Using alternate blocks, the malicious actor could "double-spend" its own cryptoassets (i.e., spend the same cryptoassets in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power or the cryptoasset community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect our customers' business, our co-hosting operations, our business and an investment in us.

The approach towards and possible crossing of the 50% threshold indicate a greater risk that a single mining pool could exert authority over the validation of cryptoasset transactions. To the extent that the cryptoassets ecosystems do not act to ensure greater decentralization of cryptoasset mining processing power, the feasibility of a malicious actor obtaining in excess of 50% of the processing power on any cryptoasset network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which may adversely impact our customers' business, our co-hosting operations, our business and an investment in us.

Cryptoassets, including those maintained by our customers, may be exposed to cybersecurity threats and hacks.

As with any computer code generally, flaws in cryptoasset codes, including Ethereum codes, may be exposed by malicious actors. Several errors and defects have been found previously, including those that disabled some functionality for users and exposed users' information. Exploitations of flaws in the source code that allow malicious actors to take or create money have previously occurred. Despite our customers' efforts and processes to prevent breaches, their devices, as well as their miners, computer systems and those of third parties that they use in their operations, are vulnerable to cyber security risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with their miners and computer systems or those of third parties that they use in their operations. Such events could have a material adverse effect on our customers' businesses, our co-hosting operations, our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any cryptoasset we mined prior to cessation of our mining operations.

Our and our customers' cryptoassets may be subject to loss, damage, theft or restriction on access.

There is a risk that part or all of our cryptoassets mined or our customers' cryptoassets could be lost, stolen or destroyed. We believe that our or their cryptoassets will be an appealing target to hackers or malware distributors seeking to destroy, damage or steal our or their cryptoassets. We cannot guarantee that we or they will prevent loss, damage or theft, whether caused intentionally, accidentally or by act of God. Access to our or our customers' cryptoassets could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). Any of these events may adversely affect our customers' operations and, consequently, our co-hosting operations, business and an investment in us.

Risks Related to our Common Stock

An active, liquid trading market for our common stock does not currently exist and may not develop after this offering, and as a result, you may not be able to sell your common stock at or above the public offering price, or at all.

A relatively inactive trading market exists for our common stock on the OTC Pink Market. No assurance can be given as to the following:

- that we will be successful in causing our common stock to become listed on the Nasdaq Global Select Market, any other national securities exchange or OTCQB or OTCQX;

- the likelihood that a more active trading market for shares of our common stock will develop or be sustained;
- the liquidity of any such market;
- the ability of our stockholders to sell their shares of common stock; or
- the price that our stockholders may obtain for their shares of common stock.

If an active market does not develop for our common stock or is not maintained, the market price of our common stock may decline and you may not be able to sell your shares. The market price of our common stock may be highly volatile and subject to wide fluctuations. Our financial performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the future market price of our common stock.

The price of our common stock may have little or no relationship to the historical bid prices of our common stock on the OTC Pink.

There has been no public market for our capital stock other than the OTC Pink. Given the limited history of sales and the lack of publicly available information about our business, financing and financial results available, among other factors, this information may have little or no relation to broader market demand for our common stock and thus the price of our common stock. As a result, you should not rely on these historical sales prices as they may differ materially from the opening price of the common stock and subsequent prices of our common stock. For more information about how the public offering price of our common stock will be determined, see the section titled "Plan of Distribution."

Investors in this offering will experience immediate and substantial dilution of $ per share.

Based on the assumed public offering price of $ per share (the last reported price of our common stock on the OTC Pink on April , 2022), and further assuming the receipt of the estimated net proceeds of $ million (after deducting estimated underwriting discounts and commissions and estimated offering expenses and the application of such proceeds as described in "Use of Proceeds"), purchasers of our common stock in this offering will experience an immediate and substantial dilution of $ per share in the as adjusted net tangible book value per share of common stock from the public offering price, and our pro forma as adjusted net tangible book value as of November 30, 2021 after giving effect to this offering would be approximately $ million, or $ per share. If the public offering price were to increase or decrease by $1.00 per share, then dilution in pro forma as adjusted net tangible book value per share to new investors in this offering would equal $. This dilution is due to, among other things, earlier investors having paid less than the initial public offering price when they purchased their shares. See "Dilution."

We do not expect to declare or pay dividends in the foreseeable future.

Except for PIK Dividends that we are required to issue to holders of our Series C Preferred Stock and Series D Preferred Stock under the Registration Rights Agreement entered in connection with the private placement of our Series C Preferred Stock or the Registration Rights Agreement entered into in connection with the private placement of our Series D Preferred Stock (as described in our Amended and Restated Certificate of Incorporation, the Certificates of Designation and the Registration Rights Agreements entered into), we do not expect to declare or pay dividends in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business. Therefore, holders of our common stock may not receive any return on their investment in our common stock unless and until the value of such common stock increases and they are able to sell such shares of common stock, and there is no assurance that any of the foregoing will occur.

If our common stock does not become publicly traded on the Nasdaq Global Select Market, another national securities exchange, OTCQB or OTCQX, our access to the capital markets will be limited.

Although we have filed an application to list our common stock on the Nasdaq Global Select Market, there is no guarantee that our common stock will be listed on Nasdaq Global Select Market or another national securities exchange or traded on OTCQB or OTCQX. Listing on the Nasdaq Global Select Market

will only occur if and when our application is approved and both our registration statement of which this prospectus forms a part and our registration statement on Form S-1 (Registration No. 333-258818), as amended, or the Resale Registration Statement, registering the resale of 36,441,489 shares of our common stock issuable on the automatic conversion of our Series C Preferred Stock and our Series D Preferred Stock upon effectiveness of the Resale Registration Statement, by the holders thereof, are declared effective by the SEC. If we are unable to have our common stock listed on the Nasdaq Global Select Market or another national securities exchange, or traded on OTCQB or OTCQX, our access to capital markets will be limited and we will have to rely on funding from private sources. Such limited access to the capital markets could impair our ability to finance our operations and any potential acquisitions and could have a material adverse effect on our business, operating results and financial condition.

Failure to establish and maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock value.

As a privately held company, we are not currently required to comply with the SEC's rules implementing Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Following the effectiveness of the registration statement of which this prospectus forms a part, we will be a public company and be required to comply with the SEC's rules implementing Section 302 of Sarbanes-Oxley, which will require our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. We will not be required to make our first assessment of our internal control over financial reporting until the year following our first annual report required to be filed with the SEC, likely beginning with the fiscal year ending May 31, 2023. To comply with the requirements of being a public company, we will need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting, finance and legal staff.

We currently have material weaknesses in the design or operation of our internal controls, which could adversely affect our ability to record, process, summarize and report financial data. We have not yet designed and/or implemented user access controls to ensure appropriate segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to appropriate personnel. We also do not have a properly designed internal control system that identifies critical processes and key controls. We are in the process of remediating such material weaknesses and there can be no assurance as to when such process will fully remediate such material weaknesses.

Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future and comply with the certification and reporting obligations under Sections 302 and 404 of Sarbanes-Oxley. Any failure to maintain effective controls or any difficulties encountered in our implementation or improvement of our internal controls over financial reporting could result in material misstatements that are not prevented or detected on a timely basis, which could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Ineffective internal controls could also cause investors to lose confidence in our reported financial information.

We will incur increased costs as a result of closing this offering and later becoming a public reporting company.

We are not currently a public reporting company, and as such, we will not be responsible for the corporate governance and financial reporting practices and policies required of a public company. Following the effectiveness of the registration statement of which this prospectus forms a part, we will be a public company. As a public company with listed equity securities, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of Sarbanes — Oxley Act of 2002 ("Sarbanes-Oxley"), related regulations of the SEC and the requirements of the Nasdaq Global Select Market. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our Board and management and will significantly increase our costs and expenses. We will need to:

- institute a more comprehensive compliance function;

- design, establish, evaluate and maintain a system of internal controls over financial reporting in compliance with the requirements of Section 404 of Sarbanes-Oxley and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- comply with rules promulgated by the Nasdaq Global Select Market or any other national securities exchange or any over the counter market on which our common stock is listed or traded;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish new internal policies, such as those relating to disclosure controls and procedures and insider trading;
- involve in and retain to a greater degree outside counsel and accountants for the above activities; and
- establish an investor relations function.

In addition, we expect that being a public reporting company subject to these rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. If adequate director and officer liability insurance coverage is not available, it may require us to retain substantial cash balances and further restrict our ability to invest in the business. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee, and qualified executive officers.

You may experience dilution of your ownership interest because of the future issuance of additional equity in our company.

In the future, we may issue additional shares of capital stock in our company, including the issuance of 36,441,489 shares of our common stock to be issued on the automatic conversion of our Series C Preferred Stock and Series D Preferred Stock upon the SEC's declaration of effectiveness of our Resale Registration Statement, resulting in the dilution of current stockholders' relative ownership. Our board and stockholders have approved an employee incentive plan and a non-employee director incentive plan. We have reserved 15,166,666 shares of our common stock for future issuance under our plans. Such conversions and issuances would also result in dilution of current stockholders' relative ownership.

On January 6, 2022, we and Antpool entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC pursuant to which we and Antpool will own 80% and 20%, respectively, of 1.21 Gigawatts. Antpool's interest in each such entity will be convertible by it at any time into a number of shares of our common stock equal to Antpool's capital contribution in connection with the acquisition of such interests divided by $1.25 (or $7.50 after giving effect to the Reverse Stock Split). Antpool's potential ownership of our common stock is dependent on its capital contributions to 1.21 Gigawatts which in turn will depend on which projects are approved by us and Antpool and the costs associated therewith. Accordingly, we cannot predict the amount of Antpool's potential ownership of our common stock. However, merely to illustrate how the calculation of Antpool's potential ownership of our common stock would be computed, the chart below shows the calculation assuming the full buildout of 1.5GW with capital expenditures of $250,000 per MW and debt financing of 0%, 30% and 70%. These assumptions and the results of the calculations below are not intended to be estimates or projections but to illustrate how the calculation of Antpool's potential ownership of our common stock would be computed. The assumptions and actual results may vary significantly from, and be higher or lower than, those set forth in these calculations and we make no representations with respect thereto.

	0% Debt Finance	30% Debt Finance	70% Debt Finance
Capital Expenditure per MW	$ 250,000	$ 250,000	$ 250,000
Total Capital Expenditure for 1.5GW	$ 375,000,000	$ 375,000,000	$ 375,000,000
Amount Financed with Debt	$ 0	$ 112,500,000	$ 262,500,000
Total Capital Contribution	$ 375,000,000	$ 262,500,000	$ 112,500,000
Capital Contribution by Antpool (20%)	$ 75,000,000	$ 42,500,000	$ 22,500,000

	0% Debt Finance	30% Debt Finance	70% Debt Finance
APLD Shares issuable upon Conversion of Antpool Capital Contributions at a $7.50 conversion price	10,000,000	7,000,000	3,000,000
Shares Outstanding after this Offering plus Shares issuable to Antpool			
Percentage of APLD Common Stock if Antpool Converted all of its Capital Contributions			

On January 14, 2022, we granted an aggregate of 1,791,666 restricted stock units ("RSUs") to three consultants, consisting of 125,000 RSUs to Roland Davidson, our Executive Vice President of Engineering, 416,666 RSUs to Nick Phillips, our Executive Vice President of Hosting and Public Affairs, and 1,250,000 RSUs to Etienne Snyman, our Executive Vice President of Power.

We may also issue other securities that are convertible into or exercisable for equity in our company in connection with hiring or retaining employees or consultants, future acquisitions or future sales of our securities.

The holders of our Series C Preferred Stock and Series D Preferred Stock are currently accruing PIK Dividends at an aggregate rate of approximately 217 shares of Series C Preferred Stock and 454 shares of Series D Preferred Stock per day until the Resale Registration Statement is declared effective by the SEC, or the effective date, at which time all such PIK Dividends will convert to common stock on the same terms as the Series C Preferred Stock and Series D Preferred Stock, as applicable, based on the stated value of $25 per share of Series C Preferred Stock and Series D Preferred Stock and a conversion price of $0.75 and $2.64, respectively. The resale of such common stock is included in the Resale Registration Statement. Additional PIK Dividends will continue to accrue daily until the effective date. The common stock issued upon the conversion of the additional PIK Dividends will be included in an amendment to the Resale Registration Statement once the effective date is known and such PIK Dividends are calculable.

Provisions in our Articles, our Bylaws, and Nevada law may discourage a takeover attempt even if a takeover might be beneficial to our stockholders.

Provisions contained in our Articles and Bylaws could make it more difficult for a third party to acquire us if we have become a publicly traded company. Provisions of our Articles and Bylaws impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our Articles authorize our Board to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock without any vote or action by our stockholders. Thus, our Board can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our other series of capital stock. These rights may have the effect of delaying or deterring a change of control of our company. Additionally, our Bylaws establish limitations on the removal of directors and on the ability of our stockholders to call special meetings.

For a more complete understanding of these provisions, please refer to the Nevada Revised Statutes and our Articles and Bylaws.

Though not now, we may be or in the future we may become subject to Nevada's control share law. A corporation is subject to Nevada's control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and it does business in Nevada or through an affiliated corporation. The law focuses on the acquisition of a "controlling interest" which means the ownership of outstanding voting shares sufficient, but for the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (i) one-fifth or more but less than one-third; (ii) one-third or more but less than a majority; or (iii) a majority or more. The ability to exercise such voting power may be direct or indirect, as well as individual or in association with others.

The effect of the control share law is that the acquiring person, and those acting in association with it, obtains only such voting rights in the control shares as are conferred by a resolution of the stockholders of

the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to strip voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non-voting shares. The acquiring person is free to sell its shares to others. If the buyers of those shares themselves do not acquire a controlling interest, their shares do not become governed by the control share law.

If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, any stockholder of record, other than an acquiring person, who has not voted in favor of approval of voting rights is entitled to demand fair value for the redemption of such stockholder's shares.

Nevada's control share law may have the effect of discouraging takeovers of the corporation.

In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and "interested stockholders" for two years after the "interested stockholder" first becomes an "interested stockholder," unless our Board approves the combination in advance or thereafter by both the Board and 60% of the disinterested stockholders. For purposes of Nevada law, an "interested stockholder" is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term "business combination" is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquiror to use the corporation's assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders.

The effect of Nevada's business combination law is to potentially discourage parties interested in taking control of us from doing so if it cannot obtain the approval of our Board.

The regulation of penny stocks by the SEC and FINRA may have an effect on the tradability of our securities.

Our shares of common stock are currently listed for trading on the OTC Pink Market. Our common stock is subject to a Securities and Exchange Commission rule that imposes special sales practice requirements upon broker-dealers who sell such securities to persons other than established customers or accredited investors. For purposes of the rule, the phrase "accredited investors" means, in general terms, institutions with assets in excess of $5,000,000, or individuals having a net worth in excess of $1,000,000 or having an annual income that exceeds $200,000 (or that, when combined with a spouse's income, exceeds $300,000).

For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our securities and also may affect the ability of sellers to sell their securities in any market that might therefore develop.

In addition, the Securities and Exchange Commission has adopted a number of rules to regulate "penny stocks." Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Exchange Act. Because our securities constitute "penny stocks" within the meaning of the rules, the rules would apply to us and to our securities. The rules may further affect the ability of owners of our common stock to sell our securities in any market that might develop for them.

Stockholders should be aware that, according to Securities and Exchange Commission, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired consequent investor losses. Our management

is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

The shares of our common stock may be thinly traded on the OTC Pink Market, meaning that the number of persons interested in purchasing our shares of common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven, early stage company such as ours or purchase or recommend the purchase of our shares of common stock until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares of common stock is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on the price of our common stock.

Until November 30, 2021, we were a shell company and as such stockholders cannot rely on the provisions of Rule 144 for the resale of their shares until certain conditions are met.

We have been a shell company as defined under Rule 405 of the Securities Act of 1933. As securities issued by a former shell company, the securities issued by us can only be resold pursuant to an effective registration statement and not by utilizing the provisions of Rule 144 until certain conditions are met, including that: (i) we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, (ii) we have filed all required reports under the Exchange Act of the preceding 12 months and (iii) one year has elapsed since we filed "Form 10" information (e.g. audited financial statements, management information and compensation, stockholder information, etc.).

Thus, a stockholder of ours will not be able to sell its shares until such time as a registration statement for those shares is filed or we become a reporting company, we have remained current on our Exchange Act filings for 12 months and we have filed the information as would be required by a "Form 10" filing.

Furthermore, as a former shell company, we will not become eligible to use Form S-8 to register offerings of our securities until the later of January 29, 2022 and the date we file information equivalent to what we would be required to file if we filed Form 10 information with the SEC.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, its trading price and volume could decline.

We expect the trading market for our common stock to be influenced by the research and reports that industry or securities analysts publish about us, our business or our industry. As a new public company, we do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our stock may be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline and our common stock to be less liquid. Moreover, if one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, or if our results of operations do not meet their expectations, our stock price could decline.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements contained in this prospectus other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "potential," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "target," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our net revenue, operating expenses, and our ability to achieve and maintain future profitability;
- our business plan and our ability to effectively manage our growth;
- anticipated trends, growth rates, and challenges in our business, the cryptoeconomy, and in the markets in which we operate;
- further development and market acceptance of cryptoasset networks and other cryptoassets;
- further development of our co-hosting facilities and customer base for co-hosting services;
- beliefs and objectives for future operations;
- our cryptoassets may be subject to loss, damage, theft or restriction on access;
- the value of Bitcoin, Ether and other cryptoassets, which may be subject to pricing risk has historically been subject to wide swings;
- our expectations concerning relationships with third parties;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- economic and industry trends, projected growth, or trend analysis;
- trends in revenue, cost of revenue, and gross margin;
- trends in operating expenses, including technology and development expenses, sales and marketing expenses, and general and administrative expenses, and expectations regarding these expenses as a percentage of revenue;
- increased expenses associated with being a public company; and
- other statements regarding our future operations, financial condition, and prospects and business strategies.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our operating results, financial condition, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe

that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this prospectus or to conform these statements to actual results or revised expectations, except as required by law.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus forms a part with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

This prospectus contains statistical data, estimates, and forecasts that are based on industry publications or reports generated by third-party providers, or other publicly available information, as well as other information based on internal estimates.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our common stock will be approximately $ million, or approximately $ million if the underwriter exercises in full its option to purchase additional shares of common stock, based on an assumed public offering price of $ per share (the last reported price of our common stock on the OTC Pink on April , 2022), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase (decrease) in the assumed public offering price of $ per common share (the last reported price of our common stock on the OTC Pink on April , 2022) would increase (decrease) the net proceeds to us from this offering by approximately $ million, or approximately $ million if the underwriter exercises its over-allotment option in full, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We currently estimate that we will use the net proceeds from this offering as follows: to purchase or lease additional property on which to build additional co-hosting facilities, to construct those facilities, to enter into additional energy service agreements for each additional site and to fund our working capital and general corporate purposes, including the costs of operating as a public company. We have presumed that we will receive aggregate gross proceeds of $ million assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022) and will deduct $ million payable in offering costs, commissions and fees.

The expected use of net proceeds of this offering represents our current intentions based upon our present plan and business conditions. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering. The amounts and timing of our actual use of net proceeds will vary depending on numerous factors. As a result, management will have broad discretion in the application of the net proceeds, and investors will be relying on our judgment regarding the application of the net proceeds of this offering. We reserve the right to use of the net proceeds we receive in the offering in any manner we consider to be appropriate. Although we do not contemplate changes in the proposed use of proceeds, to the extent we find that adjustment is required for other uses by reason of existing business conditions, the use of proceeds may be adjusted. The actual use of the proceeds of this offering could differ materially from those outlined above as a result of several factors including those set forth under “Risk Factors” and elsewhere in this prospectus.

REVERSE STOCK SPLIT

We will effect a one-for-six reverse stock split in connection with our listing on the Nasdaq Global Select Market pursuant to which holders of our issued and outstanding common stock immediately prior to listing our common stock on Nasdaq Global Select Market will have every six shares of common stock reclassified as one share of common stock. No fractional shares will be issued. We refer to this as the Reverse Stock Split.

Unless otherwise indicated, and other than in the consolidated historical financial statements and related notes included elsewhere in this prospectus, the number of shares of our common stock represented in this prospectus is adjusted to reflect the Reverse Stock Split.

DIVIDEND POLICY

On December 16, 2021, we became obligated to accrue an aggregate per day of approximately 217 shares of Series C Preferred Stock and approximately 454 shares of Series D Preferred Stock of paid-in-kind dividends ("PIK Dividends") on our Series C Preferred Stock and our Series D Preferred Stock, respectively. All such PIK Dividends are convertible into common stock automatically, and will be issued, upon effectiveness of our other registration statement on Form S-1 (Registration No. 333-258818) (the "Resale Registration Statement") on the same terms as the Series C Preferred Stock and Series D Preferred Stock, as applicable, based on the stated value of $25 per share of Series C Preferred Stock and Series D Preferred Stock and a conversion price of $0.75 and $2.64, respectively. The resale of such common stock issuable to holders of our Series C Preferred Stock and Series D Preferred Stock on the effective date, including shares of common stock issuable upon PIK Dividends accrued through the effective date of the Resale Registration Statement, is included in the Resale Registration Statement. Additional PIK Dividends will continue to accrue daily until the effective date. The common stock issued upon the conversion of the additional PIK Dividends will be included in an amendment to the Resale Registration Statement once the effective date is known and such PIK Dividends are calculable. At the time the registration statement of which this prospectus forms a part becomes effective, our obligation to issue further PIK Dividends will cease.

We have applied to list our common stock on the Nasdaq Global Select Market under the symbol "APLD." Listing on the Nasdaq Global Select Market will only occur if and when our application is approved and both our registration statement of which this prospectus forms a part and our Resale Registration Statement are declared effective by the SEC. However, there is no assurance that either of our registration statements will become effective or that our common stock will be listed on the Nasdaq Global Select Market or another national securities exchange or traded on OTCQB or OTCQX, at the expected times or at all.

Except for such PIK Dividends we do not expect to declare or pay dividends in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business.

Except for such required PIK Dividends, we intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our capital stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board may deem relevant.

CAPITALIZATION

The following table sets forth cash and cash equivalents, as well as our capitalization, as of November 30, 2021 on:

- an actual basis without giving effect to the Reverse Stock Split;
- a pro forma basis, giving effect to our issuance of an aggregate of 1,366,666 shares of restricted stock to our executive officers and non-employee directors, the automatic conversion of all outstanding shares of our Series C Preferred Stock and Series D Preferred Stock and PIK Dividends accrued thereon into common stock through the effective date of our Resale Registration Statement, for an aggregate of 36,441,489 shares of our common stock and the Reverse Stock Split, as if such conversions, issuance and Reverse Stock Split had occurred on November 30, 2021; and
- a pro forma as adjusted basis, giving effect to our issuance of an aggregate of 1,366,666 shares of restricted stock to our executive officers and non-employee directors, the automatic conversions of all outstanding shares of our Series C Preferred Stock and Series D Preferred Stock and PIK Dividends accrued thereon into common stock through the effective date of our Resale Registration Statement, for an aggregate of 36,441,489 shares of our common stock, the Reverse Stock Split and this offering, assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022), as if such conversions, issuances, and Reverse Stock Split had occurred on November 30, 2021.

You should read this table together with our consolidated financial statements and related notes, and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," each included elsewhere in this prospectus.

	As of November 30, 2021		
	Actual	Pro Forma Prior To This Offering	Pro Forma As Adjusted After This Offering
	(in thousands)		
Cash and cash equivalents	$ 14,045	$ 14,045	$
Mezzanine equity:			
Series C convertible and redeemable preferred stock, $.001 par value, 660,000 shares authorized, issued and outstanding, 0 and 0 shares outstanding, respectively	15,135	—	
Series D convertible and redeemable preferred stock, $.001 par value, 1,380,000 shares authorized, issued and 0 and 0 shares outstanding, respectively	31,574	—	
Stockholders' equity			
Common stock, $.001 par value, 1,000,000,000, 166,666,666 and 166,666,666 shares authorized, respectively, and 320,381,519, 91,205,023 and respectively shares issued and outstanding	320	91	
Additional paid-in capital	43,657	92,601	
Treasury Stock, 6,050 shares, at cost	(62)	(62)	
Accumulated deficit	(44,837)	(44,837)	
Total stockholders' equity	(922)	47,793	
Total capitalization	45,787	47,793	

The number of shares of our common stock to be outstanding following the effectiveness of this registration statement includes:

- 54,763,534 shares of our common stock outstanding as of April , 2022;

- 22,861,661 shares of our common stock issuable on the automatic conversion of our Series C Preferred Stock and PIK Dividends thereon to be accrued through the effective date of the Resale Registration Statement;
- 13,579,828 shares of our common stock issuable on the automatic conversion of our Series D Preferred Stock and PIK Dividends thereon to be accrued through the effective date of the Resale Registration Statement; and
- shares of common stock issuable on the consummation of this offering, assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022).

DILUTION

The difference between the public offering price per share of our common stock and the pro forma net tangible book value per share after this offering constitutes the dilution to investors in this offering. Net tangible book value per share is determined by dividing our net tangible book value, which is our total tangible assets less total liabilities, by the number of outstanding shares of common stock.

On a historical actual basis as of November 30, 2021, our net tangible book value was approximately $(0.92) million, or approximately $(0.17) per share.

On a pro forma basis as of November 30, 2021, our net tangible book value would have been approximately $47,792,932 million, or approximately $0.52 per share, after giving effect to our issuance of an aggregate of 1,366,666 shares of restricted stock to our executive officers and directors, the automatic conversion of all outstanding shares of our Series C Preferred Stock and Series D Preferred Stock and PIK Dividends thereon into common stock, for an aggregate of 36,441,489 shares of our common stock and our Reverse Stock Split, as if such conversions, issuance and Reverse Stock Split had occurred on November 30, 2021.

On a pro forma as adjusted basis as of November 30, 2021, our net tangible book value would have been $ million, or approximately $ per share, after giving further effect to the sale of the shares of common stock offered in this prospectus at an assumed public offering price of $ per share (the last reported price of our common stock on the OTC Pink on April , 2022) and the deduction of the underwriting discount and estimated offering expenses payable by us. The difference between the pro forma and pro forma as adjusted net tangible book value represents an immediate dilution of % per share, or $, to new investors.

The following table illustrates the dilution to the new investors on a per-share basis:

Assumed public offering price		$
Historical actual net tangible book value before this offering	$(0.17)	
Increase attributable to pro forma adjustment	$ 0.69	
Pro forma net tangible book value before this offering	$ 0.52	
Increase in pro forma net tangible book value attributable to new investors	$	
Pro forma as adjusted net tangible book value after this offering		$
Dilution to new investors		$

Each $1.00 increase (decrease) in the assumed public offering price of $ per share (the last reported price of our common stock on the OTC Pink on April , 2022) would increase (decrease) our pro forma as adjusted net tangible book value per share to new investors by $, and would increase (decrease) dilution per share to new investors in this offering by $, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same. In addition, to the extent any RSUs that we granted to certain of our consultants in January 2022 vest, new investors would experience further dilution.

If the underwriters exercise in full the option to purchase additional shares to cover over-allotments, the pro forma as adjusted net tangible book value per share of our common stock after giving effect to this offering would be approximately $ per share, and the dilution in pro forma as adjusted net tangible book value per share to investors in this offering would be approximately $ per share of common stock.

The dilution to new investors presented above excludes the effect of:

- the issue of 1,791,666 shares of our common stock underlying RSUs previously granted to certain of our consultants in January 2022; and
- the issue of 15,666,666 shares of our common stock reserved, but not subject to outstanding awards under our incentive plans.

The following table sets forth purchase price information with respect to (i) our initial stockholders including an aggregate of 1,366,666 shares of restricted stock to our executive officers and directors, the automatic conversion of all outstanding shares of our Series C Preferred Stock and Series D Preferred Stock and PIK Dividends thereon into common stock, for an aggregate of 36,441,489 shares of our common stock; and (ii) new investors in this offering, after giving effect to the sale of the shares of our common stock in this offering at an assumed public offering price of $ per share (the last reported price of our common stock on the OTC Pink on April , 2022):

	Share Purchased		Total Consideration		Average Price per share
	Amount	Percentage	Amount	Percentage	
Initial Stockholders		%	$	%	$
New investors		%	$	%	$
Total		100.0%	$	100.0%	$

Each $1.00 increase (decrease) in the assumed public offering price of $ per share (the last reported price of our common stock on the OTC Pink on April , 2022) would increase (decrease) each of the total consideration paid by new investors and total consideration paid by all stockholders by approximately $ million, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same.

If the underwriters exercise in full the option to purchase additional shares to cover over-allotments, our existing stockholders would own 95% and our new investors would own 5% of the total number of shares of our common stock outstanding after this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should read the sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Trends and Uncertainties

In June 2021, we began our crypto mining operations. Prior to that time, we had no operating business or revenues since 2014. As a result, we were deemed to be a shell company until November 30, 2021. During June 2021, we also began planning and executing a strategy to develop co-hosting operations to meet the changing challenges and needs of the cryptoasset industry. As our business operations continue to commence and grow, and because of the rapidly changing nature of our industry, our business will continue to change. The regulatory framework in which we operate may change. In the year ended May 31, 2021, we did not have cryptoasset related operations. In the future we will account for such operations as set forth below. These accounting rules and regulations we follow are likely to change in the future as discussed below.

Sale of Crypto Mining Equipment

On March 9, 2022, we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We still own some mining equipment. However, the equipment is either not online or was previously purchased but has yet to be delivered. We intend to sell this equipment as soon as possible and have no plans to bring the equipment online or use it for mining purposes. Total proceeds from the sale of the equipment were $1.6 million. We will recognize a loss of $2.9 million in the sale of the equipment during the quarter ended May 31, 2022. We have no plans to return to crypto mining operations in the future as we grow our co-hosting operations. The results of our crypto mining operations will be accounted for as discontinued operations in our consolidated financial statements as of and for the period ended February 28, 2022. This decision may decrease liquidity and our available capital resources, which may adversely affect us.

Loans

On March 11, 2022, we entered into a term loan agreement as guarantor with Applied Hosting, LLC, or Hosting, our wholly-owned subsidiary, as the borrower, and Vantage Bank Texas, as lender. Pursuant to the loan agreement, on March 11, 2022, Hosting entered into a promissory note agreement, or Note and borrowed $7,500,000 for a five-year term with an interest rate of 5% per annum. The proceeds of the term loan will be used for working capital needs for the operation of Phase I of the hosting facility in Jamestown, North Dakota. The loan agreement and Note contain customary covenants, representations and warranties and events of default.

Also on March 11, 2022, we entered into a continuing guaranty agreement with the lender, pursuant to which we agreed to guaranty Hosting's indebtedness and obligations under the loan agreement. The term loan is secured by a mortgage on the real property constituting Phase I of the Jamestown, North Dakota property pursuant to a Mortgage, Security Agreement and Fixture Financing Statement, dated March 11, 2022, by and between Hosting and the lender, and a security interest in the accounts receivable, rents and servicing agreements relating to the property, and equipment as set forth in or required by the loan agreement.

Regulatory Matters

Our customers' businesses are subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, cryptoasset custody, exchange and

transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the Internet, mobile technologies, cryptoassets and related technologies. As a result, they do not contemplate or address unique issues associated with the crypto economy, are subject to significant uncertainty, and vary widely across U.S. federal, state and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the crypto economy requires us to exercise our judgement as to whether certain laws, rules and regulations apply to us or our customers, and it is possible that governmental bodies and regulators may disagree with our or our customers' conclusions. To the extent we or our customers have not complied with such laws, rules and regulations, we could be subject to significant fines and other regulatory consequences, which could adversely affect our business, prospects or operations. As cryptoassets have grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the Commodity Futures Trading Commission, the SEC, the Financial Crimes Enforcement Network and the Federal Bureau of Investigation) have begun to examine the operations of cryptoasset networks, cryptoasset users and cryptoasset exchange markets. Other countries around the world are likewise reviewing and, in some cases, increasing regulation of the cryptoasset industry. For instance, on September 24, 2021, China imposed a ban on all crypto transactions and mining.

Ongoing and future regulatory actions could effectively prevent our customers' mining operations and our ongoing or planned co-hosting operations, limiting or preventing future revenue generation by us or rendering our operations and crypto mining equipment obsolete. Such actions could severely impact our ability to continue to operate and our ability to continue as a going concern or to pursue our strategy at all, which would have a material adverse effect on our business, prospects or operations.

Accounting Matters

On February 2, 2022 we brought our first facility online as to the first 55MW, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022. In this facility we will provide energized space and operating and maintenance services to third-party mining companies who locate their mining hardware within our co-hosting facility. We will account for these agreements as a single performance obligation for services being delivered in a series with delivery being measured by energy consumption by our co-hosting customers, subject in certain cases to minimum monthly fees to be paid to us. As such, we will recognize revenue over the life of the contracts as our series of performance obligations are met. Hosting contracts may require payment in advance of the service delivery. We will recognize such payments as deferred revenue until our performance obligations are met, at which time we will recognize the revenue. We do not have any significant warranty obligations. Hosting revenue will be included in hosting revenue in our consolidated statements of operations.

COVID-19

The COVID-19 virus has had unpredictable and unprecedented impacts in the United States and around the world. The World Health Organization has declared the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease. Many countries around the world have imposed quarantines and restrictions on travel and large gatherings to slow the spread of the virus. In the United States, federal, state and local governments have enacted restrictions on travel, gatherings, and workplaces, with exceptions made for essential workers and businesses. We are still assessing potential effects on our business from COVID-19 and any actions implemented by the federal, state and local governments. Although in the United States work-from-home and shelter-in-place recommendations and requirements are beginning to be removed, any future variant of COVID-19, or another epidemic, could cause such measures to be reinstated. We may experience disruptions to our business operations resulting from such quarantines, self-isolations, or other restrictions on the movement or ability of our employees and consultants to perform their jobs. Such restrictions could impact our ability to construct our co-hosting facilities or take delivery of, or effectively service and maintain, our customers' crypto mining equipment.

China has also limited the shipment of products in and out of its borders, which could negatively impact our ability to receive mining equipment from China-based suppliers on behalf of our customers.

Third-party manufacturers, suppliers, sub-contractors and customers have been and continue to be disrupted by worker absenteeism, quarantines, restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our supply chain, shipments of parts for our customers' existing miners may be delayed. As our customers' equipment requires repair or becomes obsolete and requires replacement, our and their ability to obtain adequate replacements or repair parts from their manufacturer may therefore be hampered. Supply chain disruptions could negatively impact our operations.

The implications of the COVID-19 pandemic on our results of operations and overall financial performance remain uncertain. The economic effects of the pandemic and any recovery and resulting societal changes, including the impact of current labor shortages in the United States, are currently not predictable, and the future financial impacts could vary from those foreseen.

To the extent we are providing maintenance and repair services to our customers, our ability to provide such services may also be hampered by supply chain and labor disruptions.

Future Expense of RSUs and Restricted Stock

We granted an aggregate of 1,791,666 restricted stock units (''RSUs'') to certain of our consultants with different vesting schedules based on occurrence of certain events which we cannot predict. Assuming that such RSUs vest in the amounts and during the quarters set forth in the table below, such table details the vesting shares and implied expenses in each relevant fiscal quarter.

	After Giving Effect to the Reverse Stock Split	
Fiscal Quarter End	**RSUs Vested**	**Implied Expense**
May 31, 2022	441,666	$ 3,551,000
August 31, 2022	800,000	$ 632,000
November 30,2022	550,000	$ 4,422,000

We granted an aggregate of 600,000 shares of restricted stock ("Restricted Stock") to our non-employee directors. The Restricted Stock vests one half on each of April 1, 2022, or the date, if later, on which the SEC declares effective a registration statement covering the resale of the shares of the Restricted Stock (the "Later Date") and April 1, 2023. The following table details the vesting shares and implied expenses in each relevant fiscal quarter.

Fiscal Quarter End	**Vesting Restricted Stock**	**Implied Expense**
May 31, 2022	300,000	$2,412,000
August 31, 2022	75,000	$ 603,000
November 30, 2022	75,000	$ 603,000
February 28, 2023	75,000	$ 603,000
May 31, 2023	75,000	$ 603,000

We granted an aggregate of 766,666 shares of restricted stock ("Restricted Stock") to three of our employees. The Restricted Stock vests one half on April 1, 2022, or, if later, the Later Date, and one-quarter of the remaining unvested shares vest on each of July 1, 2022, October 1, 2022, January 1, 2023 and April 1, 2023, or, in each case, if later, the Later Date. The following table details the vesting shares and implied expenses in each relevant fiscal quarter.

Fiscal Quarter End	Vesting Restricted Stock	Implied Expense
May 31, 2022	383,334	$3,082,000
August 31, 2022	95,833	$ 770,500
November 30, 2022	95,833	$ 770,500
February 28, 2023	95,833	$ 770,500
May 31, 2023	95,833	$ 770,500

Components of Results of Operations

Revenues

In the quarter ended August 31, 2021, we placed into operation our Nvidia GPU miners, which are hosted at Coinmint. The quarter ended November 30, 2021, was our first full quarter of cryptocurrency mining revenues. Cryptocurrency mining revenues, net totaled $1.4 million for the quarter ending November 30, 2021 compared with $0 for the prior year period. Revenues were derived from the mining of 368 ethereum coins. Revenues for the six months ended November 30, 2021 totaled $2 million compared to $0 for the comparable prior year period. Revenues were derived from the mining of 586 ethereum coins.

Cost of our cryptocurrency mining revenues for the quarter ending November 30, 2021 consist of depreciation related to our GPU miners as well as hosting fees paid to Coinmint.

We generated $933 thousand and $1.3 million of gross profit for the three and six months ended November 30, 2021, driven by our mining operations. No revenues for the three and six months ended November 30, 2021 are related to equipment sales. We no longer intend to grow our mining operations. From time to time, we may decide to sell equipment we have already purchased, but it is not our business model to sell equipment.

Operating Expenses

Our operating expenses consist primarily of expenses related to salaries of employees hired to develop and start our operating business and costs related to our activities in starting and maintaining our operating business such as datacenter personnel and energy costs.

Net Loss

Our net loss for the three and six months ended November 30, 2021 is primarily attributable to selling, general and administrative expenses and stock-based compensation for service agreement. The increase in our net loss from the three and six months ended November 30, 2020 to the three and six months ended November 30, 2021 was primarily due to expenses related to starting our business which was dormant in fiscal year 2020.

Liquidity and Capital Resources

Sources of Liquidity

We have only generated cash from the sale of our convertible preferred stock and the sale of Ether generated from our mining operations. Since December 2020, when we began planning to acquire or build an operational business, we have raised aggregate gross proceeds of $49.0 million from issuances of our convertible preferred stock. On April 15, 2021, we received $16.5 million in gross proceeds from the issuance of our Series C Convertible Redeemable Preferred Stock and on July 30, 2021, we received $32.5 million in gross proceeds from the issuance of our Series D Preferred Stock. During fiscal year 2021, we did not generate any revenue from crypto mining, co-hosting or otherwise. We have incurred net losses from operations. In June 2021, as a result of commencement of our crypto mining operations, we began to generate revenue. As of November 30, 2021 and May 31, 2021, we had cash of $14.1 million and $11.8 million, respectively, and an accumulated deficit of $44.8 million and $21.6 million, respectively. On March 11,

2022, we entered into a term loan agreement for $7.5 million for a term of five years with an interest rate of 5% per annum. The proceeds of the term loan will be used for working capital needs for the operation of Phase I of the hosting facility in Jamestown, North Dakota.

Funding Requirements

Having ceased our operations in 2014, we have experienced net losses until the first quarter of our fiscal year ended May 31, 2022. Our transition to profitability is dependent on the successful mining of crypto assets, the purchase and installation of additional crypto mining equipment and/or the successful operation of one or more of our own co-hosting facilities. We believe that amounts we received from our April 2021 and July 2021 sales of convertible preferred stock, from our crypto mining operations, prior to cessation of such operations on March 9, 2022, and revenue we have begun to achieve in our co-hosting operations since our first co-hosting facility was brought online as to 55MW on February 2, 2022, after planned expenditures to commence building our co-hosting operations, will be sufficient to meet our working capital needs for at least the next 12 months.

We expect that our general and administrative expenses and our operating expenditures will continue to increase as we continue to expand our operations and as we become a public company when the registration statement of which this prospectus forms a part becomes effective. We also expect that our revenues will increase as we continue to bring online the remaining 45MW of capacity at our first operational co-hosting facility. We expect to need additional capital to fund continued growth, which we may obtain through one or more equity offerings, debt financings or other third-party funding. Because of the numerous risks and uncertainties associated with the crypto mining industry, we are unable to estimate the amount of increased capital we may need to raise to continue to build additional co-hosting facilities and we may use our available capital sooner that we currently expect.

We believe that our existing cash, together with the anticipated revenues from current operations, will enable us to fund our operating expense requirements through at least 12 months. We have based our estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect, in which case, we would be required to obtain additional financing sooner than currently projected, which may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

Cash Flows

The net cash generated by operating activities of $4 million for the six months ended November 30, 2021 consisted primarily of $12.3 million of non-cash compensation for service agreement expenses and $5.2 million of accounts payable and accrued liabilities.

The net cash used in investing activities for the six months ended November 30, 2021 represents deposits on mining equipment and purchases of property and equipment.

The net cash provided by financing activities for the six months ended November 30, 2021 represents proceeds from issuance of our Series D Preferred Stock.

For the six months ended November 30, 2020 there was no cash used by operating activities, investing activities and financing activities.

Off Balance Sheet Arrangements

None.

Significant Accounting Pronouncements

None.

Recent Accounting Pronouncements

We continually assess any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects our financial reporting, we undertake a study to

determine the consequences of the change to its consolidated financial statements and assures that there are proper controls in place to ascertain that our consolidated financial statements properly reflect the change.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes" (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted.

In August 2020, the FASB issued ASU No. 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. This ASU is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. This update permits the use of either the modified retrospective or fully retrospective method of transition. We are currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

BUSINESS

Overview

Our Business

We are building Next-Gen datacenters which are designed to provide massive computing power. Our first facility was constructed in North Dakota and as of February 2, 2022 is online and providing 55MW of energy and services to customers, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022. We signed an energy services agreement with a utility to power this facility. The company pays for energy from part of the revenue from customers. Initially, these datacenters will primarily host servers securing the Bitcoin network but can also host hardware for other applications such as artificial intelligence, machine learning and other blockchain networks in the future. We have a colocation business model where our customers place hardware they own into our facilities, and we provide full operational and maintenance services for a fixed fee. We typically enter into long term fixed rate contracts with our customers.

- ***Scaling Hosting Operations***: leveraging partnerships to support scalable, low-cost mining solutions to support crypto and blockchain infrastructure.
- ***Mining Cryptoassets***: the company currently self-mines Ethereum. Operations will not expand.
- ***Fleet Management***: value-add services where from time to time we may facilitate the sale of blockchain mining equipment.

Hosting Operation

Our mission includes building co-hosting facilities in which our customers will lease space and access to electricity to mine cryptoassets. We are targeting bringing 800MW online by May 2023, 1.8GW by May 2024 and 5GW over the next five years.

We are building Next-Gen datacenters which are designed to provide massive computing power. Initially, these datacenters will primarily host servers securing the Bitcoin network but can also host hardware for other applications such as artificial intelligence, machine learning and other blockchain networks in the future. We have a colocation business model where our customers place hardware they own into our facilities and we provide full operational and maintenance services for a fixed fee. We typically enter into long term fixed rate contracts with our customers.

We have purchased property in North Dakota on which we constructed our first co-hosting facility. We have also entered into an Amended and Restated Energy Services Agreement with respect to 100 megawatts to be used by our co-hosting customers. We have also entered into agreements with four customers (JointHash Holding Limited (a subsidiary of GMR), Bitmain Technologies Limited, F2Pool Mining, Inc. and Hashing LLC) which will account for the total available energy under the Amended and Restated Energy Services Agreement at our first facility and 85MW of energy at our second facility once built and able to provide such energy. The company pays for energy from part of the revenue from customers.

Working with expert advisors in the fields of power, crypto mining operations, procurement, and construction, we have designed a plan for a prefabricated facility and organization within the facility that can be delivered and installed quickly and maximize performance and efficiency of the facility and our and our customers' crypto mining equipment. Construction of our first co-hosting facility began in September 2021. On February 2, 2022, we brought the facility online as to the first 55MW, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022.

With low-cost energy powering our co-hosting facilities, our customers can expect an agile and cost competitive crypto mining solution. We have identified at least two additional sites for additional facilities and several potential customers to fill such additional sites. We are negotiating leases and/or purchases of such properties, energy agreements to support such facilities and agreements with potential additional co-hosting customers.

On November 24, 2021, we entered into a letter of intent to develop a facility in Texas with 200MW of wind power. The arrangement is subject to entry into definitive agreements by the parties. There can be no assurance that we will enter into such agreements in a particular time period or at all.

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC, pursuant to which we and Antpool contributed $8,000 and $2,000, respectively, and will initially own 80% and 20% of 1.21 Gigawatts, respectively. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5GW of capacity for hosting blockchain infrastructure. We are the managing member of 1.21 Gigawatts and are responsible for all site development, construction and operations of the datacenters. However, certain activities of 1.21 Gigawatts and its subsidiaries require the vote of 90% of the then outstanding units of each such entity. As long as Antpool owns 10% or more of the total issued and outstanding units of 1.21 Gigawatts, Antpool may appoint an individual with industry expertise to serve as an advisor to 1.21 Gigawatts. 1.21 Gigawatts will pay fees to such advisor as reasonably determined by us as managing member. Transfers by members of units of 1.21 Gigawatts are prohibited without approval of 90% of units then outstanding, which consent may be granted or withheld for any reason and transfers of such units to non-affiliates, after obtaining consent, are subject to a right of first refusal of other members to purchase some or all of such units. Additionally, Antpool has the right at any time to convert all or any portion of its 1.21 Gigawatts units into a number of shares of our common stock equal to the capital contributions by Antpool in connection with the acquisition of such units divided by $1.25 (or $7.50, after adjustment for the Reverse Stock Split), which will result in an increase in our ownership percentage of 1.21 Gigawatts.

As our co-hosting operations expand, we believe our business structure will become conducive to a REIT structure, comparable to Digital Realty Trust (NYSE: DLR) and Equinix, Inc. (NASDAQ: EQIX), each of which is a traditional datacenter operator and Innovative Industrial Properties, Inc. (NYSE: IIPR), a specialty REIT that similarly services a new growth industry. We have begun to investigate the possibility, costs and benefits of converting to a REIT structure.

Mining Operation

Our initial mission was to quickly scale a large mining operation focused on mining Bitcoin and Ethereum (Ether). With a specialized algorithm and advice provided by strategic partners and mining pool managers, we are able to mine the most profitable cryptoassets in the market and adjust in real-time. As a result of changes to Chinese regulations of cryptoasset mining, ultimately leading to the crackdown on mining facilities in locations across the country, this pushed us to explore other co-hosting locations outside of China. By July 2021, we had entered into a co-hosting agreement with Coinmint LLC, had our initial order of mining equipment delivered and installed at Coinmint's co-hosting facility and began our mining operations. We also determined that constructing our own co-hosting facilities would enable us to generate a stable cash flow stream through long-term hosting agreements, lower the cost of power for our own mining operations and eliminate risks to us of relying on a third-party host. During the building of our co-hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co-hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022 we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We still own some mining equipment. However, the equipment is either not online or was previously purchased but has yet to be delivered. We intend to sell this equipment as soon as possible and have no plans to bring the equipment online or use it for mining purposes. We have no plans to return to crypto mining operations in the future.

We do not intend to accept digital assets as payment for services. We do intend to hold digital assets we mined prior to cessation of our mining operations for investment or conversion into fiat currency for working capital purposes.

Company History

Applied Blockchain, Inc. was incorporated in Nevada in May 2001 under the name of Reel Staff, Inc. to provide staffing services to film, video and television production companies. In September 2002, in connection with a share exchange with the stockholders of Flight Safety Technologies, Inc. (“FSTO”), we

discontinued previous operations and changed our name to FSTO, FSTO became our subsidiary and stockholders of FSTO acquired approximately 53% of our outstanding common stock. In June 2003, FSTO merged into us, and we became the owners of certain patents related to air travel safety technology which we planned to develop and market. On July 29, 2009, we filed a Form 15 with the SEC to terminate the registration of our common stock and our obligations to file annual, quarterly and other periodic reports with the SEC in order to conserve financial and other resources for the continuing development and commercialization of our business.

On September 2, 2008, we formed a subsidiary, Advanced Plasma Products, that acquired certain intellectual property and laboratory equipment for the development of products based on patented atmospheric plasma technology. We designed, produced and sold air purification products. The company also spent significant resources developing a medical device for chronic wound treatment. On October 23, 2009, we filed a certificate of amendment to our Articles with the Secretary of State of the State of Nevada to change our name to Applied Science Products, Inc.

On January 13, 2009, we acquired Cummins Family Produce, Inc., an Idaho corporation ("CFP"). CFP was a fresh produce processing and packaging business. The purpose of the acquisition was to acquire a cash generating business to further fund the development of plasma-based products at our other subsidiary, Advanced Plasma Products. Operations ceased in 2013 and the facilities leased by CFP were sold to another company. Thereafter, we were not able to secure additional funding needed to complete development and testing of the wound treatment device and operations ceased in 2014.

Since that time, all of our then existing subsidiaries have been dissolved or have become defunct.

On December 3, 2020, we filed a Certificate of Reinstatement/Revival with the Secretary of State of the State of Nevada in order reinstate us. At that time, we began investigating opportunities to acquire, or otherwise build, an operating business. We determined to build a business focused on cryptoassets, and specifically participate in Ethereum (Ether) mining. In March 2021, we executed a strategy planning and portfolio advisory services agreement ("Services Agreement") with GMR Limited, a British Virgin Island limited liability company ("GMR"), Xsquared Holding Limited, a British Virgin Island limited liability company ("SparkPool") and Valuefinder, a British Virgin Islands limited liability company ("Valuefinder") and, together with GMR and SparkPool, the "Service Providers"). Jason Zhang, one of our board members, is the sole equity holder and manager, of Valuefinder and a related party. Pursuant to the Services Agreement, the Service Providers agreed to provide cryptoasset mining management and analysis and to assist us in securing difficult to obtain equipment and we agreed to issue 7,440,148 shares of our common stock to GMR or its designees, 7,440,148 shares of our common stock to SparkPool or its designees and 3,156,426 shares of our common stock to Valuefinder or its designees. Each Service Provider has provided such services to us which services commenced in June 2021. Each of these Service Providers assisted in the creation of our crypto mining operations, which we then terminated on March 9, 2022. Each of them also advised us in connection with the design and buildout of our co-hosting operations. GMR and SparkPool have since become customers of our co-hosting operations. In July 2021, after clearance of our name change by FINRA and receipt of additional information from the Service Providers required by the transfer agent, we issued 7,440,148 shares of our common stock to each of GMR and SparkPool and 3,156,426 shares of our common stock to Jason Zhang, Valuefinder's designee.

On April 7, 2021, we filed a certificate of amendment to our Articles with the Secretary of State of Nevada, to, among other things, change our name to Applied Blockchain, Inc.

To raise funds to purchase crypto mining equipment and begin building our business, on April 15, 2021, we filed our Articles with the Secretary of State of Nevada, to, among other things, establish Series C Convertible Redeemable Preferred Stock and to file the Certificate of Designations related thereto. Also on April 15, 2021, we entered into that certain placement agent agreement, dated as of April 7, 2021, by and between us and B. Riley Securities, Inc. Pursuant to such agreement, on July 16, 2021 we issued 660,000 shares of Series C Convertible Redeemable Preferred Stock (the "Series C Preferred Stock") to certain investors for gross proceeds of $16,500,000. We used the net proceeds from the offering, among other things, to purchase cryptoasset mining equipment and pay for co-hosting services from Coinmint, LLC. The Series C Preferred Stock is not subject to the Reverse Stock Split except by adjustment to the conversion price.

Also on April 15, 2021 holders of a majority of the shares of Series A Preferred Stock and Series B Preferred Stock opted to convert such shares which triggered a mandatory conversion of all outstanding Series A Convertible Preferred Stock and Series B Convertible Preferred Stock into an aggregate of 28,765,292 shares of our common stock which shares were issued on July 2, 2021. Additionally, on April 15, 2021, we entered into an Exchange Agreement with certain noteholders, including Wes Cummins, our chairman of the Board, chief executive officer, secretary and treasurer, pursuant to which we agreed to exchange all outstanding notes for an aggregate of 5,038,827 shares of our common stock, which shares were issued on July 2, 2021.

In June 2021, we entered into a Co-Hosting and Services Agreement with Coinmint, LLC pursuant to which Coinmint hosts certain of our crypto mining equipment. We subsequently took delivery of our crypto mining equipment, installed the equipment at Coinmint's co-hosting facility and began mining operations in June 2021.

On July 29, 2021, we filed a certificate of amendment to our Articles with the Secretary of State of Nevada, to increase our authorized capital stock to 1,005,000,000 shares (or 171,666,666 shares after giving effect to the Reverse Stock Split) and designate 1,000,000,000 as common stock (or 166,666,666 after giving effect to the Reverse Stock Split). On the same day, we filed with the Secretary of State of Nevada the certificate of designations to establish Series D Convertible Redeemable Preferred Stock (the "Series D Preferred Stock").

To raise funds to lease or purchase property, purchase and install a physical building on such land to house our co-hosting facility, make deposits for our energy services agreement and purchase additional crypto mining equipment to continue to expand our mining business and build our co-hosting business, on August 4 and 5, 2021, pursuant to that certain placement agent agreement, dated as of July 30, 2021, by and between us and B. Riley Securities, Inc. (the "Placement Agent Agreement"), we issued 1,300,000 shares of Series D Preferred Stock to certain investors for gross proceeds of $32,500,000. On August 25, 2021, pursuant to that certain placement agent agreement, dated as of July 30, 2021, we issued an additional 4,000 shares of Series D Preferred Stock to an investor for gross proceeds of $100,000. On October 7, 2021, we amended the Placement Agent Agreement to extend the duration during which previously unsold shares of Series D Preferred Stock could be sold and issued the remaining 76,000 unsold shares of Series D Preferred Stock to investors for gross proceeds of $1,900,000. We used a portion of the proceeds from the Series D Preferred Stock offering, among other things, to purchase property on which to locate our first co-hosting facility, pay amounts needed to secure an energy services agreement, order the prefabricated building that is being installed to serve as our first co-hosting location and to purchase additional mining equipment. The Series D Preferred Stock is not subject to the Reverse Stock Split except by adjustment to the conversion price.

During the year ended May 31, 2021, we formed two subsidiaries, Shanghai Sparkly Ore Tech, Ltd and Applied Blockchain, Ltd. Shanghai Sparkly Ore Tech, Ltd is a wholly owned foreign entity in China that is currently dormant. Applied Blockchain, Ltd. is a wholly owned subsidiary formed in Grand Cayman. Applied Blockchain, Cayman was dormant except that it held a digital wallet which we might use in the future if we undertake crypto mining outside of the U.S. until October 12, 2021 when it entered into a services agreement with Xsquared Holding Limited.

In June 2021, we formed a wholly-owned subsidiary, APLD Hosting, LLC, in Nevada. APLD Hosting is entering into agreements to own and operate our co-hosting facilities. In August 2021, APLD Hosting purchased property in North Dakota and in September 2021, we began construction of our first co-hosting facility on the North Dakota property. On February 2, 2022, we brought the facility online as to the first 55MW, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022.

On October 22, 2021, we formed 1.21 Gigawatts LLC in Delaware to develop, construct, finance, operate and maintain datacenters.

On November 2, 2021, we formed a wholly-owned subsidiary, Applied Talent Resources LLC, in Nevada to employ and manage our employees, employee staffing among our entities and projects and employment related plans and policies. On November 8, 2021, we formed APLD-JTND Phase II, LLC, and on November 15, 2021, we formed APLD-Rattlesnake Den I, LLC and APLD-Rattlesnake Den II, LLC, each of which is a Delaware limited liability company formed to build and operate a co-hosting facility.

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, pursuant to which we own 80% and Antpool owns 20% of 1.21 Gigawatts. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5 GW of capacity for hosting blockchain infrastructure.

During the building of our co-hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co-hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022, we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We still own some mining equipment. However, the equipment is either not online or was previously purchased but has yet to be delivered. We intend to sell this equipment as soon as possible and have no plans to bring the equipment online or use it for mining purposes. We have no plans to return to crypto mining operations in the future.

Our Competitive Strengths

Premier strategic partnerships with leading industry participants. We believe that our partnerships with SparkPool, GMR and Bitmain have provided, and certain partners continue to provide, us with a significant competitive advantage. GMR has also been a proponent of our hosting strategy, having signed a contract for approximately 50% of our 100MW capacity as part of our hosting operation under development. Bitmain, our newest partner, provides us with preferred access to Bitcoin mining equipment as well as leads for potential hosting customers. SparkPool, GMR, and Bitmain are each strategic equity investors in our company. Each of these Service Providers assisted in the creation of our crypto mining operations, which we then terminated on March 9, 2022. Each of them also advised us in connection with the design and buildout of our co-hosting operations. GMR, SparkPool and Bitmain have since become customers of our co-hosting operations.

Access to low-cost power with long-term services agreement One of the main benefits of our Amended and Restated Electric Service Agreement is the low cost of power for mining. Even prior to the crypto mining restrictions in China, power capacity available for Bitcoin mining was scarce, especially at scalable sites with over 100MW of potential capacity. This scarcity of mining power allows us to realize attractive hosting rates in the current market, in particular given our ability to provide long-term (5-year) hosting contracts. For the first 100MW buildout, we secured 5-years of power from a utility that pre-filled the 100MW of planned capacity before breaking ground.

Benefits of Next-Gen datacenters compared to traditional datacenters. Next-Gen datacenters are optimized for large computing power and require more power than traditional datacenters that are optimized for data retention and retrieval. As a result, Next-Gen datacenters are more power intensive than traditional datacenters. Next-Gen datacenters and traditional datacenters also have very different layouts, internet connection requirements and cooling designs to accommodate the different power demands and customer requirements. Traditional datacenters cannot easily convert to Next-Gen datacenter facilities like ours because of these differences. Geographically, traditional datacenters are at a disadvantage because they require fiber bases, low-latency connections and connection redundancies that are usually found in high-cost areas with high-density populations.

Hosting provides predictable, recurring revenue and cash flow to complement more volatile mining operations. The financial performance of mining operations is linked to the value of the underlying cryptocurrencies mined, which can result in volatility in financial results. However, through our Amended and Restated Electric Service Agreement with a utility in the upper Midwest, we have locked in a ceiling for our energy costs. The Electric Service Agreement has also enabled us to launch our hosting business with long-term customer contracts. Cambridge Bitcoin Electricity Consumption Index reported that as of February 1, 2021 more than 6GW of Bitcoin was mined in China (or $4.3 billion of power cost, assuming $0.08 per kWh average hosting cost). China has since banned cryptoasset mining related activity. We expect much of the demand for hosting locations previously met in China will move to the United States due to its reliable power options. We intend for the steady cash flows generated by our hosting operations to be reinvested into the hosting business.

Strong management team and board of advisors with deep experience in crypto mining and hosting operations. We have recently expanded our leadership team by attracting top talent in the crypto mining and hosting space. Recent hires from both publicly traded and private company competitors have allowed us to build a team capable of designing hosting datacenters, constructing hosting facilities, and efficiently running mining operations at scale. In addition, our board of advisors includes luminaries in the crypto space, including the co-founders of SparkPool and GMR.

Our Growth Strategies

Leverage partners to grow hosting operations while minimizing risk. Our strategic partners GMR and Bitmain have entered into hosting contracts with us that will utilize the available capacity from our first planned 100MW hosting site, which enabled us to pre-fill our initial site before breaking ground. Beyond their own use of our hosting capabilities, our partners have strong relationships across the cryptocurrency ecosystem, and we believe that we will be able to leverage their networks to identify leads for our expansion of hosting operations. In fact, we believe that we have sufficient demand to fill our planned hosting expansion.

Secure scalable power sites in areas favorable for crypto mining We have developed a pipeline of potential power sources. We are currently developing our first hosting site in the Midwest, and we have visibility into two additional sites in the Midwest as well as solar and wind assets in Texas. Through our build-out of our first Midwest facility and the prior experience our leadership team brings to our initiatives, we believe that we have developed a repeatable power strategy to significantly scale our operations. In addition, we are currently focused on and will continue to target states that have favorable laws and regulations for the crypto mining industry, which we believe further de-risks the scaling of our operations.

Vertically integrate power assets. With recent additions to our management team, we are increasingly looking at various types of power assets to support the growth of our mining and hosting operations. This also includes power generation assets, which longer-term could be used to reduce our cost of power. Our management team has experience not only in evaluating and acquiring power assets, but also in the conversion of power assets to crypto mining/hosting operations and the construction of datacenters with the specific purpose of mining crypto currency assets.

Expand into other cryptocurrency assets and businesses. While we no longer mine cryptoassets and have no plans to return to crypto mining operations, we see potential value in the ecosystems developing around cryptoassets. We deem the following factors important in making a decision to enter into a particular line of business: advice from securities and regulatory legal counsel about the regulatory framework applicable to such line of business, including the Howey test for whether or not a particular asset could be a security and consequences thereof, as applicable at the time, economic conditions, costs and benefits resulting from investing in a new line of business rather than our current co-hosting business, other costs of establishing such new or additional line of business, investor appetite, and other factors that may arise from time to time which could impact the costs and benefits to us and our stockholders.

Strategic Relationships

In March 2021, we executed a strategy planning and portfolio advisory services agreement ("Services Agreement") with GMR Limited, a British Virgin Islands limited liability company ("GMR"), Xsquared Holding Limited, a British Virgin Islands limited liability company ("SparkPool") and Valuefinder, a British Virgin Islands limited liability company ("Valuefinder" and, together with GMR and SparkPool, the "Service Providers"). Jason Zhang, one of our board members, is the sole equity holder and manager, of Valuefinder and a related party. Pursuant to the Services Agreement, the Service Providers agreed to provide cryptoasset mining management and analysis and to assist us in securing difficult to obtain equipment and we agreed to issue 7,440,148 shares of our common stock to GMR or its designees, 7,440,148 shares of our common stock to SparkPool or its designees and 3,156,426 shares of our common stock to Valuefinder or its designees. Each Service Provider has provided such services to us which services commenced in June 2021. Each of these Service Providers assisted in the creation of our crypto mining operations, which we then terminated on March 9, 2022. Each of them also advised us in connection with the design and buildout of our co-hosting operations. GMR and SparkPool have since become customers of our co-hosting operations. In July 2021, after clearance of our name change by FINRA and receipt of additional information from

the Service Providers required by the transfer agent, the Company issued 7,440,148 shares of our common stock to each of GMR and SparkPool and 3,156,426 shares of our common stock to Jason Zhang, Valuefinder's designee. In July 2021, we added a strategic partner, Bitmain Technologies Limited ("Bitmain"), a producer of products for blockchain and artificial intelligence (AI) applications. Bitmain has assisted us in the identification and analysis of other strategic business initiatives.

Company's Hosting Operations

Valuefinder and Bitmain have provided advice on commencing a co-hosting business in addition to our mining business. On September 12, 2021, we entered into an Amended and Restated Energy Services Agreement with respect to 100 megawatts to be used by us and our co-hosting customers. We have also entered into agreements with several of our Service Providers, or entities introduced to us by them, for our co-hosting services, which will account for 100% of the energy under the Amended and Restated Energy Services Agreement available at our first co-hosting facility and 85MW at our second facility once built and subject to an energy services agreement.

In October and November 2021, we formed 1.21 Gigawatts, APLD-Rattlesnake Den I, LLC and APLD-Rattlesnake Den II, LLC in Delaware to develop, acquire, construct, finance, operate, maintain and own one or more datacenters designed for hosting computers, servers and related technology and equipment, including for use in mining or development of cryptoassets, blockchain-based technologies or other encrypted digital public ledgers of transactions.

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC, pursuant to which we and Antpool contributed $8,000 and $2,000, respectively, and will initially own 80% and 20% of 1.21 Gigawatts, respectively. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5GW of capacity for hosting blockchain infrastructure. We are the managing member of 1.21 Gigawatts and are responsible for all site development, construction and operations of the datacenters. However, certain activities of 1.21 Gigawatts and its subsidiaries require the vote of 90% of the then outstanding units of each such entity. As long as Antpool owns 10% or more of the total issued and outstanding units of 1.21 Gigawatts, Antpool may appoint an individual with industry expertise to serve as an advisor to 1.21 Gigawatts. 1.21 Gigawatts will pay fees to such advisor as reasonably determined by us as managing member. Transfers by members of units of 1.21 Gigawatts are prohibited without approval of 90% of units then outstanding, which consent may be granted or withheld for any reason and transfers of such units to non-affiliates, after obtaining consent, are subject to a right of first refusal of other members to purchase some or all of such units. Additionally, Antpool has the right at any time to convert all or any portion of its 1.21 Gigawatts units into a number of shares of our common stock equal to the capital contributions by Antpool in connection with the acquisition of such units divided by $1.25 (or $7.50, after adjustment for the Reverse Stock Split), which will result in an increase in our ownership percentage of 1.21 Gigawatts.

Future Business Expansion

Our expectations for our future business expansion are:

Calendar Year 2022

First-Second Quarter

- We brought our first facility in Jamestown, ND online as to the first 55MW on February 2, 2022.
- Bring the remaining 45MW online at our first facility in Jamestown, ND.
- Lease or purchase land in Texas on or near a wind farm. Enter into an energy services agreement for 200MW colocated with a wind power generating facility.
- Continue to enter into customer contracts for our co-hosting services at existing or planned facilities.

Third-Fourth Quarter

- Complete construction of additional buildings on our Jamestown, ND property, enter into a second energy services agreement for an additional 100MW for this facility.
- Lease or purchase another property in Texas. Enter into an energy services agreement for 200MW of wind power for this facility.
- Enter into an energy services agreement for 150MW of power in Oklahoma.
- Enter into an energy services agreement for 180MW of power in North Dakota.
- Continue to enter into agreements with customers for our co-hosting services at existing or planned facilities.

Calendar Year 2023

- Enter into agreements with additional customers for any additional capacity not already contracted for at the existing four and any planned facilities.
- Continue to lease or purchase additional land on which to construct additional facilities and construct additional facilities to build out the remainder of the planned 1.5GW of capacity.
- Enter into additional energy services agreements with respect to the remainder of the 1.5GW of planned capacity.

Calendar Year 2024 through Calendar Year 2026

- Enter into agreements with additional customers for any additional capacity not already contracted for at the existing and planned facilities.
- Continue to lease or purchase additional land on which to construct additional facilities and construct additional facilities to build out the remainder of the planned 5GW of capacity.
- Enter into additional energy services agreements with respect to the remainder of the 5GW of planned capacity.

Site Selection Criteria

Our site selection criteria considers geographic diversity, attractive return on investment, and environmental impact.

Geographic Diversity: Geographic diversity minimizes the risk to us of any event in a particular region that may impact our facilities in that geographic area. We expect to choose locations in environments that are policy and regulation friendly, and find sites with less expensive stable energy.

Attractive Return on Investment: We expect to achieve attractive return on investments in low-cost renewable assets with strict underwriting standards to achieve targeted returns. Moreover, we aim to have a balanced mix of high-volume, blue-chip customers and higher margin, smaller scale customers with one anchor blue-chip customer at each facility that has signed a 3 – 5 year long-term contract at each site and filling the rest of the facility with customers with 18 – 36 month terms.

Environmental Impact: We are doing our part to be as environmentally conscious as possible when choosing sites for development by targeting renewable energy assets to minimize our carbon footprint. Further, because Next-Gen datacenters like ours represent a unique power load, we believe our demand for renewable energy and entry into agreements with renewable energy providers will increase and accelerate the buildout of renewable energy infrastructure.

Customers

We have material customer concentration in our co-hosting business. We have entered into contracts with JointHash Holding Limited (a subsidiary of GMR), Bitmain Technologies Limited, F2Pool Mining, Inc. and Hashing LLC to utilize our first co-hosting facility which we brought online as to the first 55MW on February 2, 2022, with the remaining 45MW expected to be brought online during the second calendar

quarter of 2022. When the full 100MW is online at our first co-hosting facility, JointHash has contracted to use 40% of the available power, Bitmain for 45% and F2Pool for 15%. Together these customers will account for 100% of our co-hosting facility revenue until our second facility is constructed and operational. These four customers have agreed to use an additional 85 MW of power at our second facility, once it is constructed and operational. We are currently exploring options with respect to property on which our second facility will be built as well as energy services arrangements to provide power to the second facility.

Pursuant to our co-hosting contracts with our all four customers we agree to provide an environment and electricity for normal operation, monitoring, reporting and maintenance of equipment and the customers agree to pay service fees to us. Service fees are made up of hosting fees, operation fees and maintenance fees. Hosting fees to be paid by JointHash, Bitmain and F2Pool are based on the cost of power consumption by the customer plus a surcharge with F2Pool. Operation fees and maintenance fees are to be determined by the parties in each contract and on each purchase order. F2Pool has agreed to pay a monthly minimum services fee determined in relation to then current hosting fees and Hashing agreed to pay a flat fee per month for all services subject to certain additional fees for maintenance fees.

The agreements with JointHash and Bitmain are effective until terminated. In addition to providing for termination for breaches or defaults (subject to certain cure periods) and by mutual agreement of the relevant parties, JointHash and Bitmain may terminate their agreements with respect to all or part of their equipment subject to the relevant agreement with payment of a termination fee calculated by reference to the equipment as to which the agreement is being terminated and its forecasted energy usage.

The terms of the agreements with F2Pool and Hashing are 60 calendar months from the date on which no less than a negotiated number of megawatts of power are available at our first facility. The term may be extended for an additional 24 months without change to the fee structure by agreement of both parties. Unilateral termination rights are only available upon defaults or breaches of the agreement (subject to cure periods), bankruptcy or similar situations and certain assignment, sale or merger of F2Pool to or with a third party.

Our site level strategy consists of having one blue chip anchor tenant that has signed a 3 – 5 year long-term contract at each site and filling the rest of the facility with customers with 18 – 36 month terms.

Government Regulations

Our customers' businesses are subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, cryptoasset custody, exchange and transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the Internet, mobile technologies, cryptoassets and related technologies. As a result, they do not contemplate or address unique issues associated with the crypto economy, are subject to significant uncertainty, and vary widely across U.S. federal, state and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the crypto economy requires us to exercise our judgement as to whether certain laws, rules and regulations apply to us or our customers, and it is possible that governmental bodies and regulators may disagree with our or our customers' conclusions. To the extent we or our customers have not complied with such laws, rules and regulations, we could be subject to significant fines and other regulatory consequences, which could adversely affect our business, prospects or operations. As cryptoassets have grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the Commodity Futures Trading Commission, the SEC, the Financial Crimes Enforcement Network and the Federal Bureau of Investigation) have begun to examine the operations of cryptoasset networks, cryptoasset users and cryptoasset exchange markets. On September 24, 2021, China imposed a ban on all crypto transactions and mining. Other governments around the world are also reviewing their rules and regulations concerning the cryptoasset industry, including the United States.

In 2018, the SEC Director of Corporate Finance William Hinman announced that the Commission would not treat Ether or Bitcoin as securities. The legal test for determining whether or not any given cryptoasset is a security (the Howey test) is a highly complex, fact-driven analysis the outcome of which is

difficult to predict. The SEC took the position that initial coin offerings ("ICOs") are issuances of securities, a position that was upheld by the U.S. District Court for the Southern District of NY in the 2020 case SEC v. Telegram Group Inc. & TON Issuer Inc. The SEC's position on most other cryptoassets, other than Bitcoin, Ether and ICOs, is that it is up to market participants to determine whether or not a particular cryptoasset is a "security." The SEC generally does not provide advance guidance or confirmation on the status of any particular cryptoasset as a security. Furthermore, the SEC's views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ether are securities (in their current form). With respect to all other cryptoassets, there is currently no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular cryptoasset could be deemed a "security" under applicable laws. Similarly, though the SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given cryptoasset is a security in April 2019, this framework is also not a rule, regulation or statement of the SEC and is not binding on the SEC.

Ongoing and future regulatory actions could effectively prevent our customers' crypto mining operations and our ongoing or planned co-hosting operations, limiting or preventing future revenue generation by us or rendering our operations obsolete. Such actions could severely impact our ability to continue to operate and our ability to continue as a going concern or to pursue our strategy at all, which would have a material adverse effect on our business, prospects or operations.

Environmental Regulations

We have observed increasing media attention directed at the environmental concerns associated with cryptocurrency mining, particularly its energy-intensive nature. While we do not believe any U.S.-based regulators have taken a position adverse to our business, in March 2021, the governmental authorities for the Chinese province of Inner Mongolia, which represented roughly 8% of the world's total mining power, banned bitcoin mining in the province due to the industry's intense electrical power demands and its negative environmental impacts (both in terms of the waste produced by mining the rare Earth metals used to manufacture miners and the production of electrical power used in bitcoin mining). We have, and continue to, monitor domestic and international regulations, including regulations relating to environmental impacts of our business.

We brought the first 55MW at our first co-hosting facility in North Dakota online on February 2, 2022, with the remaining 45MW expected to be brought online during the second calendar quarter of 2022. North Dakota is one of the States leading the United States in wind power generation. We signed an energy services agreement with a utility in North Dakota to power this facility. The power comes off a grid and we cannot control whether that energy is generated by wind or other methods. We do not have access to information about the amount of energy we used and the sources of that energy. We have, and will continue to, consider opportunities for limiting the impact of our business on the environment.

Employees and Human Capital

As of March 16, 2022, we had 47 employees, all of whom were full time. We also had seven independent contractors who focus full time on our business and four independent contractors who worked on a part time basis on our business. We have relied and plan on continuing to rely on independent organizations, advisors and consultants to perform certain services for us. Such services may not always be available to us on a timely basis, on commercially reasonable terms or at all. Our future performance will depend in part on our ability to successfully integrate newly hired employees and to engage and retain consultants, as well as our ability to develop an effective working relationship with our employees and consultants.

DESCRIPTION OF PROPERTIES

We lease approximately 10,699 square feet of office space at 3811 Turtle Creek Blvd., Suite 2100, Dallas, Texas 75219. We use this location as our principal offices.

Our wholly-owned subsidiary, APLD Hosting LLC, owns in fee simple a 40-acre parcel of land located in Stutsman County, North Dakota, to be used in our co-hosting business. We have constructed our first co-hosting facility at this location. The portion of this property used in Phase I of the Jamestown, North Dakota hosting facility is mortgaged in connection with the loan from Vantage Bank Texas.

LEGAL PROCEEDINGS

As of the date of this prospectus, we are not involved in legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of March 21, 2022:

Name	Age	Position(s)	Period of Service
Executive Officers			
Wes Cummins	44	Chief Executive Officer, Secretary, Treasurer, Chairman of the Board	Director from February 2007 to December 2020 and March 2021 to Present, sole officer from March 2012 to December 2020 and CEO, Secretary and Treasurer from March 2021 to Present
David Rench	44	Chief Financial Officer	March 2021 to Present
Regina Ingel	34	Executive Vice President of Operations	April 2021 to Present
Non-Employee Directors			
Chuck Hastings[(1)(3)]	43	Director	April 2021 to Present
Kelli McDonald[(2)(3)]	43	Director	April 2021 to Present
Douglas Miller[(1)(2)(4)]	64	Director	April 2021 to Present
Virginia Moore[(2)(3)]	48	Director	April 2021 to Present
Richard Nottenburg[(1)(2)]	68	Director	June 2021 to Present
Jason Zhang	29	Director	April 2021 to Present

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and governance committee.

(4) Lead independent director.

Executive officers

Wes Cummins

Mr. Cummins has served as a member of our Board from 2007 until 2020 and from March 11, 2021 through present. During that time Mr. Cummins also served in various executive officer positions and he is currently serving as our chairman of the Board, chief executive officer, president, secretary and treasurer. Mr. Cummins was also the founder and CEO of 272 Capital LP, a registered investment advisor, which he sold to B. Riley Financial, Inc. (Nasdaq: RILY) in August 2021. Following the sale Mr. Cummins joined B. Riley as President of B. Riley Asset Management. Mr. Cummins intends to spend at least 40 hours per week on our business. Mr. Cummins has been a technology investor for over 20 years and held various positions in capital markets including positions at investment banks and hedge funds. Prior to founding 272 Capital and starting our operating business, Mr. Cummins was an analyst with Nokomis Capital, L.L.C., an investment advisory firm, a position he held from October 2012 until February 2020. Mr. Cummins also served as president of B. Riley & Co., from 2002 to 2011. Mr. Cummins also serves as a member of the boards of Sequans Communications S.A. (NYSE: SQNS), a fabless designer, developer and supplier of cellular semiconductor solutions for massive, broadband and critical Internet of Things markets and Vishay Precision Group, Inc. (VPG), designer, manufacturer and marketer of sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon their proprietary technology. Mr. Cummins served on the board of Telenav, Inc. (NASDAQ: TNAV) from August 2016 until February 2021. He holds a BSBA from Washington University in St. Louis where he majored in finance and accounting.

We believe Mr. Cummins' experience building a business and as a chief executive officer and his experience investing in technology gives him insight and perspective into creating and building a technology based company as well as operating as a public company and enables him to be an effective board member.

David Rench

Mr. Rench became our chief financial officer in March 2021 and continues to serve in that capacity. Prior to joining us, Mr. Rench co-founded in 2010, and from 2010 to 2017 served as the VP of Finance and Operations of, a software startup company, ihiji, until the company was acquired by Control4 in 2017. After the acquisition of ihiji, Mr. Rench joined and served as Chief Financial Officer of Hirzel Capital, an investment management company, from 2017 to 2020. Mr. Rench holds a BBA from the Neeley School of Business at Texas Christian University in Fort Worth, Texas, and an MBA from the Cox School of Business at Southern Methodist University in Dallas, Texas. He is skilled in talent management and focused on long-term business growth, revenue, and profitability. He has strong experience leading the full spectrum of accounting, budgets, financial analysis, forecast planning, IT strategy, and reporting processes to achieve and exceed corporate financial goals. He has demonstrated expertise in developing and implementing streamlined tools and procedures to maximize departmental efficiency.

Regina Ingel

Ms. Ingel became our Vice President of Operations in March 2021. Her experience is in marketing and operations to support growth of companies across sectors. From 2016 to 2018, Ms. Ingel worked with operations in the corporate buying offices at Neiman Marcus, a large department store chain, where she worked closely with the executive team on projections, marketing and planning for the web business. Ms. Ingel also founded an event planning company in Dallas in 2019, which she grew through creative marketing and sales despite a nationwide pandemic. Ms. Ingel sold her company in early 2021 to pursue a career in the cryptocurrency marketplace and specifically as our vice president of operations.

Non-employee directors

Chuck Hastings

Mr. Hastings currently serves as Chief Executive Officer of B. Riley Wealth Management. Mr. Hastings joined B. Riley Financial in 2013 as a portfolio manager and became Director of Strategic Initiatives at B. Riley Wealth Management in 2018 and President in 2019. Prior to joining B. Riley, Mr. Hastings served as Portfolio Manager at Tri Cap LLC and was Head Trader at GPS Partners, a Los Angeles-based hedge fund, where he managed all aspects of trading and process including price and liquidity discovery and trade execution from 2005 to 2009. While at GPS Partners, Mr. Hastings was instrumental in growing the fund with the founding partners from a small start-up to one of the largest funds on the West Coast. Earlier in his career, Mr. Hastings served as a convertible bond trader at Morgan Stanley in New York. Mr. Hastings also serves as a Board member for IQvestment Holdings. Mr. Hastings holds a B.A. in political science from Princeton University. He is a recognized leader in the financial industry with more than two decades of global financial and business expertise. We believe Mr. Hastings' experience and expertise will be of tremendous value as we pursue opportunities to leverage our initial investment and further scale our mining operations and build our co-hosting operations and enables him to be an effective board member.

Kelli McDonald

Ms. McDonald has a passion for high impact charity work in her local community as well as social and environmental causes. Ms. McDonald has been active in early childhood education since 2006. She has served as the Fundraising Chairperson and Social Media Manager for KSD NOW since 2019 and works in merchandising for an independent bookseller. In addition to work in non-profit development, early childhood education and the Literacy Project from 2017 to 2020, Ms. McDonald founded NG Gives Back — a community service and engagement program focused on the St. Louis area. She earned a Bachelor of Arts degree from The University of Wisconsin Oshkosh. We believe Ms. McDonald's education and community outreach background bring a unique perspective to the Board and enables her to be an effective board member.

Douglas Miller

Mr. Miller has served as a member of the board of directors of three public companies over the past nine years: Telenav, Inc (NASDAQ: TNAV), CareDx, Inc. (NASDAQ: CDNA) and Procera Networks. He has chaired the Audit Committee for each of these companies, and has also served as Lead Independent Director and as chair or committee member on Compensation, Nominating and Governance and Special committees. Prior to his roles as board member, Mr. Miller served as senior vice president, chief financial officer and treasurer of Telenav, a wireless application developer specializing in personalized navigation services, from 2006 to 2012. From 2005 to 2006, Mr. Miller served as vice president and chief financial officer of Longboard, Inc., a privately held provider of telecommunications software. Prior to that, from 1998 to 2005, Mr. Miller held various management positions, including senior vice president of finance and chief financial officer, at Synplicity, Inc., a publicly traded electronic design automation company. Mr. Miller also served as chief financial officer of 3DLabs, Inc., a publicly held graphics semiconductor company, and as an audit partner at Ernst & Young LLP, a professional services organization. Mr. Miller is a certified public accountant (inactive). He holds a B.S.C. in Accounting from Santa Clara University. We believe Mr. Miller's experience as a chief financial officer and board member of public companies gives him insight and perspective into how other boards function and enables him to be an effective board member.

Virginia Moore

Ms. Moore is the Co-founder, and CEO since 2017, of Catavento, a home textiles company based in Los Angeles. For 7 years prior to that, Ms. Moore was a partner and Vice President of Corbis Global, a 100-person architectural and engineering outsourcing firm. Earlier in her career she held positions in Marketing and Category Management with Coca-Cola, ACNielsen and Universal Studios Home Entertainment. Ms. Moore earned a Business Administration degree from Universidad Católica de Cordoba in her native Argentina and an MBA from ESADE Business School in Barcelona, Spain. Ms. Moore's business and entrepreneurial experience brings a unique perspective to our Board and enable her to be an effective board member.

Richard Nottenburg

Dr. Nottenburg is currently on the board of directors of Cognyte Software Ltd., (NASDAQ: CGNT),a global leader in security analytics software and Verint Systems Inc. (NASDAQ: VRNT), a customer engagement company. He serves as chairman of the compensation committee of both companies. He is also a member of the board of Sequans Communications S.A. (NYSE: SQNS), a leading developer and provider of 5G and 4G chips and modules for massive, broadband and critical IoT applications where he serves on both the audit and compensation committees. Dr. Nottenburg is also Executive Partner at OceanSoundPartners LP, a private equity firm, and an investor in various early stage technology companies. Previously, Dr. Nottenburg served as President and Chief Executive Officer and a member of the board of directors of Sonus Networks, Inc. from 2008 through 2010. From 2004 until 2008, Dr. Nottenburg was an officer with Motorola, Inc., ultimately serving as its Executive Vice President, Chief Strategy Officer and Chief Technology Officer. We believe that Dr. Nottenburg's deep experience in global technology-focused businesses and will be a valuable resource to us as we look to leverage our supply chain and scale our operations and enable him to be an effective member of the Board.

Jason Zhang

Mr. Zhang is an investor and entrepreneur in the technology sector. In 2019, Mr. Zhang founded Valuefinder, LLC, a British Virgin Island limited liability company ("Valuefinder"), which advises, or invests in, cryptoasset related companies. Prior to that Mr. Zhang served as an investment analyst at MSD Capital from 2015 to 2017. MSD Capital is a private investment firm established in 1998 to exclusively manage the assets of Michael Dell and his family. From 2017 to 2019, Mr. Zhang was an investment analyst at SCGE Management LP (Sequoia), an investment company that invests in early stage companies. At both MSD Capital and Sequoia, Mr. Zhang focused investments in startup companies, including companies involved with cryptoassets, enterprise software, consumer products and hardware. Mr. Zhang graduated from Harvard College in 2015. We believe that Mr. Zhang's experience with startup companies and companies

involved in cryptoassets is a valuable resource to us as we build and expand our operations and enable him to be an effective member of the Board.

Appointment of Officers

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our executive officers or directors.

Board of Directors Composition

Our board of directors currently consists of seven members. Until we are listed on a national securities exchange, we will not be required to meet the corporate governance requirements of a national securities exchange but we have structured our Board composition and corporate governance in order to meet the requirements of the Nasdaq Global Select Market.

Each of our current directors serves until the next annual meeting of our stockholders or earlier death, resignation or removal. Despite the expiration of a director's term, however, the director shall continue to serve until such director's successor is elected and qualifies or until there is a decrease in the number of directors.

Director Independence

Lead Independent Director

Our Board has appointed Douglas Miller as our lead independent director. Our lead independent director is expected to provide leadership to our Board if circumstances arise in which the role of chief executive officer and chairperson of our Board may be, or may be perceived to be, in conflict, and perform such additional duties as our board of directors may otherwise determine and delegate.

Committees of the Board of Directors

Our Board has established an audit committee, a compensation committee, and a nominating and governance committee, each of which have the composition and responsibilities described below. Members serve on these committees until their resignation or until otherwise determined by our Board. Each committee operates under a written charter approved by our Board that satisfies the applicable rules of the SEC and the listing standards of the Nasdaq Global Select Market. Copies of each committee's charter are posted on the Investor Relations section of our website.

Audit committee

Our audit committee is comprised of Messrs. Miller, Hastings and Nottenburg. Mr. Miller is the chairperson of our audit committee. Each audit committee member meets the requirements for independence under the current Nasdaq Global Select Market listing standards and SEC rules and regulations. Our Board has not determined whether any of our directors qualify as "audit committee financial experts" as defined in Item 407(d) of Regulation S-K promulgated under the Securities Act. Prior to having our common stock quoted on the OTCQB or listed on the Nasdaq Global Select Market, our Board will ensure that at least one member of our Audit Committee meets the requirements of the Nasdaq Global Select Market and has accounting or related financial management expertise. This designation does not impose any duties, obligations, or liabilities that are greater than are generally imposed on members of our audit committee and our Board. Each member of our audit committee is financially literate. Our audit committee is directly responsible for, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our consolidated financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm and reviewing, with management and that firm, our interim and year-end operating results;

- establishing procedures for employees to anonymously submit concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls and internal audit function;
- inquiring about significant risks, reviewing our policies for risk assessment and risk management, including cybersecurity risks, and assessing the steps management has taken to control these risks;
- reviewing and overseeing our policies related to compliance risks;
- reviewing related party transactions that are material or otherwise implicate disclosure requirements; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

Compensation committee

Our compensation committee is comprised of Ms. McDonald, Ms. Moore and Messrs. Miller and Nottenburg. Ms. McDonald is the chairperson of our compensation committee. The composition of our compensation committee meets the requirements for independence under the current Nasdaq Global Select Market listing standards and SEC rules and regulations. Each member of this committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act. Our compensation committee is responsible for, among other things:

- reviewing and approving, or recommending that our Board approve, the compensation and the terms of any compensatory agreements of our executive officers;
- reviewing and recommending to our Board the compensation of our directors;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our Board with respect to, incentive compensation and equity plans; and
- establishing our overall compensation philosophy.

Nominating and governance committee

Our nominating and governance committee is comprised of Ms. Moore, Ms. McDonald and Mr. Hastings. Ms. Moore is the chairperson of our nominating and governance committee. The composition of our nominating and governance committee meets the requirements for independence under the current Nasdaq listing standards and SEC rules and regulations. Our nominating and governance committee is responsible for, among other things:

- identifying and recommending candidates for membership on our Board;
- recommending directors to serve on board committees;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing succession plans for senior management positions, including the chief executive officer;
- reviewing proposed waivers of the code of business conduct and ethics for directors, executive officers, and employees (with waivers for directors or executive officers to be approved by the Board);
- evaluating, and overseeing the process of evaluating, the performance of our Board and individual directors; and
- advising our Board on corporate governance matters.

Board's Role in Risk Oversight

Our Board of directors is primarily responsible for overseeing our risk management processes. Our Board, as a whole, determines our appropriate level of risk, assesses the specific risks that we face, and

reviews management's strategies for adequately mitigating and managing the identified risks. Although our board of directors administers this risk management oversight function, the committees of our Board support our Board in discharging its oversight duties and address risks inherent in their respective areas. The audit committee reviews our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our procedures and related policies with respect to risk assessment and risk management. Our audit committee also reviews matters relating to compliance, cybersecurity, and security and reports to our Board regarding such matters. The compensation committee reviews risks and exposures associated with compensation plans and programs. We believe this division of responsibilities is an effective approach for addressing the risks we face and that our Board leadership structure supports this approach.

Board Diversity

Each year, our nominating and governance committee will review, with the Board, the appropriate characteristics, skills, and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates, our nominating and governance committee will consider factors including, without limitation, an individual's character, integrity, judgment, potential conflicts of interest, other commitments, and diversity. While we have no formal policy regarding board diversity for our Board as a whole nor for each individual member, the nominating and governance committee does consider such factors as gender, race, ethnicity and experience, area of expertise, as well as other individual attributes that contribute to the total diversity of viewpoints and experience represented on the Board.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers, and directors. The full text of our code of business conduct and ethics is posted on the Investor Relations section of our website: www.appliedblockchaininc.com. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of these provisions, on our website or in public filings.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is, or has been, our officer or employee. None of our executive officers currently serves, or during the year ended May 31, 2021 served, as a member of the Board, or as a member of the compensation or similar committee, of any entity that has one or more executive officers serving on our Board or compensation committee.

Legal Proceedings

To our knowledge, (i) no director or executive officer has been a director or executive officer of any business which has filed a bankruptcy petition or had a bankruptcy petition filed against it during the past ten years; (ii) no director or executive officer has been convicted of a criminal offense or is the subject of a pending criminal proceeding during the past ten years; (iii) no director or executive officer has been the subject of any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities during the past ten years; and (iv) no director or officer has been found by a court to have violated a federal or state securities or commodities law during the past ten years.

EXECUTIVE AND DIRECTOR COMPENSATION

We are a "smaller reporting company" under applicable SEC rules and are providing disclosure regarding our executive compensation arrangements pursuant to the rules applicable to emerging growth companies, which means that we are not required to provide a compensation discussion and analysis and certain other disclosures regarding our executive compensation. The following discussion relates to the compensation of our named executive officers for fiscal year ended May 31, 2021, consisting of Wes Cummins, our Chief Executive Officer, Secretary, Treasurer, Chairman of the Board, David Rench, our Chief Financial Officer, and Regina Ingel, our Vice President of Operations.

We did not pay any compensation to any employees in the fiscal year ended May 31, 2020.

***Summary Compensation* Table**

Name and position	Year	Salary ($)	Bonus ($)	Total ($)[(a)]
Wes Cummins	2021	52,083	—	52,083
CEO, President, Secretary and Treasurer	2020	—	—	—
David Rench,	2021	41,667	—	41,667
Chief Financial Officer	2020	—	—	—
Regina Ingel	2021	12,500	—	12,500
Vice President of Operations	2020	—	—	—

(a) Amounts represent compensation for partial year service from March 2021 through May 31, 2021.

We recently increased the salaries of our named executive officers as of November 1, 2021 and granted each of them restricted stock as set forth in each of their employment agreements as described below.

Employment Agreements

Cummins Agreement

Wes Cummins is our Chief Executive Officer. On January 4, 2022, we and Mr. Cummins entered into an Employment Agreement, effective as of November 1, 2021 (the "Cummins Employment Agreement").

Pursuant to the Cummins Employment Agreement, Mr. Cummins receives a base salary of $300,000 per annum, subject to annual review, and shall also be eligible for an annual bonus of up to 100% of his base salary, to be determined at our sole discretion. The term of the Cummins Employment Agreement ends on October 31, 2024, with automatic one (1) year extensions unless notice not to renew is given by either party at least 60 days prior to the relevant end date.

The Cummins Employment Agreement grants Mr. Cummins an incentive award of 500,000 restricted shares of our common stock ("Restricted Stock").

The Restricted Stock will vest in accordance with the following schedule:

Number of Shares	Vesting Date*
250,000	4/1/2022
62,500	7/1/2022
62,500	10/1/2022
62,500	1/1/2023
62,500	4/1/2023

* Shares will vest on such date or the date, if later, on which the SEC declares effective a registration statement covering the resale of the shares of restricted stock (such date, the "Later Date").

The Cummins Employment Agreement requires Mr. Cummins to devote his full-time efforts to his employment duties and obligations, and provides that Mr. Cummins will be entitled to participate in all benefit plans provided to our employees in accordance with our applicable plan, policy or practices, as well as in any long-term incentive program established by us. It also provides for unlimited annual paid vacation, and reimbursement of reasonable business expenses, and provides that either party may terminate the employment arrangement pursuant to the notice requirements set forth in the Cummins Employment Agreement.

The Cummins Employment Agreement contains restrictive covenants prohibiting Mr. Cummins from disclosing our confidential information at any time, from competing with us in any geographic area where we do business during his employment, and from soliciting our employees, contractors or customers, during his employment and for one year thereafter.

Rench Agreement

David Rench is our Chief Financial Officer. On January 4, 2022, we and Mr. Rench entered into an Employment Agreement, effective as of November 1, 2021 (the "Rench Employment Agreement").

Pursuant to the Rench Employment Agreement, Mr. Rench receives a base salary of $240,000 per annum, subject to annual review, and shall also be eligible for an annual bonus of up to 75% of his base salary, to be determined at our sole discretion. The term of the Rench Employment Agreement ends on October 31, 2024, with automatic one (1) year extensions unless notice not to renew is given by either party at least 60 days prior to the relevant end date.

The Rench Employment Agreement grants Mr. Rench an incentive award of 166,666 shares of Restricted Stock. The Restricted Stock will vest in accordance with the following schedule:

Number of Shares	Vesting Date*
83,333	4/1/2022
20,833	7/1/2022
20,833	10/1/2022
20,833	1/1/2023
20,834	4/1/2023

* Shares will vest on such date or the Later Date, if later.

The Rench Employment Agreement requires Mr. Rench to devote forty (40) hours per week to his employment duties and obligations, and provides that Mr. Rench will be entitled to participate in all benefit plans provided to our employees in accordance with our applicable plan, policy or practices, as well as in any long-term incentive program established by us. It also provides for unlimited annual paid vacation, and reimbursement of reasonable business expenses, and provides that either party may terminate the employment arrangement pursuant to the notice requirements set forth in the Rench Employment Agreement.

The Rench Employment Agreement contains restrictive covenants prohibiting Mr. Rench from disclosing our confidential information at any time, from competing with us in any geographic area where we do business during his employment, and from soliciting our employees, contractors or customers, during his employment and for one year thereafter.

Ingel Agreement

Regina Ingel is our Vice President of Operations. On January 4, 2022, we and Ms. Ingel entered into an Employment Agreement, effective as of November 1, 2021 (the "Ingel Employment Agreement").

Pursuant to the Ingel Employment Agreement, Ms. Ingel receives a base salary of $120,000 per annum, subject to annual review, and shall also be eligible for an annual bonus of up to 50% of her base salary, to be determined at our sole discretion. The term of the Ingel Employment Agreement ends on October 31,

2024, with automatic one (1) year extensions unless notice not to renew is given by either party at least 60 days prior to the relevant end date.

The Ingel Employment Agreement grants Ms. Ingel an incentive award of 100,000 shares of Restricted Stock.

The Restricted Stock will vest in accordance with the following schedule:

Number of Shares	Vesting Date*
50,000	4/1/2022
12,500	7/1/2022
12,500	10/1/2022
12,500	1/1/2023
12,500	4/1/2023

* Shares will vest on such date or the Later Date, if later.

The Ingel Employment Agreement requires Ms. Ingel to devote forty (40) hours per week to her employment duties and obligations, and provides that Ms. Ingel will be entitled to participate in all benefit plans provided to our employees in accordance with our applicable plan, policy or practices, as well as in any long-term incentive program established by us. It also provides for unlimited annual paid vacation, and reimbursement of reasonable business expenses, and provides that either party may terminate the employment arrangement pursuant to the notice requirements set forth in the Ingel Employment Agreement.

The Ingel Employment Agreement contains restrictive covenants prohibiting Ms. Ingel from disclosing our confidential information at any time, from competing with us in any geographic area where we do business during her employment, and from soliciting our employees, contractors or customers, during her employment and for one year thereafter.

Severance Agreements

None of our employees have severance agreements.

Outstanding Equity Awards at Fiscal Year End

There were no outstanding equity awards held by our named executive officers on May 31, 2021.

Employee Benefit Plans

On October 9, 2021, our Board approved two equity incentive plans, which our stockholders approved on January 20, 2022. The two plans consist of the 2021 Incentive Plan (the "Incentive Plan"), which provides for grants of various equity awards to our employees and consultants, and the 2021 Non-Employee Director Stock Plan (the "Director Plan" and, together with the Incentive Plan, the "Plans"), which provides for grants of restricted stock to non-employee directors and for deferral of cash and stock compensation if such deferral provisions are activated at a future date.

The Incentive Plan

The following summary of the material features of the Incentive Plan is qualified in its entirety by reference to the Incentive Plan, a copy of which is attached as Exhibit 10.12 to the registration statement of which this prospectus forms a part.

Administration

The Compensation Committee administers the Incentive Plan. The Compensation Committee has full and exclusive discretionary power to interpret the terms and the intent of the Incentive Plan and any award agreement or other agreement or document ancillary to or in connection with the Incentive Plan, to select

eligible employees and third-party service providers to receive awards ("Participants"), to determine eligibility for awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering the Incentive Plan as it may deem necessary or proper. Such authority shall include, but not be limited to, selecting award recipients, establishing all award terms and conditions, including the terms and conditions set forth in award agreements, granting awards as an alternative to or as the form of payment for grants or rights earned or due under compensation plans, service contracts or other of our arrangements, construing any ambiguous provision of the Incentive Plan or any award agreement, and, subject to stockholder or Participant approvals as may be required, adopting modifications and amendments to the Incentive Plan or any award agreement. All actions taken and all interpretations and determinations made by the Compensation Committee shall be final and binding upon Participants, us, and all other interested individuals.

The Compensation Committee may delegate its administrative duties or powers to one or more of its members or to one or more of our officers, our affiliates or subsidiaries, or to one or more agents or advisors. However, the authority to grant awards to individuals who are subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), cannot be delegated to anyone who is not a member of the Compensation Committee. As used in this summary, the term "Incentive Plan Administrator" means the Compensation Committee and any delegate, as appropriate.

Eligibility

Any employee of, and any third-party service provider to, us, an affiliate or a subsidiary is eligible to participate in the Incentive Plan if selected by the Incentive Plan Administrator. We are not able to estimate the number of individuals that the Incentive Plan Administrator will select to participate in the Incentive Plan or the type or size of awards that the Incentive Plan Administrator will approve. Therefore, the benefits to be allocated to any individual or to various groups of individuals are not presently determinable.

Awards

Under the Incentive Plan, if approved by stockholders, we will be able to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards.

Options. Options granted under the Incentive Plan may be incentive stock options ("ISOs") or nonqualified stock options. Options entitle the Participant to purchase a specified number of shares of common stock from us at a specified option price, subject to applicable vesting conditions and such other provisions as the Incentive Plan Administrator may determine consistent with the Incentive Plan, including, without limitation, restrictions on transferability of the underlying shares. The per-share option price will be fixed by the Incentive Plan Administrator at the time the option is granted, but cannot be less than the per-share fair market value of the underlying common stock on the date of grant (or, with respect to ISOs, in the case of a holder of more than 10 percent of outstanding voting securities, 110 percent of such per share fair market value). The option price may be paid, in the Incentive Plan Administrator's discretion, in cash or its equivalent, with shares of common stock, by a cashless, broker-assisted exercise, or a combination thereof, or any other method accepted by the Compensation Committee.

The minimum vesting period for an option is generally one year. The maximum period in which a vested option may be exercised will be fixed by the Incentive Plan Administrator at the time the option is granted but cannot exceed 10 years (five years for ISOs granted to a holder of more than 10 percent of our outstanding voting securities). The Award Agreement will set forth the extent to which a Participant may exercise the option following termination of employment. No employee may be granted ISOs that are first exercisable in a calendar year for common stock having an aggregate fair market value (determined as of the date the option is granted) exceeding $100,000.

SARs. A stock appreciation right ("SAR") entitles the Participant to receive an amount upon exercise equal to the excess of the fair market value of one share of common stock on the exercise date over the grant price of the SAR. SARs shall be subject to applicable vesting conditions and such other provisions as the Incentive Plan Administrator may determine consistent with the Incentive Plan, including, without limitation, mandatory holding periods for any shares received upon exercise. The grant price per SAR

shall be determined by the Incentive Plan Administrator, but cannot be less than the fair market value of one share of common stock on the grant date.

The minimum vesting period for a SAR is generally one year. The maximum period in which a vested SAR may be exercised will be fixed by the Incentive Plan Administrator at the time the SAR is granted, but generally cannot exceed 10 years. The Award Agreement shall set forth the extent to which a Participant may exercise the SAR following termination of employment. The amount payable upon the exercise of an SAR may, in the Incentive Plan Administrator's discretion, be settled in cash, common stock, or a combination thereof, or any other manner approved by the Incentive Plan Administrator.

Restricted Stock and Restricted Stock Units. Restricted stock is common stock issued to a Participant subject to applicable vesting and other restrictions. Restricted stock units are similar to restricted stock except that no shares of common stock are actually issued to the Participant unless and until the restrictions on the award lapse. An award of restricted stock or restricted stock units will be forfeitable, or otherwise restricted, until conditions established at the time of the grant are satisfied. These conditions may include, for example, a requirement that the Participant complete a specified period of service or the attainment of certain performance objectives. Any restrictions imposed on an award of restricted stock or restricted stock units will be prescribed by the Incentive Plan Administrator.

The minimum vesting period for restricted stock and restricted stock units is generally one year. The Award Agreement shall set forth the extent to which a Participant may retain restricted stock or restricted stock units following termination of employment. Participants may be granted full voting rights with respect to restricted stock during the applicable restriction period, but will have no voting rights with respect to restricted stock units until common stock is issued in settlement thereof. Restricted stock will become freely transferrable by the Participant after all conditions and restrictions have been satisfied. Vested restricted stock units may, in the Incentive Plan Administrator's discretion, be settled in cash, common stock, or a combination of cash and common stock or any other manner approved by the Incentive Plan Administrator.

Performance Shares and Performance Units. A performance share award entitles a Participant to receive a payment equal to the fair market value of a specific number of shares of common stock, subject to applicable performance and vesting conditions. A performance unit award is similar to a performance share award except that a performance unit award is not necessarily tied to the value of common stock. The Incentive Plan Administrator will prescribe, as set forth in an award agreement, the performance conditions that must be satisfied during the applicable performance period for an award of performance shares or performance units to be earned. The Incentive Plan Administrator may also impose time-based vesting conditions on the payment of earned performance shares or performance units.

The minimum performance period or vesting period for performance shares and performance units is generally one year. The award agreement shall set forth the extent to which a Participant may retain performance units and performance shares following termination of employment. To the extent that performance units or performance shares are earned and vested, the obligation may be settled in cash, common stock or a combination of cash and common stock. If the award is settled in shares of common stock, the shares may be subject to additional restrictions deemed appropriate by the Incentive Plan Administrator.

Cash-Based Awards and Other Stock-Based Awards. The Incentive Plan also allows the Incentive Plan Administrator to make cash-based awards and other stock-based awards to Participants on such terms and conditions as the Incentive Plan Administrator prescribes, including without limitation, time-based and performance-based vesting conditions. The minimum vesting period for other stock-based awards is generally one year. The award agreement shall set forth the extent to which a Participant may retain cash-based and other stock and equity-based awards following termination of employment. To the extent that any cash-based and other stock and equity-based awards are granted, they may, in the Incentive Plan Administrator's discretion, be settled in cash or common stock.

Dividend Equivalents. Participants may be granted dividend equivalents based on the dividends declared on shares that are subject to any award during the period between the grant date and the date the Award is exercised, vests or expires. The payment of dividends and dividend equivalents prior to an award becoming vested is prohibited, and the Incentive Plan Administrator shall determine the extent to which dividends and dividend equivalents may accrue during the vesting period.

Minimum Vesting of Stock-Based Awards

Awards granted under the Incentive Plan are generally subject to a minimum vesting period of at least one year. Awards may be subject to cliff-vesting or graded-vesting conditions, with graded vesting starting no earlier than one year after the grant date. The Incentive Plan Administrator may provide for shorter vesting periods in an award agreement for no more than five percent of the maximum number of shares authorized for issuance under the Incentive Plan.

Transferability

In general, awards available under the Incentive Plan will be nontransferable except by will or the laws of descent and distribution.

Performance Objectives

The Compensation Committee shall have full discretionary authority to select performance measures and related performance goals upon which payment or vesting of an award depends. Performance measures may relate to financial metrics, non-financial metrics, GAAP and non-GAAP metrics, business and individual objectives or any other performance metrics that the Compensation Committee deems appropriate.

The Compensation Committee may provide in any award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in management's discussion and analysis of financial condition and results of operations appearing in the our annual report to stockholders for the applicable year, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses.

The Compensation Committee shall retain the discretion to adjust performance-based awards upward or downward, either on a formula or discretionary basis or any combination, as the Committee determines.

Change in Control

Unless otherwise provided in an award agreement or otherwise determined by the Compensation Committee, upon a Change in Control the following shall occur:

- For awards other than performance awards, a Replacement Award (that is, an award with a value and terms that are at least as favorable as the outstanding award) may be issued;
- For awards other than performance awards, if a Replacement Award is not issued and our common stock ceases to be publicly traded after the Change in Control, such awards shall be immediately vested and exercisable upon such Change in Control;
- For unearned performance awards, the award shall be (i) earned on a pro-rata basis at the higher of actual or target performance and (ii) measured as of the end of the calendar quarter before the effective date of the Change in Control, or, if the award is stock-price based, as of the effective date of the Change in Control;
- For earned but unvested performance awards, the award shall be immediately vested and payable as of the effective date of the Change in Control;
- For awards other than performance awards, if our common stock continues to be publicly traded after a Change in Control, such awards shall continue under their applicable terms, unless otherwise determined by the Compensation Committee.

Notwithstanding the forgoing, in the case of awards other than performance awards, the Compensation Committee may cancel such awards, and the award holders shall receive shares or cash equal to the difference between the amount stockholders receive for their shares pursuant to the Change in Control event and the purchase price per share, if any, under the award.

Except as may be provided in a severance compensation agreement between us and the Participant, if, in connection with a Change in Control, a Participant's payment of any awards will cause the Participant to

be liable for federal excise tax levied on certain "excess parachute payments," then either (i) all payments otherwise due or (ii) the reduced payment amount to avoid an excess parachute payment, whichever will provide the Participant with the greater after-tax economic benefit taking into account any applicable excise tax, shall be paid to the Participant. In no event will any Participant be entitled to receive any kind of gross-up payment or reimbursement for any excise taxes payable in connection with Change in Control payments.

Share Authorization

The maximum aggregate number of shares of common stock that may be issued under the Incentive Plan is 13,333,333 shares, all of which can be issued pursuant to the exercise of incentive stock options.

In connection with any corporate event or transaction (including, but not limited to, a change in our shares or our capitalization) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin off, or other distribution of our stock or property, combination of shares, exchange of shares, dividend in kind, or other like change in capital structure, number of outstanding shares or distribution (other than normal cash dividends) to our stockholders, or any similar corporate event or transaction, the Compensation Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Incentive Plan, shall substitute or adjust, as applicable, the number and kind of shares that may be issued under the Incentive Plan or under particular forms of awards, the number and kind of shares subject to outstanding awards, the option price or grant price applicable to outstanding awards, and other value determinations applicable to outstanding awards. The Compensation Committee may also make appropriate adjustments in the terms of any awards under the Incentive Plan to reflect or relate to such changes or distributions and to modify any other terms of outstanding awards, including modifications of performance goals and changes in the length of performance periods.

If an award entitles the holder to receive or purchase shares of common stock, the shares covered by such award or to which the award relates shall be counted against the aggregate number of shares available for awards under the Incentive Plan as follows:

- With respect to any awards, the number of shares available for awards shall be reduced by one share for each share covered by such award or to which the award relates; and
- Awards that do not entitle the holder to receive or purchase shares and awards that are settled in cash shall not be counted against the aggregate number of shares available for awards under the Incentive Plan.

In addition, any shares related to awards which terminate by expiration, forfeiture, cancellation, or otherwise without issuance of shares shall be available again for grant under the Incentive Plan.

In no event, however, will the following shares again become available for awards or increase the number of shares available for grant under the Incentive Plan: (i) shares tendered by the Participant in payment of the exercise price of an option; (ii) shares withheld from exercised awards for tax withholding purposes; (iii) shares subject to a SAR that are not issued in connection with the settlement of that SAR; and (iv) shares repurchased by us with proceeds received from the exercise of an option.

Amendment and Termination

No award may be granted under the Incentive Plan after 10 years from the date the Incentive Plan was approved by stockholders. The Compensation Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Incentive Plan and any award agreement in whole or in part; *provided, however,* that, (i) without the prior approval of our stockholders, options or SARs issued under the Incentive Plan will not be repriced, repurchased (including a cash buyout), replaced, or re-granted through cancellation, or by lowering the option price of a previously granted option or the grant price of a previously granted SAR (except in connection with a permitted adjustment in authorized shares described above), (ii) any amendment of the Incentive Plan must comply with the rules of the primary stock exchange or trading market, if any, that our common stock is publicly traded on (the "Trading Market"), and (iii) no material

amendment of the Incentive Plan shall be made without stockholder approval if stockholder approval is required by law, regulation, or Trading Market rule.

The Compensation Committee may make adjustments in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events affecting us or our financial statements or of changes in applicable laws, regulations, or accounting principles, whenever the Compensation Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Incentive Plan.

Notwithstanding the foregoing, no termination, amendment, suspension, or modification of the Incentive Plan or an award agreement shall adversely affect in any material way any award previously granted under the Incentive Plan, without the written consent of the Participant holding such award.

Federal Income Tax Consequences

We have been advised by counsel regarding the federal income tax consequences of the Incentive Plan. No income is recognized by a Participant at the time an option or SAR is granted. If the option is an ISO, no income will be recognized upon the Participant's exercise of the option (except that the alternative minimum tax may apply). Income is recognized by a Participant when they dispose of shares acquired under an ISO. The exercise of a nonqualified stock option or SAR generally is a taxable event that requires the Participant to recognize, as ordinary income, the difference between the shares' fair market value and the option price. If a Participant disposes of shares acquired under an ISO before two years after the ISO was granted, or before one year after the ISO was exercised, this is a "disqualifying disposition" and any gain recognized by the Participant upon the disposition of such shares will be taxed as ordinary income to the extent such gain does not exceed the fair market value of such shares on the date the ISO was exercised over the option price.

Income is recognized on account of the award of restricted stock and performance shares when the shares first become transferable or are no longer subject to a substantial risk of forfeiture unless the Participant makes an election to recognize income on the grant date under Section 83(b) of the Code. At the applicable time, the Participant recognizes income equal to the fair market value of the common stock.

With respect to awards of performance units, restricted stock units, and cash-based awards, a Participant will recognize ordinary income equal to any cash that is paid and the fair market value of common stock that is received in settlement of an award.

Except in the case of a disqualifying distribution of shares acquired upon the exercise of an ISO, as described above, upon the sale or other disposition of shares acquired by a Participant under the Incentive Plan, the Participant will recognize short-term or long-term capital gain or loss, depending on whether such shares have been held for more than one year at such time. Such capital gain or loss will equal the difference between the amount realized on the sale of the shares and the Participant's tax basis in such shares (generally, the amount previously included in income by the Participant in connection with the grant or vesting of the shares or the exercise of the related option).

We generally will be entitled to claim a federal income tax deduction on account of the exercise of a nonqualified stock option or SAR or upon the taxability to the recipient of restricted stock and performance shares, the settlement of a performance unit or restricted stock unit, and the payment of a cash-based or other stock-based award (subject to tax limitations on our deductions in any year that certain remuneration paid to certain executives exceeds $1 million). The amount of the deduction is equal to the ordinary income recognized by the Participant. We will not be entitled to a federal income tax deduction on account of the grant or the exercise of an ISO unless the Participant has made a "disqualifying disposition" of the shares acquired on exercise of the ISO, in which case we will be entitled to a deduction at the same time and in the same amount as the Participant's recognition of ordinary income. Except in the case of a disqualifying disposition of shares acquired on exercise of an ISO, a Participant's sale or other disposition of shares acquired under the Incentive Plan should have no tax consequences for us.

The Director Plan

The following summary of the material features of the Director Plan is qualified in its entirety by reference to the Director Plan, a copy of which is attached as Exhibit 10.13 to the registration statement of which this prospectus forms a part.

Awards and Deferrals

The Director Plan permits (1) the grant of shares of common stock to each of our non-employee directors and (2) if and when authorized by the Board, the deferral by the directors of some or all of their directors' cash retainer fee and stock compensation. The Director Plan will have a term of ten years from the date on which it is approved by stockholders.

Administration

Our Chief Financial Officer ("Director Plan Administrator") will administer the Director Plan. The Director Plan Administrator will interpret all provisions of the Director Plan, establish administrative regulations to further the purposes of the Director Plan and take any other action necessary for the proper operation of the Director Plan. All decisions and acts of the Director Plan Administrator shall be final and binding upon all participants in the Director Plan.

Eligibility

Each of our non-employee director is eligible to be a participant in the Director Plan (a "Director") until they no longer serve as a non-employee director. The Board currently includes six (6) non-employee directors.

Share Authorization

The maximum aggregate number of shares of common stock that may be issued under the Director Plan is 1,833,333 shares. The aggregate fair market value (determined as of the grant date) of shares that may be issued as stock compensation to a Director in any year shall not exceed $750,000, provided, however, that with respect to new directors joining the Board, the maximum amount shall be $1,000,000 for the first year, or portion thereof, of service.

In connection with the occurrence of any corporate event or transaction (including, but not limited to, a change in our shares or our capitalization) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of our stock or property, combination of shares, exchange of shares, dividend in kind, or other like change in capital structure, number of outstanding shares or distribution (other than normal cash dividends) to our stockholders, or any similar corporate event or transaction, the Director Plan Administrator, in its sole discretion, in order to prevent dilution or enlargement of the Directors' rights under the Director Plan, shall substitute or adjust, as applicable, the number and kind of shares that may be issued under the Director Plan, the number and kind of shares subject to outstanding grants, the annual grant limits, and other value determinations applicable to outstanding grants. The Director Plan Administrator may also make appropriate adjustments in the terms of any grants under the Director Plan to reflect or relate to such changes or distributions and to modify any other terms of outstanding grants.

Grant of Shares

As of the first day of each compensation year (as defined in the Director Plan), we will, unless a different formula is selected in accordance with the last sentence of this paragraph, grant each Director a number of shares of our common stock for such year determined by (i) dividing the amount of each Director's cash retainer for the compensation year by the fair market value of the shares on the first day of the compensation year, and (ii) rounding such number of shares up to the nearest whole share. We may revise the foregoing formula for any year without stockholder approval, subject to the Plan's overall share limits.

Vesting of Shares

Shares granted under the Director Plan will vest on the first anniversary of the grant date unless otherwise determined by the Director Plan Administrator. Unvested shares will be forfeited when a Director's service as a director terminates, except that (i) a Director's unvested shares shall become fully vested upon the Director's death or disability and (ii) a Director who elects not to stand for reelection as a

Director for the following compensation year shall vest in a pro-rata portion of their outstanding grants at the annual meeting at which their service as a Director terminates.

Deferral Elections

While the deferral provision is not initially effective, at any point after the Director Plan is approved, the Board may determine that non-employee directors may defer all or part of their cash compensation (in 10% increments) into a deferred cash account, and they may defer all or part of their stock compensation (in 10% increments) into a deferred stock account. Prior to the Board's taking action to permit deferrals under the Director Plan, no cash or stock deferrals shall be permitted. Deferred cash and stock accounts, once permitted and created, would be unfunded and maintained for record keeping purposes only, and directors wishing to defer amounts under the 2021 Directors' Plan would be required to make their deferral elections by December 31st (or such earlier date as the Director Plan Administrator may designate) of the calendar year preceding the calendar year in which such compensation is earned or granted or, if later, within 30 days after first becoming eligible to make deferrals under the Director Plan.

Distributions of Deferrals

Distributions of deferrals under the Director Plan, once permitted, would generally be paid in a lump sum unless the Director specifies installment payments over a period up to 10 years. Deferred cash account amounts would be paid in cash, and deferred stock would be paid in whole shares of common stock. Unless otherwise elected by the Director, distributions would begin on February 15th of the year following the year in which the Director ceases to be a non-employee director. A Director could also elect to have their distributions commence on (a) the February 15th of the year following the later of the year in which they cease to be a non-employee director and the year in which they attain a specified age, or (b) the February 15th of the year following the year in which they attain a specified age, without regard to whether they are still a non-employee director.

Cash deferral accounts would be credited with earnings and losses on such basis as determined by the Board or its designee, and stock deferral accounts would be credited with additional shares equal to the value of any dividends paid during the deferral period on deferred stock. Under limited hardship circumstances, Directors could withdraw some or all of the amounts of deferred cash and stock in their deferral accounts.

Change in Control

Unless otherwise determined by the Director Plan Administrator in connection with a grant, a Change in Control shall have the following effects on outstanding awards.

- On a Change in Control in which a Director receives a replacement award with a value and terms that are at least as favorable as the Director's outstanding awards (a "Replacement Award"), the Director's outstanding awards shall remain outstanding subject to the terms of the Replacement Award.
- On a Change in Control in which our shares cease to be publicly traded, the Director's outstanding awards shall become immediately vested unless the Director receives Replacement Awards.
- On a Change in Control in which our shares continue to be publicly traded, a Director's outstanding awards shall remain outstanding and be treated as Replacement Awards.

Notwithstanding the forgoing, the Director Plan Administrator may determine that any or all outstanding awards granted under the Director Plan will be canceled and terminated upon a Change in Control, and that in connection with such cancellation and termination, the Director shall receive for each share of common stock subject to such award a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the consideration received by our stockholders for a share of common stock in such Change in Control.

Amendment and Termination

The Director Plan Administrator may, at any time, alter, amend, modify, suspend, or terminate the Director Plan in whole or in part; provided, however, that, without the prior approval of our stockholders,

no such amendment shall increase the number of shares that may be granted to any Director, except as otherwise provided in the Director Plan, or increase the total number of shares that may be granted under the Director Plan. In addition, any amendment of the Director Plan must comply with the rules of the Trading Market, and no material amendment of the Director Plan shall be made without stockholder approval if stockholder approval is required by law, regulation, or stock exchange rule.

Federal Income Tax Consequences

With respect to shares granted under the Director Plan, unless deferred if and when the Board authorizes the deferral feature, the Director will be taxed on the fair market value of such shares at ordinary income rates at the time such shares vest or, if the Director made an election under Section 83(b), on the grant date. We will receive a corresponding deduction for the same amount at the same time.

With respect to cash or shares deferred under the Director Plan, Directors will be taxed on amounts distributed to them from their deferred cash and deferred stock accounts at ordinary income rates at the time of such distributions. We will receive a deduction for the same amounts at the same time.

Upon the sale or other disposition of shares acquired by a Director under the Director Plan, the Director will recognize short-term or long-term capital gain or loss, depending on whether such shares have been held for more than one year at such time. Such capital gain or loss will equal the difference between the amount realized on the sale of such shares and the Director's tax basis in such shares (generally, the amount previously included in income by the Director in connection with the grant or vesting of such shares). Such sale or other disposition by a Director should have no tax consequences for us.

Other Information

The number of shares to be issued in each year is not determinable, as it varies based on the amount of stock awards determined to be paid to Directors as part of their retainer fees.

Welfare and other benefits

We provide health, dental, and vision insurance benefits to our named executive officers, on the same terms and conditions as provided to all other eligible U.S. employees except for a recently hired employee in North Dakota for whom separate benefit arrangements are being put together due to North Dakota laws.

We also sponsor a broad-based 401(k) plan intended to provide eligible U.S. employees other than our recently hired employee in North Dakota for whom all benefits are being put into place in accordance with North Dakota law, with an opportunity to defer eligible compensation up to certain annual limits. As a tax-qualified retirement plan, contributions (if any) made by us are deductible by us when made, and contributions and earnings on those amounts are generally not taxable to the employees until withdrawn or distributed from the 401(k) plan. Our named executive officers are eligible to participate in our employee benefit plans, including our 401(k) plan, on the same basis as our other employees.

Fiscal Year ended May 31, 2021 Director Compensation

None of our non-employee members of our Board who served on our Board during the year ended May 31, 2021 received compensation during the year ended May 31, 2021.

Director Compensation

Non-Employee Director Compensation

The following table shows the annual cash retainer fees for non-employee directors.

Base retainer	$25,000
Audit Committee Chair	$15,000
Audit Committee Member	$ 8,000

Compensation Committee Chair	$10,000
Compensation Committee Member	$ 5,000
Nominating and Governance Committee Chair	$ 5,000
Nominating and Governance Committee Member	$ 3,000

Directors serving in multiple leadership roles receive incremental compensation for each role. Directors are not expected to receive additional compensation for attending regularly scheduled Board or committee meetings. For less than full years of service, the compensation paid to the non-employee directors will be prorated based on the number of days of service. Directors also receive customary reimbursement for reasonable out-of-pocket expenses related to Board service.

In November 2021, each non-employee director was granted 100,000 shares of restricted stock, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements discussed in the sections titled "Management" and "Executive Officer and Director Compensation," the following is a description of each transaction since June 1, 2018 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or will exceed $120,000; and
- any of our directors, executive officers, or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

During 2009, we entered into notes payable with Mr. Wesley Cummins, our chairman of the Board, chief executive officer, president, secretary and treasurer, for $220,000. The notes had accrued interest of approximately $779,459 as of May 31, 2021. On April 15, 2021, we entered into an Exchange Agreement, with Mr. Cummins and the other holders of notes, pursuant to which we agreed to exchange the Notes for shares of our common stock. On July 7, 2021, we issued 2,379,664 shares of our common stock to Mr. Cummins in satisfaction of the Exchange Agreement.

In March 2021, we executed a strategy planning and portfolio advisory services agreement ("Services Agreement") with GMR Limited, a British Virgin Island limited liability company ("GMR"), Xsquared Holding Limited, a British Virgin Island limited liability company ("SparkPool") and Valuefinder, a British Virgin Islands limited liability company ("Valuefinder") and, together with GMR and SparkPool, the "Service Providers"). Jason Zhang, one of our board members, is the sole equity holder and manager, of Valuefinder and a related party. Pursuant to the Services Agreement, the Service Providers agreed to provide cryptoasset mining management and analysis and to assist us in securing difficult to obtain equipment and we agreed to issue 7,440,148 shares of our common stock to GMR or its designees, 7,440,148 shares of our common stock to SparkPool or its designees and 3,156,426 shares of our common stock to Valuefinder or its designees. Each Service Provider has provided such services to us which services commenced in June 2021. In July 2021, after clearance of our name change by FINRA and receipt of additional information from the Service Providers required by the transfer agent, we issued 7,440,148 shares of our common stock to each of GMR and SparkPool and 3,156,426 shares of our common stock to Jason Zhang, Valuefinder's designee.

In 2009, certain affiliates of B. Riley Securities, Inc., including members of senior management, purchased preferred shares of, and funded certain loans to, us. Such shares and loans have been converted into an aggregate of approximately 3.6 million shares of our common stock. In April 2021, certain employees of B. Riley Securities, Inc. purchased an aggregate of 67,400 shares of our Series C Preferred Stock. B. Riley Securities, Inc. provided investment banking services in connection with the offering of our Series C Preferred Stock. Additionally, in July 2021, certain employees of B. Riley Securities, Inc. purchased an aggregate of 85,960 shares of our Series D Preferred Stock. B. Riley Securities, Inc. provided investment banking services in connection with the offering of our Series D Preferred Stock. Our Series C Preferred Stock and Series D Preferred Stock are not subject to the Reverse Stock Split except by adjustment to each of their conversion prices.

Mr. Cummins, our Chairman of the Board, CEO, President, Secretary and Treasurer founded, and served as CEO of, 272 Capital LP, a registered investment advisor, which he sold to B. Riley Financial, Inc. (Nasdaq: RILY) in August 2021. Following the sale, Mr. Cummins became President of B. Riley Asset Management. Mr. Cummins intends to spend at least 40 hours per week on our business.

Review, Approval, or Ratification of Transactions with Related Parties

In July 2021, we adopted a charter of the audit committee, pursuant to which all related party transactions including those between us, our directors, executive officers, majority stockholders and each of our respective affiliates or family members will be reviewed and approved by our audit committee, or if no audit committee exists, by a majority of the independent members of our Board. Our existing policies are designed to comply with applicable rules and regulations of the SEC and the listing requirements and rules of Nasdaq.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of March 16, 2022, by:

- each of our named executive officers;
- each of our directors;
- all of our directors and executive officers as a group; and
- each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock.

We have determined beneficial ownership in accordance with the rules of the SEC. Unless otherwise indicated below, to our knowledge, based on information furnished to us, the persons and entities named in the table have sole voting and investment power with respect to all shares that they beneficially own, subject to applicable community property laws. Shares of common stock issuable upon conversion of our Series C Preferred Stock or Series D Preferred Stock within 60 days of March 16, 2022 are deemed to be outstanding and to be beneficially owned by the person holding the shares of restricted stock for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

We have based our calculation of the percentage ownership of our common stock before this offering on 91,205,023 shares of our common stock which includes (1) 54,763,534 shares of our common stock outstanding as of March 16, 2022, (2) 22,861,661 shares of our common stock resulting from the conversion of 660,000 outstanding shares of our Series C Preferred Stock, including PIK Dividends accrued thereon through the effective date of our Resale Registration Statement, at a conversion price of $0.78 and (3) 13,579,828 shares of our common stock resulting from the conversion of 1,380,000 shares of our Series D Preferred Stock, including PIK Dividends accrued thereon through the effective date of our Resale Registration Statement, at an assumed conversion price of $3.08, as if these conversions and issuances had occurred as of March 16, 2022. Such conversions will occur upon the effectiveness of our Resale Registration Statement.

	Before Offering		After Offering	
Name and Address[a]	Total Common	Percentage Beneficially Owned	Total Common	Percentage Beneficially Owned
Directors and Officers:				
Wes Cummins	21,212,068[b]	23.26%	21,212,068	%
David Rench	167,141[c]	*	167,141[c]	*
Chuck Hastings	434,500[d]	*	434,500[d]	*
Kelli McDonald	100,000[e]	*	100,000[e]	*
Douglas Miller	100,000[f]	*	100,000[f]	*
Virginia Moore	930,780[g]	1.01%	930,780[g]	*
Richard Nottenburg	100,000[h]	*	100,000[h]	*
Jason Zhang	3,256,426[i]	3.60%	3,256,426[i]	%
Regina Ingel	100,000[j]	*	100,000[j]	*
Officers and Directors as a group (9 people)	26,400,915[b]-[j]	28.95%	26,400,915[b]-[j]	%
5% Holders:				
Xin Xu c/o Xsquared Holding Limited c/o Vistra Corporate Services Centre Wickhams Cay II Tortola British Virgin Islands	7,440,148[k]	8.16%	7,440,148[k]	%

Name and Address[a]	Before Offering: Total Common	Before Offering: Percentage Beneficially Owned	After Offering: Total Common	After Offering: Percentage Beneficially Owned
Guo Chen c/o GMR Limited Trinity Chamber PO BOX 4301 Tortola British Virgin Islands	7,440,148[l]	8.16%	7,440,148[l]	%

* Less than 1%.

(a) Unless otherwise indicated, the business address of each person or entity named in the table is c/o Applied Blockchain, Inc., 3811 Turtle Creek Blvd., Suite 2100, Dallas, TX 75219.

(b) Includes (i) 17,590,238 shares of common stock held by Cummins Family Ltd, of which Mr. Cummins is the CEO, (ii) 742,166 shares of common stock held by Wesley Cummins IRA Account and (iii) 500,000 shares of restricted common stock held directly by Mr. Cummins, of which 250,000 will vest on April 1, 2022, or, if later, the date a registration statement including the resale of such shares is declared effective by the SEC (the "Later Date"), and 62,500 will vest on each of July 1, 2022, October 1, 2022, January 1, 2023 and April 1, 2023, or in each case, if later, the Later Date.

(c) Includes 166,666 shares of restricted common stock held directly by Mr. Rench, of which 83,333 will vest on April 1, 2022 or, if later, the Later Date, 20,833 will vest on each of July 1, 2022, October 1, 2022, January 1, 2023 and 20,834 will vest on April 1, 2023, or in each case, if later, the Later Date.

(d) Includes 100,000 shares of restricted common stock held directly by Mr. Hastings, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

(e) Includes 100,000 shares of restricted common stock held directly by Ms. McDonald, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

(f) Includes 100,000 shares of restricted common stock held directly by Mr. Miller, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

(g) Includes (i) 155,000 shares of common stock, and 458,163 shares of common stock issuable upon conversion of 46,560 shares of our Series D Preferred Stock, including PIK Dividends accrued through the effective date of our Resale Registration Statement, held by B. Riley Securities, Inc., of which Andrew Moore, Ms. Moore's spouse, is the Chief Executive Officer, (ii) 23,617 shares of common stock issuable upon the conversion of 2,400 shares of Series D Preferred Stock, including PIK Dividends accrued through the effective date, held directly by Mr. Moore, (iii) 194,000 shares of common stock issuable upon conversion of 5,600 shares of Series C Preferred Stock, including PIK Dividends accrued through the effective date, held directly by Mr. Moore and (iv) 100,000 shares of restricted common stock held directly by Ms. Moore, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

(h) Includes 100,000 shares of restricted common stock held directly by Dr. Nottenburg, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

(i) Includes 100,000 shares of restricted common stock held directly by Mr. Zhang, 50,000 of which will vest on each of (i) April 1, 2022 or, if later, the Later Date and (ii) April 1, 2023.

(j) Includes 100,000 shares of restricted common stock held directly by Ms. Ingel, of which 50,000 will vest on April 1, 2022 or, if later, the Later Date and 12,500 will vest on each of July 1, 2022, October 1, 2022, January 1, 2023 and April 1, 2023, or in each case, if later, the Later Date.

(k) Xin Xu, as sole director of Xsquared Holding Limited, has voting and dispositive power over the 7,440,148 shares of our common stock held by Xsquared Holding Limited. Mr. Xu disclaims beneficial ownership of such shares.

(l) Guo Chen, as sole director of GMR Limited, has voting and dispositive power over the 7,440,148 shares of our common stock held by GMR Limited. Mr. Chen disclaims beneficial ownership of such shares.

DESCRIPTION OF CAPITAL STOCK

The following descriptions are summaries of the material terms of our Articles and our Bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, our Articles and Bylaws, forms of which are filed with the SEC as exhibits to the registration statement of which this prospectus is a part, and applicable law.

We will effect a one-for-six reverse stock split simultaneously with our listing on the Nasdaq Global Select Market pursuant to which holders of our issued and outstanding common stock immediately prior to listing our common stock on Nasdaq Global Select Market will have every six shares of common stock reclassified as one share of common stock. No fractional shares will be issued. We refer to this as the "Reverse Stock Split".

General

We are authorized to issue 171,666,666 shares of capital stock, $0.001 par value per share, of which 166,666,666 are designated as common stock and 5,000,000 are designated as preferred stock.

Common Stock

As of March 16, 2022, there are an aggregate of 54,763,534 shares of our common stock issued and outstanding. 22,861,661 shares of our common stock are reserved for issuance upon the conversion of our issued and outstanding Series C Preferred Stock and PIK Dividends to be accrued thereon through the effective date of our Resale Registration Statement and 13,579,828 shares of our common stock are reserved for issuance upon conversion of our issued and outstanding Series D Preferred Stock and PIK Dividends to be accrued thereon through the effective date of our Resale Registration Statement.

Dividend Rights

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by our Board out of legally available funds.

Voting Rights

Each holder of our common stock is entitled to one vote for each share owned of record on all matters voted upon by stockholders, subject to any rights of our preferred stock, or series of our preferred stock, to vote together as a single class.

Liquidation Rights

In the event of our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share equally and ratably in our assets, if any, remaining after the payment of all of our debts and liabilities and the liquidation preference of any outstanding preferred stock.

Other Rights

Our common stock has no preemptive rights, no cumulative voting rights and no redemption, sinking fund or conversion provisions.

Preferred Stock

We are authorized to issue 5,000,000 shares of Preferred Stock at $0.001 par value per share. Our Preferred Stock is not subject to the Reverse Stock Split except, to the extent outstanding, by adjustment to the applicable conversion price. Of such shares, 70,000 were classified as Series A Convertible Preferred Stock, of which 63,491 were issued and subsequently cancelled or converted, 50,000 were classified as Series B Convertible Preferred Stock, of which 17,087 were issued and subsequently converted, 660,000 were classified as Series C Preferred Stock, all of which are issued outstanding, and 1,380,000 were classified as Series D Convertible Redeemable Preferred Stock (the "Series D Preferred Stock"), all of are issued and outstanding.

Series A Preferred Stock and Series B Preferred Stock

As of the date hereof no shares of Series A Convertible Preferred Stock and no shares of Series B Convertible Preferred Stock are outstanding.

Pursuant to their terms, shares of Series A Preferred Stock and Series B Preferred Stock issued and subsequently converted cannot be reissued.

Series C Preferred Stock

As of the date hereof 660,000 shares of Series C Preferred Stock are outstanding. The Series C Preferred Stock is not subject to the Reverse Stock Split except by adjustment to the conversion price. The shares of Series C Preferred Stock are convertible into shares of our common stock. These shares were offered and sold to certain "accredited investors" in a private placement without registration of the shares under Rule 506 of the Securities Act and the rules and regulations promulgated thereunder.

The Series C Preferred stock ranks senior in all respects of our Series A Preferred Stock and Series B Preferred Stock (together, the "Junior Preferred Stock") and pari passu with the Series D Preferred Stock. All Junior Preferred Stock was converted in connection with the issuance of the Series C Preferred Stock and no shares of Series A Preferred Stock or Series B Preferred Stock are outstanding.

Liquidation, Dissolution or Winding Up, Certain Mergers, Consolidations and Asset Sales

In the event of our voluntary or involuntary liquidation, dissolution or winding up or any certain events deemed to be liquidation events, before any payment is made to the holders of the Junior Preferred Stock or common stock, holders of Series C Preferred Stock will be entitled to be paid out of the funds and assets available for distribution, an amount per share equal to the "Stated Value," or $25, plus an amount per share that is issuable as the result of accrued or unpaid Paid-in-Kind ("PIK") dividends as defined the Certificate of Designations of the Series C Preferred Stock.

Payments to the holders of Junior Preferred Stock and common stock. After payment to the holders of Series C Preferred Stock, the remaining funds and assets available for distribution to our stockholders shall be distributed among the holders of shares of the Junior Preferred Stock according to the terms thereof and then among the holders of the shares of common stock, pro rata based on the number of shares of common shares held by each such holder.

A Significant Transaction Event shall not be considered a Deemed Liquidation Event. A "Significant Transaction Event" means a merger, share exchange, sale of all or substantially all of the assets of the corporation or other business combination, restructuring or change of control transaction, including any such transactions intended to result in us becoming subject to the reporting requirements of Section 13 of 15d of Exchange Act (or becoming a voluntary filer under the Exchange Act), a business combination intended to increase the number of our stockholders to facilitate listing or trading on a national securities exchange, the OTCQB or OTCQX (each a "Trading Market"), a business combination with a special purpose acquisition company, or a business combination with a company that is listed on a Trading Market.

Voting

Holders of Series C Preferred Stock shall vote together with holders of common stock on an as-if converted to common stock basis, except in certain circumstances when the "Requisite Holders" (meaning the holders of a majority of the Series C Preferred Stock) must approve of the action as well, such as if we were to:

- Materially change the principal business of the corporation unless in connection with significant transaction event;
- Except in connection with a Significant Transaction Event, sell, lease, transfer, exclusively license or otherwise dispose of all or substantially all of the assets or permit any direct/indirect subsidiary to do so, except no consent or vote of the Requisite Holders shall be required in connection with sales of mining equipment in the ordinary course of the business.

Dividends

The Series C Preferred Stockholders shall be entitled to receive dividends on an as-if converted to common stock basis, equal to, in the same form as, and when, dividends are paid on to holders of our common stock. Except as noted below, no other dividends shall be paid on Series C Preferred Stock.

PIK Dividends: We will be required to pay a dividend in fully paid and non-assessable shares of Series C Preferred Stock (PIK Dividends) as follows:

- *Failure to File*: If we have not filed or confidentially submitted a registration statement to register the shares of common stock issuable upon conversion of Series C Preferred Stock on or before August 15, 2021, we will accrue a daily PIK Dividend equal to 10% per annum of Stated Value. The Resale Registration Statement filed on August 13, 2015 satisfied this requirement;
- *Failure to be Declared Effective and to List* Because the Resale Registration Statement was not declared effective by the SEC on or before December 15, 2021 and/or our common stock was not listed or traded on a Trading Market on or before December 15, 2021, we are accruing daily PIK Dividends of 12% per annum of the Stated Value until such time as our Resale Registration Statement is declared effective by the SEC and our common stock is listed or traded on a Trading Market. We will accrue daily PIK Dividends of 15% per annum of the Stated Value for each day such failure continues after October 15, 2022.

Termination of PIK Dividends

- Upon the conversion (whether optional or mandatory) of the Series C Preferred Stock, our obligation to accrue PIK Dividends is terminated.
- If, on or prior to October 15, 2021, we enter into a binding definitive agreement or binding instrument relating to a Significant Transaction Event then we will have no further obligation to accrue PIK Dividends or to pay any PIK Dividends accrued or payable through such date.
- If we have entered into a binding definitive agreement or binding instrument relating to a Significant Transaction Event on or prior to October 15, 2021 and have consummated the significant Transaction Event on or prior to February 22, 2022, we will have no obligation to pay any PIK Dividends accrued or payable through such date.

Conversion

Automatic Conversion

On the conversion date, including the effectiveness of our Resale Registration Statement, all shares of Series C Preferred Stock will be automatically converted (without payment of additional consideration) into such number of fully paid and non-assessable shares of common stock as determined by dividing the Stated Value by the Conversion Price in effect on such Conversion Date. All rights with respect to the Series C Preferred Stock will terminate on the Conversion Date.

The “Conversion Price” shall be initially equal to $0.13 per share, subject to adjustments and as adjusted for the Reverse Stock Split, $0.78.

We are required to reserve and keep available shares of common stock out of our authorized and unissued shares of common stock for the sole purpose of issuance upon conversion of the Series C Preferred Stock, free from preemptive rights or any other actual contingent purchase rights.

Optional Conversion

Each holder of shares of Series C Preferred Stock is entitled to convert any portion of the outstanding Series C Preferred Stock and any PIK Dividends held by such holder, without the payment of additional consideration, into such number of fully paid and non-assessable shares of common stock by dividing (A) the sum of (1) the Stated Value of all outstanding shares of Series C Preferred Stock being converted, (2) the aggregate Stated Value of all shares of Series C Preferred Stock due as PIK Dividends to such holder being

converted and (3) any cash dividends accrued and payable to such holder by (B) the Conversion Price in effect on the date of conversion, as adjusted.

Mandatory Redemption

Unless prohibited by Nevada law, shares of Series C Preferred Stock shall be redeemed (a "Mandatory Redemption") at a price equal to Stated Value of such Series C Preferred Stock, plus an amount per share equal to the Stated Value of each share of Series C Preferred Stock issuable as a result of accrued but unpaid PIK Dividends (the "Redemption Price"), if the Requisite Holders provide written notice of redemption to us on or after the October 15, 2022, which notice may only be so provided if on or after such date our common stock is not listed on a Trading Market. The date of redemption will be selected by us and occur within 30 days following the date that we receive such notice.

If we fail to redeem the Series C Preferred Stock as set forth above, PIK Dividends will continue to accrue.

Series D Preferred Stock

As of the date hereof, 1,380,000 shares of Series D Preferred Stock are issued and outstanding. The Series D Preferred Stock is not subject to the Reverse Stock Split except by adjustment to the conversion price. The shares of Series D Preferred Stock are convertible into shares of our common stock. These shares were offered and sold to certain "accredited investors" and non-U.S. Persons in a private placement without registration of the shares under Regulation D and Regulation S of the Securities Act.

The Series D Preferred stock ranks pari passu with the Series C Preferred Stock.

Liquidation, Dissolution or Winding Up, Certain Mergers, Consolidations and Asset Sales

In the event of our voluntary or involuntary liquidation, dissolution or winding up or any Deemed Liquidation Event, before any payment is made to the holders of the common stock, holders of Series D Preferred Stock will be entitled to be paid out of the funds and assets available for distribution, an amount per share equal to the "Stated Value," or $25, plus an amount per share that is issuable as the result of accrued or unpaid PIK Dividends as defined the Certificate of Designations of the Series D Preferred Stock.

Payments to the holders of common stock: After payment to the holders of Series D Preferred Stock and Series C Preferred Stock, the remaining funds and assets available for distribution to our stockholders shall be distributed among the holders of shares of common stock, pro rata based on the number of shares of common stock held by each such holder.

A Significant Transaction Event shall not be considered a Deemed Liquidation Event. A "Significant Transaction Event" means a merger or other business combination designed to increase the number of our stockholders in order to facilitate a listing on a Trading Market, a business combination with a special purpose acquisition company, or a business combination with a company that is listed on a Trading Market.

Voting

Holders of our Series D Preferred Stock vote together with holders of Series C Preferred Stock and holders of our common stock on an as-if converted to common stock basis, except in certain circumstances when the Requisite Holders (holders of a majority of the Series D Preferred Stock) must approve of the action as well:

- Materially change our principal business unless in connection with Significant Transaction Event;
- Except in connection with a Significant Transaction Event, sell, lease, transfer, exclusively license or otherwise dispose of all or substantially all of the assets or permit any direct/indirect subsidiary to do so, except no consent or vote of the Requisite Holders shall be required in connection with sales of mining equipment in the ordinary course of the business.

Dividends

Holders of our Series D Preferred Stock shall be entitled to receive dividends on an as-if converted to common stock basis, equal to, in the same form as, and when, dividends are paid on to holders of our common stock. Except as noted below, no other dividends shall be paid on Series D Preferred Stock.

PIK Dividends: We will be required to pay a dividend in fully paid and non-assessable shares of Series D Preferred Stock (PIK Dividends) as follows:

- *Failure to File*: If we have not filed or confidentially submitted a registration statement to register the shares of common stock issuable upon conversion of Series D Preferred Stock on or before August 15, 2021, we will accrue a daily PIK Dividend equal to 10% per annum of Stated Value. The Resale Registration Statement filed on August 13, 2021 satisfied this requirement;
- *Failure to be Declared Effective and to List* Because the Resale Registration Statement was not declared effective by the SEC on or before December 15, 2021 and/or our common stock was not listed or traded on a Trading Market on or before December 15, 2021, we are accruing daily PIK Dividends of 12% per annum of the Stated Value until such time as our Resale Registration Statement is declared effective by the SEC and our common stock is listed or traded on a Trading Market. We will accrue daily PIK Dividends of 15% per annum of the Stated Value for each day such failure continues after October 15, 2022.

Termination of PIK Dividends

- Upon the conversion (whether optional or mandatory) of the Series D Preferred Stock, our obligation to accrue PIK Dividends is terminated.
- If, on or prior to October 15, 2021, we enter into a binding definitive agreement or binding instrument relating to certain transactions, then we have no further obligation to accrue PIK Dividends or to pay any PIK Dividends accrued or payable through such date.
- If we have entered into a binding definitive agreement or binding instrument on or prior to October 15, 2021 and have consummated such a transaction on or prior to February 15, 2022, we shall have no obligation to pay any PIK Dividends accrued or payable through such date.

Conversion

Automatic Conversion

On the date that an event triggers an automatic conversion, including the date on which our Resale Registration Statement is declared effective by the SEC (the "Conversion Date"), all shares of Series D Preferred Stock will be automatically converted (without payment of additional consideration) into such number of fully paid and non-assessable shares of common stock as determined by dividing the Stated Value by the Conversion Price in effect on such Conversion Date. All rights with respect to the Series D Preferred Stock will terminate on the Conversion Date.

The conversion price shall be a price per share equal to the least of (i) $0.44 per share, or giving effect to the Reverse Stock Split, $3.08, (ii) 75% of the price per share to be sold in certain offerings, including an initial public offering, (iii) 75% of the opening public price per share in a direct listing of our common stock on a Trading Market, or (iv) 75% of the per share amount to be paid for each share of our common stock in a sale of all or substantially all of our stock or assets, in each case subject to adjustment.

We are required to reserve and keep available shares of common stock out of its authorized and unissued shares of common stock for the sole purpose of issuance upon conversion of the Series D Preferred Stock, free from preemptive rights or any other actual contingent purchase rights.

Optional Conversion

Each holder of shares of Series D Preferred Stock is entitled to convert any portion of the outstanding Series D Preferred Stock and any PIK Dividends held by such holder, without the payment of additional consideration, into such number of fully paid and non-assessable shares of common stock by dividing (A) the sum of (1) the Stated Value of all outstanding shares of Series D Preferred Stock being converted, (2) the

aggregate Stated Value of all shares of Series D Preferred Stock due as PIK Dividends to such holder being converted and (3) any cash dividends accrued and payable to such holder by (B) the conversion price in effect, as adjusted.

Mandatory Redemption

Unless prohibited by Nevada law, shares of Series D Preferred Stock shall be redeemed (a "Mandatory Redemption") at a price equal to Stated Value of such Series D Preferred Stock, plus an amount per share equal to the Stated Value of each share of Series D Preferred Stock issuable as a result of accrued but unpaid PIK Dividends (the "Redemption Price"), if the Requisite Holders provide written notice of redemption to us on or after the October 15, 2022, which notice may only be so provided if on or after such date our common stock is not listed on a Trading Market. The date of redemption will be selected by us and occur within 30 days following the date that we receive such notice.

If we fail to redeem the Series D Preferred Stock as set forth above, PIK Dividends will continue to accrue.

Limitations on Liability and Indemnification Matters

Our amended and restated bylaws contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Nevada Revised Statute, or NRS.

Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law;
- under the NRS for the unlawful payment of dividends; or
- for any transaction from which the director derives an improper personal benefit.

Our Bylaws require us to indemnify our directors and officers to the maximum extent not prohibited by the NRS and allows us to indemnify other employees and agents as set forth in the NRS. Subject to certain limitations, our amended and restated bylaws also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We believe that provisions of our amended and restated bylaws are necessary to attract and retain qualified directors, officers, and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers, or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Transfer Agent

The transfer agent and registrar for our common stock is Pacific Stock Transfer Company. The transfer agent's address and phone number is: 6725 Via Austi Pkwy, Suite 300, Las Vegas, Nevada 89119, telephone number: (800) 785-7782.

Listing

Our common stock is presently quoted on the OTC Pink Market, operated by OTC Markets Group Inc., under the symbol "APLD." At present, there is a limited market for our common stock.

We have applied to have our common stock listed on the Nasdaq Global Select Market under the symbol "APLD." No assurance can be given that our application will be approved.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, shares of our common stock were quoted on the OTC Pink under the symbol "APLD." Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect market prices prevailing from time to time. Further, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, shares of our common stock will be outstanding, assuming a public offering price of $ (the last reported price of our common stock on the OTC Pink on April , 2022). We currently have 1,283,978 shares of common stock outstanding that are unrestricted and may be readily sold by the various holders thereof. After effectiveness of our Resale Registration Statement which contractually must be declared effective prior effectiveness of the registration statement of which this prospectus forms a part, 36,441,489 shares of our common stock will be freely transferable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining 53,479,556 shares of our common stock outstanding are "restricted shares" as defined in Rule 144. Restricted shares may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144.

The holders of our Series C Preferred Stock and Series D Preferred Stock are currently accruing PIK Dividends at an aggregate rate of approximately 217 shares of Series C Preferred Stock and 454 shares of Series D Preferred Stock per day until the Resale Registration Statement is declared effective by the SEC at which time all such PIK Dividends will convert to common stock. The resale of such common stock to be issued upon conversion of PIK Dividends is included in the Resale Registration Statement.

Our Board and stockholders also approved an employee incentive plan and non-employee director incentive plan, and 15,166,666 shares of our common stock are reserved for issuance under the plans and available for future issuance. We also expect to issue an aggregate of 1,791,666 restricted stock units to certain of our consultants as part of their consulting compensation.

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell such securities, provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, the sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, the sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale and notice provisions of Rule 144 to the extent applicable.

As of November 30, 2021, we are no longer a shell company under Rule 405 of the Securities Act. However, because we have been a shell company, a person selling restricted or control securities may not use Rule 144 unless certain conditions have been met. Rule 144(i) provides that Rule 144 may only become available for the resale of securities by a person selling restricted or control securities that were originally issued by a shell company if certain conditions are met. These conditions are: (a) that the issuer is no longer a shell company; (b) that the issuer is an SEC reporting company; (c) that the issuer has filed all required

reports during the preceding 12 months or any shorter period during which we have been subject to reporting requirements; and (d) has filed current Form 10 information with the SEC reflecting that it is no longer a shell company.

Lock-up Agreements

We, each of our directors and executive officers following this offering, and our 5% and greater stockholders, have agreed, subject to certain limited exceptions, not to offer, pledge, sell, contract to sell, grant any option to purchase, or otherwise dispose of our common stock or any securities convertible into or exchangeable or exercisable for common stock, or to enter into any hedge or other arrangement or any transaction that transfers, directly or indirectly, the economic consequence of ownership of the shares of our common stock for a period of 180 days after the date of this prospectus, without the prior written consent of B. Riley Securities, Inc., as representative of the underwriters. See "Underwriting (Conflicts of Interest) —Lock-up Agreements." The underwriters do not have any present intention or arrangement to release any shares of our common stock subject to lock-up agreements prior to the expiration of the 180-day lock-up period.

Additionally, in December 2021 and February 2022, the holders of a majority of each of our Series C Preferred Stock and our Series D Preferred Stock agreed to amend the applicable Registration Rights Agreements to prohibit, subject to certain limited exceptions, holders of Series C Preferred Stock or Series D Preferred Stock from offering, pledging, selling, contracting to sell, granting any option to purchase or otherwise disposing of our equity securities, including our common stock issuable up conversion of the Series C Preferred Stock and Series D Preferred Stock, or entering into any hedge or other arrangement or any transaction that transfers, directly or indirectly, the economic consequences of ownership of such common stock for a period ending at the latest 60 days after we and the underwriters enter into an underwriting agreement in connection with the offering contemplated in this prospectus.

SALE PRICE HISTORY OF OUR CAPITAL STOCK

Our common stock is presently quoted on the OTC Pink Market, operated by OTC Markets Group Inc., under the symbol "APLD." At present, there is a limited market for our common stock.

The table below shows the high and low bid and ask prices for our common stock, for the indicated periods. This information may have little or no relation to broader market demand for our common stock and thus the opening public price and subsequent public price of our common stock on the OTCQB, if we become quoted on the OTCQB. As a result, you should not place undue reliance on these historical sales prices as they may differ materially from the opening bid price and subsequent public price of our common stock on the OTCQB. See the section titled "Risk Factors — Risks Related to Ownership of Our Common Stock — The price of our common stock may have little or no relationship to the historical sales prices of our capital stock on the OTC Pink."

	Per Share Bid Price Prior to the Reverse Stock Split		Per Share Bid Price After Giving Effect to the Reverse Stock Split	
	High	Low	High	Low
Annual				
Year Ended May 31, 2021	$ 2.25	$0.0071	$13.50	$0.0426
Quarterly				
Year Ended May 31, 2021				
First Quarter	$ 0.025	$0.0071	$13.50	$0.0426
Second Quarter	$ 0.03	$0.0085	$ 0.18	$0.0510
Third Quarter	$0.3499	$0.0153	$ 2.10	$0.0918
Fourth Quarter	$ 2.25	$ 0.14	$13.50	$ 0.84
Year Ending May 31, 2022				
First Quarter	$ 2.63	$0.6275	$15.78	$ 3.765
Second Quarter	$ 5.70	$ 1.27	$34.20	$ 7.62
Third Quarter	$ 4.68	$ 1.35	$28.08	$ 8.10

As of March 16, 2022, there were approximately 137 holders of record of our common stock.

As of March 16, 2022, there were approximately 50 holders of record of our Series C Preferred Stock and 91 holders of record of our Series D Preferred Stock, all of which, including PIK Dividends thereon accrued through the effective date of our Resale Registration Statement, is convertible into an aggregate of 36,441,489 shares of our common stock upon registration of the resale of such common stock. We are contractually obligated to register the resale of shares of common stock underlying our Series C Preferred Stock and Series D Preferred Stock as further explained in this prospectus under "Description of Securities."

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following summary describes the material U.S. federal income tax consequences to Non-U.S. Holders of the ownership and disposition of our common stock acquired pursuant to in this offering. This discussion does not describe all of the tax considerations that may be relevant to a particular holder's acquisition, ownership or disposition of the common stock such as the potential application of the alternative minimum tax or Medicare contribution tax on net investment income. In addition, this discussion does not deal with state or local taxes, U.S. federal gift, and estate tax laws, except to the limited extent provided below, or any non-U.S. tax consequences that may be relevant to holders of our common stock in light of their particular circumstances.

Special rules different from those described below may apply to certain holders that are subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), such as:

- insurance companies, banks, and other financial institutions;
- tax-exempt organizations (including private foundations) and tax-qualified retirement plans;
- foreign governments and international organizations;
- broker-dealers and traders in securities;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons required for U.S. federal income tax purposes to conform the timing of income accruals to their financial statements under Section 451(b) of the Code;
- persons that own, or are deemed to own, more than five percent of our capital stock;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- persons who acquire our common stock through the exercise of an option or otherwise as compensation;
- persons that hold our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security," or integrated investment or other risk reduction strategy;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code; and
- partnerships and other pass-through entities, and investors in such pass-through entities (regardless of their places of organization or formation).

Such holders are urged to consult their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

Furthermore, the discussion below is based upon the provisions of the Code, and Treasury regulations, rulings, administrative guidance, and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked, or modified, possibly retroactively, and are subject to differing interpretations which could result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions or will not take a contrary position regarding the tax consequences described herein, or that any such contrary position would not be sustained by a court.

PERSONS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF ACQUIRING, OWNING, AND DISPOSING OF OUR COMMON STOCK IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION, INCLUDING ANY STATE, LOCAL, OR NON-U.S. TAX CONSEQUENCES OR ANY U.S. FEDERAL NON-INCOME TAX CONSEQUENCES, AND THE POSSIBLE APPLICATION OF TAX TREATIES.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership that holds our common stock is urged to consult its own tax advisor with regard to the U.S. federal income tax consequences of the ownership of the common stock.

For purposes of this section, a "U.S. Holder" means a beneficial owner of our common stock (other than a beneficial owner that is an entity treated as a partnership for U.S. federal income tax purposes) that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

An individual non-U.S. citizen may, in some cases, be deemed to be a resident alien (as opposed to a nonresident alien) by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year, including all the days present in the United States in the current year, one-third of the days present in the United States in the immediately preceding year, and one-sixth of the days present in the United States in the second preceding year, are counted.

An individual non-U.S. citizen may also be deemed to be a resident alien for a calendar year if such individual is a lawful permanent resident of the United States (i.e., holds a "green card") at any time during such calendar year.

A resident alien is considered to be a resident of the United States for purposes of identifying a U.S. Holder. Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Individuals who are uncertain of their status as resident or nonresident aliens for U.S. federal income tax purposes are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

A "Non-U.S. Holder" means a beneficial owner of our common stock (other than a beneficial owner that is an entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

Distributions on the common stock

We do not expect to make any distributions on our common stock in the foreseeable future. If we do make distributions on our common stock, however, such distributions made to a Non-U.S. Holder of our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a Non-U.S. Holder's adjusted tax basis in our common stock. Any remaining excess will be treated as gain realized on the sale or exchange of our common stock as described below under "— Gain on Disposition of Our Common Stock."

Any distribution on our common stock that is treated as a dividend paid to a Non-U.S. Holder that is not effectively connected with the holder's conduct of a trade or business in the United States is not attributable to a permanent establishment that the holder maintains in the United States (if the holder claims benefits under an applicable income tax treaty) will generally be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and the Non-U.S. Holder's country of residence. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide the applicable withholding agent with a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or other appropriate form, certifying the Non-U.S. Holder's

entitlement to benefits under that treaty. Such form must be provided prior to the payment of dividends and must be updated periodically. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. Non-U.S. Holders who are eligible for a reduced rate of U.S. withholding tax under an income tax treaty, should consult with their own tax advisor to determine if they are able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We and the applicable withholding agents generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the holder's conduct of a trade or business within the United States (and, if the holder has claimed benefits under an applicable income tax treaty, are attributable to a permanent establishment that the holder maintains in the United States) and where a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or to the applicable withholding agent). In general, such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates applicable to U.S. persons. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder's effectively connected earnings and profits, subject to certain adjustments.

See also the section below titled "— Foreign Accounts" for additional withholding rules that may apply to dividends paid to certain foreign financial institutions or non-financial foreign entities.

Gain on disposition of our common stock

Subject to the discussions below under the sections titled "— Backup Withholding and Information Reporting," a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax with respect to gain realized on a sale or other disposition of our common stock unless (i) the gain is effectively connected with a trade or business of the holder in the United States (and, the holder is eligible for benefits under by an applicable income tax treaty, is attributable to a permanent establishment that the holder maintains in the United States), (ii) the Non-U.S. Holder is a nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (iii) we are or have been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or the holder's holding period in the common stock.

Non-U.S. Holders described in (i) above, will be required to pay tax on the net gain derived from the sale at the regular graduated U.S. federal income tax rates applicable to U.S. persons. Corporate Non-U.S. Holders described in (i) above may also be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Individual Non-U.S. Holders described in (ii) above, will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S. source capital losses (even though such holder is not considered a resident of the United States), provided such holder has timely filed U.S. federal income tax returns with respect to such losses. With respect to (iii) above, in general, we would be a United States real property holding corporation if United States real property interests (as defined in the Code and the Treasury Regulations) comprised (by fair market value) at least half of our assets. We believe that we are not, and do not anticipate becoming, a United States real property holding corporation. However, there can be no assurance that we will not become a United States real property holding corporation in the future. Even if we are treated as a United States real property holding corporation, assuming that the Non-U.S. Holder is not engaged in a trade or business within the United States, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as the Non-U.S. Holder is a "qualified foreign pension fund" as defined in Section 897(l)(2) of the Code or an entity all of the interests of which are held by qualified foreign pension funds, or (i) the Non-U.S. Holder owned, directly, indirectly, or constructively, no more than five percent of our common stock at all times within the shorter of (a) the five-year period preceding the disposition or (b) the holder's holding period and (ii) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will qualify as regularly traded on an established securities market.

U.S. federal estate tax

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and, therefore, will be included in the U.S. taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise. The terms "resident" and "nonresident" are defined differently for U.S. federal estate tax purposes than for U.S. federal income tax purposes. Investors are urged to consult their own tax advisors regarding the U.S. federal estate tax consequences of the ownership or disposition of our common stock.

Backup withholding and information reporting

Generally, we or certain financial middlemen must report information to the IRS with respect to any distributions we pay on our common stock, including the amount of any such distributions, the name and address of the recipient, and the amount, if any, of tax withheld, regardless of whether such distributions constitute dividends or whether any tax was actually withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding tax (currently, at a rate of 24%). U.S. backup withholding tax generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know the holder is a U.S. person.

Under current U.S. federal income tax law, U.S. information reporting and backup withholding requirements generally will apply to the proceeds of a disposition of our common stock effected by or through a U.S. office of any broker, U.S. or non-U.S., unless the Non-U.S. Holder provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or otherwise meets documentary evidence requirements for establishing non-U.S. person status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. Information reporting and backup withholding requirements may, however, apply to a payment of disposition proceeds if the broker has actual knowledge, or reason to know, that the holder is, in fact, a U.S. person. For information reporting purposes only, certain U.S. related brokers may be treated in a manner similar to U.S. brokers.

Backup withholding is not an additional tax. Rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

Foreign accounts

In addition, U.S. federal withholding taxes may apply under the Foreign Account Tax Compliance Act, or FATCA, on certain types of payments, including dividends on our common stock, made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (i) the foreign financial institution agrees to undertake certain diligence and reporting obligations, (ii) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. The 30% federal withholding tax described in this paragraph cannot be reduced under an income tax treaty with the United States. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must generally enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and

withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock, and also would generally apply to payments of gross proceeds from the sale or other disposition of such stock. However, under proposed U.S. Treasury Regulations, withholding under FATCA will not apply to the gross proceeds from any sale or disposition of our common stock. Withholding agents may, but are not required to, rely on the proposed Treasury Regulations until final Treasury Regulations are issued. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW, AS WELL AS TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL, NON-U.S. OR U.S. FEDERAL NON-INCOME TAX LAWS SUCH AS ESTATE AND GIFT TAX LAWS.

UNDERWRITING (CONFLICTS OF INTEREST)

We and the underwriters named below have entered into an underwriting agreement with respect to the shares of common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of common stock indicated in the following table. B. Riley Securities, Inc. is the representative of the underwriters.

Underwriters	Number of Shares
B. Riley Securities, Inc.	
Needham & Company, LLC	
Craig-Hallum Capital Group LLC	
D.A. Davidson & Co.	
Lake Street Capital Markets, LLC	
Northland Securities, Inc.	
Total	

The underwriters are committed to take and pay for all of the shares of common stock being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional shares of common stock from the Company. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the public offering price. After the initial offering of the shares, the representative may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The following table provides information regarding the amount of the underwriting discounts and commissions to be paid to the underwriters by us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares to cover over-allotments, if any.

	Per Share	Total Without Over-Allotment	Total With Over-Allotment
Underwriting discounts and commissions paid by us	$	$	$
Proceeds, before expenses, to us	$	$	$

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $. We have also agreed to reimburse the underwriters for certain of their expenses in an amount up to $455,000.

The representative has informed us that the underwriters do not intend to make sales to discretionary accounts.

The Company and its officers, directors, and holders of substantially all of the Company's shares of common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this

prospectus, except with the prior written consent of B. Riley Securities, Inc. This agreement does not apply to any existing employee benefit plans. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been only a limited public market for our common stock. The public offering price will be negotiated between the Company and the representative. Among the factors to be considered in determining the public offering price of the common stock, in addition to prevailing market conditions, will be the Company's historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to list our common stock on the Nasdaq Global Select Market under the symbol "APLD."

Stabilization

Until the distribution of the securities offered by this prospectus is completed, rules of the SEC may limit the ability of the underwriters to bid for and to purchase our common stock. As an exception to these rules, the underwriters may engage in transactions effected in accordance with Regulation M under the Exchange Act that are intended to stabilize, maintain or otherwise affect the price of our common stock. The underwriters may engage in over-allotment sales, syndicate covering transactions, stabilizing transactions and penalty bids in accordance with Regulation M:

- Stabilizing transactions permit bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, so long as stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of securities in excess of the number of securities the underwriters are obligated to purchase, which creates a short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares of common stock over-allotted by the underwriters is not greater than the number of shares of common stock that they may purchase in the over-allotment option. In a naked short position, the number of shares of common stock involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares of our common stock in the open market.
- Covering transactions involve the purchase of securities in the open market after the distribution has been completed in order to cover short positions. In determining the source of securities to close out the short position, the underwriters will consider, among other things, the price of securities available for purchase in the open market as compared to the price at which they may purchase securities through the over-allotment option. If the underwriters sell more shares of common stock than could be covered by the over-allotment option, creating a naked short position, the position can only be closed out by buying securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in this offering.
- Penalty bids permit the underwriters to reclaim a selling concession from a selected dealer when the securities originally sold by the selected dealer are purchased in a stabilizing or syndicate covering transaction.

These stabilizing transactions, covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the prices of our common stock. These transactions may occur on any trading market. If any of these transactions are commenced, they may be discontinued without notice at any time.

Conflicts of Interest

In 2009, certain affiliates of B. Riley Securities, Inc. ("B. Riley"), purchased preferred stock of, and funded certain loans to, us. Such shares and loans have been converted into an aggregate of approximately 3.6 million shares of our common stock. In April 2021, certain employees of B. Riley purchased an aggregate of 67,400 shares of our Series C Preferred Stock. Additionally, in July 2021, certain employees of B. Riley purchased an aggregate of 85,960 shares of our Series D Preferred Stock. As a result, affiliates of associated persons of B. Riley will own in excess of 10% of our issued and outstanding common stock.

In addition, our Chief Executive Officer, Wes Cummins, sold a majority interest in 272 Capital LP, a registered investment adviser controlled by him, to B. Riley Financial, Inc. and is the CEO and President of B. Riley Capital Management, LLC. In addition, Chuck Hastings, CEO of B. Riley Wealth Management, Inc., serves on our board of directors and Virginia Moore, a member of the Board of Directors, is the spouse of the CEO of B. Riley.

Because B. Riley is an underwriter in this offering, it is deemed to have a "conflict of interest" under Rule 5121 ("Rule 5121") of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Accordingly, this offering is being made in compliance with the requirements of Rule 5121. Due to certain of these conflicts of interest, Rule 5121 requires, among other things, that a "qualified independent underwriter" participate in the preparation of, and exercise the usual standards of "due diligence" with respect to, the registration statement and this prospectus. Northland Securities, Inc. has agreed to act as a qualified independent underwriter for this offering. Northland Securities, Inc. will receive $50,000 for serving as a qualified independent underwriter in connection with this offering. We have agreed to indemnify Northland Securities, Inc. against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.

Other Relationships

B. Riley Securities, Inc. acted as our placement agent with private placements of (i) 660,000 shares of our Series C Preferred Stock sold for cash at $25.00 per share in April 2021 and (ii) 1,380,000 shares of our Series D Preferred Stock sold for cash at $25.00 per share in July 2021, August 2021 and October 2021. In connection therewith, we paid B. Riley Securities, Inc. cash commissions and expenses of approximately $3.5 million in the aggregate. B. Riley Securities, Inc. and its affiliates purchased 67,400 and 85,960 shares of Series C Preferred Stock and Series D Preferred Stock, respectively, at the same private placement per share price. Such shares of Series D Preferred Stock acquired by B. Riley Securities, Inc. and its affiliates will be subject to lock-up restrictions, as required by FINRA Rule 5110(e)(1) and may not be sold during the offering, or sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of such securities by any person for a period of 180 days immediately following the date of effectiveness of the registration statement of which this prospectus forms a part or commencement of sales of the offering, except as provided in FINRA Rule 5110(e)(2).

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Electronic Prospectus

This prospectus may be made available in electronic format on Internet sites or through other online services maintained by the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. Other than this prospectus in electronic format, any information on the underwriters' or their affiliates' websites and any information contained in any other website maintained by the underwriters or any affiliate of the underwriters is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

Notice to Prospective Investors in Canada (Alberta, British Columbia, Manitoba, Ontario and Québec Only)

This document constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of shares of common stock described herein (the "Securities"). No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the Securities and any representation to the contrary is an offence.

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that the issuer and the underwriters in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as may otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Resale Restrictions

The offer and sale of the Securities in Canada are being made on a private placement basis only and are exempt from the requirement that the issuer prepare and file a prospectus under applicable Canadian securities laws. Any resale of Securities acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Securities outside of Canada.

Representations of Purchasers

Each Canadian investor who purchases the Securities will be deemed to have represented to the issuer, the underwriters and each dealer from whom a purchase confirmation is received, as applicable, that the investor (i) is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario); and (iii) is a "permitted client" as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the Securities and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the Securities or with respect to the eligibility of the Securities for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Rights of Action for Damages or Rescission

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Personal Information

We and the representatives hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form

45-106F1 under NI 45-106 (including its name, address, telephone number, email address, if provided, and the number and type of securities purchased, the total purchase price paid for such securities, the date of the purchase and specific details of the prospectus exemption relied upon under applicable securities laws to complete such purchase) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the securities regulatory authority or regulator in accordance with NI 45-106, (c) such personal information is being collected indirectly by the securities regulatory authority or regulator under the authority granted to it under the securities legislation of the applicable legislation, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of the applicable jurisdiction, and (e) the purchaser may contact the applicable securities regulatory authority or regulator by way of the contact information provided in Schedule 2 to Form 45-106F1. Prospective Canadian purchasers that purchase securities in this offering will be deemed to have authorized the indirect collection of the personal information by each applicable securities regulatory authority or regulator, and to have acknowledged and consented to such information being disclosed to the Canadian securities regulatory authority or regulator, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Notice to Prospective Investors in the European Economic Area and the United Kingdom

In relation to the Member States of the European Economic Area and the United Kingdom (each, a "Relevant State"), no offer of shares of our common stock which are the subject of the offering contemplated by this prospectus to the public may be made in that Relevant State other than:

- to any legal entity that is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant representative or representatives nominated by us for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares of our common stock described in this prospectus shall result in a requirement for the publication of a prospectus, by us or any of the underwriters, pursuant to Article 3 of the Prospectus Regulation.

Each purchaser of shares of our common stock described in this prospectus located within a Relevant State will be deemed to have represented, acknowledged and agreed that (1) it is a "qualified investor" within the meaning of the Prospectus Regulation; and (2) in the case of any shares of common stock acquired by it as a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Relevant State to qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or where shares of common stock have been acquired by it on behalf of persons in any Relevant State other than qualified investors, the offer of those shares of common stock to it is not treated under the Prospectus Regulation as having been made to such persons. For purposes of this provision, the expression an "offer to the public" in relation to the shares of our common stock in any Relevant State means the communication in any form and by any means of sufficient

information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe to the shares and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

We and the underwriters have not authorized and do not authorize the making of any offer of shares of our common stock through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus. Accordingly, no purchaser of the shares of our common stock, other than the underwriters, is authorized to make any further offer of the shares on behalf of us or the underwriters.

References to the Prospectus Regulation includes, in relation to the UK, the Prospectus Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

The above selling restriction is in addition to any other selling restrictions set out below.

Additional Notice to Prospective Investors in the United Kingdom

The communication of this prospectus and any other document or materials relating to the issue of the shares of our common stock offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended, or the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Financial Promotion Order), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the shares of our common stock offered hereby are only available to, and any investment or investment activity to which this prospectus relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the shares of our common stock may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Germany

This prospectus has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufsprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für finanzdienstleistungsaufsicht — BaFin*) nor any other German authority has been notified of the intention to distribute our common stock in Germany. Consequently, the common stock may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this prospectus and any other document relating to this offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the common stock to the public in Germany or any other means of public marketing. The common stock is being offered and sold in Germany only to qualified investors which are referred to in Section 3 paragraph 2 no. 1, in connection with Section 2 no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This prospectus is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Notice to Prospective Investors in Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the securities. The securities may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the securities to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the securities constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the securities.

LEGAL MATTERS

The validity of the securities offered in this prospectus is being passed upon for us by Snell & Wilmer L.L.P. Kelley Drye & Warren LLP and Wick Phillips, LLP have also acted as counsel to us in connection with this offering. Certain legal matters in connection with this offering will be passed upon for the underwriters by Nelson Mullins Riley & Scarborough LLP, Washington, D.C.

EXPERTS

The consolidated financial statements of Applied Blockchain, Inc. as of May 31, 2021 and May 31, 2020 and for the years ended May 31, 2021 and 2020, included in this prospectus and elsewhere in the registration statement have been audited by Marcum, LLP, an independent registered public accounting firm, as stated in their report. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock covered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and our common stock, we refer you to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance, we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. The SEC maintains a website that contains reports, proxy, and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

Immediately upon the effectiveness of the registration statement of which this prospectus forms a part, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements, and other information with the SEC. These periodic reports, proxy statements, and other information will be available for inspection and copying at the website of the SEC referred to above. We also maintain a website at www.appliedblockchaininc.com. You may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The inclusion of our website address in this prospectus is an inactive textual reference only. The information contained in or accessible through our website is not part of this prospectus or the registration statement of which this prospectus forms a part, and investors should not rely on such information in making a decision to purchase shares of our common stock.

APPLIED BLOCKCHAIN, INC. AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
As of and for the Three and Six Month Periods
Ended November 30, 2021, and 2020
and
Audited Consolidated Financial Statements
As of and for the Annual Period Ended May 31, 2021, and 2020

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Applied Blockchain, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Applied Blockchain, Inc. (the "Company") as of May 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended May 31, 2021, and the related notes (collectively referred to as the " financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended May 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP

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

New York, NY
August 13, 2021

APPLIED BLOCKCHAIN, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands, except number of shares and par value data)

	May 31, 2021	May 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,750	$ —
Prepaid expenses and other current assets	—	—
Total current assets	11,750	—
Deposit on equipment	3,282	—
Property and equipment, net	20	—
TOTAL ASSETS	$ 15,052	$ —
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 249	$ —
Accrued dividends	116	116
Related party notes payable	2,135	1,899
Total current liabilities	2,500	2,015
Commitments and contingencies (Note 10)		
Mezzanine equity:		
Series C, convertible and redeemable preferred stock, $.001 par value, 660,000 shares authorized, issued and outstanding	15,135	—
Stockholders' deficit:		
Series A, convertible preferred stock, $.001 par value, authorized 70,000 shares, 27,195 issued and outstanding	$ 3,370	$ 3,370
Series B convertible preferred stock, $.001 par value, authorized 50,000 shares, 17,087 issued and outstanding	1,849	1,849
Common stock, $.001 par value, 500,000,000 shares authorized, 39,569,335 and 9,066,363 shares issued and outstanding, respectively	9	9
Additional paid in capital	13,874	13,874
Treasury stock, 36,300 shares, at cost	(62)	(62)
Accumulated deficit	(21,623)	(21,055)
Total stockholders' deficit	(2,583)	(2,015)
Total Mezzanine equity and stockholders' deficit	12,552	(2,015)
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT	$ 15,052	$ —

See Accompanying Notes to the Consolidated Financial Statements

APPLIED BLOCKCHAIN, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(In thousands, except per share data)

	Fiscal Year Ended	
	May 31, 2021	**May 31, 2020**
Total Revenue	$ —	$ —
Costs and expenses:		
Selling, General and Administrative	(331)	—
Depreciation	(1)	—
Total costs and expenses	(332)	
Operating income (loss)	(332)	
Other income (expense)		
Interest Expense	(236)	(263)
Total Other Income (Expense)	(236)	(263)
Net Income (loss) attributable to Common Shareholders	$ (568)	$ (263)
Basic and Diluted net loss per share	(0.06)	(0.03)
Basic and Diluted weighted average number of shares outstanding	9,066,363	9,066,363

See Accompanying Notes to the Consolidated Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended May 31, 2021 and 2020
(In thousands, except per share data)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, May 31, 2019	27,195	$3,370	17,087	$1,849	9,066,363	$ 9	$ 13,874	$ (62)	$ (20,792)	$ (1,752)
Net Income (Loss)	—	—	—	—	—	—	(263)	(263)	(263)	(263)
Balance, May 31, 2020	27,195	$3,370	17,087	$1,849	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,055)	$ (2,015)
Net Income (Loss)	—	—	—	—	—	—	—	—	$ (568)	$ (568)
Balance, May 31, 2021	27,195	$3,370	17,087	$1,849	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,623)	$ (2,583)

See Accompanying Notes to the Consolidated Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Fiscal Years Ended	
	May, 31, 2021	**May, 31, 2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (568)	$ (263)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1	—
Accrued paid in kind interest	236	263
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	248	—
NET CASH USED BY OPERATING ACTIVITIES	(83)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(20)	—
Deposit on equipment	(3,282)	—
NET CASH USED IN INVESTING ACTIVITIES	(3,302)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of preferred stock	16,500	—
Issuance cost for preferred stock	(1,365)	—
NET CASH PROCEEDS FROM FINANCING ACTIVITIES	15,135	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,750	—
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	—
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,750	$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ —	$ —

See Accompanying Notes to the Consolidated Financial Statements

1. BUSINESS AND ORGANIZATION

Applied Blockchain, Inc. (the "Company"), is established to operate a proprietary algorithm cryptocurrency mining operation utilizing specialized computers (also known as "miners") to solve complex cryptographic algorithms to support the Ethereum and Altcoin blockchain in exchange for cryptocurrency rewards. The Company will participate in a mining pool with SparkPool, one of the largest Ethereum mining pools available. The Company's revenue will be generated through holding the cryptocurrency it mines and selling it in the market for its own account.

The Company was originally incorporated in Nevada in May 2001. Effective April 14, 2021, the Company's name was changed to Applied Blockchain, Inc. from Applied Science Products, Inc. During the year ended May 31, 2021, the Company formed two subsidiaries, Shanghai Sparkly Ore Tech, Ltd and Applied Blockchain, Cayman. Shanghai Sparkly Ore Tech, Ltd is a wholly owned foreign entity in China. Applied Blockchain, Cayman entity will hold and manage the digital wallet.

2. LIQUIDITY AND FINANCIAL CONDITION

As of May 31, 2021, the Company had approximate cash and cash equivalent of $11.7 million and working capital of $11.5 million. In July 2021, the Company raised $34.5 million funds through private stock sale. Historically the Company has incurred losses and has relied on equity financings to fund its operations. Based on analysis of cash flows, current net working capital, and expected operations revenue, the Company believes its current cash on hand is sufficient to meet its operating and capital requirement for at least next twelve months from the date these financial statements are issued.

The Company's Series C and Series D preferred stock redemption feature is contingent on the event the Company is not able to register its common stock for trading on or after October 15, 2022 and requisite holders provide a written redemption notice. In case the Company is unsuccessful in registering its common stock and the requisite holders provide written notice to redeem stock, the Company will have to disburse $49 million cash at stated value of $25 per share. The Company does not anticipate any issues meeting these requirements and believes it will be successful in registering its common stock timely.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned and controlled subsidiaries. Consolidated subsidiaries results are included from the date the subsidiary was formed or acquired. Intercompany investments, balances and transactions have been eliminated in consolidation. The company's consolidated operating subsidiaries include wholly owned Shanghai Sparkly Ore Technology and Applied Blockchain Limited, Cayman.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ significantly from those estimates. The most significant accounting estimates inherent in the preparation of the Company's financial statements include estimates associated with asset valuations, and the valuation allowance associated with the Company's deferred tax assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, Fair Value Measurements. This statement defines fair value, establishes a framework

for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 — Inputs for the asset or liability that are not based on observable market data.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment. As of May 31, 2021 and 2020, there were no financial assets or liabilities measured at fair value. The note payable is a current liability and is recorded at fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally two years for cryptocurrency mining equipment and three years for computer related assets and office equipment. The cost of maintenance and repairs is charged to operations as incurred, whereas significant repairs are capitalized.

Income Taxes

The Company accounts for income taxes pursuant to the provision of Accounting Standard Codification ("ASC") 740, Accounting for Income Taxes" which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is required to the extent any deferred tax assets may not be realizable.

ASC Topic 740, Income Taxes, ("ASC 740"), also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The benefit of a tax position is recognized in the financial statements in the period during which based on all available evidence, management believes it is most likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure, and transition.

Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements.

The COVID-19 pandemic has a global reach, and many countries are introducing measures that provide relief to taxpayers in a variety of ways. In March 2020, the U.S. government enacted tax legislation containing provision to support business during the COVID-19 pandemic, including deferment of the employer portion of certain payroll taxes, refundable payroll tax credits, and technical amendments to tax depreciation methods for qualified improvement property, and adjusts business interest limitations under IRC

section 163(j) from 30 percent to 50 percent. The Company will have no impact as a result of the CARES Act during the years ended May 31, 2021 and 2020.

Per Share Data

Basic net earnings (loss) per share ("EPS") of common stock is computed by dividing the Company's net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if the securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For the years ended May 31, 2021 and 2020, the Company did not have securities or contracts that were exercised or converted into common stock or resulted in the issuance of common stock.

Potentially dilutive securities are excluded from the computation of diluted net loss per share as their inclusion would be anti-dilutive and consist of the following:

Class of Stock	Common Share Conversion Ratio	Shares	May 31, 2021	May 31, 2020
Convertible Series A preferred shares	1 to 1429	27,195	38,861,655	38,861,655
Convertible Series B preferred shares	1 to 1000	17,087	17,087,000	17,087,000
Convertible and Redeemable Series preferred shares	1 to 200	660,000	132,000,000	—
Total			187,948,655	55,948,655

Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change.

In December 2019, the FASB issued ASU No. 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12")*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted.

In August 2020, the FASB issued ASU No. 2020-06,*Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40)*: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. This ASU is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. This update permits the use of either the modified retrospective or fully retrospective method of transition. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of May 31, 2021 and 2020:

	May 31 2021	May 31 2020
Office and computer equipment	$21	$ —
Total cost of property and equipment	21	
Accumulated depreciation	(1)	
Property and equipment, net	$20	$ —

Depreciation expense totaled $1 and $0 for the years ended May 31, 2021 and 2020, respectively. Depreciation is computed on the straight-line basis for the period assets are in service.

5. RELATED PARTY NOTES PAYABLE

Related party note payable is held by the CEO of the Company. As of May 31, 2021 and 2020, the outstanding notes principal and accrued interest held by the parties is outlined below. On April 15, 2021, the Company executed an Exchange Agreement whereby outstanding debt principal and accrued interest will be converted to 30.5 million aggregate Common Stock shares at a fair value price of $.13 per share. Upon the consummation of the Exchange Agreement, the notes will be surrendered and cancelled; and all rights including rights to accrued interest due will be extinguished.

Holder	Interest Rate	Status	Principal Amount	May 31, 2021 Accrued Interest Payable	Total
Related Party	16%	Default	$ 220	$ 828	$1,048
Non-Related Party	16%	Default	250	837	1,087
Total			$ 470	$ 1,665	$2,135

Holder	Interest Rate	Status	Principal Amount	May 31, 2020 Accrued Interest Payable	Total
Related Party	16%	Default	$ 220	$ 713	$ 933
Non-Related Party	16%	Default	250	717	967
Total			$ 470	$ 1,429	$1,899

The notes incurred interest expense of $236 and $263 as of May 31, 2021 and 2020, respectively.

6. INCOME TAXES

The following is a summary of the components of the provision for income taxes:

	Year ended May 31, 2021	Year ended May 31, 2020
Current expense (benefit)		
Federal	$ —	$ —
State	—	—
Total current expense	$ —	$ —
Deferred expense (benefit)		
Federal	$ —	$ —
State	—	—
Total deferred expense (benefit)	—	—
Total income tax expense (benefit)	$ —	$ —

Effective Tax Rate Reconciliation:

	May 31, 2021	May 31, 2020
Expected income tax expense (benefit) at U.S. statutory rate	21%	21%
State Tax Expense	0%	0%
Change in Valuation Allowance	-21%	-21%
Income Tax Expense / (Benefit)	0%	0%

Deferred income taxes reflect the temporary differences between the amounts at which assets and liabilities are recorded for financial reporting purposes and the amounts utilized for tax purposes. The primary components of the temporary differences that gave rise to the Company's deferred tax assets and liabilities are as follows for the year ended May 31, 2021, and May 31, 2020:

	May 31, 2021	May 31, 2020
Deferred Tax Assets:		
Federal Net Operating Loss	$ 175	$ 55
Valuation Allowance	(175)	(55)
Total Net Deferred Tax Assets/(Liabilities)	$ —	$ —

The Company had federal tax net operating losses of $568 and $263 at May 31, 2021 and 2020, respectively. The May 31, 2020 net operating loss expires in 2040 while the May 31, 2021 loss can be carried forward indefinitely.

A valuation allowance is provided when it is more likely than not that some portion or the entire net deferred tax asset will not be realized. The Company has recorded an increase in the valuation allowance of $120 and $55 as of May 31, 2021 and 2020, respectively. The Company has provided a valuation allowance for the full amount of net deferred tax assets as the realization of the deferred tax assets is determined to be not more likely than not.

The valuation allowance is primarily attributable to deferred tax assets for net operating losses that management believes are more likely than not to expire prior to being realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (i.e., capital or ordinary) during the period in which the temporary differences become deductible. Management considers, among other things, the scheduled reversals of deferred tax liabilities and the history of positive taxable income in evaluating the realizability of the deferred tax assets. Management believes that it is not likely that the results of future operations will generate sufficient taxable income to realize its deferred tax assets. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership, including a sale of the Company or significant changes in ownership due to sales of equity, may have limited, or may limit in the future, the amount of net operating loss carryforwards that could be used annually to offset future taxable income.

The Company did not have any unrecognized tax benefits for the years ended May 31, 2021, and 2020, respectively. The Company recognizes interest expense related to unrecognized tax benefits in income tax expense. The Company did not have any interest expense or expense for penalties related to unrecognized tax benefits for the reported periods.

The Company is subject to U.S. federal income tax. Tax years ending May 31, 2021 and May 31, 2020 are open to examination by the major taxing jurisdictions to which the Company is subject, as carryforward attributes generated in these years may still be adjusted upon examination by the Internal Revenue Service (IRS) or other authorities if they have or will be used in a future period. The Company is not currently under examination by the IRS or any other taxing jurisdictions for any tax years.

7. MEZZANINE EQUITY

Series C Convertible Redeemable Preferred Stock

In April, 2021, pursuant to the terms and conditions of a private placement agreement, the Company raised $16.5 million funds by issuing 660,000 shares of Series C Convertible Redeemable Preferred Stock.

The Company's Series C Convertible Redeemable Preferred Stock (Series C Preferred Stock), par value $.001 per share, and stated value of $25 per share (stated value), ranks senior in all respects to Series A Preferred Stock and Series B Preferred Stock (together referred to as "Junior Stock"). Each share of Series C Preferred Stock is convertible into 200 shares of Company's Common Stock.

Liquidation Preference:

In the event of liquidation, before any payment is made to the holders of the Junior Stock, Series C Preferred Stockholders will be paid, an amount equal to the stated value of $25 per share plus unpaid PIK Dividends, defined as fully paid and non-assessable shares of Series C Preferred Stock. If funds and assets are insufficient to pay full entitled amount, shareholders will share ratably in distribution of funds and assets available in proportion to respective entitled amounts.

Dividends:

The Series C Preferred Stockholders shall be entitled to receive dividends on an as if converted to Common Stock basis, equal to and in the same form as dividends actually paid on shares of the Common Stock when, as and if such dividends are paid on shares of the Common Stock.

Additionally, paid in kind (PIK) dividends of Series C Preferred Stock will accrue equal to the percentage of stated value as follows: i) At 10% per annum upon failure to file a registration statement to register the shares of Common Stock issuable upon conversion of Series C Preferred Stock (The Registrable Securities) on or before the four months following the original issue date, ii) At 12% per annum if registration statement has not been declared effective by the U.S. Securities and Exchange Commission on or before 8 months after the original issue date and/or the registrable securities are not listed on the Trading Market on or before the date that is 13 months after the original issue date or 15% per annum of the stated value for each day such failure continues after 18 months of original issue date. Such PIK dividend shall be instead of, and not in addition to PIK dividend per failure to file requirement, iii) At 12% per annum, if Company fails to complete the redemption option when required to do upon receiving written notice from the shareholders (see redemption criteria below).

The PIK Dividends will accrue as if only one triggering event has occurred and shall cease cumulating and accruing upon the earliest to occur of a) the date of the satisfaction of the above noted conditions, and b) any conversion date or optional conversion date (defined below).

Contingent Redemption Option:

The Series C Preferred Stock are redeemable if the Company has failed to list its Common Stock on a Trading Market within 18 months and the holders of at least a majority of the outstanding shares of Series C Preferred Stock provide a written notice of redemption to the Company on or after the 18 months anniversary of the original issue date. This notice may only be provided if on or after such date the Common Stock of the Company is not listed on a Trading Market. The redemption date will be the date selected by the Company that is within 30 days following the date the Company receives such notice. The Series C Preferred Stock shall be redeemed at the redemption price of stated value of such shares plus accrued and unpaid PIK Dividends.

The Company shall have no obligation to pay any accrued PIK Dividends, if within 6 months of the original issue date, the Company enters into a binding definitive agreement to a Significant Transaction Event and if the Company has consummated the Significant Transaction Event within 10 months of the original issue date. A Significant Transaction Event means a merger, share exchange, sale of all or substantially all of the assets of the Company or other business combination, restructuring or change of control transaction, including such transaction intended to result in the Company becoming a voluntary filer under

the Exchange Act, a business combination intended to increase the number of shareholders of the Company to facilitate listing on a Trading Market, a business combination with a special purpose acquisition company, or a business combination with a company that is listed on a Trading Market.

Conversion Options:

Each share of Series C Preferred Stock automatically converts into such number of fully paid and non-assessable shares of Common Stock at initial conversion price of $0.13, subject to adjustments, upon conversion date. The conversion date is either a) the date that the Registration Statement is declared effective by the U.S. Securities and Exchange Commission or b) the date on which a Significant Transaction Event occurs.

Each holder of Series C Preferred Stock also has the optional conversion rights to convert any portion of the outstanding shares and any PIK Dividends into such number of fully paid and non-assessable shares of Common stock as determined by dividing the sum of stated value of all outstanding shares of Series C Preferred Stock being converted, accrued and unpaid PIK and cash dividends by the conversion price.

Voting Rights:

The Series C Preferred Stockholder shall vote together with Common Stockholders on an as-if converted to Common Stock basis, except for any material changes to the principal business or if the Company plans to sell, lease, transfer, exclusively license or otherwise dispose of all or substantially all of the assets, unless in connection with a Significant Transaction Event, the Company is required to obtain written consent or affirmative vote from Series C Preferred Stockholders as a separate class.

Preferred stock dividends in the amount $116,000 as of May 31, 2021 and 2020, were accrued from the date of receipt of investors' funds.

Liquidation preferences and valuation summary table:

Class of Stock	Ranking	Liquidation Preferences	
Redeemable and Convertible Series C shares	Priority 1	Cash equal to $25 per share plus accrued or unpaid Paid in Kind dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts
Convertible Series A preferred shares	Priority 2	Cash equal to $100 per share plus declared or accrued and unpaid dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts
Convertible Series B preferred shares	Priority 3	Cash equal to $100 per share plus declared or accrued and unpaid dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts

Class of Stock	Carrying Value	Accrued Dividends	Accumulating Dividends not Declared	Liquidation Amount
Redeemable and Convertible Series C shares	$ 16,500,000	$ —	$ —	$16,500,000
Convertible Series A preferred shares	$ 2,719,500	$70,821	$ 767,500	$ 3,557,821
Convertible Series B preferred shares	$ 1,708,700	$45,279	$ 402,400	$ 2,156,379

8. STOCKHOLDERS' EQUITY

Common Stock

The Company is authorized to issue 500,000,000 shares of Common Stock at $.001 par value per share. As of May 31, 2021 and 2020, 9,066,363 shares of Common Stock were outstanding.

Series A Convertible Preferred Stock

Each share of Series A Convertible Preferred Stock ("Series A Preferred Stock") has a liquidating value of $100 per share, is convertible into 1,429 shares of Common Stock of the Company (subject to adjustment) and pays a cash dividend of 8% or a dividend in kind of 10%. The dividends are accrued quarterly and are based on the original purchase price of the Series A Preferred Stock. No dividends will accrue or be paid for any fiscal quarter where shares of our common stock, on a volume weighted average price, trade in excess of $0.14.

Initially, each share of Series A Preferred Stock will have the equivalent voting rights of 1,429 shares of common stock and will vote with our existing common shareholders as a group on all matters subject to shareholder vote. However, the Series A Preferred Stock shareholders will not be able to vote on issues involving redemption or a liquidation event until there has been an affirmative vote on such issues by our common stock shareholders. In that event, they will be allowed to vote as a group with the common stock shareholders on such issues, in effect, giving them a veto right.

In the event of a liquidation of the Company, the Series A Preferred Stock will have a liquidating preference and will participate in any remaining liquidating proceeds on an as-converted basis with the common shareholders after receiving the liquidating value of their Series A Preferred Stock.

Each share of Series A Preferred Stock is convertible at the option of the holder at any time into shares of Company's common stock by dividing the liquidation value of $100 by a conversion price of $0.07 per share of common stock. The number of shares of common stock issuable upon conversion is subject to antidilution protections if Company issues additional shares of common stock at less than $0.07 per share and upon stock splits, dividends and certain other events.

As of May 31, 2021 and 2020, the shareholders of Series A Convertible Preferred Stock had accrued dividends-in-kind of 7,675 shares and 6,274 shares, respectively. As these have not been declared as payable by the board, the shares are not listed on the company's Statement of Changes in Stockholders' Equity.

Series B Convertible Preferred Stock

Each share of Series B Convertible Preferred Stock ("Series B Preferred Stock") has a liquidating value of $100 per share, is convertible into 1,000 shares of Common Stock of the Company (subject to adjustment) and pays a cash dividend of 8% or a dividend in kind of 10%. The dividends are accrued quarterly and are based on the original purchase price of the Series B Preferred Stock. No dividends will accrue or be paid for any fiscal quarter where shares of our common stock, on a volume weighted average price, trade in excess of $0.14.

Initially, each share of Series B Preferred Stock will have the equivalent voting rights of 1,000 shares of common stock and will vote with our existing common shareholders as a group on all matters subject to shareholder vote. However, the Series B Preferred Stock shareholders will not be able to vote on issues involving redemption or a liquidation event until there has been an affirmative vote on such issues by our common stock shareholders. In that event, they will be allowed to vote as a group with the common stock shareholders on such issues, in effect, giving them a veto right.

In the event of a liquidation of the Company, the Series B Preferred Stock will have a liquidating preference following that of Series A Preferred Shareholders and will participate in any remaining liquidating proceeds on an as-converted basis with the common shareholders after receiving the liquidating value of their Series B Preferred Stock.

Each share of Series B Preferred Stock is convertible at the option of the holder at any time into shares of our common stock by dividing the liquidation value of $100 by a conversion price of $0.10 per share of common stock. The number of shares of common stock issuable upon conversion is subject to antidilution protections if we issue additional shares of common stock at less than $0.10 per share and upon stock splits, dividends, and certain other events.

As of May 31, 2021 and 2020, the shareholders of Series B Convertible Preferred Stock had accrued dividends-in-kind of 4,024 shares and 3,290 shares, respectively. As these have not been declared as payable by the board, the shares are not listed on the company's Statement of Changes in Stockholders' Equity.

Liquidation preferences and valuation summary for the Preferred Stock:

Class of Stock	Ranking	Liquidation Preferences	
Convertible Series A preferred shares	Priority 1	Cash equal to $100 per share plus declared or accrued and unpaid dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts
Convertible Series B preferred shares	Priority 2	Cash equal to $100 per share plus declared or accrued and unpaid dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts

Class of Stock	Carrying Value	Accrued Dividends	Accumulating Dividends not Declared	Liquidation Amount
Convertible Series A preferred shares	$ 2,719,500	$70,821	$ 767,500	$3,557,821
Convertible Series B preferred shares	$ 1,708,700	$45,279	$ 402,400	$2,156,379

9. RELATED PARTY TRANSACTIONS

Parties are considered related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions.

In March 2021, the Company executed a strategy planning and portfolio advisory services agreement with an entity that is controlled by a board member of the Company. Compensation for the services provided will be through issuance of 19.0 million shares of Company' fully diluted and outstanding common stock. As of May 31, 2021, no services were provided, and no expenses were incurred pursuant to this agreement.

10. COMMITMENTS AND CONTINGENCIES

Commitments

Service Agreement:

In March 2021, the Company entered into commitments to issue Common Stock shares to third parties in return for services to be provided during 2021 and 2022 as listed below.

Service Provider	Common Stock Shares Committed
Valuefinder	18,938,559
SparkPool	44,640,889
GMR	44,649,889
Total	108,220,337

Purchase agreements:

The Company has entered into equipment purchase agreements totaling $13.4 million, which includes $3.3 million pre- payment as of May 31, 2021. The remaining balance of $10.1 million is due to be paid through July 2022, per the payment schedule set forth in the applicable purchase agreements.

The summary of purchase agreement commitments, deposits, and expected delivery timing (remaining balances are payable in advance of shipping) is as follows:

Agreement Date*	Purchase Commitment	Deposit Paid	Expected Shipping
May 27, 2021	$ 4,968	$ —	
April 13, 2021	$ 8,512	$ 3,277	August 2021 – July 2022
Total	$ 13,480	3,277	

* The Company is responsible for all shipping charges incurred in connection with the delivery of the equipment.

Lease agreement:

The Company signed an office lease with the lease commencement date of June 1, 2021. The lease term of 62 months ends on October 31, 2026. Monthly rent payment schedule is:

Lease Period	Monthly Base Rent
Months 1 – 13	$ 25,856
Months 14 – 25	$ 26,525
Months 26 – 37	$ 27,193
Months 38 – 49	$ 27,862
Months 50 – 61	$ 28,531
Month 62 – (10/31/26)	$ 29,199

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of May 31, 2021 and 2020, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated operations. There are also no legal proceedings in which any of the Company's management or affiliates is an adverse party or has a material interest adverse to the Company's interest.

11. SUBSEQUENT EVENTS

Subsequent to fiscal year-end, the Company issued 30.5 million shares of common stock to settle the related party notes payable ("notes payable") and accrued interest. As of the date of issuance of common stock, the notes payable is extinguished.

On April 15, 2021, the majority shareholders of the Series A Preferred Stock and the Series B Preferred Stock, voted together as a single class to convert their Series A and Series B Preferred Shares into Common Stock pursuant to Section 4 of the certificates of designations setting forth the terms of the Series A Preferred Stock and Series B Preferred Stock. Such provisions provide that consent of a majority of each series of Preferred Stock (the "Shareholder Consent") triggers a mandatory conversion of all shares of such series of Preferred Stock. The issuance of all such converted or sold stock occurred on July 16, 2021 upon authorization of the Company's name change by FINRA so that the shares would be issued under the legal name of the Company.

In July, August and October 2021, pursuant to the terms and conditions of a private placement agreement, the company raised $34.5 million of funds by issuing 1,380,000 shares of Series D Convertible Redeemable Preferred Stock.

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)
(In thousands, except number of shares and par value data)

	November 30, 2021	May 31, 2021 Audited
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 14,045	$ 11,750
Prepaid expenses and other current assets	1,649	5
Cryptoassets	—	—
Total current assets	15,694	11,755
Right of use asset, net	1,204	—
Deposit on equipment	26,507	3,277
Property and equipment, net	10,145	20
TOTAL ASSETS	$ 53,550	$ 15,052
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 5,323	$ 248
Accrued dividends	—	116
Current portion of operating lease liability	190	—
Related party notes payable	—	2,135
Customer deposits	484	—
Deferred revenue	526	—
Other current liabilities	16	—
Total current liabilities	6,539	2,500
Deferred tax liability	214	—
Long-term portion of operating lease liability	1,010	—
Total liabilities	7,763	2,500
Commitments and contingencies (Note 10)		
Mezzanine equity:		
Series C, convertible and redeemable preferred stock, $.001 par value, 660,000 shares authorized, issued and outstanding	$ 15,135	$ 15,135
Series D, convertible and redeemable preferred stock, $.001 par value, 1,380,000 shares authorized, issued, and outstanding	31,574	—
Total mezzanine' equity	46,709	15,135
Shareholders' equity (deficit):		
Series A, convertible preferred stock, $.001 par value, authorized 70,000 shares, 0 and 70,000 shares issued and outstanding, respectively	$ —	$ 3,370
Series B convertible preferred stock, $.001 par value, authorized 50,000 shares, 0 and 50,000 shares issued and outstanding, respectively	—	1,849
Common stock, $.001 par value, 1,000,000,000 shares authorized, 320,381,519 and 9,066,363 shares issued and outstanding	3,121	9
Additional paid in capital	40,856	13,874
Treasury stock, 36,300 shares, at cost	(62)	(62)
Accumulated deficit	(44,837)	(21,623)
Total shareholders' equity (deficit)	(922)	(2,583)
Total Mezzanine and shareholders' equity (deficit)	45,787	12,552
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 53,550	$ 15,052

See Accompanying Notes to the Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	November 30, 2021	November 30, 2020	November 30, 2021	November 30, 2020
Revenues:				
Cryptocurrency mining revenue, net	$ 1,426	$ —	$ 2,038	$ —
Cost of revenues	$ 433	—	$ 782	—
Gross Profit	993	—	1,256	—
Costs and expenses:				
Selling, General and Administrative	1,181	—	1,879	—
Stock-based compensation for service agreement	—	—	12,337	—
Impairment of Cryptocurrency Assets	145	—	165	—
Depreciation	174	—	177	—
Total costs and expenses	1,500	—	14,558	—
Operating income (loss)	(507)	—	(13,302)	—
Other income (expense):				
Interest Expense	—	(74)	—	(147)
Gain/Loss on Extinguishment of Accounts Payable	285	—	325	—
Gain/Loss on Extinguishment of Debt	—	—	(1,342)	—
Gain/Loss on Sale of Fixed Assets	265	—	265	—
Income Tax Expense	(214)	—	(214)	—
Total Other Income (Expense)	336	(74)	(966)	(147)
Net Income (loss) attributable to Common Shareholders	$ (171)	$ (74)	$ (14,268)	$ (147)
Basic and diluted net loss per share	(0.00)	(0.01)	(0.05)	(0.02)
Basic and diluted weighted average number of shares outstanding	320,381,519	9,066,363	294,863,883	9,066,363

See Accompanying Notes to the Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Deficit) (Unaudited)
(In thousands, except per share data)

Three Months Ended November 30, 2021

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred and Redeemable Stock		Series D Convertible Preferred and Redeemable Stock		Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Mezzanine and Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, August 31, 2021	—	$ —	—	$ —	660,000	$15,135	1,304,000	$29,902	320,381,516	$ 3,122	$ 40,856	$ (62)	$ (44,666)	$ 44,287
Issuance of Preferred Stock	—	—	—	—	—	—	76,000	1,900	—	—	—	—	—	$ 1,900
Issuance Costs of Preferred Stock	—	—	—	—	—	—	—	(228)	—	—	—	—	—	$ (228)
Net Income (Loss)	—	—	—	—	—	—	—		—	—	—	—	$ (171)	$ (171)
Balance, November 30, 2021	—	$ —	—	$ —	660,000	$15,135	1,380,000	$31,574	320,381,516	$ 3,122	$ 40,856	$ (62)	$ (44,837)	$ 45,787

Three Months Ended November 30, 2020

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred and Redeemable Stock		Series D Convertible Preferred and Redeemable Stock		Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Mezzanine and Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, August 31, 2020	27,195	$ 3,370	17,087	$ 1,849	—	$ —	—	$ —	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,127)	$ (2,087)
Net Income (Loss)	—	—	—	—	—	—	—	—	—	—	—	—	(74)	$ —
Balance, November 30, 2020	27,195	$ 3,370	17,087	$ 1,849	—	$ —	—	$ —	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,201)	$ (2,161)

See Accompanying Notes to the Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Deficit) (Unaudited) (continued)
(In thousands, except per share data)

Six Months Ended November 30, 2021

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred and Redeemable Stock		Series D Convertible Preferred and Redeemable Stock		Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Mezzanine and Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, May 31, 2021	27,195	$ 3,370	17,087	$ 1,849	660,000	$15,135	—	$ —	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,623)	$ 12,552
Extinguishment of Debt	—	—	—	—	—	—	—	—	30,502,970	305	3,173	—	—	3,478
Issuance of Dividends to Preferred Stock	60,822	6,082	29,772	2,979	—	—	—	—	—	—	—	—	(8,946)	116
Conversion of Preferred Stock	(88,017)	(9,452)	(46,859)	(4,828)	—	—	—	—	172,591,849	1,726	12,554	—	—	—
Service Agreement	—	—	—	—	—	—	—	—	108,220,337	1,082	11,255	—	—	12,337
Issuance of Preferred Stock	—	—	—	—	—	—	1,380,000	34,500	—	—	—	—	—	$ 34,500
Issuance Costs of Preferred Stock	—	—	—	—	—	—	—	(2,926)	—	—	—	—	—	$ (2,926)
Net Income (Loss)	—	—	—	—	—	—	—	—	—	—	—	—	$ (14,268)	$ (14,268)
Balance, November 30, 2021	—	$ —	—	$ —	660,000	$15,135	1,380,000	$31,574	320,381,519	$ 3,121	$ 40,856	$ (62)	$ (44,837)	$ 45,787

Six Months Ended November 30, 2020

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred and Redeemable Stock		Series D Convertible Preferred and Redeemable Stock		Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Mezzanine and Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, May 31, 2020	27,195	$ 3,370	17,087	$ 1,849	—	$ —	—	$ —	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,055)	$ (2,015)
Net Income (Loss)	—	—	—	—	—	—	—	—	—	—	—	—	(147)	$ (147)
Balance, November 30, 2020	27,195	$ 3,370	17,087	$ 1,849	—	$ —	—	$ —	9,066,363	$ 9	$ 13,874	$ (62)	$ (21,201)	$ (2,161)

See Accompanying Notes to the Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)
(In thousands of dollars)

	Six Months Ended	
	November 30, 2021	November 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (14,268)	$ (147)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	436	—
Gain/(Loss) on extinguishment of debt	1,342	—
Gain/(Loss) on extinguishment of accounts payable	325	—
Realized gain on cryptoassets	(285)	—
Cryptoassets received as revenue	(2,038)	—
Cryptoassets impairment expense	165	—
Cryptoassets payment for expenses	492	—
Stock compensation for service agreement	12,337	—
Amortization of right of use asset	28	—
Deferred Tax	214	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,644)	—
Accounts payable and accrued liabilities	5,254	147
Payment of operating leases	(25)	—
NET CASH GENERATED BY OPERATING ACTIVITIES	2,334	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,314)	—
Sale of cryptoassets	1,666	
Deposit on equipment	(23,230)	—
Proceeds from sale of assets	265	—
NET CASH USED IN INVESTING ACTIVITIES	(31,613)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of preferred stock	34,500	—
Issuance cost for preferred stock	(2,926)	—
NET CASH PROCEEDS FROM FINANCING ACTIVITIES	31,574	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,295	—
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,750	—
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 14,045	$ —
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING AND INVESTING ACTIVITIES:		
Right-of-use asset obtained by lease obligation	$ 1,291	$ —
Fixed assets in accounts payable	$ 513	$ —

See Accompanying Notes to the Financial Statements

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Six Month Period Ended November 30, 2021

1. BUSINESS AND ORGANIZATION

Applied Blockchain, Inc. (the "Company"), operates a proprietary algorithm cryptocurrency mining operation utilizing specialized computers (also known as "miners") to solve complex cryptographic algorithms to support the Ethereum, whose coins are referred to as Ether, and Altcoin blockchain in exchange for cryptocurrency rewards. The Company's revenue is generated through successful rewards which can then be held and sold.

Additionally, the Company is currently building a co-hosting facility in which customers will lease space and access to electricity and in which the Company will also install its own mining equipment providing fees from customers and less expensive access to power to run the crypto mining business. The facility is expected to open during the first quarter of 2022.

The Company was originally incorporated in Nevada in May 2001. Effective April 14, 2021, the Company's name was changed to Applied Blockchain, Inc. from Applied Science Products, Inc. During the year ended May 31, 2021, the Company formed two subsidiaries, Shanghai Sparkly Ore Tech, Ltd and Applied Blockchain, Cayman. Shanghai Sparkly Ore Tech, Ltd is a wholly owned foreign entity in China. Applied Blockchain, Cayman entity will hold and manage the digital wallet.

2. LIQUIDITY AND FINANCIAL CONDITION

As of November 30, 2021, the Company had approximate cash and cash equivalent of $14.0 million and working capital of $9.2 million. Historically the Company has incurred losses and has relied on equity financings to fund its operations. Based on analysis of cash flows, current net working capital, and expected operations revenue, the Company believes its current cash on hand is sufficient to meet its operating and capital requirement for at least next twelve months from the date these financial statements are issued.

The Company's Series C and Series D preferred stock redemption feature is contingent on the event the Company is not able to register its common stock for trading on or after October 15, 2022, and requisite holders provide a written redemption notice. In case the Company is unsuccessful in registering its common stock and the requisite holders provide written notice to redeem stock, the Company will have to redeem the shares at their stated value plus accrued but unpaid dividends.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned and controlled subsidiaries. Consolidated subsidiaries results are included from the date the subsidiary was formed or acquired. Intercompany investments, balances and transactions have been eliminated in consolidation. The company's consolidated operating subsidiaries include wholly owned Shanghai Sparkly Ore Technology and Applied Blockchain Limited, Cayman.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ significantly from those estimates. The most significant accounting estimates inherent in the preparation of the Company's financial statements include estimates associated with asset valuations, and the valuation allowance associated with the Company's deferred tax assets.

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Six Month Period Ended November 30, 2021

Revenue Recognition

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

- Step 1: Identify the contract, or contracts, with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when, or as, the Company satisfies a performance obligation.

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

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

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

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

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

In November 2021, the Company received customer deposits of $484 thousand for hosting services and advance payment for monthly hosting services of $526 thousand that represents the deferred revenue balance at the period ending November 30, 2021. There was no other activity with respect to these balances for the three and six-month periods ended November 30, 2021.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 — Inputs for the asset or liability that are not based on observable market data.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment. As of November 30, 2021, there were no financial assets or liabilities measured at fair value. The note payable is a current liability and is recorded at fair value.

Cryptoassets

Cryptoassets are included in current assets in the accompanying consolidated balance sheets. Cryptoassets are classified as indefinite-lived intangible assets in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles — Goodwill and Other*, and are accounted for in connection with the Company's revenue recognition policy detailed above and in Footnote 5. Management will evaluate market conditions on a quarterly basis. When events or circumstance identified through this process indicate that cryptoassets may be impaired, they are tested for impairment. Impairment, if any, is recognized for the difference between the fair value of the underlying cryptoasset and the carrying amount of the cryptoasset. Fair value is measured using the quoted price of the cryptoasset at the time its fair value is being measured.

Cryptoassets awarded to the Company through its mining activities are included within the operating activities in the accompanying consolidated statements of cash flows. Gains from the sales of cryptoassets are recorded in other income (expense) in the accompanying consolidated statements of operations. The Company accounts for its gains in accordance with the first in, first out ("FIFO") method of accounting.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally two years for cryptocurrency mining equipment and three years for computer related assets and office equipment. The cost of maintenance and repairs is charged to operations as incurred, whereas significant repairs are capitalized.

Lease Accounting

The Company accounts for its leases under ASC 842,*Leases* ("ASC 842"). Accordingly, the Company determines whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made

available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancelable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain of exercising. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

For leases with a term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed minimum payment obligations over the lease term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow and incorporates the term and economic environment of the associated lease.

For the Company's operating leases, fixed lease payments are recognized as lease expense on a straight-line basis over the lease term. For leases with a term of 12 months or less, any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the Company's consolidated balance sheet as an accounting policy election. Leases qualifying for the short-term lease exception were insignificant. Variable lease costs are recognized as incurred.

Income Taxes

ASC Topic 740, *Income Taxes*, ("ASC 740"), also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The benefit of a tax position is recognized in the financial statements in the period during which based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements.

Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change.

In December 2019, the FASB issued ASU No. 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"*), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The adoption of this ASU had no impact on the Company's financial statements.

In August 2020, the FASB issued ASU No. 2020-06,*Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40)*:

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Six Month Period Ended November 30, 2021

Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. This ASU is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. This update permits the use of either the modified retrospective or fully retrospective method of transition. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of November 30, 2021, and May 31, 2021:

	November 30, 2021	May 31, 2021
Cryptocurrency mining equipment	$ 5,181	$—
Office and computer equipment	184	21
Autos	63	—
Land & Building	5,153	
Total cost of property and equipment	10,581	21
Accumulated depreciation	(436)	(1)
Property and equipment, net	$ 10,145	$20

Depreciation expense totaled $436 thousand and $0 for the six-month periods ended November 30, 2021 and 2020, respectively and totaled $175 thousand and $0 for the three-month periods ended November 30, 2021 and 2020, respectively. Depreciation is computed on the straight-line basis for the period assets are in service.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue when promised services are transferred to customers in an amount that reflects the consideration to which the Company expects to be received in exchange for those services. The Company notes all revenue during the quarter was received through cryptoasset mining.

Cryptoasset mining revenue

The Company has entered into cryptoasset mining pools by executing contracts with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a theoretical fractional share of the cryptoasset award the mining pool operator receives (less service fees to the mining pool operator which are recorded as a reduction of revenue) for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power in cryptoasset transaction verification services is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's contracts with mining pool operators and is satisfied over the time it takes to mine each block. The transaction consideration the Company receives, if any, is noncash consideration, which the Company receives on a daily basis and measures at fair value on the date received using the average

price of the cryptoasset during the date, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because validation awards are not known until a block is placed, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. It is not probable that a significant reversal of revenue will occur. Fair value of the cryptoasset award received is determined using the quoted price on the Company's primary exchange of the related cryptoasset.

6. CRYPTOASSETS

The Company recognizes revenue at the spot price of the cryptoasset when mined. The Company then tracks any gain or loss from the time the cryptoasset was mined to the time when it was ultimately sold or converted. The sale or conversion generally results in a realized gain or loss at the time of sale or conversion. The sale or conversion of cryptoassets results in the receipt of cash consideration.

As of November 30, 2021, the Company determined that impairment existed and as such, the Company recorded an impairment loss of $165 thousand to reduce the carrying cost. As of November 30, 2021, the Company's did not hold any cryptoassets.

The following table presents a summary of cryptoasset activity during the quarterly period.

Beginning Balance – May 31, 2021	$ —
Cryptoassets earned through mining	2,059
Mining pool operating fees	(21)
Cryptoassets sold or converted	(2,203)
Impairment of cryptocurrencies	165
Ending Balance – November 30, 2021	$ —

7. RELATED PARTY NOTES PAYABLE

A related party note payable held by the CEO of the Company was extinguished with stock issuance settlement on June 12, 2021. An exchange agreement was reached effective June 12, 2021, whereby outstanding debt principal of $470 thousand and accrued interest of $1.6 million was converted to 30.5 million aggregate Common Stock shares at a fair value price of $.125 per share for a loss on extinguishment of $1.3 million. Upon the consummation of the Exchange Agreement, the note payable was surrendered and cancelled; and all rights including rights to accrued interest due will be extinguished.

8. INCOME TAXES

The Company recorded income tax expense of $214 thousand for the three and six months ended November 30, 2021 compared to zero for the three and six months ended November 30, 2020. The Company's effective tax rate was -1.52% and 0% for the six months ended November 30, 2021 and 2020, respectively.

The effective tax rate for the six months ended November 30, 2021 differed from the statutory rate of 21% primarily due to permanent differences related to debt extinguishment as well as changes in the valuation allowance.

The following table presents current and deferred tax expense for the three and six month periods ended November 30, 2021 and 2020.

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Six Month Period Ended November 30, 2021

	Quarterly and Yearly Period Ended November 30,	
	2021	2020
Current expense (benefit)		
Federal	$ —	$ —
State	—	—
Total current expense	$ —	$ —
Deferred expense (benefit)		
Federal	$ 214	$ —
State	—	—
Total deferred expense (benefit)	214	—
Total income tax expense (benefit)	$ 214	$ —

The following table presents a reconciliation of the statutory tax rate to the effective tax rate for the three and six month periods ended November 30, 2021 and 2020.

	November 30, 2021	November 30, 2020
Expected income tax expense (benefit) at U.S. statutory rate	21.00%	21%
Extinguishment of Debt	-1.65%	
State Tax Expense	0.00%	0%
Change in Valuation Allowance	-20.87%	-21.00%
Income Tax Expense / (Benefit)	-1.52%	0%

9. REDEEMABLE EQUITY

Series C Preferred Stock

As of November 30, 2021, 660,000 shares of Series C Preferred Stock are outstanding. The shares of Series C Preferred Stock are convertible into shares of common stock. These shares were offered and sold to certain "accredited investors" in a private placement without registration of the shares under Rule 506 of the Securities Act and the rules and regulations promulgated thereunder.

Holders of Series C Preferred Stock shall vote together with holders of common stock on an as-if converted to common stock basis, except in certain circumstances, such as a material change to the principal business, or a significant transaction event defined by the certificate of designation. Series C Preferred Stock ranks pari passu with Series D Preferred Stock.

Paid-in-kind ("PIK") Dividends will be charged at a rate of 10% per annum provided that the Company's common stock is not listed or traded before December 15, 2021, or 12% if the registration statements has not been declared by that date. The rate will increase to 15% if these targets are not met by October 15, 2022. Dividends will be terminated upon conversion or upon the Company's satisfaction of the listing target and registration statement target.

On the Conversion Date, all shares of Series C Preferred Stock will be automatically converted (without payment of additional consideration) into such number of fully paid and non-assessable shares of common stock as determined by dividing the Stated Value by the Conversion Price of $0.13, subject to adjustment, in effect on such Conversion Date.

The Company is required to reserve and keep available shares of common stock out of authorized and unissued shares of common stock for the sole purpose of issuance upon conversion of the Series C Preferred

Stock, free from preemptive rights or any other actual contingent purchase rights. Each holder of shares of Series C Preferred Stock is entitled to convert any portion of the outstanding Series C Preferred Stock and any PIK Dividends held by such holder, without the payment of additional consideration, into such number of fully paid and non-assessable shares of common stock.

Unless prohibited by Nevada law, shares of Series C Preferred Stock shall be redeemed (a "Mandatory Redemption") at a price equal to Stated Value of such Series C Preferred Stock, plus an amount per share equal to the Stated Value of each share of Series C Preferred Stock issuable as a result of accrued but unpaid PIK Dividends (the "Redemption Price"), if the Requisite Holders provide written notice of redemption to the Company on or after October 15, 2022, which notice may only be so provided if on or after such date common stock is not listed on a Trading Market. The date of redemption will be selected by the Company and occur within 30 days following the date that the Company receives such notice.

If the Company fails to redeem the Series C Preferred Stock as set forth above, PIK Dividends will continue to accrue.

Series D Preferred Stock

As of the date hereof, 1,380,000 shares of Series D Preferred Stock are issued and outstanding. The shares of Series D Preferred Stock are convertible into shares of common stock. These shares were offered and sold to certain "accredited investors" and non-U.S. Persons in a private placement without registration of the shares under Regulation D and Regulation S of the Securities Act.

The Series D Preferred stock ranks pari passu with the Series C Preferred Stock.

Holders of Series D Preferred Stock shall vote together with holders of common stock on an as-if converted to common stock basis, except in certain circumstances, such as a material change to the principal business, or a significant transaction event defined by the certificate of designation.

PIK Dividends will be charged at a rate of 10% per annum provided that the Company's common stock is not listed or traded before December 15, 2021, or 12% if the registration statements has not been declared by that date. The rate will increase to 15% if these targets are not met by October 15, 2022. Dividends will be terminated upon conversion or upon the Company's satisfaction of the listing target and registration statement target.

On the date that an event triggers an automatic conversion, including the date on which this registration statement is declared effective by the SEC (the "Conversion Date"), all shares of Series D Preferred Stock will be automatically converted (without payment of additional consideration) into such number of fully paid and non-assessable shares of common stock as determined by dividing the Stated Value by the Conversion Price in effect on such Conversion Date. All rights with respect to the Series D Preferred Stock will terminate on the Conversion Date.

The conversion price shall be a price per share equal to the least of (i) $0.44 per share, (ii) 75% of the price per share to be sold in certain offerings, including an initial public offering, (iii) 75% of the opening public price per share in a direct listing of common stock on a Trading Market, or (iv) 75% of the per share amount to be paid for each share of common stock in a sale of all or substantially all of stock or assets, in each case subject to adjustment.

The Company is required to reserve and keep available shares of common stock out of its authorized and unissued shares of common stock for the sole purpose of issuance upon conversion of the Series D Preferred Stock, free from preemptive rights or any other actual contingent purchase rights.

Each holder of shares of Series D Preferred Stock is entitled to convert any portion of the outstanding Series D Preferred Stock and any PIK Dividends held by such holder, without the payment of additional consideration, into such number of fully paid and non-assessable shares of common stock by dividing (A) the

sum of (1) the Stated Value of all outstanding shares of Series D Preferred Stock being converted, (2) the aggregate Stated Value of all shares of Series D Preferred Stock due as PIK Dividends to such holder being converted and (3) any cash dividends accrued and payable to such holder by (B) the conversion price in effect, as adjusted.

Unless prohibited by Nevada law, shares of Series D Preferred Stock shall be redeemed (a "Mandatory Redemption") at a price equal to Stated Value of such Series D Preferred Stock, plus an amount per share equal to the Stated Value of each share of Series D Preferred Stock issuable as a result of accrued but unpaid PIK Dividends (the "Redemption Price"), if the Requisite Holders provide written notice of redemption to the Company on or after October 15, 2022, which notice may only be so provided if on or after such date common stock is not listed on a Trading Market. The date of redemption will be selected by the Company and occur within 30 days following the date that the Company receives such notice.

If the Company fail to redeem the Series D Preferred Stock as set forth above, PIK Dividends will continue to accrue.

No dividends have been accrued for the Series C or Series D Preferred Shares.

Liquidation preferences table for Preferred Stock shown below:

Class of Stock	Ranking	Liquidation Preferences	
Redeemable and Convertible Series C shares	Priority 1	Cash equal to $25 per share plus accrued or unpaid PIK Dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts
Redeemable and Convertible Series D shares	Priority 1	Cash equal to $25 per share plus accrued or unpaid PIK Dividends	Ratably share in distribution of assets in proportion to preferential entitled amounts

Valuation summary table for Preferred Stock shown below:

Class of Stock	Carrying Value	Accrued Dividends	Accumulating Dividends not Declared	Liquidation Amount
Redeemable and Convertible Series C shares	$ 15,135,023	$—	$—	$ 16,500,000
Redeemable and Convertible Series D shares	$ 31,574,000	$—	$—	$ 34,500,000

10. SHAREHOLDERS' EQUITY (DEFICIT)

Common Stock

The Company is authorized to issue 500,000,000 shares of Common Stock at $.001 par value per share. As of November 30, 2021 and May 31, 2021, 320,381,519 and 9,066,363 shares of Common Stock were outstanding, respectively.

Share-Based Compensation

In March 2021, the Company entered into service agreements collectively with GMR Limited, Xsquared Holding Limited ("SparkPool"), and Valuefinder to provide cryptocurrency mining management,

equipment, and other services to assist with the mining operation of the Company during 2021 and 2022. In exchange, the Company agreed to issue Common Stock shares as shown below and included in the agreement. All shares were issued in June 2021.

Service Provider	Common Stock Shares Committed
ValueFinder	18,938,559
SparkPool	44,640,889
GMR	44,640,889
Total	108,220,337

The fair value of the share-based compensation issued was calculated using the fair value of outstanding equity using the option pricing method, weighted as shown below. All shares issued under the agreement were vested immediately.

Class of Stock	Option Pricing Fair Value	Weight
Common Stock	$ 0.067	8%
Conversion Price of Series C Shares	0.130	92%
	$ 0.125	

Series A Convertible Preferred Stock

Each share of Series A Convertible Preferred Stock ("Series A Preferred Stock") had a liquidation value of $100 per share, was convertible into 1,429 shares of Common Stock of the Company (subject to adjustment) and paid a cash dividend of 8% or a dividend in kind of 10%. The dividends were accrued quarterly based on the original purchase price of the Series A Preferred Stock.

All shares were converted effective June 12, 2021, to common shares. 46,859,000 common shares were issued in exchange for the Series A Convertible Preferred Stock.

Series B Convertible Preferred Stock

Each share of Series B Convertible Preferred Stock ("Series B Preferred Stock") had a liquidation value of $100 per share, was convertible into 1,000 shares of Common Stock of the Company (subject to adjustment) and paid a cash dividend of 8% or a dividend in kind of 10%. The dividends were accrued quarterly based on the original purchase price of the Series B Preferred Stock.

All shares were converted effective June 12, 2021, to common shares. 46,859,000 common shares were issued in exchange for the Series B Convertible Preferred Stock.

There are no accrued dividends related to the Series A and B Convertible Preferred Stock as of November 30, 2021.

11. LEASES

As of November 30, 2021, the Company had an operating lease liability and right of use asset for its office space that expires in October 2026. As of November 30, 2020, the Company did not have any significant operating lease balances. The Company did not have any finance leases as of November 30, 2021, and May 31, 2021 Rental expense for lease payments related to operating leases is recognized on a straight -line basis over the remaining lease term.

The Company has elected the short-term lease exception and therefore, only recognized lease liabilities and right of use assets for leases longer than one year. The Company has also elected the practical expedient of not separating lease components for its real estate leases.

As of November 30, 2021, and May 31, 2021 the balance of the right of use assets were $1.2 million and $0, respectively, and the balance of the lease liability is $1.2 million and $0, respectively, for the Company's office lease.

The calculation of these lease assets and liabilities includes minimum lease payments over the remaining lease term. Any variable lease payments are excluded from the amounts and are recognized in the period in which those obligations are incurred. Operating lease assets are included as Capital lease assets, net on the Balance Sheet. The current portion of lease liabilities are presented as Current portion of lease liability on the Balance Sheet with the remainder included as a long-term asset named Long-term portion of lease liability on the Balance Sheet.

Rent expense of $114 thousand for the quarter ended November 30, 2021 and $187 thousand for the six-month period ended November 30, 2021 was related to operating lease expenses. No variable lease costs were incurred during the quarter. For the quarter ended and six-month period ended November 30, 2020, no rent expense was recorded. As of November 30, 2021, additional leasing details are as follows:

Weighted-average months remaining	59.4 months
Weighted-average discount rate	12.50%

The following table represents the Company's future minimum operating lease payments as of November 30, 2021, under ASC 842 (in thousands):

Year	Office Lease	Other Leases	Total
FY22	$284	$46	$331
FY23	291	6	297
FY24	298	—	298
FY25	306	—	306
FY26	313	—	313
Beyond	175	—	175

12. RELATED PARTY TRANSACTIONS

Parties are considered related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the

immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions.

In March 2021, the Company executed a strategy planning and portfolio advisory services agreement with an entity that is controlled by a board member of the Company. Compensation for the services provided will be through issuance of 19.0 million shares of Company' fully diluted and outstanding common stock. All common stock shares issuable under the agreement were issued in June 2021.

13. COMMITMENTS AND CONTINGENCIES

Commitments

Purchase Agreements

The Company has entered into equipment purchase agreements totaling $8.5 million, including $6.6 million paid through November 30, 2021. The following table represents the Company's future commitments with respect to these equipment purchase agreements as of November 30, 2021 (in thousands):

APPLIED BLOCKCHAIN INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Six Month Period Ended November 30, 2021

Year	Total
FY22	$1,882,100
FY23	—
FY24	—
FY25	—
FY26	—
Beyond	—

Service Agreements

The Company has entered into service agreements executed October 5, 2021with a duration of which will begin in third quarter of the Company's fiscal year. The agreement stipulates that the Company provide hosting services with a power requirement totaling 42MW per month.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of November 30, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated operations. There are also no legal proceedings in which any of the Company's management or affiliates is an adverse party or has a material interest adverse to the Company's interest.

14. EARNINGS PER SHARE

Basic net income (loss) per share ("EPS") of common stock is computed by dividing the Company's net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if the securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Potentially dilutive securities are excluded from the computation of diluted net loss per share as their inclusion would be anti-dilutive. Refer to Footnote 9 for details on outstanding classes of preferred shares. The table below shows the calculation for this quarter's earnings per share:

	Quarterly Period Ended		Year-to-Date Period Ended	
Basic and diluted income (loss) per share:	November 30, 2021	November 30, 2020	November 30, 2021	November 30, 2020
Net income (loss)	$ (171)	$ (74)	$ (14,268)	$ (147)
Basic and diluted weighted average number of shares outstanding	320,381,519	9,066,363	294,863,883	9,066,363
Basic and diluted net income (loss) per share	$ (0.00)	$ (0.01)	$ (0.05)	$ (0.02)

15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and/or disclosure through February 21, 2022, the date the consolidated financial statements were available to be issued.

Equity Compensation

On January 18, 2022, the Company issued (i) an aggregate of 3,600,000 shares of restricted stock, consisting of 600,000 shares to each of its non-employee directors (Charles Hastings, Kelli McDonald, Douglas Miller, Virginia Moore, Richard Nottenburg and Jason Zhang), and (ii) an aggregate of 4,600,000 shares of restricted stock, consisting of 3,000,000 shares to Wes Cummins, 1,000,000 shares to David Rench and 600,000 shares to Regina Ingel, in all cases as compensatory grants for services to the Board or

the Company. The Company will recognize the cost of these RSUs based on the grant date fair value of the awards over the related vesting terms using a straight-line method. The fair value of these RSUs was estimated to be $11.0 million.

On January 14, 2022, the Company granted an aggregate of 10,750,000 restricted stock units ("RSUs") to three consultants, consisting of 750,000 RSUs to Roland Davidson, 2,500,000 RSUs to Nick Phillips and 7,500,000 RSUs to Etienne Snyman, in all cases as compensatory grants for consulting services rendered to the Company which contain performance conditions that affect vesting. The RSUs specify that the performance conditions are achieved based on specific thresholds of power to become available in the Company's colocation hosting facility and also upon the occurrence of an effective registration statement with the Securities and Exchange Commission. The Company will recognize the cost of these RSUs based on the grant date fair value of the awards when it is probable that the performance conditions will be achieved over the related vesting terms, which is expected to result in expense recognition for the years ended May 31, 2022 and May 31, 2023. The fair value of these RSUs was estimated to be $14.4 million.

The fair value of the shares of common stock underlying equity compensation has been determined by using a third-party valuation specialist to assist management in its determination. Management determines the fair value of the Company's common stock by considering a number of objective and subjective factors including: the valuation of comparable companies, sales of redeemable convertible preferred stock to unrelated third parties, the Company's operating and financial performance, and general and industry specific economic outlook, amongst other factors.

The Company estimated the fair value of the common stock at issuance date using a Probability Weighted Expected Return Method ("PWERM"). The PWERM estimated the fair value assuming two possible outcomes, for which each discrete outcome is probability weighted to arrive at a weighted-average value. The Company weighted two different scenarios as follow:

Scenario	Weight
Public Company scenario ("listing scenario") through a traditional IPO	95%
Remain a private Company scenario ("private scenario")	5%

Joint Venture

On January 10, 2022, the Company announced that it has formed a joint venture with Antpool Capital Asset Investment, L.P., an affiliate of Bitmain Technologies, bringing together the world's leading provider of blockchain mining solutions and a leader in Next-Gen datacenters used to host blockchain infrastructure. Applied Blockchain and Antpool intend to leverage their combined resources and expertise to initially build up to 1.5 Gigawatts (GW) of datacenter hosting capacity over the next 24 months.

Co-Hosting Facility

In February 2022, the Company commenced operations on its first co-hosting facility in North Dakota which provides energized space and operating and maintenance services to third-party mining companies who locate their mining hardware within the co-hosting facility.

Sale of Crypto Mining Equipment

On March 9, 2022, the Company ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. Total proceeds from the sale of the equipment were $1.6 million, and the Company will recognize a loss of $2.9 million on the sale of the equipment during the quarter ended May 31, 2022. The Company has no plans to return to crypto mining operations in the future.

Subsequent to the period ended November 30, 2021, the Company determined that its mining business met the criteria for discontinued operations. The following tables reflect the unaudited pro forma financial information as if the Company's mining business met the criteria for discontinued operations based on the Company's historical reporting periods.

APPLIED BLOCKCHAIN, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEETS
(In thousands, except number of shares and par value data)
Unaudited

	As of November 30, 2021			As of May 31, 2021		
	Actual	Pro Forma	Pro Forma As Adjusted	Actual	Pro Forma	Pro Forma As Adjusted
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 14,045		$ 14,045	$ 11,750		$ 11,750
Prepaid expenses and other current assets	1,649		1,649	5		5
Current assets of discontinued operations	—	1,560	1,560(a)	—		—
Total current assets	15,694		17,254	11,755		11,755
Right of use asset, net	1,204		1,204	—		—
Deposit on equipment	26,507		26,507	3,277		3,277
Property and equipment, net	10,145	(4,486)	5,659(a)	20		20
TOTAL ASSETS	$ 53,550		$ 50,624	$ 15,052		$ 15,052
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Accounts payable and accrued liabilities	$ 5,323		$ 5,323	$ 248		$ 248
Accrued dividends	—		—	116		116
Current portion of operating lease liability	190		190	—		—
Related party notes payable	—		—	2,135		2,135
Customer deposits	484		484	—		—
Deferred revenue	526		526	—		—
Other current liabilities	16		16	—		—
Total current liabilities	6,539		6,539	2,500		2,500
Deferred tax liability	214		214	—		—
Long-term portion of operating lease liability	1,010		1,010	—		—
Total liabilities	1,224		1,224	—		—
Commitments and contingencies (Note 10)						
Mezzanine equity:						
Series C, convertible and redeemable preferred stock, $.001 par value, 660,000 shares authorized, issued and outstanding	$ 15,135		$ 15,135	$ 15,135		$ 15,135
Series D, convertible and redeemable preferred stock, $.001 par value, 1,380,000 shares authorized, issued, and outstanding	31,574		31,574	—		—
Total mezzanine' equity	46,709		46,709	15,135		15,135
Shareholders' equity:						
Series A, convertible preferred stock, $.001 par value, authorized 70,000 shares, 0 and 70,000 shares issued and outstanding, respectively	$ —		$ —	$ 3,370		$ 3,370
Series B convertible preferred stock, $.001 par value, authorized 50,000 shares, 0 and 50,000 shares issued and outstanding, respectively	—		—	1,849		1,849
Common stock, $.001 par value, 1,000,000,000 shares authorized, 320,381,519 and 9,066,363 shares issued and outstanding	3,121		3,121	9		9
Additional paid in capital	40,856		40,856	13,874		13,874
Treasury stock, 36,300 shares, at cost	(62)		(62)	(62)		(62)
Accumulated deficit	(44,837)	(2,926)	(47,763)(a)	(21,623)		(21,623)
Total shareholders' equity	(922)		(3,848)	(2,584)		(2,584)
Total Mezzanine and shareholders' equity	45,787		42,861	12,551		12,551
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY	$ 53,550		$ 50,624	$ 15,051		$ 15,051

(a) Reflects the adjustment to present assets held for sale (i.e., graphic processing units) associated with the Company's discontinued cryptomining business at estimated fair value less cost to sell.

APPLIED BLOCKCHAIN, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
Unaudited

	Three Months Ended						Six Months Ended						
	November 30, 2021			November 30, 2020			November 30, 2021			November 30, 2020			
	Actual	Pro Forma Adjustment	Pro Forma As Adjusted	Actual	Pro Forma Adjustment	Pro Forma As Adjusted	Actual	Pro Forma Adjustment	Pro Forma As Adjusted	Actual	Pro Forma Adjustment	Pro Forma As Adjusted	
Revenues:													
Cryptocurrency mining revenue, net	$ 1,426	$ (1,426)	$ —	$ —		$ —	$ 2,038	$ (2,038)	$ —	$ —		$ —	(b)
				—		—				—		—	
Cost of revenues	433	(433)	—	—		—	782	(782)	—	—		—	(b)
Gross Profit	993		—	—		—	1,256		—	—		—	
Costs and expenses:													
Selling, General and Administrative	1,181		1,181	—		—	1,879		1,879	—		—	
Stock-based compensation for service agreement	—		—	—		—	12,337		12,337	—		—	
Impairment of Cryptocurrency Assets	145	(145)	—	—		—	165	(165)	—	—		—	(c)
Depreciation	174		174	—		—	177		177	—		—	
Total costs and expenses	1,500		1,355	—		—	14,558		14,393	—		—	
Operating income (loss)	(507)		(1,355)	—		—	(13,302)		(14,393)	—		—	
Other income (expense):													
Interest Expense	—		—	(74)		(74)	—		—	(147)		(147)	
Gain/Loss on Extinguishment of Accounts Payable	285		285	—		—	325		325	—		—	
Gain/Loss on Extinguishment of Debt	—		—	—		—	(1,342)		(1,342)	—		—	
Gain/Loss on Sale of Fixed Assets	265	(265)	—	—		—	265	(265)	—	—		—	(d)
Income Tax Expense	(214)		(214)	—		—	(214)		(214)	—		—	
Total Other Income (Expense)	336		71	(74)		(74)	(966)		(1,231)	(147)		(147)	
Net Income (loss) from continuing Operations	(171)		(1,284)	(74)		(74)	(14,268)		(15,624)	(147)		(147)	
Net Income (loss) from discontinued Operations	—	(1,813)	(1,813)	—		—	—	(1,570)	(1,570)	—		—	(e)
Net Income (loss) attributable to Applied Blockchain, Inc.	$ (171)		$ (3,097)	$ (74)		$ (74)	$ (14,268)		$ (17,194)	$ (147)		$ (147)	
Basic and diluted net loss per share													
Continuing Operations	$ (0.00)		$ (0.00)	$ (0.01)		$ (0.01)	$ (0.05)		$ (0.05)	$ (0.02)		$ (0.02)	
Discontinued Operations	$ —		$ (0.01)	$ —		$ —	$ —		$ (0.01)	$ —		$ —	
Basic and diluted net loss per share	$ (0.00)		$ (0.01)	$ (0.01)		$ (0.01)	$ (0.05)		$ (0.06)	$ (0.02)		$ (0.02)	
Basic and diluted weighted average number of shares outstanding	320,381,519		320,381,519	9,066,363		9,066,363	294,863,883		294,863,883	9,066,363		9,066,363	

(b) Reflects the adjustment to cryptomining revenue and related cost of revenues associated within the Company's discontinued cryptomining business.

(c) Reflects the adjustment to present impairment of cryptocurrency assets within the Company's discontinued cryptomining business.

(d) Reflects the adjustment to present gain on sale of assets used within the Company's discontinued cryptomining business.

(e) Reflects the adjustments to present assets held for sale estimated fair value less cost to sell plus the impact of the other adjustments on the unaudited pro forma consolidated statements of operations.

Loan Agreement

On March 11, 2022, the Company and Applied Hosting, LLC ("Hosting"), a wholly-owned subsidiary of the Company, entered into a term loan agreement (the "Loan Agreement") by and among Hosting, as the borrower, Vantage Bank Texas, as lender (the "Lender") and the Company as guarantor. Pursuant to the Loan Agreement, on March 11, 2022, Hosting entered into a promissory note agreement (the "Note") and borrowed $7,500,000 for a five (5) year term with an interest rate of five percent (5%) per annum (the "Term Loan"). The proceeds of the Term Loan will be used for working capital needs for the operation of Phase I of the hosting facility in Jamestown, North Dakota. The Loan Agreement and Note contain customary covenants, representations and warranties and events of default.

Also on March 11, 2022, the Company entered into a continuing guaranty agreement (the "Guaranty Agreement") with the Lender, pursuant to which the Company agreed to guaranty Hosting's indebtedness and obligations under the Loan Agreement. The Term Loan is secured by a mortgage on the real property constituting Phase I of the Jamestown, North Dakota property (the "Property") pursuant to a Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), dated March 11, 2022, by and between Hosting and the Lender, and a security interest in the accounts receivable, rents and servicing agreements relating to the Property, and equipment as set forth in or required by the Loan Agreement.

Shares of Common Stock

PRELIMINARY PROSPECTUS

Bookrunners

B. Riley Securities **Needham & Company**

Lead Managers

Craig-Hallum **D.A. Davidson & Co.**

Co-Managers

Lake Street **Northland Capital Markets**

, 2022

Through and including , 2022 (25 days after the date of this prospectus), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses payable by us in connection with the issuance and distribution of the securities being registered hereunder. All of the amounts shown are estimates, except for the SEC Registration Fee. All fees shall be added by amendment.

SEC Registration Fee	$ 6,952.50
Nasdaq Global Select Market Listing Fee	$ 295,000
Printing Fees and Expenses	$ 125,000
Accounting Fees and Expenses	$ 60,000
Legal Fees and Expenses	$ 200,000
Transfer Agent and Registrar Fees	$ 11,000
Miscellaneous Fees and Expenses	$ 5,000
Total	$702,952.50

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Neither our second amended and restated articles of incorporation, nor our amended and restated bylaws, prevent us from indemnifying our officers, directors and agents to the extent permitted under the Nevada Revised Statutes ("NRS"). NRS Section 78.7502, provides that a corporation may indemnify any director, officer, employee or agent of a corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with any defense to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to Section 78.7502(1) or 78.7502(2), or in defense of any claim, issue or matter therein.

NRS 78.7502(1) provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he: (a) is not liable pursuant to NRS 78.138; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

NRS Section 78.7502(2) provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he: (a) is not liable pursuant to NRS 78.138; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals there from, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

NRS Section 78.747 provides that except as otherwise provided by specific statute, no director or officer of a corporation is individually liable for a debt or liability of the corporation, unless the director or officer acts as the alter ego of the corporation. The court as a matter of law must determine the question of whether a director or officer acts as the alter ego of a corporation.

Our bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the NRS, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract. Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification. We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the NRS would permit indemnification.

The underwriting agreement provides for indemnification by the underwriters of us and our officers and directors, and by us of the underwriters, for certain liabilities arising under the Securities Act or otherwise in connection with this offering.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, we have issued securities in the following transactions, each of which was exempt from the registration requirements of the Securities Act:

1. On March 19, 2021, the Company and certain consultants entered into a Services Agreement pursuant to which the consultants agreed to provide specified services to the Company and the Company agreed to issue shares of common stock to each consultant in connection with the closing of the offering of Series C Preferred Stock by the Company. In satisfaction of the Company's obligations under the Services Agreement, upon FINRA's processing of the Company's name change and receipt of additional information from the service providers required by the transfer agent, on July 16, 2021, the Company issued an aggregate of 108,220,162 common shares to the consultants pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

2. On April 15, 2021, the holders of a majority of the shares of the Company's Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, voted to convert their Series A Convertible Preferred Stock and Series B Convertible Preferred Stock which caused a mandatory conversion of all such Series A Convertible Preferred Stock and Series B Convertible Preferred Stock. As a result of the mandatory conversion, and upon FINRA's processing of the Company's name change and receipt of additional information from the service providers required by the transfer agent, on July 2, 2021, the Company issued an aggregate of 172,591,850 shares of common stock. The conversions were undertaken pursuant to the exemption from registration provided by Section 3(a)(9) of the Securities Act.

3. Also on April 15, 2021, the Company and certain holders of the Company's notes entered into an Exchange Agreement pursuant to which the Company exchanged all such notes for an aggregate of 18,938,528 shares of the Company's common stock. Upon FINRA's processing of the Company's name change and receipt of additional information from the service providers required by the transfer agent, the exchange was undertaken on July 7, 2021 pursuant to the exemption from registration provided by Section 3(a)(9) of the Securities Act.

4. On July 16, 2021, upon FINRA's processing of the Company's name change and receipt of additional information from the service providers required by the transfer agent and pursuant to the terms and conditions of a private placement agreement, the Company sold 660,000 shares of Series C Convertible Redeemable Preferred Stock, par value $0.001 per share ("Series C Preferred Stock"), for $16.5 million. The Company's Series C Preferred Stock has a stated value of $25 per share. The Series C Preferred Stock was issued without registration based on the exemption from registration provided under Regulation D of the Securities Act. B. Riley Securities, Inc. acted as placement agent in connection with the offering of the Company's Series C Preferred Stock.

5. On July 30, 2021, pursuant to the terms and conditions of a private placement agreement, the Company issued an aggregate of 1,300,000 shares of Series D Convertible Redeemable Preferred Stock, par value $0.001 per share ("Series D Preferred Stock"), for $32.5 million. The Company's Series D Preferred Stock has a stated value of $25 per share. The Series D Preferred Stock was issued without registration based on the exemptions from registration provided under Regulation D and Regulation S of the Securities Act. B. Riley Securities, Inc. acted as placement agent in connection with the offering of the Company's Series D Preferred Stock.

6. On August 24, 2021, pursuant to the terms and conditions of a private placement agreement, the Company issued an additional 100,000 shares of Series D Preferred Stock for $100,000. The Company's Series D Preferred Stock has a stated value of $25 per share. The Series D Preferred Stock was issued without registration based on the exemptions from registration provided under Regulation D of the Securities Act. B. Riley Securities, Inc. acted as placement agent in connection with the offering of the Company's Series D Preferred Stock.

7. On October 7, 2021, pursuant to the terms and conditions of a private placement agreement, the Company issued an additional 76,000 shares of Series D Preferred Stock for $1,900,000. The Company's Series D Preferred Stock has a stated value of $25 per share. The Series D Preferred Stock was issued without registration based on the exemptions from registration provided under Regulation D of the Securities Act. B. Riley Securities, Inc. acted as placement agent in connection with the offering of the Company's Series D Preferred Stock.

8. On January 18, 2022, we issued (i) an aggregate of 3,600,000 shares of restricted stock, consisting of 600,000 shares to each of our non-employee directors (Charles Hastings, Kelli McDonald, Douglas Miller, Virginia Moore, Richard Nottenburg and Jason Zhang), and (ii) an aggregate of 4,600,000 shares of restricted stock, consisting of 3,000,000 shares to Wes Cummins, 1,000,000 shares to David Rench and 600,000 shares to Regina Ingel, in all cases as compensatory grants for services rendered to the Board or the Company. On January 14, 2022, we granted an aggregate of 10,750,000 restricted stock units ("RSUs") to three consultants, consisting of 750,000 RSUs to Roland Davidson, 2,500,000 RSUs to Nick Phillips and 7,500,000 RSUs to Etienne Snyman, in all cases as compensatory grants for consulting services rendered to the Company. All such issuances were made in reliance on Rule 701 promulgated under the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are filed with this registration statement.

Exhibit No.	Description
1.1******	Form of Underwriting Agreement
3.1	Second Amended and Restated Articles of Incorporation, as amended from time to time (Incorporated by reference to Exhibit 3.1 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
3.2	Amended and Restated Bylaws, as amended from time to time (Incorporated by reference to Exhibit 3.2 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
4.1	Registration Rights Agreement, dated April 15, 2021, by and between the Company and B. Securities, Inc., for the benefit of B. Riley Securities, Inc. and the Investors (Incorporated by reference to Exhibit 4.1 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
4.2**	Amendment, dated December 13, 2021, to Registration Rights Agreement, dated April 15, 2021, by and between the Company and B. Riley Securities, Inc., for the benefit of B. Riley Securities, Inc. and the Investors.
4.3	Amendment No. 2, dated February 22, 2022, to Registration Rights Agreement, dated April 15, 2021, by and between the Company and B. Riley Securities, Inc., for the benefit of B. Riley Securities, Inc. and the Investors (Incorporated by reference to Exhibit 4.3 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on February 28, 2022)

Exhibit No.	Description
4.4	Registration Rights Agreement, dated July 30, 2021, by and between the Company and B. Securities, Inc., for the benefit of B. Riley Securities, Inc. and the Investors (Incorporated by reference to Exhibit 4.2 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
4.5**	Amendment, dated December 13, 2021, to Registration Rights Agreement, dated July 30, 2021, by and between the Company and B. Riley Securities, Inc., for the benefit of B. Riley Securities, Inc. and the Investors.
4.6	Amendment No. 2, dated February 22, 2022, to Registration Rights Agreement, dated July 30, 2021, by and between the Company and B. Riley Securities, Inc., for the benefit of B. Riley Securities, Inc. and the Investors (Incorporated by reference to Exhibit 4.6 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on February 28, 2022)
4.7	Right of First Refusal and Co-Sale Agreement, dated as of April 15, 2021, by and between the Company, the Key Holders and Investors (Incorporated by reference to Exhibit 4.3 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
4.8	Right of First Refusal and Co-Sale Agreement, dated as of July 30, 2021, by and between the Company, the Key Holders and Investors (Incorporated by reference to Exhibit 4.4 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
5.1*	Opinion of Snell & Wilmer L.L.P.
10.1	Services Agreement, dated March 19, 2021, by and among the Company, GMR Limited, Xsquared Holding Limited, and Valuefinder (Incorporated by reference to Exhibit 10.1 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
10.2	Master Professional Services Agreement between Ulteig Engineers, Inc. and APLD Hosting, LLC (Incorporated by reference to Exhibit 10.2 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
10.3	Non-Fixed Price Sales and Purchase Agreement, dated April 13, 2021, between Bitmain Technologies Limited and the Company (Incorporated by reference to Exhibit 10.3 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
10.4	Coinmint Colocation Mining Services Agreement dated as of June 15, 2021 by and between Coinmint, LLC and the Company (Incorporated by reference to Exhibit 10.4 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
10.5#	Service Framework Agreement, dated July 5, 2021, by and between APLD Hosting, LLC and JointHash Holding Limited (Incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.6#	Amended and Restated Electric Services Agreement, dated September 13, 2021, by and between APLD Hosting, LLC and [Redacted] (Incorporated by reference to Exhibit 10.6 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.7	Sublease Agreement, dated as of May 19, 2021, by and between the Company and Encap Investments L.P. (Incorporated by reference to Exhibit 10.7 to the Company's Form S-1 (Registration No. 333-258818), filed with the SEC on August 13, 2021)
10.8#	Service Framework Agreement, dated July 5, 2021, by and between APLD Hosting, LLC and Bitmain Technologies Limited (Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)

Exhibit No.	Description
10.9#	Master Hosting Agreement, dated as of September 20, 2021, by and between APLD Hosting, LLC and F2Pool Mining, Inc. (Incorporated by reference to Exhibit 10.9 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.10#	Master Hosting Agreement, dated as of October 12, 2021, by and between APLD Hosting, LLC and Hashing LLC. (Incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.11	Services Agreement, effective as of October 12, 2021, by and among Applied Blockchain, LTD and Xsquared Holding Limited. (Incorporated by reference to Exhibit 10.11 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.12†	2021 Incentive Plan (Incorporated by reference to Exhibit 10.12 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.13†	2021 Non-Employee Director Stock Plan (Incorporated by reference to Exhibit 10.13 to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on November 2, 2021.)
10.14#	Limited Liability Company Agreement, dated as of January 6, 2022, by and between the Company and Antpool Capital Asset Investment L.P. (incorporated by reference to Exhibit 10.14 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
10.15†	Employment Agreement, effective as of November 1, 2021, by and between the Company and Wes Cummins (incorporated by reference to Exhibit 10.15 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
10.16†	Employment Agreement, effective as of November 1, 2021, by and between the Company and David Rench (incorporated by reference to Exhibit 10.16 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
10.17†	Employment Agreement, effective as of November 1, 2021, by and between the Company and Regina Ingel (incorporated by reference to Exhibit 10.17 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
10.18†	Form of Employee Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.18 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
10.19†	Form of Director Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.15 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
10.20******	Loan Agreement dated as of March 11, 2022 by and between APLD Hosting, LLC, Vantage Bank Texas and Applied Blockchain, Inc.
10.21******	Continuing Guaranty Agreement dated as of March 11, 2022 by Applied Blockchain, Inc. for the benefit of Vantage Bank Texas.
21	Subsidiaries (Incorporated by reference to Exhibit 21 to Amendment No. 5 to the Company's registration statement on Form S-1 (Registration No. 333-258818), filed with the SEC on January 24, 2022.)
23.1***	Consent of Marcum, LLP
23.2**	Consent of Marcum, LLP
23.3****	Consent of Marcum, LLP

Exhibit No.	Description
23.4*****	Consent of Marcum, LLP
23.5******	Consent of Marcum, LLP
23.6	Consent of Snell & Wilmer L.L.P. (included in Exhibit 5.1)
24.1***	Power of Attorney (contained in the signature page of the original filing of this Registration Statement on Form S-1)
107******	Calculation of Filing Fee

* To be filed by amendment.

** Previously filed with Amendment No. 1 to this Registration Statement filed with the SEC on December 14, 2021.

*** Previously filed with the original filing of this Registration Statement on Form S-1 filed with the SEC on November 22, 2021.

**** Previously filed with Amendment No. 2 to this Registration Statement on Form S-1 filed with the SEC on January 6, 2022.

***** Previously filed with Amendment No. 3 to this Registration Statement on Form S-1 filed with the SEC on January 24, 2022.

****** Filed herewith.

Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

† Management Compensatory Arrangement

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this Amendment No. 4 to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, Texas on March 28, 2022.

APPLIED BLOCKCHAIN, INC.

By: /s/ Wes Cummins
Name: Wes Cummins
Title: Chief Executive Officer, Secretary, Treasurer, Chairperson of the Board and Director (Principal Executive Officer)

By: /s/ David Rench
Name: David Rench
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 4 to registration statement has been signed by the following persons in the capacities and on the dates indicated.

Person	Capacity	Date
/s/ Wes Cummins Wes Cummins	Chairperson of the Board and Director (Principal Executive Officer)	March 28, 2022
* Chuck Hastings	Director	March 28, 2022
* Kelli McDonald	Director	March 28, 2022
* Douglas Miller	Director	March 28, 2022
* Virginia Moore	Director	March 28, 2022
* Richard Nottenburg	Director	March 28, 2022
* Jason Zhang	Director	March 28, 2022

*By: /s/ Wes Cummins
Wes Cummins
Attorney-In-Fact

Exhibit 1.1

APPLIED BLOCKCHAIN, INC.
Shares of Common Stock

UNDERWRITING AGREEMENT

[●], 2022

B. Riley Securities, Inc.
as Representative of the
several Underwriters

c/o B. Riley Securities, Inc.
299 Park Avenue
New York, New York 10171

Ladies and Gentlemen:

Applied Blockchain, Inc., a Nevada corporation (the "**Company**"), confirms its agreement with each of the Underwriters listed on Schedule I hereto (collectively, the "**Underwriters**"), for whom B. Riley Securities, Inc. is acting as representative (in such capacity, the "**Representative**"), with respect to (i) the sale by the Company of [●] shares (the "**Initial Shares**") of Common Stock, par value $0.001 per share, of the Company (the "**Common Stock**"), and the purchase by the Underwriters, acting severally and not jointly, of the respective number of shares of Common Stock set forth opposite the names of the Underwriters in Schedule I hereto, and (ii) the grant of the option described in Section 1(b) hereof to purchase all or any part of [●] additional shares of Common Stock to cover over-allotments, if any (the "**Option Shares**"), from the Company, to the Underwriters, acting severally and not jointly, in the respective numbers of shares of Common Stock set forth opposite the names of each of the Underwriters listed in Schedule I hereto. The Initial Shares to be purchased by the Underwriters and the Option Shares, if and to the extent such option described in Section 1(b) hereof is exercised are hereinafter called, collectively, the "**Shares**." The offering and sale of the Shares is herein referred to as the "**Offering**."

Prior to the closing of the offering of Common Stock hereunder, the Company will complete (1) the conversion of its Series C Convertible Redeemable Preferred Stock and the Series D Convertible Redeemable Preferred Stock Conversion (the "**Preferred Stock Conversion**") and (2) a 1 for 6 reverse stock split (the "**Stock Split**"), each as described in the Prospectus and the Disclosure Package (as defined below).

The Company understands that the Underwriters propose to make a public offering of the Shares as soon as the Underwriters deem advisable after this Underwriting Agreement (the "**Agreement**") has been executed and delivered.

The Company confirms that it has engaged Northland Securities, Inc. ("Northland"), and Northland confirms its agreement with the Company, to render services as a "qualified independent underwriter" within the meaning of Rule 5121 of the rules of the Financial Industry Regulatory Authority ("**FINRA**") with respect to the Offering. Northland, solely in its capacity as a qualified independent underwriter with respect to the Offering, and not otherwise, is referred to herein as the "**QIU**."

The Company has prepared and filed with the Securities and Exchange Commission (the "**Commission**") a registration statement on Form S-1 (No. 333-261278), including a related preliminary prospectus, for the registration of the Shares under the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "**Securities Act**"). The Company has prepared and filed such amendments to the registration statement and such amendments or supplements to the related preliminary prospectus as may have been required to the date hereof, and will file such additional amendments or supplements as may hereafter be required. The registration statement has been declared effective under the Securities Act by the Commission. The registration statement, as amended at the time it was declared effective by the Commission (and, if the Company files a post-effective amendment to such registration statement that becomes effective prior to the Closing Time (as defined below), such registration statement as so amended) and including all information deemed to be a part of the registration statement pursuant to incorporation by reference, Rule 430A of the Securities Act or otherwise, is hereinafter called the "**Registration Statement**." Any registration statement filed for the registration of the Shares pursuant to Rule 462(b) of the Securities Act is hereinafter called the "**Rule 462(b) Registration Statement**," and after such filing the term "**Registration Statement**" shall include the Rule 462(b) Registration Statement. Each prospectus included in the Registration Statement before it was declared effective by the Commission under the Securities Act, and any preliminary form of prospectus filed with the Commission by the Company with the consent of the Underwriters pursuant to Rule 424(a) of the Securities Act, including all information incorporated by reference in either such prospectus, is hereinafter called the "**Preliminary Prospectus**." The term "**Prospectus**" means the final prospectus, as first filed with the Commission pursuant to Rule 424(b) of the Securities Act, and any amendments thereof or supplements thereto, including all information incorporated by reference therein.

The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

The term "**Disclosure Package**" means (i) the Preliminary Prospectus, as most recently amended or supplemented immediately prior to the Initial Sale Time (as defined herein); (ii) the Issuer Free Writing Prospectuses (as defined below), if any, identified in Schedule II hereto; (iii) the pricing information set forth on Schedule III hereto; and (iv) any other Free Writing Prospectus (as defined below) that the parties hereto shall hereafter expressly agree to treat as part of the Disclosure Package.

The term "**Issuer Free Writing Prospectus**" means any issuer free writing prospectus, as defined in Rule 433 of the Securities Act. The term "**Free Writing Prospectus**" means any free writing prospectus, as defined in Rule 405 of the Securities Act.

The Company and the Underwriters agree as follows:

1. Sale and Purchase:

(a) *Initial Shares*. Upon the basis of the representations and warranties and other terms and conditions and agreements herein set forth, at the purchase price per share of Common Stock of $[●][1], the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company, that number of Initial Shares set forth in Schedule I opposite such Underwriter's name, plus any additional number of Initial Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 8 hereof, subject in each case, to such adjustments among the Underwriters as the Representative in its sole discretion shall make to eliminate any sales or purchases of fractional shares.

(b) *Option Shares.* In addition, upon the basis of the representations and warranties and other terms and conditions and agreements herein set forth, at the purchase price per share of Common Stock set forth in paragraph (a) above, the Company hereby grants an option to the Underwriters, acting severally and not jointly, to purchase from the Company, all or any part of the Option Shares, plus any additional number of Option Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 8 hereof. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time within such 30-day period only for the purpose of covering over-allotments that may be made in connection with the offering and distribution of the Initial Shares upon notice by the Representative to the Company, setting forth the number of Option Shares as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Shares. Any such time and date of delivery (an "**Option Closing Time**") shall be determined by the Representative, but shall not be later than three full business days (or earlier, without the consent of the Company, than two full business days) after the exercise of such option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the Option Shares, the Company will sell that number of Option Shares then being purchased and each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Shares then being purchased which the number of Initial Shares set forth in Schedule I opposite the name of such Underwriter bears to the total number of Initial Shares, subject in each case to such adjustments among the Underwriters as the Representative in its sole discretion shall make to eliminate any sales or purchases of fractional shares. The Representative may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Company.

2. Payment and Delivery

(a) *Initial Shares.* The Initial Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to the Representative, including, at the option of the Representative, through the facilities of The Depository Trust Company ("**DTC**") for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified to the Representative by the Company upon at least forty-eight hours' prior notice. The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on the second (third, if the determination of the purchase price of the Initial Shares occurs after 4:30 p.m., New York City time, on the date hereof) business day after the date hereof (unless another time and date shall be agreed to by the Representative and the Company). The time and date at which such delivery and payment are actually made is hereinafter called the "**Closing Time**."

[1] Note to draft: To reflect an underwriting discount of 7.0%

(b) *Option Shares.* Any Option Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to the Representative, including, at the option of the Representative, through the facilities of DTC for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified to the Representative by the Company upon at least forty-eight hours' prior notice. The time and date of such delivery and payment shall be 9:30 a.m., New York City time, on the date specified by the Representative in the notice given by the Representative to the Company of the Underwriters' election to purchase such Option Shares or on such other time and date as the Company and the Representative may agree upon in writing.

(c) The Company, the Underwriters and the QIU agree that, at the Closing Time, the QIU will be paid a fee of $50,000 from the total underwriting discount in consideration for its services and expenses incurred as a QIU, and that the QIU will receive no other compensation in the Offering.

3. Representations and Warranties of the Company:

The Company represents and warrants to each of the Underwriters and the QIU as of the date hereof, the Initial Sale Time (as defined below), as of the Closing Time and as of any Option Closing Time (if any), and agrees with each Underwriter, that:

(a) the Company has the authorized capitalization as set forth in both the Prospectus and the Disclosure Package; the outstanding shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable, and are as set forth in the Registration Statement, the Disclosure Package and the Prospectus under the caption "Capitalization" (other than for subsequent issuances, if any, pursuant to employee benefit plans, or upon the exercise of outstanding options or warrants, in each case described in the Registration Statement, the Disclosure Package and the Prospectus). None of the outstanding shares of capital stock of the Company were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any of its subsidiaries other than those described in the Registration Statement, the Disclosure Package and the Prospectus. The descriptions of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Registration Statement, the Disclosure Package and the Prospectus accurately and fairly present the information required to be shown with respect to such plans, arrangements, options and rights. All of the outstanding shares of capital stock, partnership interests and membership interests, as the case may be, of the Subsidiaries (as defined below) of the Company have been duly authorized and are validly issued, fully paid and non-assessable securities thereof and, except as disclosed in each of the Registration Statement, the Disclosure Package and the Prospectus, all of the outstanding shares of capital stock, partnership interests or membership interests, as the case may be, of the Subsidiaries are owned directly or indirectly by the Company, free and clear of any pledge, lien, encumbrance, security interest or other claim; except as disclosed in each of the Registration Statement, the Prospectus and the Disclosure Package, there are no outstanding (i) securities or obligations of the Company or any of the Subsidiaries convertible into or exchangeable for any capital stock of the Company or any such Subsidiary; (ii) warrants, rights or options to subscribe for or purchase from the Company or any such Subsidiary any such capital stock or any such convertible or exchangeable securities or obligations; or (iii) obligations of the Company or any such Subsidiary to issue any shares of capital stock, any such convertible or exchangeable securities or obligation, or any such warrants, rights or options; and none of the outstanding interests of any of the Subsidiaries, if any, were issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary;

(b) each of the Company and the subsidiaries named in Exhibit 21 to the Registration Statement (which are the only significant subsidiaries as defined in Rule 1-02 of Regulation S-X of the Company) (the "**Subsidiaries**"), other than Shanghai Sparkly Ore Tech, Ltd. and Applied Blockchain, Ltd., has been duly incorporated, formed or organized and is validly existing as a corporation or limited liability company in good standing under the laws of its respective jurisdiction of incorporation, formation or organization, as applicable, with full power and authority to own, lease, and operate its respective properties and to conduct its respective businesses as described in each of the Registration Statement, the Prospectus and the Disclosure Package, and, in the case of the Company, to execute and deliver this Agreement and to consummate the transactions contemplated herein;

(c) the Company and all of the Subsidiaries are duly qualified or licensed to transact business and are in good standing in each jurisdiction in which they conduct their respective businesses, or in which they own or lease real property or otherwise maintain an office, and in which the failure, individually or in the aggregate, to be so qualified or licensed could have a material adverse effect on the (A) assets, liabilities, business, operations, earnings, prospects, operating results, properties or condition (financial or otherwise), of the Company and the Subsidiaries taken as a whole, or (B) the ability of the Company to consummate the transactions contemplated by this

Agreement or perform its obligations hereunder (any such effect or change referred to in subclause (A) or (B), where the context so requires, is hereinafter called a "**Material Adverse Effect**" or "**Material Adverse Change**"); and except as disclosed in each of the Registration Statement, the Disclosure Package, and the Prospectus, (i) the Company and the Subsidiaries, taken as a whole, have not incurred any material liability or obligation, indirect, direct or contingent, including without limitation any losses or interference with their business from fire, explosion, flood, earthquakes, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute or court or governmental action, order or decree, that are material, individually or in the aggregate, to the Company and its Subsidiaries, taken as a whole, and have not entered into any transactions (whether or not in the ordinary course of business) that is material; (ii) there has not been any material decrease in the capital stock or any material increase in any short-term or long-term indebtedness of the Company or its Subsidiaries; (iii) no Subsidiary is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such Subsidiary's capital stock or from repaying to the Company or any other Subsidiary any amounts which may from time to time become due under any loans or advances to such Subsidiary from the Company or such other Subsidiary, or from transferring any such Subsidiary's property or assets to the Company or to any other Subsidiary; and (iv) the Company does not own, directly or indirectly, any capital stock or other equity securities of any other corporation or any ownership interest in any partnership, joint venture or other association;

(d) the Company and the Subsidiaries have at all times been, and currently are, in compliance with all applicable laws, rules, regulations, orders, decrees and judgments, including those relating to transactions with affiliates, except for any non-compliance that would not, individually or in the aggregate, have a Material Adverse Effect;

(e) neither the Company nor any Subsidiary is in breach or violation of or in default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach or violation of, or default under) (i) its respective articles of incorporation, bylaws, limited partnership agreement, operating agreement or other similar organizational documents (the "**organizational documents**"); (ii) the performance or observance of any obligation, agreement, covenant or condition contained in any contract, lease, license, indenture, mortgage, deed of trust, loan, note or credit agreement or other agreement or instrument to which the Company or any Subsidiary is a party or by which any of them or their respective properties is bound; or (iii) any federal, state, local or foreign law, regulation or rule or any decree, judgment, permit or order (each, a "**Law**") applicable to the Company, except, in the case of clauses (ii) and (iii) above, for such breaches, violations or defaults which would not, individually or in the aggregate, have a Material Adverse Effect;

(f) the execution, delivery and performance of this Agreement, and consummation of the transactions contemplated herein and in the Registration Statement, the Disclosure Package and the Prospectus and the issuance and sale of the Shares (including the use of proceeds from the sale of the Shares as described in the Registration Statement, the Disclosure Package and the Prospectus under the caption "Use of Proceeds") and the compliance by the Company with its obligations hereunder, have been duly authorized by all necessary corporate action and do not and will not (i) conflict with, or result in any breach or violation of, or constitute a default or any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its Subsidiaries (a "**Repayment Event**") under (nor constitute any event which with notice, lapse of time, or both would constitute a breach or violation of, or default or a Repayment Event under), (A) any provision of the organizational documents of the Company or any Subsidiary, or (B) any provision of any license, indenture, mortgage, deed of trust, loan, note or credit agreement or other agreement or instrument to which the Company or any Subsidiary is a party or by which any of them or their respective properties may be bound or affected, or under any federal, state, local or foreign law, regulation or rule or any decree, judgment, writ or order applicable to the Company or any Subsidiary, except in the case of this clause (B) for such breaches, violations or defaults which would not, individually or in the aggregate, have a Material Adverse Effect; or (ii) result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company or any Subsidiary;

(g) this Agreement has been duly authorized, executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and by general equitable principles, and except to the extent that the indemnification and contribution provisions of Section 9 hereof may be limited by federal or state securities laws and public policy considerations in respect thereof;

(h) no approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency is required in connection with the Company's execution, delivery and performance of this Agreement, its consummation of the transactions contemplated herein and in the Registration Statement, the Disclosure Package and the Prospectus, and its sale and delivery of the Shares, and the compliance by the Company with its obligations hereunder, other than (i) such as have been obtained or made, or will have been obtained or made at the Closing Time or the relevant Option Closing Time, as the case may be, under the Securities Act and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the " **Exchange Act**"); (ii) such approvals in connection with the listing of the quotation of the Shares on The Nasdaq Stock Market ("**Nasdaq**"); and (iii) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters or by the rules of FINRA;

(i) each of the Company and the Subsidiaries has all necessary permits, licenses, authorizations, consents and approvals (the '**Permits**") and has made all necessary filings required under any federal, state, local or foreign law, regulation or rule, and has obtained all necessary authorizations, consents and approvals from other persons, required to conduct their respective businesses as described in each of the Registration Statement, the Prospectus and the Disclosure Package, except to the extent that any failure to have any such Permits, to make any such filings or to obtain any such authorizations, consents or approvals would not, individually or in the aggregate, have a Material Adverse Effect; neither the Company nor any of the Subsidiaries is required by any applicable law to obtain accreditation or certification from any governmental agency or authority to provide the products and services that it currently provides or that it proposes to provide as set forth in each of the Registration Statement, the Prospectus and the Disclosure Package; none of the Company or any of the Subsidiaries is not in compliance with, or is in violation of, in default under, or has received any notice regarding a possible violation, default, modification or revocation of, any such Permit or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of the Subsidiaries, the effect of which, individually or in the aggregate, would result in a Material Adverse Change; and no such Permit contains a materially burdensome restriction that is not adequately disclosed in each of the Registration Statement, the Prospectus and the Disclosure Package;

(j) each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto has become effective under the Securities Act, and no stop order suspending the effectiveness of the Registration Statement, any Rule 462(b) Registration Statement or any post-effective amendment thereto has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated or threatened by the Commission; to the knowledge of the Company, the Company is not the subject of a proceeding under Section 8A of the Securities Act in connection with the offering of the Shares; and the Company has complied, to the Commission's satisfaction, with any request on the part of the Commission for additional or supplemental information;

(k) the Preliminary Prospectus and Prospectus, each when filed, and the Registration Statement as of the effective date and as of the date hereof, and any further amendments or supplements to the Preliminary Prospectus, Prospectus or the Registration Statement complied or will, when they become effective or are filed with the Commission, as the case may be, comply in all material respects with the requirements of the Securities Act;

(l) each of the Registration Statement, any Rule 462(b) Registration Statement, and any post-effective amendments thereto, as of its respective effective date and as of the date hereof, did not, does not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Preliminary Prospectus does not, and the Prospectus or any amendment or supplement thereto will not, as of the applicable filing date, the date hereof and at the Closing Time and on each Option Closing Time (if any), contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no warranty or representation with respect to any statement contained in or omitted from the Registration Statement, the Preliminary Prospectus or the Prospectus in reliance upon and in conformity with the Underwriters' Information (as defined below);

(m) as of [●] [a.m.] [p.m.] (Eastern time) on the date of this Agreement (the "**Initial Sale Time**"), the Disclosure Package did not, and at the time of each sale of Shares and at the Closing Time and each Option Closing Time, the Disclosure Package will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; as of its issue date or date of first use and at all subsequent times through the Initial Sale Time, each Issuer Free Writing Prospectus identified in Schedule II hereto did not, and at the time of each sale of Shares and at the Closing Time and each Option Closing Time, each such Issuer Free Writing Prospectus will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no warranty or representation with respect to any Underwriters' Information;

(n) each Issuer Free Writing Prospectus is identified in Schedule II hereto and as of its issue date and at all subsequent times through the completion of the public offer and sale of the Shares did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, the Preliminary Prospectus, or the Prospectus, including any document incorporated by reference therein that has not been superseded or modified;

(o) prior to the execution of this Agreement, the Company has not, directly or indirectly, offered or sold any Shares by means of any "prospectus" (within the meaning of the Securities Act) or used any "prospectus" (within the meaning of the Securities Act) in connection with the offer or sale of the Shares, in each case other than the Preliminary Prospectus or an Issuer Free Writing Prospectus, if any; the Company has not, directly or indirectly, prepared, used or referred to any Free Writing Prospectus except in compliance with Rules 164 and 433 under the Securities Act; and each Free Writing Prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used by the Company complies or will comply in all material respects with the requirements of the Securities Act;

(p) except for the Issuer Free Writing Prospectuses identified in Schedule II hereto, and any electronic road show relating to the public offering of shares contemplated herein furnished to you before first use, the Company has not prepared, used or referred to, and will not, without the prior consent of the Representative, prepare, use or refer to, any Free Writing Prospectus; and each electronic road show, when considered together with the Disclosure Package, did not, as of the Initial Sale Time, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(q) the Preliminary Prospectus, the Prospectus and any Issuer Free Writing Prospectuses (to the extent any such Issuer Free Writing Prospectus was required to be filed with the Commission) delivered to the Underwriters for use in connection with the public offering of the Shares contemplated herein have been and will be identical to the versions of such documents transmitted to the Commission for filing via the Electronic Data Gathering Analysis and Retrieval System ("**EDGAR**"), except to the extent permitted by Regulation S-T;

(r) the Company filed the Registration Statement with the Commission before using any Issuer Free Writing Prospectus; and each Issuer Free Writing Prospectus was preceded or accompanied by the most recent Preliminary Prospectus satisfying the requirements of Section 10 under the Securities Act, which Preliminary Prospectus included an estimated price range;

(s) the Company (i) has not engaged in any oral or written communication made in reliance upon Section 5(d) of the Securities Act or Rule 163B under the Securities Act (each, a "**Testing-the-Waters Communication**") other than Testing-the-Waters Communications with the consent of the Representative with entities that are, or that the Company reasonably believes are, "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or institutions that are "accredited investors" within the meaning of Rule 501 under the Securities Act; (ii) has not authorized anyone other than the Representative to engage in Testing-the-Waters Communications; and (iii) reconfirms that the Representative has been authorized to act on its behalf in undertaking materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Shares, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically) ("**Marketing Materials**") or Testing-the-Waters Communications. As of its issue date or date of first use and at all subsequent times through the Initial Sale Time, each of the Testing-the-Waters Communications and the Marketing Materials, if any, when considered together with the Disclosure Package, did not, and at the time of each sale of Shares and at the Closing Time and each Option Closing Time, include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and does not, as of the date hereof, conflict with the information contained in the Registration Statement, the Preliminary Prospectus and the Prospectus;

(t) there are no actions, suits, proceedings, inquiries or investigations pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any of their respective officers and directors or to which the properties, assets or rights of any such entity are subject, at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority, arbitral panel or agency which, individually or in the aggregate, could result in a Material Adverse Effect;

(u) the financial statements, including the notes thereto, included in (or incorporated by reference into) each of the Registration Statement, the Prospectus and the Disclosure Package present fairly the consolidated financial position of the entities to which such financial statements relate (the "**Covered Entities**") as of the dates indicated and the consolidated results of operations and changes in financial position and cash flows of the Covered Entities for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles as applied in the United States ("**GAAP**") and on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto, and in accordance with Regulation S-X promulgated by the Commission; the financial statement schedules included in (or incorporated by reference into) the Registration Statement and the amounts in both the Prospectus and the Disclosure Package under the caption "Capitalization" have been compiled on a basis consistent with the financial statements included in each of the Registration Statement, the Prospectus and the Disclosure Package; no other financial statements or supporting schedules are required to be included in the Registration Statement, the Prospectus or the Disclosure Package; the Company and its Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the

Registration Statement (excluding the exhibits thereto), the Prospectus and the Disclosure Package; and all disclosures contained in the Registration Statement, the Prospectus and the Disclosure Package that constitute non-GAAP financial measures (as defined by the rules and regulations under the Securities Act and the Exchange Act) comply with Regulation G under the Exchange Act and Item 10 of Regulation S-K under the Securities Act, as applicable; and the interactive data in eXtensible Business Reporting Language ("**XBRL**") included in the Registration Statement, the Prospectus, and the Disclosure Package fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(v) Marcum LLP, whose reports on the consolidated financial statements (including the notes and schedules thereto) of the Company and the Subsidiaries are filed with the Commission as part of each of the Registration Statement, the Prospectus and the Disclosure Package or are incorporated by reference therein, and any other accounting firm that has certified Company financial statements and delivered its reports with respect thereto, are, and were during the periods covered by their reports, (i) independent public accountants as required by the Securities Act and the rules of the Public Company Accounting Oversight Board (the "**PCAOB**"); (ii) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X under the Securities Act; and (iii) a registered public accounting firm as defined by the PCAOB whose registration has not been suspended or revoked and who has not requested such registration to be withdrawn; and to the Company's knowledge, no person who has been suspended or barred from being associated with a registered public accounting firm, or who has failed to comply with any sanction pursuant to Rule 5300 promulgated by the PCAOB, has participated in or otherwise aided the preparation of, or audited, the financial statements, supporting schedules or other financial data filed with the Commission as a part of the Registration Statement, the Disclosure Package and the Prospectus;

(w) subsequent to the respective dates as of which information is given in each of the Registration Statement, the Prospectus and the Disclosure Package, and except as may be otherwise stated in such documents, there has not been (i) any Material Adverse Change or any development that could reasonably be expected to result in a Material Adverse Change, whether or not arising in the ordinary course of business; (ii) any transaction that is material to the Company and the Subsidiaries taken as a whole, contemplated or entered into by the Company or any of the Subsidiaries; (iii) any obligation, contingent or otherwise (including off-balance sheet obligations), directly or indirectly incurred by the Company or any Subsidiary (including, without limitation, any losses or interference with their respective businesses from fire, explosion, flood, earthquakes, accident, war, terrorism, epidemic or other calamity, whether or not covered by insurance, or from any strike, labor dispute or court or governmental action, order or decree) that is material to the Company and Subsidiaries taken as a whole; (iv) any change in the capital stock or outstanding indebtedness of the Company or any Subsidiaries; or (v) any dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock;

(x) the Shares conform in all material respects to the description thereof contained in the Registration Statement, the Prospectus and the Disclosure Package; and no holder of the Shares will be subject to personal liability by reason of being such a holder;

(y) except as disclosed in each of the Registration Statement, the Prospectus and the Disclosure Package, there are no persons with registration or other similar rights to have any equity or debt securities, including securities which are convertible into or exchangeable for equity securities, registered pursuant to the Registration Statement or otherwise registered by the Company under the Securities Act, except for those registration or similar rights which have been validly waived or do not apply with respect to the offering contemplated by this Agreement; and all of such registration or similar rights are fairly summarized in the Registration Statement, the Prospectus and the Disclosure Package;

(z) the Shares have been duly authorized and, when issued and duly delivered by the Company against payment therefor as contemplated by this Agreement, will be validly issued, fully paid and non-assessable, free and clear of any pledge, lien, encumbrance, security interest or other claim, and the issuance and sale of the Shares by the Company is not subject to preemptive or other similar rights (whether arising by operation of law, under the organizational documents of the Company or under any agreement to which the Company or any Subsidiary is a party or otherwise);

(aa) the Shares are registered pursuant to Section 12(b) or 12(g) of the Exchange Act and have been approved for listing on Nasdaq, subject to official notice of issuance; the Company has taken all necessary actions to ensure that, as of the Closing Time and each Option Closing Time, it will be in compliance with all applicable corporate governance requirements set forth in Nasdaq's listing rules then in effect;

(bb) none of the Company, the Subsidiaries, or, to the knowledge of the Company, any of their respective directors, officers, representatives or affiliates has taken, nor will take, directly or indirectly, (i) any action which is designed to, has constituted or might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company (including the Shares and any "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act ("**Regulation M**")) with respect to the Shares), whether to facilitate the sale or resale of the Shares or otherwise and (ii) any action which would directly or indirectly violate Regulation M;

(cc) none of the Company or any of the Subsidiaries is required to register as a "broker" or "dealer" in accordance with the provisions of the Exchange Act; and all of the information provided to the Underwriters or to counsel for the Underwriters by the Company and, to the knowledge of the Company, its officers and directors and the holders of any securities of the Company in connection with the review of the offering of the Shares by FINRA is true, complete, correct and compliant with FINRA's rules;

(dd) the Company has caused to be furnished to the Underwriters a letter agreement in the form attached hereto as Exhibit A (the "**Lock-up Agreement**") from each of the persons listed on Exhibit B (each a "**Lock-up Person**"). If any additional persons shall become officers or directors of the Company prior to the end of the Company Lock-up Period (as defined below), the Company shall cause each such person, prior to or contemporaneously with their appointment or election as an officer or director of the Company, to execute and deliver to the Representative a Lock-up Agreement.

(ee) each of the Company and the Subsidiaries have good and marketable title to all real property owned by them, if any, and good and marketable title to all personal property and other assets reflected as owned by them in the financial statements, supporting schedules or other financial data filed with the Commission as a part of the Registration Statement, the Disclosure Package and the Prospectus, in each case free and clear of all liens, security interests, pledges, charges, encumbrances, mortgages, equities, adverse claims and other defects, except such as are disclosed in the Registration Statement, the Disclosure Package and the Prospectus or such as those that do not, singly or in the aggregate, materially and adversely affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company and the Subsidiaries; and any real property, improvements, buildings, equipment and personal property held under lease by the Company or any Subsidiary are held under valid, existing and enforceable leases, with such exceptions as are disclosed in the Registration Statement, the Prospectus and the Disclosure Package or are not material and do not interfere with the use made or proposed to be made of such real property, improvements, buildings, equipment and personal property by the Company or such Subsidiary;

(ff) the descriptions in each of the Registration Statement, the Prospectus and the Disclosure Package of the legal or governmental proceedings, contracts, leases and other legal documents therein described present fairly the information required to be shown, and there are no legal or governmental proceedings, contracts, leases, or other documents of a character required to be described in the Registration Statement, the Prospectus or the Disclosure Package or to be filed as exhibits thereto which are not described or filed as required; all agreements between the Company or any of the Subsidiaries and third parties expressly referenced in any of the Registration Statement, the Prospectus and the Disclosure Package are legal, valid and binding obligations of the Company or one or more of the Subsidiaries, enforceable in accordance with their respective terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles;

(gg) the Company and each Subsidiary owns or possesses adequate licenses or other rights to use all patents, trademarks, service marks, trade names, copyrights, software and designs, trade secrets, manufacturing processes, other intangible property rights and know-how (collectively, "**Intangibles**") necessary to entitle the Company and each Subsidiary to conduct its business as described in the Registration Statement, the Disclosure Package and the Prospectus, except where the failure to own or have the right to such Intangibles would not have a Material Adverse Effect, and neither the Company nor any Subsidiary has received notice of infringement of or conflict with (and neither the Company nor any Subsidiary knows of any such infringement of or conflict with) asserted rights of others with respect to any Intangibles which could, individually or in the aggregate, have a Material Adverse Effect;

(hh) the Company owns, possesses, licenses or has other rights to use, on reasonable terms, all patents, trade and service marks, trade and service mark registrations, trade names, copyrights, inventions, trade secrets, technology, know-how and other intellectual property (collectively, the "**Intellectual Property**") described in the Registration Statement, Disclosure Package, and Prospectus as being owned or licensed by them or which are reasonably necessary for the conduct of the Company's business as now conducted or as proposed in the Registration Statement, the Disclosure Package, and the Prospectus to be conducted; the conduct of the respective businesses of the Company and the Subsidiaries does not and the Company does not expect it will, infringe, misappropriate or otherwise conflict in any material respect with any such rights of others; and (i) to the Company's knowledge, there is no material infringement by third parties of any such Intellectual Property owned by or exclusively licensed to the Company; (ii) there is no pending, or to the Company's knowledge, threatened, action, suit, proceeding or claim by others challenging the Company's rights in or to any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim; (iii) there is no pending, or to the Company's knowledge, threatened, action, suit, proceeding or claim by others challenging the validity or scope of Intellectual Property owned by or exclusively licensed to the Company, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding, or claim which could have a Material Adverse Effect; (iv) there is no pending, or to the Company's knowledge, threatened, action, suit, proceeding or claim by others asserting that the Company infringes or otherwise violates any patent, trademark, copyright, trade secret or other proprietary rights of others, and the Company is unaware of any other fact which would form a reasonable basis for concluding that any such claim will be asserted, or if asserted, would be successful, or if successfully asserted, could have a Material Adverse Effect; (v) to the Company's knowledge, the Company and the Subsidiaries do not in the conduct of their business as now conducted or as proposed to be conducted as described in the Registration Statement, the Disclosure Package, or the Prospectus infringe or conflict with any patent right of any third party, or any discovery, invention, product or process which is the subject of a patent issued to any third party, which such infringement or conflict could result in a Material Adverse Change; (vi) to the Company's knowledge, there is no prior art of which the Company is aware that may render any U.S. patent held by the Company invalid or any U.S. patent application held by the Company unpatentable which has not been disclosed, or will not be disclosed in the required time period, to the U.S. Patent and Trademark Office; (vii) the Company or a Subsidiary has paid or will pay all maintenance and issue fees that are due or will be due, within the required time period, and has claimed small entity status only as appropriate with respect to all Intellectual Property owned by the Company and the Subsidiaries that is the subject of any application or registration with a governmental body or agency; (viii) to the Company's knowledge, there are no material defects in any of the patents or patent applications included in the Intellectual Property owned by the Company and the Subsidiaries or any facts or circumstances which would render any such Intellectual Property invalid or unenforceable; (ix) the Company and its Subsidiaries have taken reasonable steps to protect, maintain and safeguard their Intellectual Property, including the execution of appropriate nondisclosure, confidentiality agreements and invention assignment agreements and invention assignments with their employees, and to Company's knowledge no employee of the Company is in or has been in violation of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement, or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company; (x) none of the Company-owned Intellectual Property or technology (including information technology and outsourced arrangements) employed by the Company or its Subsidiaries has been obtained or is being used by the Company or any of its Subsidiaries in violation of any contractual obligation binding on the Company or its Subsidiaries; and (xi) the Company and each of its Subsidiaries have complied in all material respects with the terms of each agreement pursuant to which Intellectual Property has been licensed to the Company or any Subsidiary, and all such agreements are in full force and effect;

(ii) except as disclosed in each of the Registration Statement, the Disclosure Package and the Prospectus, the Company has established and maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), which (i) comply with the requirements of the Exchange Act; (ii) are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's principal executive officer and its principal financial officer by others within those entities in a timely manner, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; (iii) have been evaluated for effectiveness as of the end of the last fiscal period covered by the Registration Statement; and (iv) are effective in all material respects to perform the functions for which they were established;

(jj) except as disclosed in each of the Registration Statement, the Disclosure Package and the Prospectus, the Company and each of its Subsidiaries maintain effective control over financial reporting (as defined under Rules 13a-15 and 15d-15 under the Exchange Act) sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; since the end of the Company's most recent audited fiscal year, except as disclosed in each of the Registration Statement, the Disclosure Package and the Prospectus, there has been (A) no significant deficiency or material weakness in the Company's internal control over financial reporting (whether or not remediated) and (B) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and the Company is not aware of (x) any change in its internal control over financial reporting that has occurred during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting or (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting;

(kk) each of the Company and the Subsidiaries has filed or caused to be filed all necessary and material federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof or has properly requested extensions thereof and has timely paid all taxes shown as due thereon and, if due and payable, any related or similar assessment, fine or penalty levied against any such entity except as may be being contested in good faith and by appropriate proceedings and as to which adequate reserves have been provided and will be maintained; and no material tax deficiency has been asserted against any such entity, nor does any such entity know of any material tax deficiency which is likely to be asserted against any such entity; all tax liabilities, accruals and reserves with respect to any income and corporation tax liability for any years not finally determined are adequately provided for to meet any assessments or re-assessments for additional income tax on the respective books of such entities, except to the extent of any inadequacy that would not result in a Material Adverse Effect;

(ll) each of the Company and the Subsidiaries maintains insurance (issued by insurers of recognized financial responsibility) of the types, in the amounts and with such deductibles and covering such risks generally deemed adequate for their respective businesses and consistent with insurance coverage maintained by similar companies in similar businesses, including, but not limited to, insurance covering real and personal property owned or leased by the Company and the Subsidiaries against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect; the Company has no reason to believe that it or any of its Subsidiaries will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that could not be expected to result in a Material Adverse Change; and neither the Company nor any of its Subsidiaries has been denied any insurance coverage which it has sought or for which it has applied;

(mm) except as could, individually or in the aggregate, result in a Material Adverse Change, (i) neither the Company nor any of the Subsidiaries is in violation, or has received notice of any violation with respect to, any applicable environmental, safety or similar law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof applicable to the business of the Company or any of the Subsidiaries; (ii) the Company and the Subsidiaries have received all permits, licenses or other approvals required of them under applicable federal and state occupational safety and health and environmental laws and regulations to conduct their respective businesses, and the Company and the Subsidiaries are in compliance with all terms and conditions of any such permit, license or approval; (iii) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any applicable environmental, safety or similar laws and regulations against the Company or any of its Subsidiaries; and (iv) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to any environmental laws;

(nn) neither the Company nor any Subsidiary is in violation of or has received notice of any violation with respect to any federal or state law relating to discrimination in the hiring, promotion or pay of employees, nor any applicable federal or state wages and hours law, the violation of any of which could have a Material Adverse Effect;

(oo) the Company and each of the Subsidiaries and any "employee benefit plan" (as defined under ERISA (as defined below)) established or maintained by the Company, its Subsidiaries or their respective ERISA Affiliates (as defined below) are in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("**ERISA**") and the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "**Code**"), and no such plan is under audit or investigation by any Governmental Authority; no "reportable event" (as defined in ERISA) has occurred or is reasonably likely to occur with respect to any "pension plan" (as defined in ERISA) for which the Company or any of the Subsidiaries or their respective ERISA Affiliates would have any liability; the Company and each of the Subsidiaries and each of their respective ERISA Affiliates have not incurred and are not reasonably likely to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Section 412, 4971, 4975, or 4980B of the Code; and each "pension plan" for which the Company and each of its Subsidiaries and their respective ERISA Affiliates would have any liability, or established or maintained by any such entity, that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; and, for the purposes of this paragraph, "**ERISA Affiliate**" means, with respect to the Company or any of its Subsidiaries, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Code of which the Company or such Subsidiary is a member;

(pp) none of the Company, any of its Subsidiaries, any officer or director purporting to act on behalf of the Company or any of the Subsidiaries or, to the Company's knowledge, any of their respective employees or agents has at any time (i) made any contributions to any candidate for political office, or failed to disclose fully any such contributions, in violation of law; (ii) made any payment to any state, federal or foreign governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable law; or (iii) engaged in any transactions, maintained any bank account or used any corporate funds except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Company and the Subsidiaries;

(qq) there are no outstanding loans, extensions of credit or advances or guarantees of indebtedness by the Company or any of the Subsidiaries to or for the benefit of any of the officers or directors of the Company or any of the Subsidiaries or any immediate family members of such officers or directors;

(rr) each "forward-looking statement" (as defined by Section 27A of the Securities Act or Section 21E of the Exchange Act) contained in the Registration Statement, the Disclosure Package or the Prospectus, (i) was so included by the Company in good faith and with reasonable basis after due consideration by the Company of the underlying assumptions, estimates and other applicable facts and circumstances and (ii) is accompanied by meaningful cautionary statements identifying those factors that could cause actual results to differ materially from those in such forward-looking statement; and no such statement was made with the knowledge of an executive officer or director of the Company that it was false or misleading;

(ss) all statistical, demographic and market-related data included in the Registration Statement, the Disclosure Package or the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects and to the extent required, the Company has obtained the written consent to the use of such data from such sources;

(tt) neither the Company nor any of the Subsidiaries nor, to the knowledge of the Company, any employee or agent of the Company or any of the Subsidiaries has made any payment of funds of the Company or of any Subsidiary or received or retained any funds in violation of any law, rule or regulation or of a character required to be disclosed in the Registration Statement, the Prospectus or the Disclosure Package;

(uu) all securities issued by the Company or any of the Subsidiaries have been issued and sold in compliance with (i) all applicable federal and state securities laws; (ii) the laws of the applicable jurisdiction of incorporation of the issuing entity; and (iii) to the extent applicable to the issuing entity, the requirements of Nasdaq;

(vv) neither the Company nor any Subsidiary knows of any violation of any municipal, state or federal law, rule or regulation (including those pertaining to environmental matters) concerning any property owned by the Company or any of the Subsidiaries (the "**Properties**") thereof which could have a Material Adverse Effect; each of the Properties complies with all applicable zoning laws, ordinances, regulations and deed restrictions or other covenants in all material respects and, if and to the extent there is a failure to comply, such failure does not materially impair the value of any of the Properties and will not result in a forfeiture or reversion of title; neither the Company nor any Subsidiary has received from any governmental authority any written notice of any condemnation of or zoning change affecting the Properties or any part thereof, and neither the Company nor any Subsidiary knows of any such condemnation or zoning change which is threatened and which if consummated could have a Material Adverse Effect; and all liens, charges, encumbrances, claims, or restrictions on or affecting the properties and assets (including the Properties) the Company or any of the Subsidiaries that are required to be described in the Registration Statement, the Disclosure Package or Prospectus are disclosed therein;

(ww) except as otherwise disclosed in each of the Registration Statement, the Disclosure Package and the Prospectus, (i) neither the Company nor any

of the Subsidiaries nor, to the best knowledge of Company, any other owners of the property at any time or any other party has at any time, handled, stored, treated, transported, manufactured, spilled, leaked, or discharged, dumped, transferred or otherwise disposed of or dealt with, Hazardous Materials (as hereinafter defined) on, to or from the Properties, other than by any such action taken in compliance with all applicable Environmental Statutes or by the Company, any of the Subsidiaries or any other party in connection with the ordinary use of residential, retail or commercial properties owned by the Company and the Subsidiaries; (ii) the Company does not intend to use the Properties or any subsequently acquired properties for the purpose of handling, storing, treating, transporting, manufacturing, spilling, leaking, discharging, dumping, transferring or otherwise disposing of or dealing with Hazardous Materials other than by any such action taken in compliance with all applicable Environmental Statutes or by the Company, any of the Subsidiaries or any other party in connection with the ordinary use of residential, retail or commercial properties owned by the Company and the Subsidiaries; (iii) neither the Company nor any of the Subsidiaries knows of any seepage, leak, discharge, release, emission, spill, or dumping of Hazardous Materials into waters on or adjacent to the Properties or any other real property owned or occupied by any such party, or onto lands from which Hazardous Materials might seep, flow or drain into such waters; (iv) neither the Company nor any of the Subsidiaries has received any notice of, or has any knowledge of any occurrence or circumstance which, with notice or passage of time or both, would give rise to a claim under or pursuant to any federal, state or local environmental statute or regulation or under common law, pertaining to Hazardous Materials on or originating from any of the Properties or any assets described in the Registration Statement, Disclosure Package or the Prospectus, or any other real property owned or occupied by any such party or arising out of the conduct of any such party, including without limitation a claim under or pursuant to any Environmental Statute (hereinafter defined); or (v) neither the Properties nor any other land owned by the Company or any of the Subsidiaries is included or, to the best of the Company's knowledge, proposed for inclusion on the National Priorities List issued pursuant to CERCLA (as hereinafter defined) by the United States Environmental Protection Agency (the "**EPA**") or, to the best of the Company's knowledge, proposed for inclusion on any similar list or inventory issued pursuant to any other Environmental Statute or issued by any other Governmental Authority (as hereinafter defined);

As used herein, "Hazardous Material" shall include, without limitation any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, toxic substances, or related materials, asbestos or any hazardous material as defined by any federal, state or local environmental law, ordinance, rule or regulation including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601-9675 ("**CERCLA**"), the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Sections 1801-1819, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Sections 6901-6992K, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Sections 11001-11050, the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2671, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sections 136-136y, the Clean Air Act, 42 U.S.C. Sections 7401-7642, the Clean Water Act (Federal Water Pollution Control Act), 33 U.S.C. Sections 1251-1387, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j-26, and the Occupational Safety and Health Act, 29 U.S.C. Sections 651-678, as any of the above statutes may be amended from time to time, and in the regulations promulgated pursuant to each of the foregoing (individually, an "**Environmental Statute**") or by any federal, state or local governmental authority having or claiming jurisdiction over the properties and assets described in the Prospectus (a "**Governmental Authority**");

(xx) in connection with this offering, the Company has not offered and will not offer its Common Stock or any other securities convertible into or exchangeable or exercisable for Common Stock in a manner in violation of the Securities Act; and the Company has not distributed and will not distribute any offering material in connection with the offer and sale of the Shares except for the Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or the Registration Statement;

(yy) except pursuant to this Agreement, the Company has not incurred any liability for, and there is no broker, finder or other party that is entitled to receive from the Company, any brokerage or finder's fees or other fee or commission or similar payment in connection with the public offering of the Shares;

(zz) no relationship, direct or indirect, exists between or among the Company or any of the Subsidiaries, on the one hand, and any other person on the other hand, which is required by the Securities Act to be described in the Registration Statement, the Prospectus or the Disclosure Package, which is not so described;

(aaa) none of the Company or any of the Subsidiaries is and, after giving effect to the offering and sale of the Shares or the application of the proceeds therefrom as described under "Use of Proceeds" in the Registration Statement, the Disclosure Package or the Prospectus, will be, or will be required to register as an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**"); and neither the Company nor any of the Subsidiaries is required to register as an "investment adviser" as such term is term is defined in the Investment Advisers Act of 1940, as amended (the "**Investment Advisers Act**");

(bbb) there are no existing or, to the knowledge of the Company, threatened or imminent labor disputes with, or other work stoppages of, the employees of the Company or any of its Subsidiaries, or with the employees of any principal supplier, manufacturer, customer or contractor of the Company or any of its Subsidiaries, which could have, individually or in the aggregate, a Material Adverse Effect;

(ccc) the Company, the Subsidiaries and any of the officers and directors of the Company and the Subsidiaries, in their capacities as such, are, and at the Closing Time and any Option Closing Time will be, in compliance with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder or implementing the provisions thereof, including Section 402 related to loans and Sections 302 and 906 related to certifications;

(ddd) except as disclosed in the Registration Statement, the Disclosure Package and the Prospectus, (a) to the knowledge of the Company, there has been no security breach or incident, unauthorized access or disclosure, or other compromise of the Company's or its Subsidiaries' information technology and computer systems, networks, hardware, software, and databases (including Company Data and other non-public data and information of their respective borrowers, customers, employees, suppliers, vendors, or third parties and maintained, processed or stored by the Company and its Subsidiaries, and any such Company Data or other non-public data processed or stored by third parties on behalf of the Company and its Subsidiaries), equipment or technology (collectively, "**IT Systems and Data**") except for those that have been remedied without material cost or liability or the duty to notify any other person under applicable laws; (b) neither the Company nor its Subsidiaries have been notified of, or have knowledge of any event or condition that would result in, any security breach or incident, unauthorized access or disclosure or other compromise to their IT Systems and Data, and (c) the Company and its Subsidiaries have implemented and maintained reasonable controls, policies, procedures, and technological safeguards to protect the integrity, continuous operation, redundancy and security of IT Systems and Data, to the extent such items are within the Company or its Subsidiaries' possession or control, in each case reasonably consistent with industry standards and practices, or as required by applicable laws, except with respect to clauses (a) and (b), for any such security breach or incident, unauthorized access or disclosure, or other compromises, as would not, individually or in the aggregate, result in a Material Adverse Change, or with respect to clause (c), where the failure to do so would not, individually or in the aggregate, result in a Material Adverse Change. The Company and its Subsidiaries' IT Systems and Data are, to the Company's knowledge, adequate for, and operate and perform in all material respects as required in connection with the operation of the business of the Company and its Subsidiaries as currently conducted, free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants;

(eee) the Company and its Subsidiaries comply in all material respects with all applicable privacy laws, internal and external privacy policies authored or posted by the Company or any Subsidiary, and any contractual obligations binding the Company or any Subsidiary, relating to privacy, data protection and the collection and use of "personal information" or "personal data" (each as defined by applicable laws) collected, used or held for use by the Company and its Subsidiaries in the conduct of their respective businesses (collectively, "**Company Data**"). To the knowledge of the Company and its Subsidiaries, no written claims have been asserted or threatened against any of the Company and its Subsidiaries alleging a violation of any such applicable laws related to Company Data, and the consummation of the transactions contemplated hereby will not, to the Company's knowledge, breach or otherwise cause any violation of any such applicable laws related to Company Data. The Company and its Subsidiaries take reasonable measures to protect Company Data against unauthorized access, use, modification or misuse;

(fff) none of the Company or any of the Subsidiaries or any director or officer of the Company or any of its Subsidiaries or, to the knowledge of the Company, any agent, employee or affiliate of the Company or any of its Subsidiaries is in violation of or is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "**FCPA**"), the UK Bribery Act 2010, or any other applicable anti-bribery or anti-corruption law including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company and the Subsidiaries and, to the knowledge of the Company, their affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith;

(ggg) none of the Company or any of its Subsidiaries, or, to the Company's knowledge, any of their respective affiliates or any director, officer, agent or employee of, or other person associated with or acting on behalf of, the Company or any of its Subsidiaries, has violated the Bank Secrecy Act, as amended, the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 or the rules and regulations promulgated under any such law or any successor law;

(hhh) the operations of the Company and its Subsidiaries and, to the Company's knowledge, its affiliates are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the Money Laundering Control Act of 1986, as amended, any other money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries, or, to the Company's knowledge, any of its affiliates, with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened;

(iii) each of the Company and its Subsidiaries, and, to the Company's knowledge, each of their affiliates and any director, officer, agent or employee of, or other person associated with or acting on behalf of, the Company has acted at all times in compliance with applicable Export and Import Laws (as defined below) and there are no claims, complaints, charges, investigations or proceedings pending or expected or, to the knowledge of the Company, threatened between the Company or any of its Subsidiaries and any governmental authority under any Export or Import Laws. The term "**Export and Import Laws**" means the Arms Export Control Act, the International Traffic in Arms Regulations, the Export Administration Act of 1979, as amended, the Export Administration Regulations, and all other laws and regulations of the United States government regulating the provision of services to non-U.S. parties or the export and import of articles or information from and to the United States of America, and all similar laws and regulations of any foreign government regulating the provision of services to parties not of the foreign country or the export and import of articles and information from and to the foreign country to parties not of the foreign country;

(jjj) none of the Company or any of its Subsidiaries, or, to the knowledge of the Company, any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") or the U.S. Department of State and including, without limitation, the designation as a "**specially designated national**" or "**blocked person**"), the United Nations Security Council ("**UNSC**"), the European Union, Her Majesty's Treasury of the United Kingdom ("**HMT**") or any other relevant sanctions authority (collectively, "**Sanctions**"), nor is the Company, any of its Subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions, including, without limitation, the Crimea, Cuba, Iran, North Korea, and Syria (each, a "**Sanctioned Country**"); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions; (ii) to fund or facilitate any activities of or business in any Sanctioned Country; or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. For the past five years, the Company and its Subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country;

(kkk) the Company and its Subsidiaries deposit substantially all of their crypto assets, including any Bitcoin mined, in digital wallets held or operated by the Company or its Subsidiaries (the "**Wallets**"). Except as disclosed in the Registration Statement, the Disclosure Package, and the Prospectus, there are no material encumbrances on, or rights of any person to, the Wallets or the crypto assets contained in such Wallets. The Company and its Subsidiaries have taken commercially reasonable steps to protect the Wallets and crypto assets, including by adopting security protocols to prevent, detect and mitigate inappropriate or unauthorized access to the Wallets and crypto-assets;

(lll) all Bitcoin miners owned or leased by the Company and its Subsidiaries ("**Miners**") are owned or rightfully possessed by, operated by and under the control of the Company and its Subsidiaries. There has been no failure, breakdown or continued substandard performance of any Miners that has caused a material disruption or interruption in or to the use of the Miners or the related operation of the business of the Company or any of its Subsidiaries. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, the Miners are generally maintained and in good working condition to perform all computing, information technology and data processing operations necessary for the operations of the Company and its Subsidiaries. The Company and its Subsidiaries have taken commercially reasonable steps to: (a) protect the Miners from contaminants, hacks and other malicious external or internal threats; (b) ensure continuity of operations with adequate energy supply and minimal uptime required; and (c) provide for the remote-site back-up of data and information critical to the Company and its Subsidiaries. The Company and its Subsidiaries have in place commercially reasonable disaster recovery and business continuity plans and procedures;

(mmm) the Company and its Subsidiaries have no securities rated by any "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act; and

(nnn) The Company has taken all necessary corporate action to effectuate the Stock Split, such Stock Split to be effective no later than the Closing Time.

The Company has a reasonable basis for making each of the representations set forth in this Section 3. The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

4. Certain Covenants:

The Company hereby covenants and agrees with each Underwriter and the QIU:

(a) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under (or otherwise obtaining exemptions from the application of) the securities or blue sky laws of such jurisdictions (both domestic and foreign) as the Representative may designate and to maintain such qualifications, registrations, and exemptions, as applicable, in effect as long as requested by the Representative for the distribution of the Shares, provided that the Company shall not be required to qualify as a foreign corporation or to consent to the service of process under the laws of any such jurisdiction (except service of process with respect to the offering and sale of the Shares) where it is not presently qualified; and to promptly advise the Representative of the receipt by the Company of any notification with respect to the suspension of the qualification, registration, or exemption of the Shares for offer or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its commercially reasonable efforts to obtain the withdrawal thereof at the earliest possible moment;

(b) if, at the time this Agreement is executed and delivered, it is necessary for (i) a post-effective amendment to the Registration Statement or (ii) a Rule 462(b) Registration Statement to be filed with the Commission and become effective before the offering of the Shares may commence, the Company will use its commercially reasonable efforts to cause such post-effective amendment or Rule 462(b) Registration Statement to become effective and will pay any applicable fees in accordance with the Securities Act as soon as possible and will advise the Representative promptly;

(c) to prepare the Prospectus in a form approved by the Underwriters and file such Prospectus with the Commission pursuant to Rule 424(b) under the Securities Act not later than 10:00 a.m. (New York City time), on the day following the execution and delivery of this Agreement or on such other day as the parties may mutually agree and to furnish promptly (and with respect to the initial delivery of such Prospectus, not later than 10:00 a.m. (New York City time) on the day following the execution and delivery of this Agreement or on such other day as the parties may mutually agree), and for so long as a prospectus relating to the Shares is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), to the Underwriters copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) in such quantities and at such locations as the Underwriters may reasonably request for the purposes contemplated by the Securities Act, which Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the version transmitted to the Commission for filing via EDGAR, except to the extent permitted by Regulation S-T;

(d) to advise the Representative and QIU promptly and (if requested by the Representative) to confirm such advice in writing, when the Registration Statement has become effective and when any post-effective amendment thereto becomes effective under the Securities Act;

(e) to furnish a copy of each proposed Issuer Free Writing Prospectus (or any amendment or supplement thereto) to the Representative and counsel for the Underwriters for review, a reasonable amount of time prior to the proposed time of filing or use thereof, and obtain the consent of the Representative prior to referring to, using or filing with the Commission any Issuer Free Writing Prospectus (or any amendment or supplement thereto) pursuant to Rule 433(d) under the Securities Act, other than the Issuer Free Writing Prospectuses, if any, identified in Schedule II hereto;

(f) to comply with the requirements of Rules 164 and 433 of the Securities Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission, legending and record keeping, as applicable;

(g) to advise the Representative and QIU as soon as practicable, confirming such advice in writing, of (i) the receipt of any comments from, or any request by, the Commission for amendments or supplements to the Registration Statement, the Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus, or for additional information with respect thereto; (ii) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of the Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus, or of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes and, if the Commission or any other government agency or authority should issue any such order, to make every reasonable effort to obtain the lifting or removal of such order as soon as possible; (iii) any examination pursuant to Section 8(e) of the Securities Act concerning the Registration Statement; or (iv) if the Company becomes subject to a proceeding under Section 8A of the Securities Act in connection with the public offering of Shares contemplated herein; to advise the Representative and QIU promptly of any proposal to amend or supplement the Registration Statement, the Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus and to file no such amendment or supplement to which the Representative or QIU shall reasonably object in writing;

(h) to furnish to the Underwriters for a period of two years from the date of this Agreement (i) as soon as available, copies of all reports filed or furnished with the Commission; (ii) as soon as practicable after the filing thereof, copies of all reports filed by the Company with the Commission or any securities exchange; and (iii) such other information as the Underwriters may reasonably request regarding the Company and the Subsidiaries (which information the Underwriters and their representatives will keep confidential); provided, however, that the requirements of this Section shall be satisfied to the extent that such reports, statement, communications, financial statements or other documents are available on EDGAR;

(i) to advise the Underwriters promptly of the happening of any event or development known to the Company within the time during which a Prospectus relating to the Shares (or in lieu thereof the notice referred to in Rule 173(a) under the Securities Act) is required to be delivered under the Securities Act which, in the judgment of the Company or in the reasonable opinion of the Representative or counsel for the Underwriters, (i) would require the making of any change in the Prospectus or the Disclosure Package so that the Prospectus or the Disclosure Package would not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (ii) as a result of which any Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement relating to the Shares; or (iii) if it is necessary at any time to amend or supplement the Prospectus or the Disclosure Package to comply with any law and, during such time, to promptly prepare and furnish to the Underwriters copies of the proposed amendment or supplement before filing any such amendment or supplement with the Commission and thereafter promptly furnish at the Company's own expense to the Underwriters and to dealers, copies in such quantities and at such locations as the Representative may from time to time reasonably request of an appropriate amendment or supplement to the Prospectus or the Disclosure Package so that the Prospectus or the Disclosure Package as so amended or supplemented will not, in the light of the circumstances when it (or in lieu thereof the notice referred to in Rule 173(a) under the Securities Act) is so delivered, be misleading or, in the case of any Issuer Free Writing Prospectus, conflict with the information contained in the Registration Statement, or so that the Prospectus or the Disclosure Package will comply with the law;

(j) to file promptly with the Commission any amendment or supplement to the Registration Statement, any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus that may, in the judgment of the Company or the Representative, be required by the Securities Act or requested by the Commission;

(k) prior to filing with the Commission any amendment or supplement to the Registration Statement, any Preliminary Prospectus, the Prospectus or any Issuer Free Writing Prospectus, to furnish a copy thereof to the Representative and counsel for the Underwriters and obtain the consent of the Representative to the filing;

(l) to furnish promptly to the Representative a signed copy of the Registration Statement, as initially filed with the Commission, and of all amendments or supplements thereto (including all exhibits filed therewith or incorporated by reference therein) and such number of conformed copies of the foregoing as the Representative may reasonably request;

(m) to furnish to the Representative, as soon as practicable, during the period referred to in paragraph (i) above, a copy of any document proposed to be filed with the Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act;

(n) to apply the net proceeds of the sale of the Shares in accordance with its statements under the caption "Use of Proceeds" in the Registration Statement, the Prospectus and the Disclosure Package;

(o) to make generally available to its security holders and to deliver to the Representative as soon as practicable, but in any event not later than the end of the fiscal quarter first occurring after the first anniversary of the effective date of the Registration Statement an earnings statement complying with the provisions of Section 11(a) of the Securities Act and of Rule 158 under the Securities Act covering a period of 12 months beginning after the effective date of the Registration Statement; provided, however, that the requirements of this section shall be satisfied to the extent such statement is available on EDGAR;

(p) to use its commercially reasonable efforts to maintain the listing of the Shares on Nasdaq;

(q) to comply with the Securities Act and the Exchange Act so as to permit the completion of the distribution of the Shares as contemplated by this Agreement, the Registration Statement, the Disclosure Package and the Prospectus;

(r) to engage and maintain, at its expense, a registrar and transfer agent for the Shares;

(s) to invest or otherwise use the proceeds received by the Company from its sale of the Shares, and to continue to operate its business, in such a manner as would not require the Company or any of its Subsidiaries to register as (i) an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act or (ii) an "investment adviser" as such term is term is defined in the Investment Advisers Act;

(t) to refrain, from the date hereof until 180 days after the date of the Prospectus (such period, the "**Company Lock-up Period**"), without the prior written consent of the Representative (which consent may be withheld in the Representative's sole discretion), from, directly or indirectly, (i) offering, pledging, selling, contracting to sell, selling any option or contract to purchase, purchasing any option or contract to sell, granting any option for the sale of, or otherwise disposing of or transferring, (or entering into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of), any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or filing or confidentially submitting any registration statement under the Securities Act with respect to any of the foregoing; or (ii) entering into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise or settlement of an equity award, or the exercise of a warrant, outstanding on the date hereof and disclosed in the Prospectus, (C) shares issued pursuant to the Preferred Stock Conversion or Stock Split, or (D) any issuance of shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Registration Statement, the Disclosure Package and the Prospectus, but only if the holders of such securities agree in writing with the Underwriters not to sell, offer, dispose of or otherwise transfer any such Shares or options during such Company Lock-up Period without the prior written consent of the Representative (which consent may be withheld in its sole discretion);

(u) not to, to cause its Subsidiaries not to, and to direct its officers, directors and affiliates not to, (i) take, directly or indirectly, any action designed to stabilize or manipulate the price of any security of the Company, or which may cause or result in, or which might in the future reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of any of the Shares; (ii) sell, bid for, purchase or pay anyone any compensation for soliciting purchases of the Shares; or (iii) pay or agree to pay to any person any compensation for soliciting any order to purchase any other securities of the Company and shall, and shall direct each of its officers, directors and affiliates to, comply with all applicable provisions of Regulation M;

(v) during the Company Lock-up Period, (i) to enforce all Lock-up Agreements and to direct the Company's transfer agent to place stop transfer restrictions upon any such securities of the Company that are bound by such Lock-up Agreements for the duration of the periods contemplated in such Lock-up Agreements and (ii) to announce the Underwriters' intention to release any director or "officer" (within the meaning of Rule 16a-1(f) under the Exchange Act) of the Company from any of the restrictions imposed by any Lock-up Agreement, by issuing, through a major news service, a press release in form and substance satisfactory to the Representative or, if consented to by the Representative, in a registration statement that is publicly filed in connection with a secondary offering of the Company's shares promptly following the Company's receipt of any notification from the Representative in which such intention is indicated, but in any case not later than the close of the third business day prior to the date on which such release or waiver is to become effective; provided, however, that nothing shall prevent the Representative, on behalf of the Underwriters, from announcing the same through a major news service, irrespective of whether the Company has made the required announcement; and provided, further, that no such announcement shall be made of any release or waiver granted solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the terms of a Lock-up Agreement, or as provided in the Lock-up Agreement;

(w) that the Company will comply with all of the provisions of any undertakings in the Registration Statement;

(x) any certificate signed by any officer of the Company or any Subsidiary delivered to the Representative or to counsel for the Underwriters pursuant to or in connection with this Agreement or the offer, issuance, and sale of the Shares hereunder shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby; and

(y) prior to the Closing Time and each applicable Option Closing Time, to furnish the Underwriters, as soon as they have been prepared by or are available to the Company, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Registration Statement, the Disclosure Package, and the Prospectus.

The Representative, on behalf of the several Underwriters, may, in its sole discretion, waive in writing the performance by the Company of any one or more of the foregoing covenants.

5. Payment of Expenses:

(a) The Company agrees to pay all costs and expenses incident to the performance of its obligations under this Agreement, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, including expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment); (ii) the registration, preparation, issuance and delivery of the Shares to the Underwriters, including any stock, stamp or other transfer taxes or duties payable upon the sale, issuance, and delivery of the Shares to the Underwriters; (iii) the printing of this Agreement, any agreement among the Underwriters, any dealer agreements and any closing documents and furnishing of copies of each to the Underwriters and to dealers (including costs of mailing and shipment); (iv) the qualification or registration (or obtaining exemptions from the qualification or registration) of the Shares for offering and sale under state or foreign laws that the Company and the Representative have mutually agreed are appropriate and the determination of their eligibility for investment under state or foreign law as aforesaid (including the reasonable legal fees and filing fees and other reasonable disbursements of counsel for the Underwriters relating thereto) and the preparation, printing and furnishing of copies of any blue sky surveys, if applicable, to the Underwriters and to dealers; (v) the determination of compliance with the rules and regulations of, and any filing for review of the public offering of the Shares by, FINRA (including the reasonable legal fees and filing fees and other reasonable disbursements of counsel for the Underwriters relating thereto); (vi) the fees and expenses of any transfer agent or registrar for the Shares and miscellaneous expenses referred to in the Registration Statement; (vii) the fees and expenses incurred in connection with the listing of the Shares in Nasdaq; (viii) making road show presentations or holding road show meetings with prospective investors and the Underwriters' sales forces with respect to the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and lodging expenses of the officers of the Company, personnel of the Representative, and any such consultants, and, the cost of any aircraft chartered in connection with the road show, and the costs of all Marketing Materials; (ix) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors; (x) the cost of third-party background checks on the Company's officers and directors; and (xi) the performance of the Company's other obligations hereunder. Upon the request of the Representative, the Company will provide funds in advance for filing fees; *provided*, *however*, that the reasonable legal fees and disbursements of the counsel for the Underwriters described in clauses (iv) and (v) shall not exceed $30,000.

(b) The Company agrees to reimburse the Representative for up to $425,000 of (i) its reasonable out-of-pocket expenses in connection with the performance of its activities under this Agreement, including, but not limited to, costs such as printing, facsimile, courier service, direct computer expenses, accommodations and travel, but excluding the fees and expenses of the Underwriters' outside legal counsel and any other advisors, accountants, appraisers, etc. (other than the fees and expenses of counsel with respect to state securities or blue sky laws and obtaining the filing for review of the public offering of the Shares by FINRA, all of which shall be reimbursed by the Company pursuant to the provisions of Section 5(a) above) and (ii) documented legal fees and disbursements of counsel for the Underwriters actually incurred if the public offering of the Shares contemplated by this Agreement is consummated.

(c) If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters and QIU or such Underwriters as have so terminated this Agreement with respect to themselves, severally, upon demand for all fees and disbursements of Underwriters' and QIU's counsel and any other advisors, accountants, appraisers, etc. reasonably incurred by such Underwriters or QIU in connection with this Agreement or the transactions contemplated herein.

6. Conditions of the Underwriters' Obligations:

The obligations of the Underwriters hereunder to purchase Shares at the Closing Time or on each Option Closing Time, as applicable, are subject to the accuracy of the representations and warranties on the part of the Company hereunder on the date hereof and at the Closing Time and on each Option Closing Time, as applicable, the performance by the Company of its obligations hereunder and to the satisfaction of the following further conditions at the Closing Time or at each Option Closing Time, as applicable:

(a) The Company shall furnish to the Underwriters at the Closing Time and at each Option Closing Time (if applicable) an opinion and 10b-5 statement of Kelley Drye & Warren LLP, counsel for the Company, addressed to the Underwriters and dated the Closing Time or the applicable Option Closing Time, as the case may be, and in form and substance satisfactory to the Representative.

(b) On the date of this Agreement and at the Closing Time and at each Option Closing Time (if applicable), the Representative shall have received from Marcum LLP letters addressed to the Representative and dated the respective dates of delivery thereof and in form and substance satisfactory to the Representative, containing statements and information of the type customarily covered by an accountant's "comfort letters" to underwriters delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin) issued in connection with underwritten public offerings including, without limitation, the audited and unaudited financial statements and the various other financial disclosures including any pro forma financial statements contained in the Registration Statement, the Disclosure Package and the Prospectus; provided, that the letters delivered at the Closing Time and each Option Closing Time (if applicable) shall use a "cut-off" date no more than three business days prior to such Closing Time or such Option Closing Time, as the case may be.

(c) The Representative shall have received at the Closing Time and at each Option Closing Time (if applicable) an opinion and 10b-5 statement of Nelson Mullins Riley & Scarborough LLP, counsel to the Underwriters, addressed to the Representative and dated the Closing Time or the applicable Option Closing Time, as the case may be, and in form and substance satisfactory to the Representative.

(d) The Representative shall have received at the Closing Time and at each Option Closing Time (if applicable) an opinion of Nevada counsel to the Company, addressed to the Representative and dated the Closing Time or the applicable Option Closing Time, as the case may be, and in form and substance satisfactory to the Representative.

(e) The Registration Statement shall have become effective not later than 5:30 p.m., New York City time, on the date of this Agreement, or such later time and date as the Representative shall approve. If Rule 430A under the Securities Act is used, the Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Securities Act at or before 5:30 p.m., New York City time, on the second full business day after the date of this Agreement (or such earlier time as may be

required under the Securities Act).

(f) Any Rule 462(b) Registration Statement required to be filed prior to the sale of the Shares under the Securities Act shall have been filed on the date hereof and shall have become automatically effective upon such filing.

(g) No amendment or supplement to the Registration Statement, the Prospectus or any document in the Disclosure Package shall have been filed to which the Underwriters shall have objected in writing.

(h) Prior to the Closing Time and each Option Closing Time, (i) no stop order suspending the effectiveness of the Registration Statement or any order preventing or suspending the use of the Prospectus or any document in the Disclosure Package shall have been issued, and no proceedings for such purpose shall have been initiated or, to the Company's knowledge, threatened by the Commission, and no suspension of the qualification of the Shares for offering or sale in any jurisdiction, or the initiation or, to the Company's knowledge, threatening of any proceedings for any of such purposes, has occurred; (ii) all requests for additional information on the part of the Commission shall have been complied with; (iii) the Registration Statement shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (iv) the Prospectus and the Disclosure Package shall not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) the Company shall not have become the subject of a proceeding under Section 8A of the Securities Act in connection with the offering of the Shares.

(i) All filings with the Commission required by Rule 424 under the Securities Act (including the information required by Rule 430A under the Securities Act) to have been filed by the Closing Time shall have been made in the manner and within the applicable time period prescribed for such filing by such Rule.

(j) Between the time of execution of this Agreement and the Closing Time or the relevant Option Closing Time, (i) there shall not have been any Material Adverse Change; and (ii) no transaction which is material and unfavorable to the Company shall have been entered into by the Company or any of the Subsidiaries, in each case, which in the Representative's sole judgment, makes it impracticable or inadvisable to proceed with the public offering of the Shares as contemplated by the Registration Statement.

(k) The Shares shall have been approved for listing on Nasdaq, subject to official notice of issuance.

(l) FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms or other arrangements of the transactions contemplated hereby.

(m) On or prior to the date hereof, the Representative shall have received Lock-up Agreements from the Lock-Up Persons, and such letter agreements shall be in full force and effect.

(n) The Company shall furnish to the Underwriters, at the Closing Time and at each Option Closing Time (if applicable), a certificate of its Chief Executive Officer or President and its Chief Financial Officer, dated the Closing Time or the applicable Option Closing Time, to the effect that:

(i) the representations, warranties, and covenants of the Company in this Agreement are true and correct, with the same force and effect as if made on and as of such date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed under this Agreement or satisfied at or prior to such date;

(ii) no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued and no proceedings for that purpose have been instituted or are pending or threatened by the Commission under the Securities Act; and

(iii) for the period from and including the date of this Agreement through and including such date, there has not occurred any Material Adverse Change.

(o) The Company shall furnish to the Underwriters, as of the date hereof, at the Closing Time and at each Option Closing Time (if applicable), a certificate of its Chief Financial Officer, dated the Closing Time or the applicable Option Closing Time, with respect to certain financial data contained in the Disclosure Package and the Prospectus, providing "management comfort" with respect to such information, in form and substance satisfactory to the Representative.

(p) The Company shall have furnished to the Underwriters and counsel for the Underwriters such other information, documents, opinions and certificates as to the accuracy and completeness of any statement in the Registration Statement, the Prospectus and the Disclosure Package, the representations, warranties and statements of the Company contained herein, and the performance by the Company of its covenants contained herein, and the fulfillment of any conditions contained herein, as of the Closing Time or any Option Closing Time, as the Underwriters or their counsel may reasonably request, and all proceedings taken by the Company in connection with the issuance and sale of the Shares as contemplated herein and in connection with the other transactions contemplated by this Agreement shall be satisfactory in form and substance to the Representative and counsel for the Underwriters.

(q) Prior to the Closing Time, the Preferred Stock Conversion, including the related amendments to the Company's organizational documents, shall have been duly completed and effective.

(r) The Stock Split shall be effective prior to the Closing Time.

If any condition specified in this Section 6 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by notice from the Representative to the Company at any time on or prior to the Closing Time and, with respect to the Option Shares, at any time on or prior to the applicable Option Closing Time, which termination shall be without liability on the part of any party to any other party, except that Sections 5, 7, and 9 shall at all times be effective and shall survive such termination.

7. Termination:

The obligations of the several Underwriters hereunder shall be subject to termination in the absolute discretion of the Representative, at any time prior to the Closing Time or any Option Closing Time, (i) if any of the conditions specified in Section 6 hereof shall not have been fulfilled when and as required by this Agreement to be fulfilled; (ii) if there has been, in the judgment of the Representative, since the respective dates as of which information is given in the Registration Statement, the Prospectus or the Disclosure Package, any Material Adverse Change, or any development involving a prospective Material Adverse Change, or material change in management of the Company or any Subsidiary, whether or not arising in the ordinary course of business;(iii) if there has occurred any outbreak or escalation of hostilities or other national or international calamity or crisis or change in economic, political, health or other conditions, the effect of which on the United States or international financial markets is such as to make it, in the judgment of the Representative, impracticable or inadvisable to market the Shares or enforce contracts for the sale of the Shares; (iv) if trading in any securities of the Company has been suspended by the Commission or by Nasdaq, or if trading generally on the New York Stock Exchange or Nasdaq has been suspended or halted (including an automatic halt in trading pursuant to market-decline triggers, other than those in which solely program trading is temporarily halted), or limitations on prices for trading (other than limitations on hours or numbers of days of trading) have been fixed, or maximum ranges for prices for securities have been required, by such exchange or FINRA or the over-the-counter market or by order of the Commission or any other governmental authority; (v) any federal, state, local or foreign statute, regulation, rule or order of any court or other governmental authority has been enacted, published, decreed or otherwise promulgated which, in the reasonable opinion of the Representative, materially adversely affects or will materially adversely affect the business or operations of the Company; or (vi) any action has been taken by any federal, state, local or foreign government or agency in respect of its monetary or fiscal affairs which, in the reasonable opinion of the Representative, could reasonably be expected to have a material adverse effect on the securities markets in the United States.

If the Representative elects to terminate this Agreement as provided in this Section 7, the Company and the Underwriters shall be notified promptly by telephone, promptly confirmed by facsimile or e-mail.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement or if such sale is not carried out because the Company shall be unable to comply in all material respects with any of the terms of this Agreement, the Company shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 5 and 9 hereof) and the Underwriters shall be under no obligation or liability to the Company under this Agreement (except to the extent provided in Section 9 hereof) or to one another hereunder.

8. Increase in Underwriters' Commitments:

Subject to Sections 6 and 7 hereof, if any Underwriter shall fail, refuse, or default at the Closing Time or at any Option Closing Time in its obligation to take up and pay for the Shares to be purchased by it under this Agreement on such date, the Representative shall have the right, within 36 hours after such default, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Shares which such Underwriter shall have agreed but failed to take up and pay for (the "**Defaulted Shares**"). Absent the completion of such arrangements within such 36-hour period, (i) if the total number of Defaulted Shares does not exceed 10% of the total number of Shares to be purchased on such date, each non-defaulting Underwriter, severally and not jointly, shall take up and pay for (in addition to the number of Shares which it is otherwise obligated to purchase on such date pursuant to this Agreement) the portion of the total number of Shares agreed to be purchased by the defaulting Underwriter on such date in the proportion that its underwriting obligations hereunder bears to the underwriting obligations of all non-defaulting Underwriters; and (ii) if the total number of Defaulted Shares exceeds 10% of such total, the Representative may terminate this Agreement by notice to the Company, without liability of any party to any other party except that the provisions of Sections 5 and 9 hereof shall at all times be effective and shall survive such termination.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company agrees with the non-defaulting Underwriters that it will not sell any Shares hereunder on such date unless all of the Shares to be purchased on such date are purchased on such date by the Underwriters (or by substituted Underwriters selected by the Representative with the approval of the Company or selected by the Company with the approval of the Representative).

If a new Underwriter or Underwriters are substituted for a defaulting Underwriter in accordance with the foregoing provision, the Company or the non-defaulting Underwriters shall have the right to postpone the Closing Time or the relevant Option Closing Time for a period not exceeding five business days in order that any necessary changes in the Registration Statement and Prospectus and other documents may be effected.

The term "**Underwriter**" as used in this Agreement shall refer to and include any Underwriter substituted under this Section 8 with the same effect as if such substituted Underwriter had originally been named in this Agreement.

9. Indemnity and Contribution by the Company and the Underwriters:

(a)

(i) The Company agrees to indemnify, defend and hold harmless each Underwriter and any person who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, any "affiliate" (within the meaning of Rule 405 under the Act) of any Underwriter, and the respective directors, officers, employees, members and agents of each Underwriter, and the successors and assigns of all of the foregoing persons, from and against, and to reimburse any and all expenses incurred in connection with, any loss, expense, liability, damage or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or other person may incur under the Securities Act, the Exchange Act or otherwise, insofar as such loss, expense, liability, damage or claim arises out of or is based upon (i) any breach of any representation, warranty or covenant of the Company contained herein; (ii) any failure on the part of the Company to comply with any applicable law, rule or regulation relating to the offering of securities being made pursuant to the Prospectus; (iii) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment), any Issuer Free Writing Prospectus that the Company has filed or was required to file with the Commission or is otherwise required to retain, the Prospectus (the term Prospectus for the purpose of this Section 9 being deemed to include any Preliminary Prospectus, the Prospectus and the Prospectus as amended or supplemented by the Company) or the Disclosure Package; (iv) any application or other document, or any amendment or supplement thereto, executed by the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction (domestic or foreign) to qualify the Shares under the securities or blue sky laws thereof or filed with the Commission or any securities association or securities exchange (each an "**Application**"); (v) any omission or alleged omission to state a material fact required to be stated in any such Registration Statement, or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (vi) any omission or alleged omission from any such Issuer Free Writing Prospectus, Prospectus, Disclosure Package, Testing-the-Waters Communication or Marketing Material, or any Application, of a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (vii) any untrue statement or alleged untrue statement of any material fact contained in any audio or visual materials used in connection with the marketing of the Shares, including, without limitation, slides, videos, films and tape recordings, the Testing-the-Waters Communications and the Marketing Materials; and (viii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Shares or the offering contemplated hereby, and which

is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by the foregoing clauses; except, in the case of (iii), (v) and (vi) above only, insofar as any such loss, expense, liability, damage or claim arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in and in conformity with the Underwriters' Information.

(ii) The Company agrees to indemnify and hold harmless the QIU, each of its affiliates, directors and officers and each person, if any, who controls the QIU within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively, the " **QIU Indemnified Parties**," and each a "**QIU Indemnified Party**"), from and against any and all losses, claims, damages and liabilities (including, without limitation, legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, to which such QIU Indemnified Party may become subject, under the Securities Act or otherwise, arising out of or based upon the QIU acting as a qualified independent underwriter within the meaning of Rule 5121 of the FINRA Rules in connection with the offering contemplated by this Agreement, and shall reimburse each QIU Indemnified Party promptly upon demand for any legal fees or other expenses reasonably incurred by such QIU Indemnified Party in connection with investigating, or preparing to defend, or defending against, or appearing as a third party witness in respect of, or otherwise incurred in connection with, any such loss, claim, damage, expense, liability, action, investigation or proceeding, as such fees and expenses are incurred; except insofar as any such loss, claim, damage, liability or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in and in conformity with the Underwriters' Information.

(iii) If any action, suit or proceeding (a "**Proceeding**") is brought against an Underwriter or QIU or other person in respect of which indemnity may be sought against the Company pursuant to the foregoing paragraph, such indemnified party shall promptly notify the Company in writing of the institution of such Proceeding and the Company shall assume the defense of such Proceeding including the employment of counsel reasonably satisfactory to the indemnified party and payment of any and all expenses related to such Proceeding or incurred in connection with such indemnified party's successful enforcement of this Section 9(a); provided, however, that any failure or delay to so notify the Company will not relieve the Company of any obligation hereunder, except to the extent that its ability to defend is actually impaired by such failure or delay. Such indemnified party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action, or the Company shall not have employed counsel to have charge of the defense of such action within a reasonable time or such indemnified party or parties shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company and paid as incurred (it being understood, however, that the Company shall not be liable for the expenses of more than one separate firm of attorneys for the Underwriters or controlling persons in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action). Anything in this paragraph to the contrary notwithstanding, the Company shall not be liable for any settlement of any such Proceeding effected without its consent, and the Company shall not, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

(b) Each Underwriter agrees, severally and not jointly, to indemnify, defend and hold harmless the Company, the Company's directors, the Company's officers that signed the Registration Statement, and any person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, expense, liability, damage or claim (including the reasonable cost of investigation) which the Company or any such person may incur under the Securities Act, the Exchange Act or otherwise, insofar as such loss, expense, liability, damage or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Prospectus, the Disclosure Package, any Issuer Free Writing Prospectus, any Testing-the-Waters Communication or any Marketing Material that the Company has filed or was required to file with the Commission or is otherwise required to retain, or any Application or (ii) any omission or alleged omission to state a material fact required to be stated in any such Registration Statement, Prospectus, Issuer Free Writing Prospectus, Disclosure Package, Testing-the-Waters Communication or Marketing Material, or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, but in each case only insofar as such untrue statement or alleged untrue statement or omission or alleged omission was made in such Registration Statement, Issuer Free Writing Prospectus, Prospectus or Application in reliance upon and in conformity with information furnished in writing by the Underwriters through the Representative to the Company expressly for use therein. The statements set forth in the fourth and eighth paragraphs under the caption "Underwriting (Conflicts of Interest)" and the information under the subheading "Underwriting (Conflicts of Interest)—Stabilization" in the Preliminary Prospectus, the Disclosure Package and the Prospectus (to the extent such statements relate to the Underwriters and the QIU, if applicable) (collectively, the "**Underwriters' Information**") constitute the only information furnished by or on behalf of any Underwriter through the Representative to the Company for purposes of Section 3(l) and Section 3(m) and this Section 9.

If any Proceeding is brought against the Company, or any such person in respect of which indemnity may be sought against any Underwriter pursuant to the foregoing paragraph, the Company, or such person shall promptly notify the Representative in writing of the institution of such Proceeding and the Representative, on behalf of the Underwriters, shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to the indemnified party and payment of any and all expenses related to such Proceeding or incurred in connection with such indemnified party's successful enforcement of this Section 9(b). Such indemnified party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the Representative in connection with the defense of such action or the Representative shall not have employed counsel to have charge of the defense of such action within a reasonable time or such indemnified party or parties shall have reasonably concluded (based on the advice of counsel) that there may be defenses available to it or them which are different from or additional to those available to the Underwriters (in which case the Representative shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such Underwriter and paid as incurred (it being understood, however, that the Underwriters shall not be liable for the expenses of more than one separate firm of attorneys in any one action or series of related actions in the same jurisdiction (other than local counsel in any such jurisdiction) representing the indemnified parties who are parties to such action). Anything in this paragraph to the contrary notwithstanding, no Underwriter shall be liable for any settlement of any such Proceeding effected without its written consent, and the Underwriters shall not, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

(c) If the indemnification provided for in this Section 9 is, for any reason, unavailable or insufficient to hold harmless an indemnified party under Sections 9(a) and (b) in respect of any losses, expenses, liabilities, damages or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, expenses, liabilities, damages or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if (but only if) the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, expenses, liabilities, damages or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company bear to the underwriting discounts and commissions received by the Underwriters. The relative fault of the Company on the one hand and of the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, expenses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any Proceeding. The provisions set forth in Sections 9(a) and 9(b) with respect to notice of commencement of any Proceeding shall apply if a claim for contribution is to be made under this Section 9(c); provided, however, that no additional notice shall be required with respect to any action for which notice has been duly given under Sections 9(a) or 9(b) for purposes of indemnification.

(d) The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in Section 9(c)(i) and, if applicable, Section 9(c)(ii) above. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their respective names on Schedule I hereto.

10. Survival:

The indemnity and contribution agreements contained in Section 9 and the covenants, warranties and representations of the Company contained in Sections 3 and 4 of this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter, or any person who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and the respective directors, officers, employees and agents of each Underwriter or by or on behalf of the Company, its directors and officers, or any person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and shall survive any termination of this Agreement and the sale and delivery of the Shares. The Company and each Underwriter agree promptly to notify the others of the commencement of any litigation or proceeding against it and, in the case of the Company, against any of the Company's officers and directors, in connection with the sale and delivery of the Shares, or in connection with the Registration Statement, the Preliminary Prospectus, any Issuer Free Writing Prospectus, or the Prospectus.

11. Duties:

Nothing in this Agreement shall be deemed to create a partnership, joint venture or agency relationship between the parties. The Underwriters undertake to perform such duties and obligations only as expressly set forth herein. Such duties and obligations of the Underwriters with respect to the Shares shall be determined solely by the express provisions of this Agreement, and the Underwriters shall not be liable except for the performance of such duties and obligations with respect to the Shares as are specifically set forth in this Agreement. The Company acknowledges and agrees that: (i) the purchase and sale of the Shares pursuant to this Agreement, including the determination of the public offering price of the Shares and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (ii) in connection with each transaction contemplated hereby and the process leading to such transaction, each Underwriter is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary of the Company or its affiliates, stockholders, creditors or employees or any other party; (iii) no Underwriter has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Company with respect to any of the transactions contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters); (iv) the several Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and that the several Underwriters have no obligation to disclose any of such interests; and (v) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate. The Company acknowledges that the Underwriters disclaim any implied duties (including any fiduciary duty), covenants or obligations arising from the Underwriters' performance of the duties and obligations expressly set forth herein. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the several Underwriters with respect to any breach or alleged breach of agency, advisory, fiduciary or similar duty.

12. Notices:

Except as otherwise herein provided, all statements, requests, notices and agreements shall be in writing and effective only on receipt and, if sent to the Representative, will be mailed, delivered or e-mailed to: B. Riley Securities, Inc., 299 Park Avenue, New York, NY 10171, Attention: Syndicate Department, with a copy (which shall not constitute notice) to the Representative's counsel at Nelson Mullins Riley & Scarborough LLP, 101 Constitution Avenue NW, Suite 900, Washington, D.C. 20001, Attention: Jonathan H. Talcott and E. Peter Strand, or, if sent the Company, will be mailed, delivered or e-mailed to Applied Blockchain, Inc., 3811 Turtle Creek Boulevard, Suite 2100, Dallas, Texas 75219, Attention: Wes Cummins, with a copy (which shall not constitute notice) to the Company's counsel at Kelley Drye & Warren LLP, 201 Broad Street, Stamford, Connecticut 06901, Attention: Carol Sherman. Any party hereto may change the address for receipt of communications by giving written notice to the others.

13. Governing Law:

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby shall be instituted in the (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan and (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "**Specified Courts**"), and the Company and each Underwriter irrevocably submit to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court, as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The Company and each Underwriter irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

14. Parties at Interest:

The Agreement herein set forth has been and is made solely for the benefit of the Underwriters, the Company, and the controlling persons, directors, officers, and other persons referred to in Section 9 hereof, and their respective successors, assigns, executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

15. Successors and Assigns:

This Agreement shall be binding upon each of the Underwriters and the Company and their respective successors and assigns and any successor or assign of any substantial portion of the Company's and any of the Underwriters' respective businesses and/or assets.

16. Counterparts and Facsimile Signatures:

This Agreement may be signed by the parties in counterparts which together shall constitute one and the same agreement among the parties. A facsimile or .pdf signature, including signatures made and/or transmitted using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), shall constitute an original signature for all purposes.

17. Partial Unenforceability:

The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

18. Recognition of the U.S. Special Resolution Regimes:

(a) In the event that any Underwriter that is a Covered Entity (as defined below) becomes subject to a proceeding under a U.S. Special Resolution Regime (as defined below), the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate (as defined below) of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights (as defined below) under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

For purposes of this Agreement, (A) "**BHC Act Affiliate**" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k); (B) "**Covered Entity**" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b); (C) "**Default Right**" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable; and (D) "**U.S. Special Resolution Regime**" means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

19. General Provisions:

This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings in this Agreement have been inserted as a matter of convenience of reference and shall not affect the construction or interpretation of this Agreement.

[*Remainder of Page Intentionally Left Blank*]

If the foregoing correctly sets forth the understanding among the Company and the Underwriters, please so indicate in the space provided below for the purpose, whereupon this Agreement shall constitute a binding agreement among the Company and the Underwriters.

Very truly yours,

APPLIED BLOCKCHAIN, INC.

By: _____
Name:
Title:

Accepted and agreed to as of the date first above written:

B. RILEY SECURITIES, INC.

By: _____
Name:
Title:

For itself and as Representative of the other Underwriters named on Schedule I hereto.

Accepted and agreed to as of the date first above written.

NORTHLAND SECURITIES, INC.

By: _____
Name:
Title:

Schedule I

Underwriter	Number of Initial Shares to be Purchased
B. Riley Securities, Inc.	[●]
Needham & Company, LLC	[●]
Craig-Hallum Capital Group LLC	[●]
D.A. Davidson & Co.	[●]
Lake Street Capital Markets, LLC	[●]
Northland Securities, Inc.	[●]
Total	[●]

Schedule II

Issuer Free Writing Prospectuses

[●]

Schedule III

Pricing Terms

Number of Initial Shares:		[●]
Number of Option Shares:		[●]
Public Offering Price per Share:	$	[●]

EXHIBIT A

Form of Lock-up Agreement

EXHIBIT B

Lock-up Persons

1. Wes Cummins
2. David Rench
3. Chuck Hastings
4. Kelli McDonald
5. Doug Miller

6. Virginia Moore

7. Richard Nottenburg

8. Jason Zhang

9. Regina Ingel

10. GMR Limited

11. XSquared Holding Limited

Exhibit 10.20

LOAN AGREEMENT

THIS LOAN AGREEMENT (this **"Loan Agreement"**) is made and entered into this 11th day of March, 2022, by and between APLD HOSTING, LLC, a Nevada limited liability company (the **"Borrower"**), VANTAGE BANK TEXAS, a Texas state bank (the **"Bank"**), and APPLIED BLOCKCHAIN, INC., a Nevada corporation (the **"Guarantor"**).

WHEREAS, Borrower has requested that the Bank extend to Borrower the loan and credit facilities described herein; and

WHEREAS, the Bank is prepared to extend such loan and credit facilities, in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE, Borrower, Bank and Guarantor agree as follows:

ARTICLE I
Definitions

1.01 Defined Terms. The following capitalized terms shall have the following meanings:

(a) **"Advance"** means a disbursement by Bank of any of the proceeds of the Loan (hereinafter defined).

(b) **"Affiliate"** means any individual or entity directly or indirectly controlling, controlled by or under common control with, another individual or entity.

(c) **"Applicable Bankruptcy Law"** means the United States Bankruptcy Code or any other present or future insolvency, bankruptcy, liquidation, conservatorship, reorganization or moratorium Governmental Requirement (hereinafter defined) or other similar Governmental Requirements.

(d) **"Capital Stock"** means: (i) in the case of a corporation, capital stock; (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock; (iii) in the case of a partnership, partnership interests (whether general or limited); (iv) in the case of a limited liability company, membership interests; and (v) any other interest or participation that confers on a Person (hereinafter defined) the right to receive a share of the profits and losses of, or distributions of assets of the entity in question.

(e) **"Closing Date"** means the date of this Loan Agreement.

(f) **"Code"** means the Internal Revenue Code of 1986, as amended, and the regulations promulgated and rulings issued thereunder.

(g) **"Collateral"** means any and all real and personal property pledged as security for the Loan.

(h) **"Commitment Letter"** means any loan commitment letter issued by the Bank to Borrower pertaining to the Loan.

(i) **"Contractual Obligation"** means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

(j) **"Default"** means any event or circumstance that constitutes an Event of Default (hereinafter defined) or, that with, the lapse of time, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

(k) **"Distributions"** means any dividend or other distribution (whether in cash or other tangible property) with respect to any Capital Stock or other equity interest of any entity or any payment (whether in cash or other tangible property) to any Person or Persons other than the Borrower, including any redemption, retirement, acquisition, cancellation or termination of any such Capital Stock or other equity interest or of any option, warrant or other right to acquire any such Capital Stock or other equity interest.

(l) **"Environmental Laws"** means any and all Federal, state, local and foreign Governmental Requirements, judgments, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of health and the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

(m) **"Environmental Liability"** means any claim, demand, obligation, cause of action, accusation, allegation, order, violation, damage, injury, judgment, injunction, penalty or fine, cost of enforcement, cost of cleanup, removal, encapsulation or other remedial action, or any other cost or expense whatsoever, including, without limitation, reasonable attorneys' fees and reimbursements, resulting from the violation of any Environmental Law or the existence of Hazardous Material (hereinafter defined) in violation of any Environmental Law.

(n) **"Event of Default"** has the meaning set forth in Article IX hereof.

(o) **"Financial Statements"** means the financial statements and other financial information concerning the Borrower, the Guarantor and any other Obligated Party (hereinafter defined), as required under Section 8.01 hereof.

(p) **"Governmental Authority"** means the United States, the state, the county, the city or any other political subdivision in which the Real Property Collateral is located, and any court or political subdivision, agency or instrumentality having jurisdiction over Borrower or any Obligated Party.

(q) **"Governmental Requirements"** means all constitutions, statutes, laws, ordinances, rules, regulations, orders, writs, injunctions or decrees of any Governmental Authority applicable to Borrower or any Obligated Party.

(r) **"Guarantor"** means any Person who executes a Guaranty in favor of Bank guarantying the repayment of the Loan.

(s) **"Guaranty"** means a guaranty of the Loan executed by a Guarantor, in form and substance satisfactory to Bank, as the same may be amended,

modified, restated, ratified, supplemented or replaced from time to time.

(t) **"Hazardous Materials"** means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

(u) **"Improvements"** means any and all buildings, covered garages, parking areas, structures and other improvements of any kind or nature, and any and all additions, alterations, betterments or appurtenances thereto, now or at any time hereafter situated, placed or constructed upon the Real Property Collateral or any part thereof.

(v) **"Indebtedness"** means, as to any Person at a particular time, without duplication: (i) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; and (ii) all direct or contingent obligations of such Person arising under any leases or other agreements to which a person is a party.

(w) **"IRS"** means the United States Internal Revenue Service.

(x) **"Land"** means the real estate described in **Exhibit "A",** which is attached hereto and incorporated herein for all purposes.

(y) **"Lien"** means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

(z) **"Loan"** means the loan or loans described in Section 2.01 hereof.

(aa) **"Loan Documents"** means this Loan Agreement, the Note, all Guaranties, all Mortgage, all Security Agreements and such other documents, instruments and agreements, evidencing, securing or pertaining to the Loan, as will from time to time be executed and delivered to Bank by Borrower, any Guarantor, any Obligated Party, or any other party pursuant to this Loan Agreement, and any future amendments, restatements, modifications, ratifications, confirmations, extensions or supplements hereto or thereto.

(bb) **"Margin Stock"** has the meaning given thereto in Section 221.3(v) of Regulation U, promulgated by the Board of Governors of the Federal Reserve System, F.R.S. Reg. U, 12 C.F.R. part 221 (January 1, 1983 revision), as amended from time to time.

(cc) **"Material Adverse Change"** means: (i) a material adverse change in, or a Material Adverse Effect (hereinafter defined) upon, the operations, business, prospects, properties, liabilities (actual or contingent), condition (financial or otherwise) of Borrower, a Guarantor and other Obligated Party (hereinafter defined) taken as a whole; (ii) a material impairment of the ability of any Obligated Party to perform its obligations under any Loan Document to which it is a party; or (iii) a Material Adverse Effect upon the legality, validity, binding effect or enforceability against Borrower, the Guarantors or any other Obligated Party of any Loan Document to which it is a party or the rights of the Bank under any Loan Document.

(dd) **"Material Adverse Effect"** means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of: (i) the financial condition, operations, business or properties of the Borrower; (ii) the financial condition, operations or properties of any Guarantor; (iii) the rights and remedies of the Bank under the Loan Documents, or the ability of the Borrower or Guarantor to perform their respective obligations under the Loan Documents to which it is a party, as applicable; or (iv) the legality, validity or enforceability of any Loan Document.

(ee) **"Monetary Default"** means a Person's failure, in whole or in part, to pay any amounts due on any indebtedness, after expiration of any applicable cure period.

(ff) **"Mortgage"** means, collectively, all mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust or other security documents or instruments of a similar nature which create a Lien or security interest from time to time in, to or covering the Real Property Collateral (hereinafter defined), including any modifications, amendments, supplements, ratifications and restatements thereto.

(gg) **"Non-Monetary Default"** means any Event of Default hereunder or any default or event of default under any other Loan Document other than a Monetary Default.

(hh) **"Note"** means the promissory note evidencing the Loan and any renewals, extensions, modifications, refinancings, consolidations and substitutions thereof.

(ii) **"Obligated Party"** means any party other than Borrower who secures, guarantees and/or is otherwise obligated to pay all or any portion of the Obligations.

(jj) **"Obligations"** mean all present and future Indebtedness, obligations and liabilities of Borrower to Bank arising pursuant to the Loan, this Loan Agreement or any of the other Loan Documents or otherwise, and any renewals, extensions, increases, or amendments thereof, or any part thereof, regardless of whether such Indebtedness, obligations and liabilities are direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several or joint and several and including interest and fees that accrue after the commencement by or against Borrower of any proceeding under any Applicable Bankruptcy Law naming Borrower as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

(kk) **"Organizational Documents"** mean as to: (i) a corporation: (A) copies of its articles or certificates of incorporation, including all amendments thereto, and a certificate of good standing; and (B) the bylaws or regulations of such entity certified by the secretary, manager or other appropriate representative of such entity; (ii) a partnership, a true copy of its partnership agreement, including all amendments thereto, certified by an officer of such partnership or by its general partner, together with (in the case of any limited partnership) copies of the certificates of limited partnerships and a certificate of good standing; and (iii) a limited liability company, a copy of its operating agreement, including all amendments thereto, certified by an officer of such limited liability company or by its managing member, and a copy of its articles or certificate of formation and a certificate of good standing.

(ll) **"Permitted Exceptions"** means the matters approved by the Bank as permitted exceptions of title with respect to the Real Property Collateral and set forth as exceptions to title in the Title Insurance Policy approved by Bank.

(mm) **"Permitted Liens"** means the following: (i) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in good faith by appropriate action; (ii) Liens in favor of property owners' associations securing payment of assessments or other charges, provided such Liens are subordinate to the Lien in favor of the Bank; (iii) the Permitted Exceptions (hereinafter defined) and other easements, rights-of-way, restrictions, plats, declarations of covenants, conditions and restrictions, condominium declarations or similar encumbrances on the use of real property which do not interfere with the ordinary conduct of business of the Borrower or materially detract from the value or use of the Real Property Collateral; and (iv) any inchoate Liens of mechanics, materialmen or material suppliers incurred in the ordinary course of business securing debt not yet due and payable.

(nn) **"Person"** means any individual, firm, corporation, association, partnership, joint venture, trust, entity, unincorporated organization or Governmental Authority.

(oo) **"Personal Property Collateral"** means the furniture, fixtures, equipment, machinery, goods, inventory, work in process, accounts receivable, general intangibles, contract rights and other personal property described in the Security Agreements securing this Loan.

(pp) **"Real Property Collateral"** means all of the real property covered by the Mortgage which secure the Loan.

(qq) **"Requirement of Law"** means as to any entity, the Certificate (or Articles) of Incorporation or Formation, By-Laws, Partnership Agreement or Company Agreement, or other organizational or governing documents of such entity, and any law, treaty, rule or regulation, or determination, including without limitation all Environmental Laws, rules, regulations and determinations, of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its properly is subject.

(rr) **"Security Agreements"** means, collectively, any Security Agreement executed by Borrower or other Obligated Party, in form and substance satisfactory to Bank, creating a Lien in favor of Bank against the Personal Property Collateral, as each may be amended, modified, ratified, supplemented, restated or replaced from time to time.

(ss) **"Subordinated Debt"** means any Indebtedness owing by Borrower which has been subordinated by written agreement to all Indebtedness now or hereafter owing by Borrower to Bank, such agreement to be in form and substance satisfactory to Bank.

(tt) **"Survey"** means a survey of the Real Property Collateral consisting of a plat and field notes, prepared by a Registered Professional Land Surveyor, acceptable to Bank, which survey will: (i) reflect the actual dimensions of the Real Property Collateral, the gross and net area of the said property, the location of any easements, rights-of-way, setback lines, encroachments or overlaps thereof or thereover and the outside boundary lines of any Improvements located thereon; (ii) identify by recording reference any easements, setback lines or other matters referred to in the title commitment related thereto; (iii) include the surveyor's registration number and seal and the date of the Survey; (iv) include a surveyor's certificate acceptable to Bank; (v) reflect that the Real Property Collateral has access to and from a publicly dedicated street, roadway or highway; (vi) be sufficient to cause the title company to delete the "survey exception" in Schedule B of the Title Insurance Policy; and (vii) reflect the area within the Real Property Collateral that has been designated by the Federal Emergency Management Agency, the Army Corps of Engineers or any other governmental agency or body as being subject to special or increased flood hazards.

(uu) **"Taxes"** means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

(vv) **"Title Insurance Policy"** means the loan policy or policies of title insurance issued to the Bank insuring the validity and priority of the Bank's Mortgage Liens against the Real Property Collateral and containing such endorsements as may be required by the Bank.

(ww) **"UCC"** means the Uniform Commercial Code of the State of Texas or of any other state having jurisdiction with respect to any of the rights and remedies of Bank under the Loan Documents, as amended.

1.02 Headings. The headings, captions and arrangements used in any of the Loan Documents are, unless specified otherwise, for convenience only and will not be deemed to limit, amplify or modify the terms of the Loan Documents nor to affect the meaning thereof.

1.03 Number and Gender of Words. Whenever herein the singular number is used, the same will include the plural where appropriate, and words of any gender will include each other gender where appropriate.

ARTICLE II
Description of Loan

2.01 Loan. Subject to the terms and conditions set forth in this Agreement and in other Loan Documents, the Bank agrees to make Borrower a Seven Million Five Hundred Thousand and No/100ths Dollars ($7,500,000.00) loan (the **"Loan"**). The Loan shall bear interest and be repayable as provided in the Note evidencing the Loan.

2.02 Purposes. The proceeds to the Loan shall be used to refinance Borrower's existing debt on and for working capital needs for the operation of Borrower's Data Mining Facility in Stutsman County, North Dakota and to provide funds for closing costs and fees related to the Loan.

2.03 Advances. Advances on the Loan shall be made in accordance with the provisions ofArticle IV hereof.

2.04 Security. The Loan shall be secured by one or more Mortgage, Security Agreements, Assignments and other documents described in this Loan Agreement and in the Note covering the Collateral.

ARTICLE III
Conditions Precedent

3.01 Conditions to Closing and Funding of the Loan. The closing and funding of this Loan is subject to the satisfaction of the following conditions precedent on or

before the Closing Date.

(a) Note. Borrower shall have executed and delivered to Bank the Note payable to the Bank evidencing the Loan.

(b) Loan Documents. This Loan Agreement and all other Loan Documents shall have been duly executed and delivered by Borrower, the Guarantor or any other Obligated Party, as applicable, to the Bank.

(c) Legal Opinion of Counsel. If required, the Bank shall have received an executed written legal opinion of counsel to each of Borrower and Guarantor, which opinions shall be reasonably satisfactory to the Bank, addressed to the Bank and dated as of the Closing Date.

(d) Authorizations. The Bank shall have received a copy of the respective resolutions (in form and substance reasonably satisfactory to the Bank) of the board of directors, members, managers, partners or other governing body of Borrower, the Guarantor and any other Obligated Party, each resolution authorizing: (i) the execution, delivery and performance, of this Agreement and the other Loan Documents to which Borrower, the Guarantor, or other Obligated Party is a party, as the case may be; (ii) the consummation of the transactions contemplated hereby; and (iii) the borrowings herein provided for, all certified by the secretary, manager or other appropriate representative of the Borrower, the Guarantor or other Obligated Party as of the Closing Date. Such certificate shall state that the resolutions set forth therein have not been amended, modified, revoked or rescinded as of the Closing Date.

(e) Incumbency Certificates. The Bank shall have received a certificate of the secretary, manager or other appropriate representative of each of Borrower, the Guarantor or other Obligated Party, dated as of the Closing Date, as to the incumbency and signatures of the officer(s) (or other person(s) in a comparable position) of each entity executing the Loan Documents.

(f) Organizational Documents. The Bank shall have received, with respect to any entity which is the Borrower, a Guarantor or other Obligated Party (and any general partner or managing member thereof) copies of the Organizational Documents for such entity.

(g) No Proceeding or Litigation; No Injunctive Relief. No action, suit or proceeding before any arbitrator or any Governmental Authority shall have been commenced, no investigation by any Governmental Authority shall have been commenced and no action, suit, proceeding or investigation by any Governmental Authority shall have been threatened in writing, against the Borrower or any of the officers, directors or managers of the Borrower, seeking to restrain, prevent or change the transactions contemplated by this Agreement in whole or in part or questioning the validity or legality of the transactions contemplated by this Agreement or seeking damages in connection with such transactions.

(h) Consents, Licenses, Approvals, etc. The Bank shall have received copies (certified to be such by the Borrower or other appropriate party) of all consents, licenses and approvals required in accordance with applicable law in connection with the execution, delivery, performance, validity and enforceability of the Loan Documents, if the failure to obtain such consents, licenses or approvals, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and approvals obtained shall be in full force and effect and be satisfactory in form and substance to the Bank.

(i) Compliance with Law. Neither the Borrower nor any Guarantor shall be in violation of any applicable statute, regulation or ordinance, including without limitation statutes, regulations or ordinances relating to environmental matters, of any governmental entity, or any agency thereof, in any respect that could reasonably be expected to have a Material Adverse Effect.

(j) No Default. No Event of Default shall have occurred and be continuing hereunder.

(k) No Material Adverse Change. There shall have been no Material Adverse Change in the financial condition of Borrower or any Guarantor.

(l) Fees. The Borrower shall have paid the Bank all loan commitment fees, expenses and other sums due the Bank in connection with this Loan, as provided in the Commitment Letter, this Loan Agreement and/or the Loan Documents, including all attorneys' fees incurred by the Bank in connection with this Loan.

(m) Security Interests. The Bank shall have received satisfactory evidence that the Bank has a valid and perfected first priority security interest against all of the Personal Property Collateral, subject only to the Permitted Liens.

(n) Required Approvals. The Bank shall have approved all of the following items pertaining to the construction of the Improvements: (i) an Affidavit of Completion from Borrower; (iii) an Affidavit of Completion from the contractor for the construction of the Improvements; and (iii) such other lien releases and documents as requested by Bank pertaining to the completion of the construction of the Improvements.

(o) Title Insurance Policy. The Bank shall have received a fully paid Title Insurance Policy or unconditional commitment for the issuance of a Title Insurance Policy in the amount of the Loan and in form and content acceptable to the Bank, insuring that the Lien created by the Mortgage against the Real Property Collateral constitutes a valid first lien against said real property, free and clear of all defects and encumbrances except the Permitted Exceptions, and containing such endorsements as the Bank may reasonably request.

(p) Curative Work. The Bank shall have received evidence that all curative title work required by the Bank with respect to the Real Property Collateral has been completed, and that Borrower has obtained all subordinations, waivers, assignments and third-party agreements required by the Bank.

(q) Survey. If required, the Bank shall have received the Survey in a form acceptable to the Bank.

(r) Insurance. The Bank shall have received binders of insurance evidencing that any insurance required by the Bank is in force, naming the Bank as additional insured, mortgagee or loss payee, as its interests appear, and otherwise on terms and conditions reasonably satisfactory to the Bank.

(s) Environmental Conditions. The Bank shall have received evidence satisfactory to the Bank which confirms that the Real Property Collateral is free

and clear of any Hazardous Materials.

(t) Equity. The Bank shall have received evidence reasonably satisfactory to the Bank that the Borrower is in possession of any cash equity Borrower is required to maintain or expend in connection with this Loan.

(u) Pre-leasing and Pre-sales Requirements. If required, Borrower shall have satisfied any pre-sales or pre-leasing requirements imposed by the Bank as a condition to closing this Loan or for commencing construction of the Improvements.

(v) Appraisal. The Bank shall have obtained an appraisal of the fair market value of the Collateral securing the Loan, which is acceptable to the Bank in all respects. Borrower will reimburse the Bank for the cost of the appraisal.

(w) Other Closing Conditions. Borrower shall have satisfied all other closing conditions imposed by the Bank in connection with the Loan, including all conditions set forth in the Commitment Letter.

ARTICLE IV
Advances

4.01 Advances. The proceeds of the Loan shall be advanced in a single or multiple Advances as provided herein and in the Note.

4.02 Conditions to Advances. Each Advance is subject to the satisfaction of the following conditions precedent:

(a) Requests for Advances. Each Application for Advance shall be submitted by Borrower to Bank a reasonable time (but not less than five (5) business days) prior to the requested date of the Advance. Except as Bank may otherwise determine from time to time, each Advance will be made at Bank's principal office. Each request for an Advance shall be in a form and substance acceptable to the Bank, and shall contain such information as Bank may request.

(b) Conditions to each Advance. As conditions precedent to each Advance, including the first Advance, in addition to all other requirements herein, Borrower must satisfy the following requirements and, if required by Bank, deliver to Bank evidence of such satisfaction:

(i) Each advance request shall be submitted to the Bank on a form acceptable to Bank. The Borrower must certify to the accuracy of the information contained in each advance request.

(ii) Each advance request shall be accompanied by such additional information as the Bank may reasonably request.

(iii) There shall then exist no Event of Default nor shall there have occurred any event which with the giving of notice or the lapse of time, or both, could become an Event of Default.

(iv) The representations and warranties made in this Loan Agreement shall be true and correct on and as of the date of each Advance, and the request for an Advance shall constitute the representation and warranty by Borrower that such representations and warranties are true and correct at such time.

(v) The Title Insurance Policy shall be endorsed and extended, if required by Bank, to cover each Advance, with no additional title exceptions objectionable to Bank.

(c) No Waiver. No Advance shall constitute a waiver of any condition precedent to the obligation of Bank to make any further Advance or preclude Bank from thereafter declaring the failure of Borrower to satisfy such condition precedent to be a Default.

(d) Conditions Precedent for the Benefit of Bank. All conditions precedent to the obligation of Bank to make any Advance are imposed hereby solely for the benefit of Bank, and no other party may require satisfaction of any such condition precedent or be entitled to assume that Bank will refuse to make any Advance in the absence of strict compliance with such conditions precedent. Any requirement of this Agreement may be waived by Bank, in whole or in part, at any time. Any requirement herein of submission of evidence of the existence or nonexistence of a fact means that the fact shall exist or not exist, as the case may be, and without waiving any condition or any obligation of Borrower, Bank may at all times independently establish to its satisfaction such existence or nonexistence.

(e) Subordination; Estoppel. Bank shall not be obligated to make, and Borrower shall not be entitled to, any Advance until such time as Bank shall have received, to the extent requested by Bank, subordination agreements and/or estoppel certificates from any tenant, subordinating to the lien of the Mortgage and the rights of Bank thereunder any lien, claim or charge they may have against Borrower or the Land.

4.03 Additional Conditions to Advances. In addition to the requirements in Section 4.02, each Advance is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. The representations and warranties made by the Borrower in this Loan Agreement and any representations and warranties made by the Borrower which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects as of the date of any Advance.

(b) No Default. No Default shall have occurred and be continuing as of the date of any Advance.

(c) Compliance with Covenants. Borrower shall be in full compliance with all covenants and agreements imposed upon Borrower hereunder or under any of the other Loan Documents.

(d) Advance Requests. **All** requests for Advances must be in writing and submitted upon such form as the Bank may reasonably request. Any Advance request shall be accompanied by such other reports, borrowing base certificates and other information as the Bank may require.

4.03 Revolving Line of Credit. If this Loan is a revolving line of credit, then Borrower may borrow, repay and re-borrow the proceeds of this Loan, as provided in the Note and the other Loan documents.

ARTICLE V
Representations and Warranties

In order to induce the Bank to enter into this Loan Agreement and to make the Loan to Borrower, Borrower hereby represents and warrants to the Bank that on the Closing Date and as of the date of any Advance hereunder:

5.01 Existence; Compliance with Law. Borrower: (a) is duly organized or formed, as appropriate, validly existing and in good standing under the laws of the jurisdiction of its incorporation, formation or organization, as appropriate; (b) has the requisite corporate, partnership or limited liability company power and authority to conduct the business in which it is currently engaged; (c) is qualified as a foreign entity to do business under the laws of any jurisdiction, where the failure to so qualify could reasonably be expected to have a Material Adverse Effect; and (d) is in compliance with **all** Governmental Requirements except to the extent that the failure to comply therewith could not reasonably be expected to, in the aggregate, have a Material Adverse Effect.

5.02 Power; Authorization; Enforceable Obligations. Borrower has the corporate, partnership or limited liability company (as applicable) power and authority to make, deliver and perform the Loan Documents to which it is a party and (in the case of the Borrower) to borrow hereunder, and has taken all corporate or other action necessary to be taken by it to authorize: (a) the borrowings on the terms and conditions of this Agreement; and (b) the execution, delivery and performance of the Loan Documents to which it is a party. No consent, waiver or authorization of, or filing with any entity (including without limitation any Governmental Authority) is required to be made or obtained by the Borrower in connection with the borrowings hereunder. This Loan Agreement has been, and each Loan Document will be, duly executed and delivered on behalf of the Borrower, and this Loan Agreement constitutes, and each Loan Document when executed and delivered hereunder will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower, in accordance with its terms, subject to the effect, if any, of bankruptcy, insolvency, reorganization, arrangement or other similar laws relating to or affecting the rights of creditors generally and the limitations, if any, imposed by the general principles of equity and public policy.

5.03 No Legal Bar. The execution, delivery and performance of this Loan Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds of the Loan: (a) do not violate any Requirement of Law or Contractual Obligation of the Borrower; (b) do not contravene the articles of incorporation, charter, bylaws, partnership agreement, articles or certificate of formation, operating agreement or other organizational documents of the Borrower; and (c) do not result in, or require, the creation or imposition of any Lien on any of its properties or revenues except the Permitted Liens and the Collateral.

5.04 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened in writing by or against the Borrower or against any of its properties or revenues: (a) with respect to this Loan Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby; or (b) which could reasonably be expected to have a Material Adverse Effect.

5.05 Regulation U. Borrower is not engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" "margin stock" as so defined or for any purpose which violates, or which would be inconsistent with, the provisions of the Regulations of such Board of Governors. If requested by the Bank, Borrower will furnish to the Bank a statement in conformity with the requirements of Federal Reserve Form U-I referred to in said Regulation U to the foregoing effect.

5.06 Disclosure. No representations or warranties made by the Borrower in this Agreement or in any other document furnished from time to time in connection herewith (as such other documents may be supplemented from time to time) contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

5.07 Environmental Representations. To the knowledge of Borrower, and except as otherwise disclosed by the Bank in writing:

(a) the Real Property Collateral is currently free of all Hazardous Material which would violate any applicable Environmental Laws;

(b) Borrower has not caused or permitted any Hazardous Material to be placed, held, stored, located or disposed of on, under or at the Real Property Collateral, or any part thereof, in violation of any Environmental Law;

(c) there are no underground storage tanks on any portion of the Real Property Collateral;

(d) the Borrower has been issued and will maintain all required federal, state and local permits, licenses, certificates and approvals required under Environmental Laws;

(e) the Borrower has not received notice of, or has actual knowledge of any violations of any Environmental Law;

(f) there has been no spill, release, threatened release, discharge or disposal of Hazardous Materials as to the Real Property Collateral;

(g) The foregoing representations and warranties shall survive the payment in full or the performance of all Obligations.

5.08 Other Agreements. The Borrower is not in default in the performance, observance, or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to the business of the Borrower, taken as a whole, which would result in, or could reasonably be expected to result in, a Material Adverse Effect.

5.09 No Defaults on Outstanding Judgments or Orders. The Borrower has satisfied all unstayed and un-appealed judgments, and Borrower is not in default with respect to any judgment, or any material writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign applicable to the Borrower, except for defaults which could not reasonably be expected to result in a Material Adverse Effect.

5.10 Ownership and Liens. The Borrower or other Obligated Party has good and indefeasible title to all of the Personal Property Collateral. The security interest created by the Security Agreement constitutes a valid and perfected first and prior lien against the Personal Property Collateral, subject to no other liens, security interests or charges, except for the Permitted Exceptions and Permitted Liens.

5.11 Operation of Business. The Borrower possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, or rights thereto, required to conduct its business substantially as now conducted and as presently proposed to be conducted and Borrower is not in violation of any valid rights of others with respect to

any of the foregoing where the failure to possess such licenses, permits, franchises, patents, copyrights, trademarks, trade names or rights thereto or the violation of the valid rights of others with respect thereto, in any one case or in the aggregate, that could reasonably be expected to have a Material Adverse Effect.

5.12 Taxes. All income tax liabilities or income tax obligations of the Borrower (other than those being contested in good faith by appropriate proceedings) have been paid or have been accrued by or reserved for by the Borrower. All ad valorem taxes assessed against the Collateral have been paid current.

5.13 Land. The Borrower or other Obligated Party owns good and indefeasible fee title to the Real Property Collateral, subject only to the Permitted Exceptions, and true, correct and complete copies of each of the Permitted Exceptions have been delivered to Bank. Each of the Permitted Exceptions is in full force and effect. The Real Property Collateral abuts and has direct access to a public right-of-way. When constructed, no building or other Improvements will encroach upon any building line, setback line, side yard line or any easement, except as expressly permitted by applicable Governmental Authorities and approved in writing by the Bank or except as allowed by the Permitted Exceptions. The Real Property Collateral is taxed separately without regard to any other property and for all purposes the Real Property Collateral may be mortgaged, conveyed, and otherwise dealt with as an independent parcel.

5.14 Approval Parties. If new Improvements are to be constructed on the Real Property Collateral, Borrower has obtained all permits and approvals required to build the Improvements.

5.15 Condemnation; Casualty. There has been: (a) no notice of taking by eminent domain or condemnation of any portion of the Real Property Collateral; (b) no notice of taking by eminent domain or condemnation or relocation of any roadways abutting the Real Property Collateral, to Borrower's knowledge, is contemplated by any Governmental Authority. No part of the Improvements has been damaged or injured as a result of any fire, explosion, accident, flood or other casualty which is not either fully restored or in the process of being restored in accordance with the terms of this Agreement.

5.16 Improvements. The existing Improvements, if any, and all Improvements that will be built with the proceeds of the Loan: (a) do not and will not violate any Governmental Requirements (including subdivision, zoning, building, environmental protection and wetlands protection laws); and (b) do not and will not violate any building permits, or violate, in any material respect, any restrictions of record, or any agreement affecting the Improvements or any part thereof. No portion of the Improvements will be located in an area having special flood hazards according to the flood hazard boundary maps used by the United States Department of Housing and Urban Development in connection with the National Flood Insurance Program.

5.17 Utilities. The Improvements have, or when constructed, will have adequate water and electrical supply, storm and sanitary sewerage facilities, other required public utilities, fire and police protection and means of appropriate access between the Improvements and public roads. Upon completion of the construction of the Improvements, the Borrower shall take all commercially reasonable actions to cause the constructed Improvements to comply with all Governmental Requirements.

5.18 Material Agreements. Borrower is not a party to any agreement or instrument or subject to any charter or other corporate restriction the performance of or compliance with which could reasonably be expected to have a Material Adverse Effect. Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions which default has not been cured within any applicable cure periods, contained in: (a) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect; or (b) with respect to Borrower, any agreement or instrument evidencing or governing Indebtedness.

5.19 Financial Information. All financial information heretofore provided to the Bank concerning Borrower, the Guarantors and any other Obligated Party is true, accurate and complete. Since the date of any financial statement no Material Adverse Change has occurred with respect to Borrower, the Guarantors or to any other Obligated Party.

5.20 Completion of Construction. Prior to the recordation of the Deed of Trust, all work related to any Improvements to the Land shall have been completely performed, completed and paid for and all amounts owed for any labor, materials or services for the construction of the Improvements shall have satisfied and all appropriate mechanic's lien affidavits shall have been executed, delivered and recorded in the appropriate public records.

ARTICLE VI
Affirmative Covenants

Until the Loan and all Obligations owing by Borrower to the Bank are fully paid and satisfied, Borrower agrees and covenants that it will:

6.01 Insurance.

(a) Borrower will maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by persons engaged in the same or similar business, including but not limited to, commercial property insurance, all risks property damage, commercial general liability, worker's compensation, business interruption and other insurance, of such types and in such amounts as are customarily carried under similar circumstances by similar businesses providing for not less than thirty (30) days' prior notice to Bank of termination, lapse or cancellation of such insurance. Each insurance policy will name Bank as "additional insured" and "loss payee", as applicable. Borrower will, and will cause each Obligated Party to, deliver to Bank upon Bank's request, originals or certified copies of insurance policies, each in form and substance satisfactory to Bank.

(b) Not later than fifteen (15) days before the expiration date of any such insurance policy, Borrower shall deliver to Bank a binder of the insurer evidencing the renewal or replacement of that policy, with premiums fully paid for at least one (1) year together with (in the case of a renewal) a copy of all endorsements to the policy and not previously delivered to Bank, or (in the case of a replacement) an original or certified copy of the replacement policy. Borrower shall pay all premiums on policies required hereunder as they become due and payable and promptly deliver to Bank evidence satisfactory to Bank of the timely payment thereof. Borrower shall at all times comply with the requirements of these insurance policies.

(c) If Borrower fails to obtain and/or maintain the insurance required hereunder, or under the Loan Documents: (i) BORROWER WILL INDEMNIFY AND HOLD BANK HARMLESS FROM AND AGAINST ANY DAMAGE, LOSS, LIABILITY OR EXPENSE RESULTING FROM ALL RISKS THAT WOULD HAVE BEEN

COVERED BY THE REQUIRED INSURANCE IF SO MAINTAINED; (ii) if any loss occurs, Bank shall nevertheless be entitled to the benefit of all insurance covering the loss and held by or for Borrower, to the same extent as if it had been made payable to Bank; and (iii) Bank has the right (but not the obligation) to obtain such insurance at Borrower's expense, which may at Bank's election be coverage for Bank's interest only, the costs and expenses so expended by Bank shall be due and payable by Borrower on demand and secured by the Loan Documents. If any property, title or other insurer becomes insolvent or subject to any bankruptcy, receivership or similar proceeding or if, in Bank's reasonable opinion the financial responsibility of such insurer is or becomes inadequate, Borrower shall promptly obtain and deliver to Bank a like policy (or, if and to the extent permitted by Bank, a certified copy of the policy issued by another insurer acceptable to the Bank).

(d) Bank has the right (but not the obligation) to make proof of loss for, settle and adjust any claim under, and receive the proceeds of, all insurance for loss of or damage to the Land, and the costs and expenses (including reasonable attorneys' fees), appraisal costs and consultant fees incurred by Bank in the adjustment and collection of insurance proceeds shall be due and payable by Borrower on demand and secured by the Loan Documents. Bank shall not be, under any circumstances, liable or responsible for failure to collect or exercise diligence in the collection of any of such proceeds or for the obtaining, maintaining or adequacy of any insurance or for failure to see to the proper application of any amount paid over to Borrower.

(e) Borrower shall take all necessary action, with Bank's consent, to collect any insurance proceeds lawfully or equitably payable to Borrower or Bank in connection with any loss of or damage to the Collateral, all of which shall be paid directly to Bank. Except as otherwise expressly provided herein or in the Loan Documents, any insurance proceeds collected as the result of any casualty shall, at Bank's option and in its sole discretion, be: (i) released to Borrower; (ii) applied to repair or restore any damage to the Collateral; or (iii) applied against the balance then owing on the Loan.

6.02 Notices. Promptly notify the Bank:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Change, including: (i) breach or non-performance of, or any default under, a contractual obligation of Borrower, a Guarantor or any other Obligated Party; (ii) any dispute, litigation, investigation, proceeding or suspension between Borrower, a Guarantor or any other Obligated Party and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting Borrower, a Guarantor or any other Obligated Party; and

(c) of any material change in accounting policies or financial reporting practices by Borrower or the Guarantors.

Each notice pursuant to this Section 6.02 will describe with sufficient particularity any and all provisions of this Loan Agreement and any other Loan Document that have been breached or affected thereby.

6.03 Accounts and Records. Maintain a complete set of books and records for the Borrower.

6.04 Preservation of Existence, Etc.

(a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Governmental Requirements of the jurisdiction of its organization and each state in which it is qualified to do business; and

(b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Change.

6.05 Maintenance of Properties and the Improvements.

(a) Maintain, preserve and protect the Improvements and all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted;

(b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Change;

(c) use the standard of care typical in the industry in the operation and maintenance of its facilities;

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks (including licenses thereof), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Change; and

(e) faithfully comply with Borrower's obligation under all agreements pertaining to the operation, maintenance and management of the Improvements.

6.06 Right of Inspection. Permit Bank to: (a) visit its properties and installations;(b) examine, audit and make and take away copies or reproductions of its books and records; and (c) discuss with its respective directors, partners, principal officers and independent auditors its respective businesses, assets, liabilities, financial positions, results of operations and business prospects, upon reasonable notice and during normal business hours and subject to the rights of any tenants leasing space in the Improvements. Borrower shall be responsible for the reasonable costs and expenses associated with such inspection. In addition, Borrower shall permit Bank and its designees from time to time to make such inspections and audits, and to obtain such confirmations or other information as Bank deems necessary or desirable and shall reimburse Bank on demand for all costs and expenses incurred by Bank in connection with such inspections and audits, provided that if an Event of Default has not occurred or is continuing, Bank shall not conduct such visits, inspections and audits more frequently than twice per calendar year.

6.07 Right to Additional Information. Furnish Bank, within fifteen (15) days after the Bank shall request it, such additional information and statements, lists of assets and liabilities, tax returns, and other reports with respect to Borrower's, a Guarantor's financial condition, business operations and compliance with the terms of the Loan Documents as Bank may reasonably request from time to time.

6.08 Compliance with Governmental Requirements. Conduct its business in an orderly and efficient manner consistent with good business practices, and perform and comply with all Governmental Requirements applicable to its businesses, operations and property (including without limitation, all applicable Environmental Laws).

6.09 Taxes. Timely pay and discharge when due all of its Indebtedness and obligations, including without limitation, all assessments, taxes, governmental charges,

levies, Liens and claims, of every kind and nature, imposed upon Borrower, the Guarantors or any of their properties, income or profits, prior to the earlier of the date on which such obligation would become delinquent or the date penalties would attach. Borrower will also promptly provide the Bank with evidence that all ad valorem taxes and assessments against the Real Property Collateral and the Personal Property Collateral have been paid in full prior to the due date for paying such ad valorem taxes. Notwithstanding the above, Borrower will not be required to pay and discharge any such assessment, tax, government charge, levy, Lien or claim so long as: (a) the legality of the same will be contested in good faith by appropriate judicial, administrative or other legal proceedings instituted with reasonable promptness and diligently conducted; and (b) Borrower has established on their books adequate reserves with respect to such contested assessment, tax, government charge, levy, Lien or claim.

6.10 Notice of Indebtedness. Promptly inform the Bank of the creation, incurrence or assumption by Borrower of any actual or contingent liabilities not permitted under this Loan Agreement or any other Loan Document.

6.11 Additional Documents. Execute and deliver, or cause to be executed and delivered, to Bank, from time to time as required by Bank, any and all other agreements, instruments and documents which Bank may reasonably request in order to provide the rights and remedies to Bank granted or provided for by the Loan Documents or give effect to the transactions contemplated under this Loan Agreement and the other Loan Documents.

6.12 Updated Appraisals. Promptly reimburse the Bank for the cost of any updated appraisals obtained by the Bank from time to time to confirm the fair market value of the Collateral securing the Loan except Borrower shall not be obligated to reimburse the Bank for more than one updated appraisal in any one calendar year.

6.13 Pledge of Additional Collateral. If this Agreement or the other Loan Documents establish a loan to value requirement for this Loan, and if Borrower fails to comply with that loan to value requirement, Borrower will, upon demand, pledge additional collateral on the Loan which is satisfactory to the Bank in the Bank's sole discretion to satisfy this loan to value requirement or Borrower shall prepay such part of the principal then owing on the Loan to comply with this loan to value requirement.

6.14 Primary Banking Relationship. Borrower will maintain all operating accounts with Bank. To the extent Borrower has operating accounts with another financial institution, upon execution of this Loan Agreement, Borrower will cause such accounts to be closed and shall move the funds from such accounts to operating accounts established with Bank.

ARTICLE VII
Negative Covenants

Until the Loan and all Obligations owing by Borrower to the Bank are fully paid and satisfied, Borrower will not, without first obtaining the prior written consent of the Bank:

7.01 Nature of Business. Make any material change in the nature of its business as carried on as of the Closing Date.

7.02 Liquidations, Mergers, Consolidations. Become a party to a merger or consolidation, or purchase or otherwise acquire all or a substantial part of the assets of any Person or any shares or other evidence of beneficial ownership of any Person, or dissolve, liquidate or cease operations.

7.03 Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of any of its assets, other than in the ordinary course of business.

7.04 Sale and Leaseback. Enter into any arrangement with any Person pursuant to which it leases from such Person real or personal property that has been or is to be sold or transferred, directly or indirectly, by it to such Person.

7.05 Liens. Create, incur or permit to exist any Lien or encumbrance on any of its assets, other than: (a) Liens and security interests securing Indebtedness owing to Bank; (b) Liens for taxes, assessments or similar charges that are: (i) not yet due; or (ii) being contested in good faith by appropriate proceedings and for which Borrower has established adequate reserves; (c) Liens and security interests existing as of the Closing Date which have been disclosed to and approved by Bank in writing; and (d) any Permitted Liens.

7.06 Indebtedness. Create, incur, permit or assume any Indebtedness, other than: (a) Indebtedness to Bank; (b) Indebtedness outstanding on the Closing Date which has been disclosed to and approved by Bank in writing; and (c) other Indebtedness in an aggregate amount not to exceed Two Hundred Thousand and No/100ths Dollars ($200,000.00).

7.07 Transfer of Ownership. Permit the sale, pledge or other transfer of any of the ownership interests in Borrower.

7.08 Change in Management. Permit a change in the senior management of Borrower without prior written notice to the Bank.

7.09 Restriction and Encumbrances. Impose any restrictive covenants, encumbrances, easements or restrictions or file any subdivision plats affecting the Real Property Collateral, without the prior written consent of the Bank.

7.10 Loans and Investments. Make any advance, loan, extension of credit, or capital contribution to or investment in, or purchase any stock, bonds, notes, debentures, or other securities of, any Person involving amounts in excess of Two Hundred Thousand and No/100ths Dollars ($200,000.00).

7.11 Transactions with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate of Borrower, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms no less favorable to Borrower than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of Borrower.

7.12 Dividends. If an Event of Default has occurred and is continuing, declare or pay any dividends on any shares of its Capital Stock, make any other Distributions with respect to any payment on account of the purchase, redemption, or other acquisition or retirement of any shares of its Capital Stock.

7.13 Environmental Responsibilities.

(a) cause or permit any Hazardous Materials to be placed, held, located, escaped, leaked, spilled, discharged, emitted, released or disposed of on, from, under or at the Real Property Collateral and Improvements in violation of any Environmental Law; and

(b) clean up or remove any Hazardous Materials placed, held, located, escaped, leaked, spilled, discharged, emitted, released or disposed of on, from,

under or at the Real Property Collateral and Improvements, except in accordance with Environmental Laws.

7.14 Margin Stock. Use any portion of the proceeds of the Loans: (a) in connection with, whether directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation, unless such tender offer or other acquisition is to be made on a negotiated basis with the approval of the board of directors of the Person to be acquired; (b) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any "margin stock" within the meaning of Regulation T, U, or X issued by the Board of Governors of the Federal Reserve System, as at any time amended; or (c) for any purpose in violation of any applicable law or regulation.

7.15 Leases. The Borrower shall not enter into any leases with respect to the Improvements except to the extent such leases comply with the following terms and conditions:

(a) Approval of Leases. Except for leases that are already executed or approved, the Borrower shall not enter into any tenant lease of space (whether office or retail) in the Improvements unless satisfactory to or deemed satisfactory to the Bank prior to execution. The Borrower's standard form of tenant leases for office space or retail space, and any revisions thereto, must have the prior written approval of the Bank. Any tenant lease shall be "deemed" satisfactory to the Bank to the extent:

(i) such lease is on the standard form lease approved by the Bank, with no material deviations except as approved in writing by the Bank in its reasonable discretion;

(ii) such lease is entered into in the ordinary course of business with a bona fide third-party tenant, and, in the case of any commercial lease, including without limitation, a lease relating to retail space or to office space, the Borrower, acting in good faith and exercising due diligence, has determined that the tenant is financially capable of performing its obligations under the lease;

(iii) a copy of such lease is received by the Bank (together, in the case of leases relating to any commercial space, including without limitation, leases relating to retail space or to office space, with each guarantee thereof (if any) and financial information regarding the tenant and each guarantor (if any) received by the Borrower) within fifteen (15) days after execution;

(iv) such lease reflects an arm's-length transaction;

(v) such lease requires that the tenant pay its prorata share of common area maintenance, insurance costs and taxes;

(vi) such lease does not require the Borrower to provide funds for tenant improvements in excess of the per square foot allowance (if any) preapproved by the Bank; and

(vii) such lease is expressly subordinate to the Bank's lien.

The Borrower shall provide to the Bank a correct and complete copy of each tenant lease, including any exhibits, and each guarantee thereof (if any), prior to execution unless the lease in question is satisfactory to the Bank under the preceding requirements. The Borrower shall, throughout the term of this Loan Agreement, pay all reasonable costs incurred by the Bank in connection with the Bank's review and approval of tenant leases and each guarantee thereof (if any), including reasonable attorneys' fees and costs.

(b) Effect of Lease Approval. No approval of any lease by the Bank shall be for any purpose other than to protect the Bank's security, and to preserve the Bank's rights under the Loan Documents. No approval by the Bank shall result in a waiver of any default of the Borrower. In no event shall any approval by the Bank of a lease be a representation of any kind, with regard to the lease or its adequacy or enforceability, or the financial capacity of any tenant or guarantor.

(c) Application of Lease Income. The Borrower shall first apply all income from leases, and all other income derived from the Improvements, to pay costs and expenses associated with the ownership, maintenance, development, operating, and marketing of the Improvements, including all amounts then required to be paid under the Loan Documents, before using or applying such income for any other purpose.

ARTICLE VIII
Financial Reporting and Financial Covenants

Until the Loan and all Obligations owing by Borrower to the Bank are fully paid and satisfied, Borrower will comply with the following financial covenants.

8.01 Financial Information. Furnish the Bank the following financial information:

(a) Annual Financial Statements. As soon as available, and in any event within ninety (90) days after the end of each fiscal year, Borrower will provide the Bank with a copy of Borrower's unaudited annual year-end financial statements, said financial statements to be in a form and substance acceptable to the Bank in all respects.

(b) Guarantor's Financial Statements. As soon as available, and in any event within ninety (90) days after the end of each calendar year, Guarantors shall provide the Bank with a copy of each Guarantors' financial and cash flow statements, said statements to be dated as of the end of each calendar year, and shall be in a form and substance acceptable to the Bank in all respects.

(c) Interim Financial Statements. Within forty-five (45) days after the end of each fiscal quarter, Borrower will provide the Bank with a copy of Borrower's unaudited financial statements, said financial statements to be in a form and substance acceptable to the Bank in all respects. In addition, within forty-five (45) days after the end of each fiscal quarter, Guarantor will provide the Bank with a copy of Guarantor's unaudited financial statements, said financial statements to be in a form and substance acceptable to the Bank in all respects.

(d) Tax Returns. Copies of Borrower's and each Guarantor's income tax returns (federal and state, and including any applicable extension request), said returns and extension requests to be provided within thirty (30) days after the applicable filing date for the tax reporting period thereof and shall be prepared by a tax professional satisfactory to Bank.

(e) Rent Rolls. Within thirty (30) days after every June 30th and December 31st, Borrower will provide the Bank with a current rent roll for the Improvements containing the names and addresses of each tenant leasing space in the Improvements, the amount of rent and any security deposit paid by each tenant and whether each lease is current or not.

(f) Other. Borrower shall provide such other financial information and reports as the Bank may reasonably request from time to time, including rent rolls, sales status reports, borrowing base reports, compliance certifications and other like reports pertaining to the financial condition of the Borrower and the Guarantors and the Collateral securing this Loan.

ARTICLE IX
Events of Default and Remedies

9.01 Events of Default. Each of the following will constitute an **"Event of Default"** under this Loan Agreement:

(a) The failure, refusal or neglect of Borrower to pay when due any part of the principal of, or interest due on the Loan or any other Indebtedness Borrower now or hereafter owes the Bank.

(b) The failure of Borrower, a Guarantor, or any other Obligated Party to timely and properly observe, keep or perform any covenant, agreement or condition required herein or in any of the other Loan Documents.

(c) Any representation or warranty contained herein, in any of the other Loan Documents or in any other document ever delivered by Borrower, a Guarantor or any Obligated Party to Bank in connection with the Loan is false, misleading, erroneous or breached in any material respect.

(d) If Borrower, a Guarantor or any Obligated Party: (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to or is unable to pay its debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of the assets of such party, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the Applicable Bankruptcy Laws or an involuntary petition for relief is filed against such party under any Applicable Bankruptcy Law, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (v) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon any Property of such party; or (vi) fails to pay within thirty (30) days any final money judgment against such party.

(e) A levy against the Collateral or any part thereof, or against any material portion of Borrower's other property, or any execution, garnishment, attachment, sequestration or other writ or similar proceeding which is not permanently dismissed or discharged within thirty (30) days after such levy.

(f) Abandonment of any portion of the Collateral or of any material portion of any of the other property of Borrower or any Obligated Party.

(g) The dissolution, liquidation, termination or forfeiture of the right to do business of Borrower, a Guarantor or any Obligated Party, or if Borrower, a Guarantor or any Obligated Party is an individual, the death or disability of the Borrower, a Guarantor or any other Obligated Party.

(h) An inability of Borrower to satisfy any condition specified herein as precedent to the obligation of Bank to make an Advance.

(i) Borrower, a Guarantor or other Obligated Party shall have: (i) concealed, removed or permitted to be concealed or removed any part of its property or assets with the intent to hinder, delay or defraud any of its creditors; (ii) made or suffered a transfer of any of its property assets which may be fraudulent under any bankruptcy, fraudulent conveyance or similar Governmental Requirement; or (iii) suffered or permitted while insolvent (under any applicable definition of the term) any creditor to obtain a Lien upon any of its property or assets through legal proceedings or distraint which Lien is not permanently vacated within thirty (30) days.

(j) The occurrence of any event or condition which results in, or with notice or lapse of time or both could result in, a default in the payment of any Indebtedness of Borrower, a Guarantor or other Obligated Party to any Person other than Bank, excluding any Indebtedness or obligation not exceeding, individually or in the aggregate, Two Hundred Thousand and No/100ths Dollars ($200,000.00).

(k) The occurrence of a Material Adverse Change.

(l) The occurrence of any default under any other documents evidencing or securing any other Indebtedness the Borrower now or hereafter owes the Bank.

(m) The issuance or entry of any attachment or other Lien (other than Bank's Lien against the Collateral) against any of the property and assets of Borrower for an amount in excess of Two Hundred Thousand and No/100ths Dollars ($200,000.00), if undischarged, unbonded or undismissed within thirty (30) days after such entry.

(n) Any Loan Document or any provision thereof ceases to be in full force and effect, Borrower or any Obligated Party or any other Person contests the validity or enforceability of any Loan Document or any provision thereof or Borrower or any Obligated Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document or any provision thereof.

Nothing contained in this Loan Agreement will be construed to limit the events of default enumerated in any of the other Loan Documents and all such events of default will be cumulative.

9.02 Cure Periods. The occurrence of any Non-Monetary Defaults listed in Sections 9.01(g), (i) and (n) ("No Notice Defaults") shall constitute an Event of Default immediately upon the occurrence of the event constituting such default. The occurrence of any Monetary Defaults under Sections 9.01(a) or (k) shall constitute an Event of

Default if the Bank shall declare such occurrence as an Event of Default and notifies Borrower in writing of same, and Borrower shall fail to cure such Events of Default within ten (10) calendar days following notice from the Bank. The occurrence of any other Non-Monetary Default shall constitute an Event of Default hereunder if the Bank shall declare such occurrence as an Event of Default and notifies Borrower in writing of same, and Borrower shall fail to cure such Event of Default, within thirty (30) calendar days following notice from the Bank.

9.03 Remedies. Upon the occurrence of any Event of Default and after the passage of any applicable time period: (a) the entire unpaid balance of principal of the Note, together with all accrued but unpaid interest thereon, and all other Indebtedness owing to Bank by Borrower at such time will, at the option of Bank, become immediately due and payable without further notice, demand, presentation, notice of dishonor, notice of intent to accelerate, notice of acceleration, protest or notice of protest of any kind, all of which are expressly waived by Borrower; (b) Bank may, at its option, cease further Advances on the Loan; (c) reduce any claim to judgment; and (d) exercise any and all rights and remedies afforded by any of the Loan Documents, or by law or equity or otherwise, as Bank will deem appropriate. All rights and remedies of Bank set forth in this Loan Agreement and in any of the other Loan Documents may be exercised by Bank at its option and in its sole discretion, upon the occurrence of an Event of Default.

9.04 Right of Setoff. If an Event of Default shall have occurred and be continuing, Bank and its Affiliates are hereby authorized at any time and from time to time, to the fullest extent not prohibited by applicable Governmental Requirements, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by Bank or any such Affiliate against the Indebtedness owing hereunder. The rights of Bank and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that Bank or its Affiliates may have. Bank agrees to notify Borrower promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

9.05 Performance by Bank. Should any covenant, duty, or agreement of any Obligated Party fail to be performed in accordance with the terms of the Loan Documents, Bank may, at its option, perform, or attempt to perform, such covenant, duty or agreement on behalf of any Obligated Party. In such event, Borrower will pay to Bank on demand any amount expended by Bank in such performance or attempted performance, together with interest thereon at the rate provided in the Note for past-due payments from the date of such expenditure by Bank until paid. Notwithstanding the foregoing, it is expressly understood that Bank does not assume and will never have any liability or responsibility for the performance of any duties of Borrower hereunder.

9.06 Rights Cumulative; Election of Remedies. All rights and remedies of Bank under the terms of this Loan Agreement will be cumulative of, and in addition to, the rights and remedies of Bank under any and all other agreements between Borrower and Bank (including, but not limited to, the other Loan Documents), and not in substitution or diminution of any rights and remedies now or hereafter held by Bank under the terms of any other agreement. Such rights and remedies may be pursued separately, successively or concurrently against Borrower, or any Obligated Party or any Property covered under the Loan Documents at the sole discretion of Bank. The exercise or failure to exercise any of the same will not constitute a waiver or release thereof or of any other Right, and the same will be nonexclusive.

9.07 Waiver of Deficiency Statute. In the event an interest in any of the Real Property Collateral is foreclosed upon pursuant to a judicial or nonjudicial foreclosure sale, Borrower agrees, notwithstanding the provisions of Sections 51.003, 51.004 and 51.005 of the Texas Property Code (as the same may be amended from time to time), and to the extent not prohibited by Governmental Requirements, that Bank shall be entitled to seek a deficiency judgment from Borrower, the Guarantors and any other Obligated Party equal to the difference between the Obligations and the amount for which the Real Property Collateral was sold pursuant to judicial or nonjudicial foreclosure sale. Borrower acknowledges and agrees that this waiver creates an irrebuttable presumption that the foreclosure sale price is equal to the fair market value of the Real Property Collateral for purposes of calculating deficiencies owed by Borrower, the Guarantors and the other Obligated Parties against whom recovery of a deficiency is sought.

ARTICLE X
Miscellaneous

10.01 Waiver and Agreement. Neither the failure nor any delay on the part of Bank to exercise any right, remedy, power or privilege herein or under any of the other Loan Documents will operate as a waiver thereof, nor will any single or partial exercise of such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No waiver of any provision in this Loan Agreement or in any of the other Loan Documents and no departure by any Obligated Party therefrom will be effective unless the same will be in writing and signed by Bank, and then will be effective only in the specific instance and for the purpose for which given and to the extent specified in such writing. No modification or amendment to this Loan Agreement or to any of the other Loan Documents will be valid or effective unless the same is signed by the party against whom it is sought to be enforced.

10.02 Benefits. This Loan Agreement will be binding upon and inure to the benefit of Bank and Borrower, and their respective successors and assigns, provided, however, that Borrower may not, without the prior written consent of Bank, assign or encumber any interests, rights, remedies, powers, duties or obligations under this Loan Agreement or any of the other Loan Documents.

10.03 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax or electronic communication as follows:

If to the Borrower, to: APLD Hosting, LLC, a Nevada limited liability company
Attention: Wesley Cummins
3811 Turtle Creek Blvd., # 2100
Dallas, Texas 75219

If to the Guarantor, to: Applied Blockchain, Inc., a Nevada corporation
Attention: Wesley Cummins
3811 Turtle Creek Blvd., # 2100
Dallas, Texas 75219

If to the Bank, to: Vantage Bank Texas, a Texas state bank
Attention: James R. Luttrell
4520 Camp Bowie Blvd.
Fort Worth, Texas 76107.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by fax shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications shall be effective as provided in Section 10.03(b).

(b) Unless the Bank otherwise prescribes: (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient; and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing Section 10.03(b)(i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Any party hereto may change its address, fax number or email address for notices and other communications hereunder by notice to the other parties hereto.

10.04 Continuation and Survival. All covenants, agreements, representations and warranties made in or pursuant to this Loan Agreement and the other Loan Documents will be deemed continuing and made at and as of the date of this Loan Agreement and at and as of all times thereafter. All statements contained in any certificate, financial statement, legal opinion or other instrument delivered by or on behalf of Borrower, the Guarantors or other Obligated Party pursuant to or in connection with any of the Loan Documents will constitute additional representations and warranties made under this Loan Agreement. All covenants, agreements, representations and warranties made in or pursuant to this Loan Agreement and the other Loan Documents will survive until payment in full of all sums owing and performance of all other obligations hereunder by Borrower to Bank and will not be waived by the execution and delivery of this Loan Agreement, any Advance, completion of construction of the Improvements, any investigation by Bank or any other event except a specific written waiver by Bank.

10.05 Usury. The parties hereto intend to conform strictly to the applicable Governmental Requirements pertaining to usury. In no event, whether by reason of demand for payment or acceleration of the maturity of the Obligations or otherwise, will the interest contracted for, charged or received by Bank hereunder or otherwise exceed the maximum amount permissible under applicable Governmental Requirements. If, from any circumstance whatsoever, interest would otherwise be payable to Bank in excess of the maximum lawful amount, the interest payable to Bank will be reduced automatically to the maximum amount permitted under applicable Governmental Requirements. If Bank will ever receive anything of value deemed interest under applicable Governmental Requirements which would apart from this provision be in excess of the maximum lawful amount, an amount equal to any amount which would have been excessive interest will be applied to the reduction of the principal amount owing on the Obligations in the inverse order of its maturity and not to the payment of interest, or if such amount which would have been excessive interest exceeds the unpaid principal balance of the Obligations, such excess will be refunded to Borrower. The interest and any other amounts that would have been payable in respect of any portion of the Obligations or during any period but were not payable as a result of the operation of this Section 10.05 shall be cumulated and the interest and other amounts on any other portion of the Obligations or periods shall be increased (but not above the maximum amount permitted under applicable Governmental Requirement) until such cumulated amount shall have been received by Bank. All interest paid or agreed to be paid to Bank will, to the extent permitted by applicable Governmental Requirements, be amortized, prorated, allocated and spread throughout the full stated term (including any renewal or extension) of such Indebtedness so that the amount of interest on account of such Indebtedness does not exceed the maximum permitted by applicable Governmental Requirements. The provisions of this Section 10.05 will control all existing and future agreements between Borrower and Bank.

10.06 No Third-Party Beneficiary. This Loan Agreement is for the sole benefit of Bank and Borrower and is not for the benefit of any third party.

10.07 Bank's Consent or Approval. Except where otherwise expressly provided in the Loan Documents, in any instance where the approval, consent or the exercise of judgment of Bank is required, the granting or denial of such approval or consent and the exercise of such judgment will be: (a) within the sole discretion of Bank; and (b) deemed to have been given only by a specific writing intended for the purpose and executed by Bank. Each provision for consent, approval, inspection, review or verification by Bank is for Bank's own purposes and benefit only.

10.08 Applicable Governmental Requirements. This Loan Agreement and the other Loan Documents have been executed and delivered in the State of Texas, are performable in Tarrant County, Texas, and will be governed by and construed in accordance with the Governmental Requirements of the State of Texas and the Governmental Requirements of the United States applicable to transactions within the State of Texas. Except to the extent that the Governmental Requirements of the United States may apply to the terms hereof, the substantive Governmental Requirements of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Loan Agreement and the other Loan Documents. In the event of a dispute involving this Loan Agreement, any other Loan Document or any other instrument executed in connection herewith, Borrower irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Tarrant County, Texas.

10.09 Loan Agreement Governs. This Loan Agreement, together with the other Loan Documents, comprise the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the terms of this Loan Agreement and any terms of any other Loan Document, the terms of this Loan Agreement will govern; provided, that the inclusion of supplemental rights or remedies in favor of Bank in any other Loan Document will not be deemed a conflict with this Loan Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and will be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.10 Time of Essence. Time will be of the essence in this Loan Agreement.

10.11 Invalid Provisions. If any provision of this Loan Agreement or any of the other Loan Documents is held to be illegal, invalid or unenforceable under present or future Governmental Requirements, such provision will be fully severable and the remaining provisions of this Loan Agreement or any of the other Loan Documents will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance.

10.12 Expenses of Bank. Borrower shall pay to Bank on demand: (a) all costs and expenses reasonably incurred by Bank in connection with the preparation, negotiation, execution and administration of this Loan Agreement and the other Loan Documents and any and all amendments, modifications, renewals, extensions, increases, and supplements thereof and thereto, including, without limitation, the fees and expenses of Bank's legal counsel and professionals; (b) all costs and expenses incurred by Bank

in connection with the enforcement, workout or restructure of this Loan Agreement or any other Loan Document, including, without limitation, the fees and expenses of Bank's legal counsel and professionals; and (c) all other costs and expenses reasonably incurred by Bank in connection with this Loan Agreement or any other Loan Document, including, without limitation, all costs, expenses, taxes, assessments, filing fees and other charges levied by a Governmental Authority or otherwise payable in respect of this Loan Agreement or any other Loan Document.

10.13 INDEMNIFICATION OF BANK. BORROWER AND GUARANTORS HEREBY AGREE TO INDEMNIFY, DEFEND AND HOLD THE BANK AND ITS OFFICERS, AGENTS, DIRECTORS, EMPLOYEES AND COUNSEL (EACH AN "INDEMNIFIED PERSON") HARMLESS FROM AND AGAINST ANY AND ALL LOSS, LIABILITY, OBLIGATION, DAMAGE, PENALTY, JUDGMENT, CLAIM, DEFICIENCY AND EXPENSE (INCLUDING INTEREST, PENALTIES, ATTORNEY'S FEES AND AMOUNT PAID IN SETTLEMENT) TO WHICH ANY INDEMNIFIED PERSON MAY BECOME SUBJECT, ARISING OUT OF OR BASED UPON THE LOAN, THE LOAN DOCUMENTS, THE TRANSACTIONS CONTEMPLATED THEREBY OR OTHERWISE, INCLUDING WITHOUT LIMITATION, ANY AND ALL LOSS, LIABILITY, OBLIGATION, DAMAGE, PENALTY, JUDGMENT, CLAIM, DEFICIENCY OR EXPENSE RESULTING FROM THE BANK'S SOLE OR CONTRIBUTORY NEGLIGENCE, EXCEPT TO THE EXTENT ANY SUCH LOSS, LIABILITY, OBLIGATION, DAMAGE, PENALTY, JUDGMENT, CLAIM, DEFICIENCY OR EXPENSE IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF AN INDEMNIFIED PERSON.

10.14 Participation of the Loan. Borrower agrees that Bank may, at its option, sell interests in the Loan and its rights and remedies under this Loan Agreement to one or more financial institutions or other Person acceptable to Bank and, in connection with each such sale, Bank may disclose any financial and other information available to Bank concerning Borrower or any Obligated Party to each prospective purchaser.

10.15 Counterparts; Facsimile Documents and Signatures. This Loan Agreement may be separately executed in any number of counterparts, each of which will be an original, but all of which, taken together, will be deemed to constitute one and the same instrument. For purposes of negotiating and finalizing this Loan Agreement, if this document or any document executed in connection with it is transmitted by facsimile machine, electronic mail or other electronic transmission, it will be treated for all purposes as an original document. Additionally, the signature of any party on this document transmitted by way of a facsimile machine or electronic mail will be considered for all purposes as an original signature. Any such transmitted document will be considered to have the same binding legal effect as an original document. At the request of any party, any faxed or electronically transmitted document will be re-executed by each signatory party in an original form.

10.16 Imaging of Documents. Borrower understands and agrees that: (a) Bank's document retention policy may involve the electronic imaging of executed Loan Documents and the destruction of the paper originals; and (b) Borrower waives any right that it may have to claim that the imaged copies of the Loan Documents are not originals.

10.17 No Oral Agreements. The term "WRITTEN AGREEMENT" will include this Loan Agreement, together with each and every other document relating to and/or securing the Obligations, regardless of the date of execution. **THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

10.18 Confidentiality. In handling any confidential information of Borrower or Guarantor, subject to Bank's compliance and legal requirements, Bank and all employees and agents of Bank shall exercise the same degree of care that Bank exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to or relating to this Loan Agreement or the Loan Documents except that disclosure of such information may be made: (a) to the subsidiaries or Affiliates of Bank in connection with their present or prospective business relations with Borrower; (b) to prospective transferees or purchasers of any interest in the Loans who have agreed to be bound by this Section 10.18; (c) by either Bank or Borrower as required by law, regulations, rule or order, subpoena, judicial order or similar order; (d) to Bank's accountants, auditors and regulators as may be required in connection with the examination, audit or similar investigation of Bank; and (e) as Bank may determine in connection with the enforcement of any remedies hereunder. Confidential information hereunder shall not include information that either: (y) is in the public domain or in the knowledge or possession of Bank when disclosed to Bank, or becomes part of the public domain after disclosure to Bank through no fault of Bank; or (z) is disclosed to Bank by a third party, provided Bank does not have actual knowledge that such third party is prohibited from disclosing such information.

[Signature Page Follows]

Executed effective as of the date first written above.

BORROWER:

APLD HOSTING, LLC, a Nevada limited liability company

By: /s/ Wesley Cummins
Wesley Cummins, Manager

By: /s/ David Rench
David Rench, Manager

GUARANTOR:

APPLIED BLOCKCHAIN, INC., a Nevada corporation

By: /s/ Wesley Cummins
Wesley Cummins, President

BANK:

VANTAGE BANK TEXAS, a Texas state bank

By: /s/ James R. Luttrell
James R. Luttrell, Executive Vice President

EXHIBIT "A"

Legal Description of the Land

Auditor's Lot 17-2A, of Auditor's Lot 17--2 within the SE 1/4 of Section 17, Township 141 North, Range 63 West of the Fifth Principal Meridian, Fried Township, Stutsman County, North Dakota, pursuant to the plat filed for record as Document No. 0239414.

Exhibit 10.21

CONTINUING GUARANTY AGREEMENT

THIS CONTINUING GUARANTY AGREEMENT (**"Guaranty"**) is made as of the 11th day of March, 2022, by APPLIED BLOCKCHAIN, INC., a Nevada corporation (the **"Guarantor"**), for the benefit of VANTAGE BANK TEXAS, a Texas state bank (the **"Lender"**).

WITNESSETH:

WHEREAS, Lender has or in the future may extend credit to APLD Hosting, LLC, a Nevada limited liability company (the **"Borrower"**), said loans and other extensions of credit to be on such terms as may be acceptable to Borrower and Lender;

WHEREAS, Lender is only willing to make these loans and other extensions of credit to Borrower, if Guarantor agrees to execute and deliver this Guaranty; and

WHEREAS, Guarantor will benefit, directly or indirectly, from the loans and extensions of credit Lender has or will make to Borrower in the future.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, and as a material inducement to Lender to make the loan or loans described herein to Borrower, Guarantor hereby guarantees to Lender the prompt and full payment and performance of the Guaranteed Indebtedness when due or declared to be due and at all times thereafter.

1. The term **"Guaranteed Indebtedness"** shall mean: (a) all indebtedness, obligations and liabilities of Borrower to Lender of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisitions by Lender, be or have been payable to or in favor of a third party and subsequently acquired by Lender (it being contemplated that Lender may make such acquisitions from third parties), including without limitation all principal indebtedness owing by Borrower to Lender now existing or hereafter arising under or evidenced by that one certain Promissory Note dated March 11, 2022, in the original principal amount of Seven Million Five Hundred Thousand and No/100ths Dollars ($7,500,000.00), executed by Borrower and payable to the order of Lender and all indebtedness, obligations and liabilities of Borrower to Lender now existing or hereafter arising by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement or otherwise; (b) all accrued but unpaid interest on any of the indebtedness described in Section 1(a) above; (c) all obligations of Borrower to Lender under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness described in Sections 1(a) and (b) above (collectively, the **"Loan Documents");** (d) all costs and expenses incurred by Lender in connection with the collection and administration of all or any part of the indebtedness and obligations described in Sections 1(a), (b) and (c) above or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness and obligations, including without limitation all reasonable attorneys' fees; and (e) all renewals, extensions, modifications and rearrangements of the indebtedness and obligations described in Sections 1(a), (b), (c), and (d) above.

2. Continuing Guaranty. This is a "Continuing Guaranty" under which Guarantor agrees to guarantee the full and punctual payment, performance and satisfaction of all indebtedness Borrower now or hereafter owes to Lender, on a continuing basis. Accordingly, any payments made on the Guaranteed Indebtedness will not discharge or diminish Guarantor's obligations and liability under this Guaranty for any remaining and succeeding indebtedness, even if all or part of the Guaranteed Indebtedness may have a zero balance from time to time.

3. Duration of the Guaranty. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all the Guaranteed Indebtedness has been repaid and Lender shall have released Guarantor in writing from any further liability under this Guaranty. Notwithstanding the above, Guarantor can revoke this Guaranty at any time as to any future indebtedness. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed herein, or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to new Indebtedness created after actual receipt by Lender of Guarantor's written revocation.

4. Character of Obligations.

   (a) This is an absolute, continuing and unconditional guaranty of payment and not of collection and if at any time or from time to time there is no outstanding Guaranteed Indebtedness, the obligations of Guarantor with respect to any and all Guaranteed Indebtedness incurred thereafter shall not be affected. This Guaranty and the Guarantor's obligations hereunder are irrevocable and, in the event of Guarantor's death, shall be binding upon Guarantor's estate. All of the Guaranteed Indebtedness shall be conclusively presumed to have been made or acquired in acceptance hereof. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Guaranteed Indebtedness.

   (b) Lender may, at its sole discretion and without impairing its rights hereunder: (i) apply any payments on the Guaranteed Indebtedness that Lender receives from Borrower or any other source other than Guarantor to that portion of the Guaranteed Indebtedness, if any, not guaranteed hereunder; and (ii) apply any proceeds it receives as a result of the foreclosure or other realization on any collateral for the Guaranteed Indebtedness to that portion, if any, of the Guaranteed Indebtedness not guaranteed hereunder or to any other indebtedness secured by such collateral.

   (c) Guarantor agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by the existence of any other guaranty or the payment by any other guarantor of all or any part of the Guaranteed Indebtedness.

   (d) Guarantor's obligations hereunder shall not be released, diminished, impaired, reduced or affected by, nor shall any provision contained herein be deemed to be a limitation upon, the amount of credit which Lender may extend to Borrower, the number of transactions between Lender and Borrower, payments by Borrower to Lender or Lender's allocation of payments by Borrower.

   (e) Without further authorization from or notice to Guarantor, Lender may compromise, accelerate or otherwise alter the time or manner for the payment of the Guaranteed Indebtedness, increase or reduce the rate of interest thereon, or release or add any one or more guarantors or endorsers or allow substitution of or withdrawal of collateral or other security and release collateral and other security or subordinate the same.

5. Representations and Warranties. Guarantor hereby represents and warrants the following to Lender:

(a) This Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor, and: (i) if Guarantor is a corporation, the Board of Directors of Guarantor has determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor; (ii) if Guarantor is a partnership, the requisite number of its partners have determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor; or (iii) if Guarantor is a limited liability company, the requisite number of its members/managers have determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor; and

(b) Guarantor is familiar with, and has independently reviewed the books and records regarding, the financial condition of Borrower and is familiar with the value of any and all collateral intended to be security for the payment of all or any part of the Guaranteed Indebtedness; provided, however, Guarantor is not relying on such financial condition or collateral as an inducement to enter into this Guaranty; and

(c) Guarantor has adequate means to obtain from Borrower on a continuing basis information concerning the financial condition of Borrower and Guarantor is not relying on Lender to provide such information to Guarantor either now or in the future; and

(d) Guarantor has the power and authority to execute, deliver and perform this Guaranty and any other agreements executed by Guarantor contemporaneously herewith, and the execution, delivery and performance of this Guaranty and any other agreements executed by Guarantor contemporaneously herewith do not and will not violate: (i) any agreement or instrument to which Guarantor is a party; (ii) any law, rule, regulation or order of any governmental authority to which Guarantor is subject; or (iii) its articles or certificate of incorporation or bylaws, if Guarantor is a corporation, its certificate of formation or company agreement, if Guarantor is a limited liability company, or its partnership agreement, if Guarantor is a partnership; and

(e) Neither Lender nor any other party has made any representation, warranty or statement to Guarantor in order to induce Guarantor to execute this Guaranty; and

(f) The financial statements and other financial information regarding Guarantor heretofore and hereafter delivered to Lender are and shall be true and correct in all material respects and fairly present the financial position of Guarantor as of the dates thereof, and no material adverse change has occurred in the financial condition of Guarantor reflected in the financial statements and other financial information regarding Guarantor heretofore delivered to Lender since the date of the last statement thereof; and

(g) As of the date hereof, and after giving effect to this Guaranty and the obligations evidenced hereby: (i) Guarantor is and will be solvent; (ii) the fair saleable value of Guarantor's assets exceeds and will continue to exceed its liabilities (both fixed and contingent); (iii) Guarantor is and will continue to be able to pay its debts as they mature; and (iv) if Guarantor is not an individual, Guarantor has and will continue to have sufficient capital to carry on its business and all businesses in which it is about to engage.

6. Covenants. Guarantor hereby covenants and agrees with Lender as follows:

(a) Guarantor shall not, so long as Guarantor's obligations under this Guaranty continue, sell, lease, transfer, encumber, pledge or otherwise dispose of any material portion of Guarantor's assets or any interest therein, otherwise than in the ordinary course of business or on terms materially less favorable than would be obtained in an arms-length transaction, without Lender's prior written consent; and

(b) Guarantor shall promptly furnish to Lender at any time and from time to time such financial statements and other financial information of Guarantor as the Lender may reasonably require, in form and substance satisfactory to Lender; and

(c) Guarantor shall comply with all terms and provisions of the Loan Documents that apply to Guarantor; and

(d) Guarantor shall promptly inform Lender of: (i) any litigation or governmental investigation against Guarantor or affecting any security for all or any part of the Guaranteed Indebtedness or this Guaranty which, if determined adversely, might have a material adverse effect upon the financial condition of Guarantor or upon such security or might cause a default under any of the Loan Documents; (ii) any claim or controversy which might become the subject of such litigation or governmental investigation; and (iii) any material adverse change in the financial condition of Guarantor.

7. Consent and Waiver.

(a) Guarantor waives: (i) promptness, diligence and notice of acceptance of this Guaranty and notice of the incurring of any obligation, indebtedness or liability to which this Guaranty applies or may apply and waives presentment for payment, notice of nonpayment, protest, demand, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, diligence in enforcement and indulgences of every kind; and (ii) the taking of any other action by Lender, including without limitation giving any notice of default or any other notice to, or making any demand on, Borrower, any other guarantor of all or any part of the Guaranteed Indebtedness or any other party.

(b) Lender may at any time, without the consent of or notice to Guarantor, without incurring responsibility to Guarantor and without impairing, releasing, reducing or affecting the obligations of Guarantor hereunder: (i) change the manner, place or terms of payment of all or any part of the Guaranteed Indebtedness, or renew, extend, modify, rearrange or alter all or any part of the Guaranteed Indebtedness; (ii) change the interest rate accruing on any of the Guaranteed Indebtedness (including, without limitation, any periodic change in such interest rate that occurs because such Guaranteed Indebtedness accrues interest at a variable rate which may fluctuate from time to time); (iii) sell, exchange, release, surrender, subordinate, realize upon or otherwise deal with in any manner and in any order any collateral for all or any part of the Guaranteed Indebtedness or this Guaranty or setoff against all or any part of the Guaranteed Indebtedness; (iv) neglect, delay, omit, fail or refuse to take or prosecute any action for the collection of all or any part of the Guaranteed Indebtedness or this Guaranty or to take or prosecute any action in connection with any of the Loan Documents; (v) exercise or refrain from exercising any rights against Borrower or others, or otherwise act or refrain from acting; (vi) settle or compromise all or any part of the Guaranteed Indebtedness and subordinate the payment of all or any part of the Guaranteed Indebtedness to the payment of any obligations, indebtedness or liabilities which may be due or become due to Lender or others; (vii) apply any deposit balance, fund, payment, collections through process of law or otherwise or other collateral of Borrower to the satisfaction and liquidation of the indebtedness or obligations of Borrower to Lender not guaranteed under this Guaranty; and (viii) apply any sums paid to Lender by Guarantor, Borrower or others to the Guaranteed Indebtedness in such order and manner as Lender, in its sole discretion, may determine.

(c) Should Lender seek to enforce the obligations of Guarantor hereunder by action in any court or otherwise, Guarantor waives any requirement, substantive or procedural, that: (i) Lender first enforce any rights or remedies against Borrower or any other person or entity liable to Lender for all or any part of the Guaranteed Indebtedness, including without limitation that a judgment first be rendered against Borrower or any other person or entity, or that Borrower or any other person or entity should be joined in such cause; or (ii) Lender first enforce rights against any collateral which shall ever have been given to secure all or any part of the Guaranteed Indebtedness or this Guaranty. Such waiver shall be without prejudice to Lender's right, at its option, to proceed against Borrower or any other person or entity, whether by separate action or by joinder.

(d) In addition to any other waivers, agreements and covenants of Guarantor set forth herein, Guarantor hereby further waives and releases all claims, causes of action, defenses and offsets for any act or omission of Lender, its directors, officers, employees, representatives or agents in connection with Lender's administration of the Guaranteed Indebtedness, except for Lender's willful misconduct and gross negligence.

(e) Guarantor grants to Lender a contractual security interest in, and hereby assigns, conveys, delivers, pledges and transfers to Lender all Guarantor's right, title and interest in and to Guarantor's accounts with Lender (whether checking, savings or some other account), including without limitation all accounts held jointly with someone else and all accounts Guarantor may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Guarantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Guaranteed Indebtedness against any and all such accounts.

(f) To the extent not prohibited by applicable law, Guarantor waives: (i) each of Guarantor's rights or defenses, regardless of whether they arise under: (A) Rule 31 of the Texas Rules of Civil Procedure; (B) Section 17.001 of the Texas Civil Practice and Remedies Code; or (C) any other statute or law, common law, in equity, under contract or otherwise, or under any amendments, recodifications, supplements or any successor statute or law of or to any such statute or law; and (ii) any and all rights under Sections 51.003, 51.004 and 51.005 of the Texas Property Code, and under any amendments, recodifications, supplements or any successor statute or law of or to any such statute or law. The parties intend that Guarantor shall not be considered a "debtor" as defined in Section 9.102 of the Texas Business and Commerce Code (and any successor statute thereto).

8. Obligations Not Impaired.

(a) Guarantor agrees that its obligations hereunder shall not be released, diminished, impaired, reduced or affected by the occurrence of any one or more of the following events: (i) the death, disability or lack of corporate power of Borrower, Guarantor (except as provided in Section 10 herein) or any other guarantor of all or any part of the Guaranteed Indebtedness; (ii) any receivership, insolvency, bankruptcy or other proceedings affecting Borrower, Guarantor or any other guarantor of all or any part of the Guaranteed Indebtedness, or any of their respective property; (iii) the partial or total release or discharge of Borrower or any other guarantor of all or any part of the Guaranteed Indebtedness, or any other person or entity from the performance of any obligation contained in any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Indebtedness, whether occurring by reason of law or otherwise; (iv) the taking or accepting of any collateral for all or any part of the Guaranteed Indebtedness or this Guaranty; (v) the taking or accepting of any other guaranty for all or any part of the Guaranteed Indebtedness; (vi) any failure by Lender to acquire, perfect or continue any lien or security interest on collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty; (vii) the impairment of any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty; (viii) any failure by Lender to sell any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty in a commercially reasonable manner or as otherwise required by law; (ix) any invalidity or unenforceability of or defect or deficiency in any of the Loan Documents; or (x) any other circumstance which might otherwise constitute a defense available to, or discharge of, Borrower or any other guarantor of all or any part of the Guaranteed Indebtedness.

(b) This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any part of the Guaranteed Indebtedness is rescinded or must otherwise be returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower, Guarantor, any other guarantor of all or any part of the Guaranteed Indebtedness or otherwise, all as though such payment had not been made.

(c) In the event Borrower is a limited liability company, corporation, joint stock association or partnership, or is hereafter any such entity, none of the following shall affect Guarantor's liability hereunder: (i) the unenforceability of all or any part of the Guaranteed Indebtedness against Borrower by reason of the fact that the Guaranteed Indebtedness exceeds the amount permitted by law; (ii) the act of creating all or any part of the Guaranteed Indebtedness is *ultra vires;* or (iii) the officers or partners creating all or any part of the Guaranteed Indebtedness acted in excess of their authority. Guarantor hereby acknowledges that withdrawal from, or termination of, any ownership interest in Borrower now or hereafter owned or held by Guarantor shall not alter, affect or in any way limit the obligations of Guarantor hereunder.

9. Actions Against Guarantor. In the event of a default in the payment or performance of all or any part of the Guaranteed Indebtedness when such Guaranteed Indebtedness becomes due, whether by its terms, by acceleration or otherwise, Guarantor shall, without notice or demand, promptly pay the amount due thereon to Lender, in lawful money of the United States, at Lender's address set forth herein. One or more successive or concurrent actions may be brought against Guarantor, either in the same action in which Borrower is sued or in separate actions, as often as Lender deems advisable. The exercise by Lender of any right or remedy under this Guaranty or under any other agreement or instrument, at law, in equity or otherwise, shall not preclude concurrent or subsequent exercise of any other right or remedy. The books and records of Lender shall be admissible as evidence in any action or proceeding involving this Guaranty and shall be prima facie evidence of the payments made on, and the outstanding balance of, the Guaranteed Indebtedness.

10. Notice of Sale. In the event that Guarantor is entitled to receive any notice of the sale or other disposition of any collateral securing all or any part of the Guaranteed Indebtedness or this Guaranty, reasonable notice shall be deemed given when such notice is deposited in the United States mail, postage prepaid, at the address for Guarantor set forth herein, ten (10) days prior to the date any public sale, or after which any private sale, of any such collateral is to be held; provided, however, that notice given in any other reasonable manner or at any other reasonable time shall be sufficient.

11. Waiver by Lender. No delay on the part of Lender in exercising any right hereunder or failure to exercise the same shall operate as a waiver of such right. In no event shall any waiver of the provisions of this Guaranty be effective unless the same be in writing and signed by an officer of Lender, and then only in the specific instance and for the purpose given.

12. Successors and Assigns. This Guaranty is for the benefit of Lender, its successors and assigns. This Guaranty is binding upon Guarantor and Guarantor's successors, including without limitation any person or entity obligated by operation of law upon the reorganization, merger, consolidation or other change in the organizational structure of Guarantor.

13. Costs and Expenses. Guarantor shall pay on demand by Lender all actual out-of-pocket costs and expenses, including without limitation all reasonable attorneys' fees, incurred by Lender in connection with the preparation, administration, enforcement and/or collection of this Guaranty. This covenant shall survive the payment of the Guaranteed Indebtedness.

14. Severability. If any provision of this Guaranty is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Guaranty and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

15. No Obligation. Nothing contained herein shall be construed as an obligation on the part of Lender to extend or continue to extend credit to Borrower.

16. Amendment. No modification or amendment of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall be effective unless the same shall be in writing and signed by an officer of Lender, and then shall be effective only in the specific instance and for the purpose for which given.

17. Cumulative Rights. All rights and remedies of Lender hereunder are cumulative of each other and of every other right or remedy which Lender may otherwise have at law or in equity or under any instrument or agreement, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies. This Guaranty, whether general, specific and/or limited, shall be in addition to and cumulative of, and not in substitution, novation or discharge of, any and all prior or contemporaneous guaranty agreements by Guarantor in favor of Lender or assigned to Lender by others.

18. Governing Law. Venue . This Guaranty is intended to be performed in the State of Texas. Except to the extent that the laws of the United States may apply to the terms hereof, the substantive laws of the State of Texas shall govern the validity, construction, enforcement and interpretation of this Guaranty. In the event of a dispute involving this Guaranty or any other instruments executed in connection herewith, the undersigned irrevocably agrees that venue for such dispute shall lie in any court of competent jurisdiction in Tarrant County, Texas.

19. Compliance with Applicable Usury Laws. Notwithstanding any other provision of this Guaranty or of any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Indebtedness, Guarantor and Lender by its acceptance hereof agree that Guarantor shall never be required or obligated to pay interest in excess of the maximum non-usurious interest rate as may be authorized by applicable law for the written contracts which constitute the Guaranteed Indebtedness. It is the intention of Guarantor and Lender to conform strictly to the applicable laws which limit interest rates, and any of the aforesaid contracts for interest, if and to the extent payable by Guarantor, shall be held to be subject to reduction to the maximum non-usurious interest rate allowed under said law.

20. Subordination of Borrower's Debts to Guarantor. Guarantor agrees that the Guaranteed Indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Guaranteed Indebtedness. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment of the Guaranteed Indebtedness.

21. Notices. All notices or other communications required or permitted to be given pursuant to this Guaranty shall be in writing and shall be considered as properly given if: (a) mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested; (b) by delivering same in person to the intended addressee; (c) by delivery to a reputable independent third party commercial delivery service for same day or next day delivery and providing for evidence of receipt at the office of the intended addressee; or (d) by fax or email transmission to the intended addressee. A notice sent by mail shall be effective upon its deposit with the United States Postal Service or any successor thereto, notice sent by such a commercial delivery service shall be effective upon delivery to such commercial delivery service, notice given by personal delivery shall be effective only if and when received by the addressee and notice given by other means shall be effective only if and when received by the intended addressee. For purposes of notice, the addresses of the parties shall be as set forth below; provided, however, that either party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' prior notice to the other party in the manner set forth herein.

Guarantor:	Lender:
Applied Blockchain, Inc. 3811 Turtle Creek Blvd., # 2100 Dallas, Texas 75219	Vantage Bank Texas 4520 Camp Bowie Blvd. Fort Worth, Texas 76107

22. Entire Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Page Follows]

EXECUTED effective as of the date first above written.

GUARANTOR:

APPLIED BLOCKCHAIN, INC., a Nevada corporation

By: /s/ Wesley Cummins

Wesley Cummins, President

Exhibit 23.5

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of Applied Blockchain, Inc. on Amendment No. 4 to the Form S-1 File No. 333-261278 of our report dated August 13, 2021, with respect to our audits of the consolidated financial statements of Applied Blockchain, Inc. as of May 31, 2021 and 2020, and for the two year period then ended, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

/s/ Marcum llp

Marcum llp
New York, NY
March 28, 2022

Exhibit 107

Calculation of Filing Fee Table

Form S-1
(Form Type)

Applied Blockchain, Inc.
(Exact Name of Registrant As Specified in its Charter)

Table 1: Newly Registered Securities

	Security Type	Security Class Title	Fee Calculation Rule	Amount Registered	Proposed Maximum Offering Price Per Unit	Maximum Aggregate Offering Price[(1)(2)]	Fee Rate	Amount of Registration Fee
Newly Registered Securities								
Fees Previously Paid	Equity	Common Stock, $0.001 par value per share	457(o)			$ 75,000,000	0.0000927	$ 6,952.50
	Total Offering Amounts					$ 75,000,000		$ 6,952.50
	Total Fees Previously Paid							$ 6,952.50
	Total Fee Offsets							$ 0.00
	Net Fees Due							$ 0.00

(1) Pursuant to Rule 416, the securities being registered hereunder include such indeterminate number of additional securities as may be issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(2) Includes shares subject to the underwriters' option to purchase additional shares, if any.