

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2025

OR

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

For the transition period from _____ and _____

Commission file number: 001-31968

APPLIED DIGITAL CORPORATION
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

95-4863690

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

3811 Turtle Creek Boulevard, Suite 2100, Dallas, Texas

(Address of Principal Executive Offices)

75219

(Zip Code)

(214) 427-1704

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	APLD	Nasdaq Global Select Market

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

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

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

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

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

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

As of October 8, 2025, 279,685,875 shares of common stock, \$0.001 par value, were outstanding.

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Part I - Financial Information

Item 1. Financial Statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES Condensed Consolidated Balance Sheets (Unaudited) (In thousands, except share and par value data)

	August 31, 2025	May 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73,911	\$ 41,552
Restricted cash:		
Funds for construction	2,851	41,026
Letters of credit	37,342	31,342
Accounts receivable	29,134	3,043
Prepaid expenses and other current assets	188,491	9,430
Current assets held for sale	310,006	304,200
Total current assets	641,735	430,593
Property and equipment, net	1,461,775	1,206,341
Operating lease right of use assets, net	810	960
Finance lease right of use assets, net	16,893	17,820
Other assets	277,782	214,376
TOTAL ASSETS	\$ 2,398,995	\$ 1,870,090
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 172,823	\$ 247,528
Accrued liabilities	182,948	29,549
Current portion of operating lease liability	688	692
Current portion of finance lease liability	11,951	13,633
Current portion of debt	382,056	10,331
Customer deposits	16,752	16,125
Deferred revenue	626	—
Due to customer	3,054	4,807
Current liabilities held-for-sale	188,215	216,047
Other current liabilities	26,380	19,432
Total current liabilities	985,493	558,144
Long-term portion of operating lease liability	220	381
Long-term portion of finance lease liability	11	15
Long-term debt	305,283	677,825
Total liabilities	1,291,007	1,236,365
Commitments and contingencies (Note 14)		
Temporary equity		
Series E preferred stock, \$ 0.001 par value, 2,000,000 shares authorized, 301,673 shares issued and outstanding at August 31, 2025, and 301,673 shares issued and outstanding at May 31, 2025	6,932	6,932
Series E-1 preferred stock, \$ 0.001 par value, 62,500 shares authorized, 62,500 shares issued and 62,260 shares outstanding at August 31, 2025, and 62,500 shares issued and 62,485 shares outstanding at May 31, 2025	56,796	57,011
Series G preferred stock, \$ 0.001 par value, 156,000 shares authorized, no shares issued and outstanding at August 31, 2025, and 78,000 shares issued and outstanding at May 31, 2025	—	72,094
Stockholders' equity:		
Common stock, \$ 0.001 par value, 400,000,000 shares authorized, 278,584,101 shares issued and 269,292,902 shares outstanding at August 31, 2025, and 234,200,868 shares issued and 224,909,669 shares outstanding at May 31, 2025	274	230
Treasury stock, 9,291,199 shares at August 31, 2025 and 9,291,199 shares at May 31, 2025, at cost	(31,400)	(31,400)
Additional paid in capital	1,573,367	1,009,913
Accumulated deficit	(497,981)	(481,055)
Total stockholders' equity attributable to Applied Digital Corporation	1,044,260	497,688
TOTAL LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY	\$ 2,398,995	\$ 1,870,090

See accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except share and per share data)

	Three Months Ended	
	August 31, 2025	August 31, 2024
Revenue:		
Revenue	\$ 64,216	\$ 32,923
Related party revenue	—	1,926
Total revenue	64,216	34,849
Costs and expenses:		
Cost of revenues	55,606	22,743
Selling, general and administrative ⁽¹⁾	29,152	10,993
Gain on classification of held for sale ⁽²⁾	—	(24,808)
Loss on abandonment of assets	1,751	628
Total costs and expenses	86,509	9,556
Operating (loss) income	(22,293)	25,293
Interest expense, net	3,946	2,959
Loss on change in fair value of debt	—	6,422
Net (loss) income from continuing operations before income tax expense	(26,239)	15,912
Income tax expense	8	—
Net (loss) income from continuing operations	(26,247)	15,912
Net (loss) income from discontinued operations	9,321	(20,159)
Net loss	(16,926)	(4,247)
Preferred dividends	(1,576)	(44)
Net loss attributable to common stockholders	\$ (18,502)	\$ (4,291)
Net loss attributable to common stockholders		
Continuing operations	\$ (27,823)	\$ 15,868
Discontinued operations	9,321	(20,159)
Net loss	\$ (18,502)	\$ (4,291)
Basic and diluted net loss per share attributable to common stockholders		
Continuing operations	\$ (0.11)	\$ 0.11
Discontinued operations	\$ 0.04	\$ (0.14)
Basic and diluted net loss per share	\$ (0.07)	\$ (0.03)
Basic and diluted weighted average number of shares outstanding	255,892,902	149,099,336

⁽¹⁾ Includes related party selling, general and administrative expense of \$0.1 million for each of the three months ended August 31, 2025 and August 31, 2024, respectively. See Note 6 - Related Party Transactions for further discussion of related party transactions.

⁽²⁾ Includes \$25 million received in connection with the sale of our Garden City facility once conditional approval requirements were met and escrowed funds were released during the three months ended August 31, 2024.

See accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Unaudited)
For the Three Months ended August 31, 2025 and August 31, 2024
(In thousands, except share data)

	Temporary Equity						Permanent Equity						
	Series E Redeemable Preferred Stock		Series E-1 Redeemable Preferred Stock		Series G Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, May 31, 2025	301,673	\$ 6,932	62,485	\$ 57,011	78,000	\$ 72,094	234,200,868	\$ 230	(9,291,199)	\$ (31,400)	\$ 1,009,913	\$ (481,055)	\$ 497,688
Issuance of common stock from stock compensation plans	—	—	—	—	—	—	897,022	1	—	—	(1)	—	—
Tax payments for restricted stock upon vesting	—	—	—	—	—	—	—	—	—	—	(4,497)	—	(4,497)
Issuance of Preferred Stock, net of costs	—	—	—	10	180,000	170,386	—	—	—	—	—	—	—
Shares issued in offering, net of costs	—	—	—	—	—	—	15,320,373	15	—	—	190,406	—	190,421
Conversion of warrants	—	—	—	—	—	—	188	—	—	—	1	—	1
Issuance of warrants, at fair value	—	—	—	—	—	—	—	—	—	—	121,204	—	121,204
Conversion of Series G	—	—	—	—	(258,000)	(242,480)	28,165,650	28	—	—	242,452	—	242,480
Preferred stock dividends	—	—	—	—	—	—	—	—	—	—	(1,576)	—	(1,576)
Preferred stock redemption	—	—	(225)	(225)	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	15,465	—	15,465
Net loss	—	—	—	—	—	—	—	—	—	—	—	(16,926)	(16,926)
Balance, August 31, 2025	301,673	\$ 6,932	62,260	\$ 56,796	—	\$ —	278,584,101	\$ 274	(9,291,199)	\$ (31,400)	\$ 1,573,367	\$ (497,981)	\$ 1,044,260

	Temporary Equity				Permanent Equity						
	Series E Redeemable Preferred Stock		Series F Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, May 31, 2024	—	\$ —	—	\$ —	144,083,944	\$ 144	(5,032,802)	\$ (62)	\$ 374,738	\$ (249,990)	\$ 124,830
Shares issued in offering, net of costs	—	—	—	—	6,124,218	6	—	—	31,015	—	31,021
Issuance of common stock from stock compensation plans	—	—	—	—	769,908	1	—	—	(1)	—	—
Conversions of debt	—	—	—	—	11,392,978	11	—	—	56,190	—	56,201
Issuance of other common stock	—	—	—	—	100,000	—	—	—	519	—	519
Issuance of warrants, at fair value	—	—	—	—	—	—	—	—	36,479	—	36,479
Issuance of Preferred Stock, net of costs	301,673	6,932	53,191	48,350	—	—	—	—	6	—	6
Preferred Stock Dividends	—	—	—	—	—	—	—	—	—	(44)	(44)
Stock-based compensation	—	—	—	—	—	—	—	—	(2,919)	—	(2,919)
Net loss	—	—	—	—	—	—	—	—	—	(4,247)	(4,247)
Balance, August 31, 2024	301,673	\$ 6,932	53,191	\$ 48,350	162,471,048	\$ 162	(5,032,802)	\$ (62)	\$ 496,027	\$ (254,281)	\$ 241,846

See accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited) (In thousands)

	Three Months Ended	
	August 31, 2025	August 31, 2024
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (16,926)	\$ (4,247)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,152	34,316
Stock-based compensation	15,465	(2,919)
Lease expense	5,381	7,659
Amortization of debt issuance costs	4,851	2,769
Gain on classification of held for sale	—	(24,808)
Loss on change in fair value of debt	—	6,422
Loss on abandonment of assets	1,751	628
Changes in operating assets and liabilities:		
Accounts receivable	(29,525)	1,549
Prepaid expenses and other current assets	(6,962)	(721)
Customer deposits	627	(143)
Related party customer deposits	—	(1,549)
Deferred revenue	(2,316)	(20,807)
Related party deferred revenue	—	(1,692)
Accounts payable	(77,784)	(77,537)
Accrued liabilities	28,684	9,738
Due to customer	(1,753)	4,209
Lease assets and liabilities	(9,598)	(8,757)
Other assets	1,930	—
CASH FLOW USED IN OPERATING ACTIVITIES	(82,023)	(75,890)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(249,420)	(54,798)
Proceeds from satisfaction of contingency on sale of assets	—	25,000
Finance lease prepayments	—	(2,808)
CASH FLOW USED IN INVESTING ACTIVITIES	(249,420)	(32,606)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of finance leases	(29,932)	(26,049)
Borrowings of long-term debt	65	105,000
Repayments of long-term debt	(2,416)	(5,886)
Payment of deferred financing costs	(1)	(8,484)
Tax payments for restricted stock upon vesting	(4,497)	—
Proceeds from issuance of common stock	196,366	31,590
Common stock issuance costs	(5,945)	(44)
Proceeds from issuance of preferred stock	175,000	60,726
Preferred stock issuance costs	(4,604)	(5,444)
Redemption of preferred stock	(225)	—
Dividends issued on preferred stock	(1,576)	(44)
Exercise of warrants	1	—
Proceeds from issuance of SAFE agreement included in long-term debt	—	12,000
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	322,236	163,365
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(9,207)	54,869
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD, INCLUDING CASH FROM DISCONTINUED OPERATIONS	123,318	31,688
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD, INCLUDING CASH FROM DISCONTINUED OPERATIONS	114,111	86,557
Less: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH FROM DISCONTINUED OPERATIONS	7	9
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH FROM CONTINUING OPERATIONS	\$ 114,104	\$ 86,548

See accompanying notes to the unaudited condensed consolidated financial statements

	Three Months Ended	
	August 31, 2025	August 31, 2024
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 9,039	\$ 5,511
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Finance right-of-use assets obtained by lease obligation	\$ 3,966	\$ 13,305
Property and equipment in accounts payable and accrued liabilities	\$ 132,113	\$ 116,440
Conversion of debt to common stock	\$ —	\$ 56,201
Conversion of preferred stock to common stock	\$ 242,480	\$ —
Issuance of warrants, at fair value	\$ 121,204	\$ 36,479

See accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the Three Months Ended August 31, 2025

1. Business and Organization

Applied Digital Corporation (the “Company”) is a designer, builder, and operator of high-performance, sustainably engineered data centers and colocation services for artificial intelligence, cloud, networking, and blockchain workloads. The Company has two reportable segments. Financial information for each segment is contained in “Note 15 - Business Segments.”

All references to “Applied Digital Corporation,” “we,” “us,” “our” or the “Company” mean Applied Digital Corporation and its subsidiaries.

2. Basis of Presentation and Significant Accounting Policies

Principles of Consolidation

The accompanying interim unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), including the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in the Company's annual consolidated financial statements on Form 10-K have been condensed or omitted. The unaudited condensed consolidated balance sheet as of May 31, 2025 has been derived from the audited consolidated financial statements as of that date, but does not include all disclosures required for audited annual financial statements.

In the Company’s opinion, all necessary adjustments have been made for the fair presentation of the results of the interim periods presented. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year. For further information, please refer to and read these interim unaudited condensed consolidated financial statements in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2025 filed with the SEC on July 30, 2025.

Significant Accounting Policies and Use of Estimates

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements is in conformity with accounting principles generally accepted in the United States of America (“GAAP”). 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.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification 606, Revenue from Contracts with Customers.

Data Center Hosting Revenue

The Company provides energized space to customers who locate their hardware within the Company’s co-hosting facility. Performance obligations are achieved simultaneously by providing the hosting environment for the customers’ operations. Customers pay a fixed rate to the Company in exchange for a managed hosting environment supported by customer-provided equipment. Revenue is recognized based on the contractual fixed rate, net of any credits for non-performance, over the term of the agreements. Any ancillary revenue for other services is generally recognized at a point in time when the services are complete. Customer contracts include advance payment terms. All advanced service payments are recorded as deferred revenue and are recognized as revenue once the related service is provided.

HPC Hosting Revenue

The Company provides certain fit-out services in accordance with the terms of the agreement with the client and recognizes revenues over time as performance obligations are satisfied. The Company measures its progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred, which it believes to be the best measure of progress towards completion of the performance obligation. In the course of providing its services, the Company

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the Three Months Ended August 31, 2025

routinely subcontracts for services and incurs other direct costs on behalf of its clients. These costs are passed through to client and, in accordance with GAAP, are included in the Company's revenue and cost of revenue.

Segments

The Company has identified two reportable segments: data center hosting ("Data Center Hosting Business") and high-performance compute hosting ("HPC Hosting Business"). These segments represent management's view of the business for which separate financial information is available and evaluated regularly by the Chief Operating Decision Maker (CODM), which is the Company's Chief Executive Officer.

The Company's CODM evaluates performance and makes operating decisions primarily based on revenue and segment profit (loss), on a consolidated basis and for each of the Company's reportable segments. Operating results by segment include costs or expenses directly attributable to each segment, which include selling, general, and administrative expenses, gain on classification of held for sale and loss on abandonment of assets.

The Company does not allocate loss on change in fair value of debt or income tax expense to these segments for internal reporting purposes, as the Company does not believe that allocating these expenses is beneficial in evaluating segment performance.

The Data Center Hosting Business operates data centers to provide energized space to crypto mining customers. Customer-owned hardware is installed in the Company's facilities and the Company provides operational and maintenance services for a fixed fee.

The HPC Hosting Business designs, builds, and operates data centers which are designed to support high-compute applications using advanced technologies and sophisticated infrastructures to provide services to customers.

See Note 2 - Basis of Presentation and Significant Accounting Policies to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended May 31, 2025, as filed with the SEC, for additional information regarding the Company's significant accounting policies and use of estimates.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes ("Topic 740"): Improvements to Income Tax Disclosures. This ASU is intended to enhance the transparency and decision usefulness of income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and can be applied either prospectively or retrospectively. The Company has adopted this ASU for the fiscal year beginning June 1, 2025 and will present updated disclosures in its Form 10-K for the fiscal year ended May 31, 2026.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU is intended to enhance transparency of income statement disclosures primarily through additional disaggregation of relevant expense captions. The standard is effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with prospective or retrospective application permitted. The Company is currently evaluating the impact of this ASU on its financial statement presentation and disclosures and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2027.

In November 2024, the FASB issued ASU 2024-04, Debt – Debt with Conversion and Other Options (Subtopic 470-20). The amendments in this ASU clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments in this ASU are effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in ASU 2020-06. The amendments in this ASU permit an entity to apply the new guidance on either a prospective or a retrospective basis. The Company is currently evaluating the impact of this ASU on its financial statements and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2026.

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the Three Months Ended August 31, 2025

In September 2025, the FASB issued ASU 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. This ASU is intended to simplify the capitalization guidance by removing all references to software development project stages so that the guidance is neutral to different software development methods. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, with early adoption permitted. The amendments in this update permit an entity to apply the new guidance using a prospective, retrospective or modified transition approach. The Company is currently evaluating the impact of this ASU on its financial statements and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2028.

Assets Held For Sale

The Company generally considers assets to be held for sale when the following criteria are met: (i) management commits to a plan to sell the property, (ii) the property is available for sale immediately, (iii) management has initiated an active program to locate a buyer or buyers and other actions required to complete the plan to sell the disposal group, (iv) the sale of the property within one year is considered probable, (v) the property is actively being marketed for sale at a price that is reasonable in relation to its current fair value and (vi) significant changes to the plan to sell are not expected. Property classified as held for sale is no longer depreciated and is reported at the lower of its carrying value or its estimated fair value less estimated costs to sell in accordance with ASC 360, *Property, Plant and Equipment - Impairment or Disposal of Long-Lived Assets*. During the fiscal quarter ended May 31, 2025, the Company deemed its Cloud Services Business met the held for sale criteria and was classified as such on the unaudited condensed consolidated balance sheet.

Discontinued Operations

The Company deems it appropriate to classify a business as a discontinued operation if the related disposal group meets all the following criteria: (i) the disposal group is a component of the Company, (ii) the component meets the held-for-sale criteria, and (iii) the disposal of the component represents a strategic shift that has a major effect on the Company's operations and financial results. During the fiscal quarter ended May 31, 2025, the Company deemed its Cloud Services Business to be discontinued operations due to the disposal group meeting all three criteria. As such, the results of the Cloud Services Business are presented as discontinued operations in the unaudited condensed consolidated statements of operations and have been excluded from both continuing operations and segment results for all periods presented.

Reclassifications

The Company reclassified certain prior period amounts in its unaudited condensed consolidated balance sheets to conform to our current period presentation. Specifically, we have reclassified certain amounts in "Property and equipment, net" to "Other assets". This reclassification has no impact on total assets or cash flows.

Cash, Cash Equivalents, and Restricted Cash

The Company's restricted cash balances consist of funds for construction and letters of credit.

The funds for construction are held in a construction reserve account to fund the construction of the Company's 400 MW Ellendale, North Dakota data center campus ("Polaris Forge 1"), in accordance with the SMBC Credit Agreement (as defined below). See further discussion in *Note 7 - Debt*.

Additionally, the Company has letters of credit totaling \$37.3 million presented on its unaudited condensed consolidated balance sheets within restricted cash. The Company is required to keep these balances, which are held in money market funds, in separate accounts for the duration of the letter of credit agreements, which have terms of up to two years. The letters of credit were issued in lieu of security deposits. The Company considers the money market funds to be Level 1 which the Company believes approximates fair value.

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements (Unaudited)
For the Three Months Ended August 31, 2025

Cash, cash equivalents, and restricted cash within the unaudited condensed consolidated balance sheets that are included in the unaudited condensed consolidated statements of cash flows as of August 31, 2025 and May 31, 2025 were as follows (in thousands):

	August 31, 2025	May 31, 2025
Cash and cash equivalents	\$ 73,911	\$ 41,552
Restricted cash - funds for construction	2,851	41,026
Restricted cash - letters of credit	37,342	31,342
Restricted cash included in other assets	—	7,000
Total cash, cash equivalents, and restricted cash	<u>\$ 114,104</u>	<u>\$ 120,920</u>

3. Property and Equipment

Property and equipment consisted of the following as of August 31, 2025 and May 31, 2025 (in thousands):

	Estimated Useful Life	August 31, 2025	May 31, 2025
Networking equipment, electrical equipment, and software	3 years - 5 years	\$ 34,741	\$ 32,938
Electric generation and transformers	15 years	9,916	9,914
Land and building			
Building	39 years	109,746	109,672
Land		20,047	20,047
Land improvements	15 years	1,423	1,423
Leasehold improvements	3 years - 7 years	444	444
Construction in progress		1,309,756	1,053,656
Other equipment and fixtures	5 years - 7 years	2,294	2,126
Total cost of property and equipment		<u>1,488,367</u>	<u>1,230,220</u>
Accumulated depreciation		<u>(26,592)</u>	<u>(23,879)</u>
Property and equipment, net		<u>\$ 1,461,775</u>	<u>\$ 1,206,341</u>

Depreciation expense totaled \$2.7 million and \$2.6 million for the three months ended August 31, 2025 and 2024, respectively.

4. Revenue from Contracts with Customers

Below is a summary of the Company's revenue concentration by major customers for the three months ended August 31, 2025 and August 31, 2024, respectively.

	Three Months Ended	
	August 31, 2025	August 31, 2024
Customer A	59 %	— %
Customer B	41 %	48 %

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Deferred Revenue

Changes in the Company's deferred revenue balances for the three months ended August 31, 2025 and August 31, 2024, respectively, are shown in the following table (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Balance, beginning of period	\$ —	\$ 8,188
Advance billings	39,584	26,910
Revenue recognized	(37,921)	(34,593)
Other adjustments	(1,037)	3,275
Balance, end of period	<u>\$ 626</u>	<u>\$ 3,780</u>

Customer Deposits

Changes in the Company's customer deposits balances for the three months ended August 31, 2025 and August 31, 2024, respectively, are shown in the following table (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Balance, beginning of period	\$ 16,125	\$ 15,367
Customer deposits received	627	2,849
Customer deposits refunded	—	(1,549)
Customer deposits applied	—	(2,991)
Balance, end of period	<u>\$ 16,752</u>	<u>\$ 13,676</u>

5. Discontinued Operations

During the fiscal quarter ended May 31, 2025, the Company determined that the Cloud Services Business met the criteria to be classified as “held for sale,” as the Board of Directors approved plans for the sale of the segment. The potential sale of the Cloud Services Business represents a strategic shift in the Company’s operations and financial results. As such, the Company reported the Cloud Services Business as discontinued operations for the three months ended August 31, 2025 in accordance with ASC 205-20, Discontinued Operations. The Company expects the sale of the Cloud Services Business to occur within 12 months from the date it met the held for sale criteria.

The financial results of the Cloud Services Business are presented as net loss from discontinued operations on the unaudited condensed consolidated statements of operations. The following table presents the major components of the financial results of the Cloud Services Business for the periods presented (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Revenue	\$ 16,718	\$ 25,855
Cost of revenues	3,365	38,317
Selling, general and administrative	330	3,348
Loss on abandonment of assets	492	—
Operating income (loss) from discontinued operations	12,531	(15,810)
Interest expense	3,210	4,349
Net income (loss) from discontinued operations before income tax expense	9,321	(20,159)
Income tax expense	—	—
Net income (loss) from discontinued operations	<u>\$ 9,321</u>	<u>\$ (20,159)</u>

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As of August 31, 2025, the assets and liabilities of the Cloud Services Business are classified as current in the unaudited condensed consolidated balance sheets, as it is probable that the sale will occur within one year. The following table represents the aggregated carrying amounts of classes of assets and liabilities that are classified as held for sale on the unaudited condensed consolidated balance sheets for the periods presented (in thousands):

	August 31, 2025	May 31, 2025
Assets:		
Cash and cash equivalents	\$ 7	\$ 2,398
Accounts receivable	7,222	3,788
Prepaid expenses and other current assets	647	223
Property and equipment, net	11,899	10,922
Operating lease right of use asset, net	92,721	91,374
Finance lease right of use asset, net	197,502	195,495
Other assets	8	—
Total current assets held for sale	<u>\$ 310,006</u>	<u>\$ 304,200</u>
Liabilities:		
Accounts payable	\$ 1,932	\$ 3,962
Accrued liabilities	3,289	572
Current portion of operating lease liability	16,586	16,093
Current portion of finance lease liability	99,568	133,406
Current deferred revenue	652	3,594
Long-term portion of operating lease liability	54,080	58,420
Long-term portion of finance lease liability	12,108	—
Total current liabilities held for sale	<u>\$ 188,215</u>	<u>\$ 216,047</u>

The following table presents significant non-cash items and capital expenditures of discontinued operations for the periods presented (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Depreciation and amortization	\$ —	\$ 30,218
Stock-based compensation	\$ 90	\$ (810)
Purchases of property and equipment and other assets	\$ (977)	\$ (27)
Finance lease prepayments	\$ —	\$ 1,190
Operating right-of-use assets obtained by lease obligation	\$ —	\$ —
Finance right-of-use assets obtained by lease obligation	\$ 3,479	\$ (688)
Property and equipment in AP and accrued liabilities	\$ —	\$ 49

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6. Related Party Transactions

Related Party Revenue

The following table illustrates related party revenue for the three months ended August 31, 2025 and August 31, 2024 (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Customer D*	\$ —	\$ 1,244
Customer E**	\$ —	\$ 682

*Customer D is a subsidiary of an entity which, during the first quarter of fiscal year 2025, was deemed to beneficially own over 5% of the Company's outstanding common stock. As of July 25, 2024, the controlling individual of the entity filed a Schedule 13G to report the fact that as of the date thereof, the entity had ceased to be a beneficial owner of more than 5% of such class of securities.

**Customer E is 60% owned by an individual who, during the first quarter of fiscal year 2025, was deemed to beneficially own over 5% of the Company's outstanding common stock. As of July 25, 2024, the individual filed a Schedule 13G to report the fact that as of the date thereof, the individual had ceased to be a beneficial owner of more than 5% of such class of securities.

Other Related Party Transactions

Related party transactions included within selling, general and administrative expense on the unaudited condensed consolidated statement of operations include software license fees of \$0.1 million during each of the three months ended August 31, 2025 and August 31, 2024, respectively, were incurred with a company whose chairman is also a member of the Company's Board of Directors.

7. Debt

The Company's outstanding debt consisted of the following components (in thousands):

	Interest Rate	Maturity Date	August 31, 2025	May 31, 2025
Convertible Notes, senior unsecured ⁽¹⁾	2.75%	June 2030	\$ 450,000	\$ 450,000
SMBC Loan ⁽²⁾	(2)	August 2026	375,000	375,000
Starion Ellendale Loan ⁽³⁾	7.48%	February 2028	11,268	12,283
Cornerstone Bank Loan ⁽⁴⁾	8.59%	March 2029	12,153	12,866
Starion Term Loan ⁽⁵⁾	6.50%	July 2027	6,289	7,061
Other long-term debt ⁽⁶⁾			12,310	12,275
Deferred financing costs, net of amortization			(179,681)	(181,329)
Less: Current portion of debt			(382,056)	(10,331)
Long-term debt, net			<u>\$ 305,283</u>	<u>\$ 677,825</u>

⁽¹⁾ The net carrying amount of the Convertible Notes was \$274.0 million and \$273.3 million and the remaining unamortized deferred financing costs related to the issuance was \$176.0 million and \$176.7 million, each as of August 31, 2025 and May 31, 2025, respectively.

⁽²⁾ The SMBC Loan is guaranteed by APLD HPC TopCo LLC, a wholly-owned subsidiary of the Company, and is secured by a continuing security interest in all of the membership interests of the borrower, APLD HPC Holdings LLC, including a mortgage on certain properties as defined in the collateral agency, security and depositary agreement. The remaining unamortized deferred financing costs as of August 31, 2025 and May 31, 2025 were \$3.4 million and \$4.4 million, respectively. The average SOFR plus the applicable margin for the three months ended August 31, 2025 and fiscal year ended May 31, 2025 was 8.07% and 7.82%, respectively.

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- (3) The Starion Ellendale Loan is guaranteed by APLD ELN-01 LLC, a wholly-owned subsidiary of the Company, and is secured by a security interest in substantially all of the assets of the Ellendale Data Center Hosting facility (as defined in the Starion Ellendale Loan), and a security interest in the form of a collateral assignment of the Company's rights and interests in all master hosting agreements related to APLD ELN-01 LLC.
- (4) The Cornerstone Bank Loan is guaranteed by APLD GPU-01, LLC, a wholly-owned subsidiary of the Company, and is secured by a security interest in multiple Terms of Service Agreements for HPC based systems related to AI Cloud Computing Services, which are to be serviced at the Jamestown hosting facility.
- (5) The Starion Term Loan is guaranteed by APLD Hosting, LLC, a wholly-owned subsidiary of the Company, and is secured by the Jamestown hosting facility, a security interest in substantially all of the assets of APLD Hosting LLC, and interests in all master hosting agreements related to the Jamestown hosting facility. The Starion Term Loan Agreement contains customary covenants, representations and warranties and events of default. The Company is subject to a debt service coverage ratio and is in compliance as of August 31, 2025.
- (6) Inclusive in this number is \$12.0 million of proceeds from the issuance of two SAFE agreements which were accounted for as liabilities.

Remaining Principal Payments

Below is a summary of the remaining principal payments due over the life of the term loans as of August 31, 2025 (in thousands):

FY26	\$	7,867
FY27		386,193
FY28		7,715
FY29		3,209
FY30		35
Thereafter ⁽¹⁾		462,001
Total	\$	867,020

- ⁽¹⁾ Includes \$12.0 million of proceeds from the issuance of two SAFE agreements which were accounted for as liabilities.

Letters of Credit

As of August 31, 2025, the Company had letters of credit totaling \$37.3 million. The Company has restricted cash related to its letters of credit and is required to keep these balances in separate accounts for the duration of the letter of credit agreements. The Company presents all restricted cash amounts with letter of credit terms of 12 months or less within the Restricted Cash caption within current assets and any amounts with related letter of credit terms of over 12 months in Other Assets.

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8. Balance Sheet Components

Certain balance sheet components are as follows (in thousands):

	August 31, 2025	May 31, 2025
Prepaid expenses and other current assets		
Short term equipment deposit	\$ 172,523	\$ —
Deferred issuance costs	7,176	5,443
Short term lease incentive	2,390	1,290
Prepaid expenses	2,766	1,225
Other current assets	3,636	1,472
Total Prepaid expenses and other current assets	<u>\$ 188,491</u>	<u>\$ 9,430</u>

	August 31, 2025	May 31, 2025
Other assets		
Long term lease incentive	\$ 204,520	84,416
Deposits on assets & construction	26,825	69,500
Deferred construction costs	26,151	33,600
Restricted cash: letters of credit	—	7,000
Deferred lease costs	10,738	8,811
Investments in other companies	6,073	6,073
Other	3,475	4,976
Total Other assets	<u>\$ 277,882</u>	<u>\$ 214,376</u>

	August 31, 2025	May 31, 2025
Accrued liabilities		
Accrued construction payables	\$ 158,458	—
Accrued expenses	16,938	26,293
Accrued interest	6,010	2,694
Other accrued liabilities	1,542	562
Total Accrued liabilities	<u>\$ 182,948</u>	<u>\$ 29,549</u>

	August 31, 2025	May 31, 2025
Other current liabilities		
Construction retainer	\$ 26,288	19,338
Other	102	94
Total Other current liabilities	<u>\$ 26,380</u>	<u>\$ 19,432</u>

9. Stockholders' Equity

Common Stock

June 2025 At-the-Market Sales Agreement

On June 2, 2025, the Company entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the “June 2025 Sales Agreement”), pursuant to which, up to \$200,000,000 of shares of the Company's common stock

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may be issued if and when sold. As of the date of this report, the Company has issued and sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately \$196.4 million.

10. Warrants

A summary of warrant activity for the three months ended August 31, 2025 is presented below:

	Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Outstanding at May 31, 2025	18,097,718	\$ 7.63	8.52
Granted	8,393,611	10.75	9.99
Forfeited	—	—	—
Exercised	(300)	7.19	—
Outstanding at August 31, 2025	26,491,029	\$ 8.62	8.81

AI Warrants

The Company issued warrants to purchase up to 3,000,000 shares of Common Stock related to the AI Bridge Loan during the fiscal year ended May 31, 2024 (the “AI Warrants”). The AI Warrants are exercisable upon payment of the applicable exercise price in cash or through cashless exercise for a period of five years. 1,500,000 AI Warrants have an exercise price of \$10.00 per share of Common Stock and 1,500,000 AI Warrants have an exercise price of \$ 7.50 per share of Common Stock. As of August 31, 2025, all of the AI Warrants were outstanding.

Macquarie Warrants

On November 27, 2024, as partial consideration for the Macquarie Promissory Note, the Company issued warrants to purchase up to 1,035,197 shares of the Company’s common stock. The Macquarie Warrants are exercisable from and after the date that is six months following the date of issuance thereof and will have a five and one-half-year term and an exercise price of \$9.66 per share, which exercise price must be paid in cash. The Macquarie Warrants survived the termination of the Macquarie Promissory Note and remain outstanding as of August 31, 2025.

STB Warrant

On February 27, 2025, the Company issued a warrant to STB Applied Holdings LLC to purchase 1,000,000 shares of the Company’s common stock at the exercise price of \$7.83 per share (the “STB Warrant”) for consideration of \$50,000. The warrant is exercisable beginning on February 27, 2027 (the “Initial Exercise Date”), upon payment of the applicable exercise price in cash or through cashless exercise for a period of five years from the Initial Exercise Date. As of August 31, 2025, all of the STB Warrants were outstanding.

CoreWeave Warrants

On May 28, 2025, in connection with the entry into the data center leases with CoreWeave (the “CoreWeave Leases”), the Company issued to CoreWeave a warrant (the “CoreWeave Warrant”) to acquire up to 13,062,521 shares of the Company’s common stock at an exercise price of \$7.19 per share, subject to adjustment in accordance with the terms and conditions set forth in the CoreWeave Warrant. The CoreWeave Warrant is exercisable upon issuance, upon payment of the applicable exercise price in cash or through cashless exercise for a period of 10 years. During the quarter ended August 31, 2025, 300 warrant shares were exercised.

Additionally, on August 28, 2025, in connection with the entry into the Building 4 Lease, the Company issued to CoreWeave a warrant (the “Building 4 Warrant”) to acquire up to 8,393,611 shares of the Company’s common stock at an exercise price of \$10.75 per share, subject to adjustment in accordance with the terms and conditions set forth in the Building 4 Warrant. The Building 4 Warrant is on the same Form of Warrant as the initial warrant issued to CoreWeave on May 28, 2025, in connection with the data center leases entered into for Building 2 and Building 3.

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The Building 4 Warrant was measured at fair value using the Black-Scholes Option Pricing model. Inherent in pricing models are assumptions related to expected share-price volatility, contractual term, risk-free interest rate and dividend yield, which are considered Level 3 inputs. The estimated fair value of the Building 4 Warrant was based on the following significant inputs:

	Building 4 Warrant
Contractual term	10 years
Volatility	80 %
Risk-free rate	4.18 %
Dividend yield	— %

The resulting fair value of the Building 4 Warrant was \$14.44 per share, totaling \$121.2 million, which was recorded to lease incentive asset and additional paid in capital on the Company's unaudited condensed consolidated balance sheets, and will be amortized over the life of the Building 4 Lease once it commences.

11. Stock-Based Compensation Plans

2024 Plan

On October 8, 2024, the Company's Board of Directors approved the Applied Digital Corporation 2024 Omnibus Equity Incentive Plan (the "2024 Plan"), which the Company's stockholders approved on November 20, 2024. The 2024 Plan provides for grants of various equity awards for eligible employees, officers, non-employee directors and other service providers. Upon stockholder approval of the 2024 Plan, the 2022 Plans (as defined below) were terminated; provided that all awards (as defined in the 2022 Plans) outstanding under the 2022 Incentive Plan and the 2022 Non-Employee Director Stock Plan shall continue in effect in accordance with their terms.

2022 Plans

On October 9, 2021, the Company's Board of Directors (the "Board") approved two equity incentive plans, which the Company's stockholders approved on January 20, 2022. The two plans consist of the 2022 Incentive Plan, previously referred to in the Company's SEC filings as the 2021 Incentive Plan (the "Incentive Plan"), which provides for grants of various equity awards to the Company's employees and consultants, and the 2022 Non-Employee Director Stock Plan previously referred to in the Company's SEC filings as the 2021 Non-Employee Director Stock Plan (the "Director Plan" and, together with the Incentive Plan, the "2022 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.

As of August 31, 2025, the Company had issued awards of approximately 23.2 million shares of common stock of the Company under the 2022 Plans, 7.8 million under the 2024 Plan, and 600,000 shares of common stock outside of either plan, related to an employment inducement award. As of August 31, 2025, there are approximately 2.4 million shares of common stock available for issuance under the 2024 Plan.

The Company capitalizes a portion of stock-based compensation costs for employees who work directly on construction and development of the Company's data centers. The Company recognized stock-based compensation associated with the 2022 and 2024 Plans as follows (in thousands):

	August 31, 2025	August 31, 2024
Cost of revenue	\$ 691	\$ 425
Selling, general, and administrative	13,755	(2,808)
Capitalized ⁽¹⁾	929	102
Total stock-based compensation	<u>\$ 15,375</u>	<u>\$ (2,281)</u>

⁽¹⁾ Capitalized to CIP in the unaudited condensed consolidated balance sheets.

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Restricted Stock Awards

As of May 31, 2025 and August 31, 2025, there were 271,444 shares outstanding with a weighted average grant date fair value per share of \$3.55 as there were no restricted stock awards granted, vested, or forfeited during the three months ended August 31, 2025.

As of August 31, 2025, total remaining expense to be recognized related to these awards was \$0.8 million and the weighted average remaining recognition period for the unvested awards was 1.7 years.

Restricted Stock Units

The following is a summary of the activity and balances for unvested restricted stock units granted during the three months ended August 31, 2025:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of May 31, 2025	6,659,830	\$ 6.56
Granted	1,912,919	14.00
Vested	(1,258,388)	5.68
Forfeited	(150,391)	7.55
Outstanding as of August 31, 2025	7,163,970	\$ 8.68

As of August 31, 2025, total remaining expense to be recognized related to these awards was \$6.5 million and the weighted average remaining recognition period for the unvested awards was 2.1 years.

Performance Stock Units

Performance stock units ("PSUs") represent a right to receive a certain number of shares of common stock based on the achievement of company performance goals, individual performance measures, and continued employment during the vesting period. Performance stock units cliff-vest depending on the achievement of Company and individual performance measures the achievement of which must occur on or prior to December 31, 2027 for all awards currently outstanding. Such performance measures are based on the Company entering into data center leases with a hyperscaler, the consummation of project financing, receipt of sustainable revenue with respect to the data center leases that implies positive net operating income, and data center buildings achieving "ready for service" dates. The fair value of PSUs is based on the closing price on the date of grant. The compensation expense related to these PSUs is recognized over the vesting period when the achievement of the performance conditions becomes probable. The total compensation cost for the PSUs is determined based on the most likely outcome of the performance condition and the number of awards expected to vest.

As of May 31, 2025 and August 31, 2025, there were 7,207,500 performance stock units outstanding with a weighted average grant date fair value per share of \$6.59 as there were no performance stock units granted, vested, or forfeited during the three months ended August 31, 2025.

As of August 31, 2025, total remaining expense to be recognized related to these awards was \$29.8 million and the weighted average remaining recognition period for the unvested awards was 2.0 years.

12. Temporary Equity

Preferred Stock

Series E Redeemable Preferred Stock

During the fiscal year ended May 31, 2025, the Company closed on four offerings of the Series E Redeemable Preferred Stock (the "Series E Preferred Stock"). The Company sold total shares of 301,673 for proceeds of \$6.9 million net of issuance costs of \$0.6 million. The Series E Preferred Stock offering was terminated on August 9, 2024.

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The shares of Series E Preferred Stock have no voting or conversion rights. Holders of the Series E Preferred Stock are entitled to receive cumulative dividends at a fixed rate of 9.0% per annum. Dividends are calculated based on a 360-day year, declared and accrued monthly, and payable at the discretion of the Board of Directors out of legally available funds. Dividends must be fully paid for all past periods before any distributions can be made to common stockholders or any junior series of equity securities. During the three months ended August 31, 2025 and August 31, 2024, the Company declared and paid approximately \$170,000 and \$44,000, respectively, of dividends related to Series E Preferred Stock as presented on the unaudited condensed consolidated statements of operations.

The Series E Preferred Stock ranks senior to all classes of common stock and junior to all existing and future debt of the Company. Additionally, it is on parity with any future series of preferred stock with substantially identical terms but may rank junior to any future series of preferred stock if the holders of such series are entitled to rights and preferences with priority over the holders of the Series E Preferred Stock. In the event of liquidation, holders are entitled to receive \$25.00 per share (the "Series E Stated Value") plus any accrued but unpaid dividends before any distributions are made to common stockholders. The Series E Preferred Stock has no stated maturity and remains outstanding indefinitely unless redeemed or repurchased by the Company.

Holders may require the Company to redeem any portion of their Series E Preferred Stock at any time for a "Settlement Amount" calculated as the Series E Stated Value plus any unpaid dividends, less a Holder Optional Redemption Fee, equal to a percentage of the Series E Stated Value based on the year when the redemption occurs as follows: 9.00% prior to the first anniversary of the respective tranche closing date (the "Original Issuance Date"); 7.00% on or after the first anniversary but prior to the second anniversary of the Original Issuance Date; 5.00% on or after the second anniversary but prior to the third anniversary of the Original Issuance Date; and 0.00% on or after the third anniversary of the Original Issuance Date. The Settlement Amount can be settled in cash or shares of common stock, subject to a share cap, which limits the total shares deliverable upon redemption to 19.99% of the common stock outstanding prior to the Series E Preferred Stock offering (25,475,751 shares, the "Share Cap"). Any portion of the Settlement Amount exceeding the Share Cap will be settled in cash.

The Company may also redeem shares of Series E Preferred Stock after the second anniversary of the original issuance date, with a minimum notice of 0 days, at the Company Optional Redemption Settlement Amount, which is equal to the Series E Stated Value per share plus any unpaid and accrued dividends. If the Company elects to pay the redemption amount in shares, then the number of shares to be delivered will be calculated as the Company Optional Redemption Settlement Amount divided by the closing price per share of the common stock on the date of the Company Optional Redemption exercise, subject to the Share Cap.

Series E-1 Redeemable Preferred Stock

On September 23, 2024, the Company entered into a dealer manager agreement for the offering of up to 62,500 shares of Series E-1 Redeemable Preferred Stock, par value \$0.001 per share ("Series E-1 Preferred Stock"), at a price per share of \$1,000 (the "Series E-1 Stated Value"). During the fiscal year ended May 31, 2025, the Company closed on eight offerings in which the Company issued 62,500 shares for gross proceeds of \$62.5 million. The Series E-1 Preferred Stock offering was completed as of May 31, 2025.

The shares of Series E-1 Preferred Stock have no voting or conversion rights. Holders of the Series E-1 Preferred Stock are entitled to receive cumulative dividends at a fixed rate of 9.0% per annum of the Series E-1 Stated Value. Dividends are calculated based on a 360-day year, declared and accrued monthly, and payable at the discretion of the Board of Directors out of legally available funds. Dividends on the shares of Series E-1 Preferred Stock must be fully paid for all past periods before any distributions can be made to common stockholders or any junior series of equity securities. During the three months ended August 31, 2025, the Company declared and paid approximately \$1.4 million of dividends related to the Series E-1 Preferred Stock as presented on the unaudited condensed consolidated statements of operations.

The Series E-1 Preferred Stock ranks senior to all classes or series of common stock and junior to all existing and future debt of the Company. Additionally, the Series E-1 Preferred Stock is on parity with the Series E Preferred Stock and any future series of preferred stock with substantially identical terms but may rank junior to any future series of preferred stock if the holders of such series are entitled to rights and preferences with priority over the holders of the Series E-1 Preferred Stock. In the event of liquidation, holders of the Series E-1 Preferred Stock and holders of shares of any other class or

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series of capital stock ranking senior to or on a parity with the Series E-1 Preferred Stock, are entitled to receive an amount per share equal to the Series E-1 Stated Value plus an amount per share that is issuable as a result of any accrued but unpaid dividends before any distributions are made to common stockholders. The Series E-1 Preferred Stock has no stated maturity and remains outstanding indefinitely unless redeemed or repurchased by the Company.

Holders may require the Company to redeem any portion of their Series E-1 Preferred Stock at any time for a "Settlement Amount" calculated as the Series E-1 Stated Value plus any unpaid dividends, less a Holder Optional Redemption Fee equal to a percentage of the Series E-1 Stated Value based on the year when the redemption occurs as follows: 9.00% prior to the first anniversary of the respective tranche closing date (the "Original Issuance Date"); 7.00% on or after the first anniversary but prior to the second anniversary of the Original Issuance Date; 5.00% on or after the second anniversary but prior to the third anniversary of the Original Issuance Date; and 0.00% on or after the third anniversary of the Original Issuance Date. The Settlement Amount can be settled in cash or shares of common stock at the sole option of the Company, subject to a share cap (if required by Nasdaq rules and regulations), which limits the total shares deliverable upon redemption to 19.99% of the common stock outstanding immediately prior to the Series E-1 Preferred Stock offering (25,889,470 shares, the "Share Cap"), unless approval by the Company's stockholders is obtained to exceed the Share Cap. Any portion of the Settlement Amount exceeding this cap will be settled in cash. Holders may not redeem any shares of Series E-1 Preferred Stock for common stock prior to the first anniversary of the Original Issuance Date.

The Company may also redeem shares of the Series E-1 Preferred Stock after the second anniversary of the Original Issuance Date, with a minimum notice of 10 days, at a redemption price equal to the Series E-1 Stated Value plus any accrued but unpaid dividends. If the Company elects to pay the redemption amount in shares, then the number of shares to be delivered will be calculated as the Settlement Amount divided by the closing price per share of the common stock on the last trading day prior to the date upon which notice was provided to the holder, subject to the Share Cap, if applicable. During the three months ended August 31, 2025, 225 of shares were redeemed.

Series G Convertible Preferred Stock

On April 30, 2025, the Company entered into the Preferred Equity Purchase Agreement (the "PEPA") with certain investors for the issuance and sale of up to 156,000 shares of Series G Convertible Preferred Stock (the "Series G Preferred Stock") in a transaction (the "Private Placement") pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The shares of the Series G Preferred Stock may be put to the investors from time to time at the Company's discretion during the period commencing on April 30, 2025 (the "Commitment Date") and terminating on the earlier of (i) the 36-month anniversary of the Commitment Date or (ii) such date as there ceases to be a sufficient number of authorized but unissued shares of common stock remaining under the Exchange Cap (as defined in the PEPA).

The Series G Preferred Stock became convertible on June 3, 2025, the Registration Effective Date (as defined in the PEPA). Pursuant to the PEPA, the Company filed a registration statement with the SEC, registering the resale of the shares of common stock issuable upon the conversion of the shares of Series G Preferred Stock, on June 3, 2025, as amended the post-effective amendment filed with the SEC on September 23, 2025, each of which was automatically effective upon filing. Conversion of the Series G Preferred Stock is subject to a customary 4.99% beneficial ownership limitation, as well as a 19.99% conversion limitation pursuant to the applicable Nasdaq Listing Rules, representing 44,931,523 shares of the Company's common stock (the "Exchange Cap").

The Series G Preferred Stock ranks senior to all classes of common stock and junior to all existing and future debt of the Company. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of the Series G Preferred Stock will be entitled to receive distributions out of the assets of the Company in an amount per share equal to the then-current Series G Preferred Stock stated value, whether capital or surplus, before any distributions are made on any shares of our common stock. The Series G Preferred Stock is on parity with the Series E Preferred Stock, Series E-1 Preferred Stock and any future series of preferred stock with substantially identical terms.

Holders have the right to require the Company to redeem the Series G Preferred Stock under certain conditions, such as a Trading Failure, as defined in the Series G Preferred Stock certificate of designation. If there is a Trading Failure, the redemption price is the greater of the Series G Preferred Stock stated value or the product of the lowest conversion price during the period beginning on the date immediately preceding the Trading Failure and ending on the date the holder

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delivers a Redemption Notice, multiplied by the number of shares of common stock into which the preferred stock is convertible at the then-effective conversion price.

If any Investor is prevented from converting any portion of its Series G Preferred Stock because of the Exchange Cap, and such limitation continues for 18 months following the date that is 18 months following the issuance of such Series G Preferred Stock, or, if earlier, the date that is 36 months following the Commitment Date, then the portion of the Series G Preferred Stock held by such Investor at such time shall be redeemed by the Company, within 10 trading days after such earlier date, at a price equal to 110% of the stated value of such Series G Preferred Stock.

On each conversion date, the conversion price for the Series G Preferred Stock being converted (the "Conversion Price") will equal the greater of (i) 95% of the lowest daily Volume Weighted Average Price for each of the five trading days immediately preceding the conversion date and (ii) the initial floor price of \$4.25, which may be reduced by the Company at any time in its sole discretion, but in no event below \$1.34 (as may be adjusted from time to time, the "Floor Price"). Based on its initial stated value of \$1,000 per share and the \$4.25 initial Floor Price, each share of Series G Preferred Stock would be convertible into an aggregate of 236 shares of common stock. No right of conversion may be exercised by the Investors in excess of \$30 million of stated value, in the aggregate, per month, unless otherwise mutually agreed in writing by the Company and the holders holding a majority of the voting power of the Series G Preferred Stock outstanding at the time.

On August 14, 2025, the Company entered into the first amendment (the "First Amendment") to the PEPA to, among other things, (i) increase the aggregate commitment amount of the shares of Series G Preferred Stock from \$150 million to \$300 million, and (ii) increase its access to capital by removing the Put Limitation (as defined in the PEPA) that had previously limited the aggregate purchase price for any Put Issuance (as defined in the PEPA) to no more than \$75 million. In connection with the First Amendment, on August 14, 2025, the Company filed an amendment (the "First CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025. The First CoD Amendment amends the Series G Certificate of Designation to, among other things, (i) increase the initial Floor Price (as set forth in Section 1.5(c)(i) of the Series G Certificate of Designation) to \$12.50 from \$4.25, and (ii) change the limit below which the Floor Price may not be reduced (as set forth in Section 1.5(c)(ii) of the Series G Certificate of Designation) to \$4.33 from \$1.34. The Floor Price sets the minimum floor for the conversion price of the Series G Preferred Stock, which price may not be reduced unless the Company determines to do so in its discretion. The First CoD Amendment further amended the status of converted or repurchased preferred stock such that any shares of Series G Preferred Stock that have been or will be converted will be retired and resume the status of authorized but unissued shares.

As Series G Preferred Stock may be reissued, during the three months ended August 31, 2025, the Company issued and sold 180,000 shares of Series G Preferred Stock for aggregate gross proceeds of \$175.0 million, with a total of 258,000 shares of Series G Preferred Stock, inclusive of the 78,000 shares outstanding as of May 31, 2025, being converted into approximately 28.2 million shares of the Company's common stock. As of August 31, 2025, no Series G Preferred Stock was issued and outstanding.

13. Leases

Lessors Accounting

On May 28, 2025, APLD ELN-02 LLC and APLD ELN-03 LLC, the Company's subsidiaries, each entered into a data center lease with CoreWeave, Inc. (together, the "CoreWeave Leases") to deliver up to an aggregate of 250 MW of infrastructure to host CoreWeave's HPC operations at Polaris Forge 1. The first lease is for the full capacity of Building 2, our 100 MW data center that is currently under construction and expected to become operational during the calendar year 2025. The second lease is for the full capacity of Building 3, a 150 MW data center that is also under construction and is expected to become operational during the calendar year 2026.

On August 28, 2025, APLD ELN-02 C LLC, a subsidiary of the Company, entered into a third data center lease with CoreWeave to deliver an additional 150 MW at Polaris Forge 1, bringing the total capacity under contract at Polaris Forge 1 to 400 MW. The Company has guaranteed the obligations of APLD ELN-02 C LLC under the data center lease. The third

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lease is for the full capacity of Building 4, which is currently in the design phase and is expected to be service-ready in middle of calendar year 2027.

A summary of minimum lease payments due from these leases is shown below. These amounts do not reflect future rental revenues from renewal or replacement of existing leases unless the Company is reasonably certain it will exercise the option or the lessee has the sole ability to exercise the option. Reimbursements of operating expenses and variable rent increases are excluded from the table below (in thousands):

	Minimum Contracted Payments
FY26	\$ 81,000
FY27	356,340
FY28	586,030
FY29	606,611
FY30	624,809
Thereafter	8,596,727
Total	\$ 10,851,517

Lessee Accounting

From time to time, the Company enters into leases for equipment and office space. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company presents operating and finance lease right of use assets and liabilities separately on the unaudited condensed consolidated balance sheets as their own captions, with the liabilities split between current and long-term.

Components of lease expense were as follows (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Operating lease cost:		
Operating lease expense	\$ 174	\$ 174
Short-term lease expense	661	21
Total operating lease cost	835	195
Finance lease expense:		
Amortization of right-of-use assets ⁽¹⁾	959	1,478
Interest on lease liabilities	297	215
Total finance lease cost	1,256	1,693
Variable lease cost	65	55
Total net lease cost	\$ 2,156	\$ 1,943

⁽¹⁾ Amortization of right-of-use assets is included within cost of revenues and selling, general and administrative expense in the unaudited condensed consolidated statements of operations.

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The following table represents the Company's future minimum lease payments as of August 31, 2025:

	Operating Leases	Finance Leases	Total
FY26	\$ 573	\$ 12,101	\$ 12,674
FY27	365	14	379
FY28	27	1	28
FY29	—	—	—
FY30	—	—	—
Thereafter	—	—	—
Total lease payments	965	12,116	13,081
Less: imputed interest	(57)	(154)	(211)
Total lease liabilities	908	11,962	12,870
Less: Current portion of lease liability	(688)	(11,951)	(12,639)
Long-term portion of lease liability	\$ 220	\$ 11	\$ 231

Supplemental cash flow and other information related to leases is as follows:

	Three Months Ended	
	August 31, 2025	August 31, 2024
Weighted-average years remaining (in years):		
Operating leases	0.9 years	1.5 years
Finance leases	0.4 years	3.1 years
Weighted-average discount rate:		
Operating leases	9.6 %	9.9 %
Finance leases	7.2 %	9.2 %

The Company has entered into leases which are executed but not yet commenced with total minimum payments of approximately \$16.6 million. The payments are for various leases with terms of 1.5 years to 2.0 years.

14. Commitments and Contingencies

Commitments

Energy Contracts

As of August 31, 2025, the Company had a minimum commitment of approximately \$40.1 million related to the energy services agreement for its Jamestown, North Dakota co-hosting facility payable over, approximately, the next 1.4 years.

Construction Contracts

The Company routinely engages with construction vendors for the construction of our facilities. These engagements are governed by contracts containing standard terms and conditions, including certain milestones that obligate the Company to pay as work is completed. In the event of termination of any of these contracts by the Company, the Company would be liable for all work that has been completed or in process, plus any applicable fees. The Company generally has the right to cancel these open purchase orders prior to delivery or terminate the contracts without cause.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the ordinary course of business.

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Securities Lawsuit

The Company, Wes Cummins, the Company's Chief Executive Officer, and David Rench, the Company's then Chief Financial Officer, have been named as defendants in a putative securities class action lawsuit in the matter styled, *McConnell v. Applied Digital Corporation, et al.*, Case No. 3:23-cv-1805, filed in August 2023 in the U.S. District Court for the Northern District of Texas (the "Securities Lawsuit"). Specifically, the complaint asserts claims pursuant to Section 10(b) and 20(a) of the Securities and Exchange Act of 1934 based on allegedly false or misleading statements regarding the company's business, operations, and compliance policies, including claims that the Company overstated the profitability of its Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Company's board of directors was not "independent" within the meaning of Nasdaq listing rules. On May 22, 2024, the court appointed lead plaintiff and approved lead counsel, and on July 22, 2024, lead plaintiff filed an amended complaint which asserts the same claims based on similar allegations in the original complaint. On September 20, 2024, the defendants filed a motion to dismiss the amended complaint. On November 19, 2024, lead plaintiff filed his opposition to the Motion to Dismiss. On January 3, 2025, the defendants filed their reply in further support of the Motion to Dismiss. On September 8, 2025, the Court issued an order staying the Securities Lawsuit and administratively closing it pending resolution of the Motion to Dismiss.

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in the Securities Lawsuit. If an unfavorable action were to occur, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

Derivative Lawsuit

On November 15, 2023, a derivative action was filed in the matter styled, *Weich v. Cummins, et al.*, Case No. A-23-881629-C in the District Court of Clark County, Nevada (the "Derivative Lawsuit"). The Weich complaint named as defendants certain members of the Company's Board of Directors and its Chief Executive Officer Wesley Cummins and purports to name the Company's then Chief Financial Officer David Rench as a defendant. The complaint asserted claims for breach of fiduciary duties, corporate waste and unjust enrichment based upon allegations that the defendants caused or allowed the Company to make materially false and misleading statements regarding the Company's business, operations, and compliance policies. Specifically, the complaint alleged that the Company overstated the profitability of the Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Board was not "independent" within the meaning of Nasdaq listing rules. On February 27, 2024, the derivative plaintiff filed an amended complaint asserting the same claims as the original complaint.

On June 5, 2024, following briefing and argument on the defendants' motion to dismiss the Derivative Lawsuit, the Court entered an order granting the defendants' motion without prejudice and dismissing all claims against all defendants, including the Company, on the grounds that the plaintiff failed to plead (1) demand futility as to each of plaintiff's claims or (2) a claim for breach of fiduciary duty. The order dismissed all claims against all defendants, including the Company. The plaintiff can seek leave to file an amended complaint but to date has not done so.

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in this action. If an unfavorable action were to occur, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

As of August 31, 2025, there were no other 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.

15. Business Segments

The Company's business is made up of two operating segments: the Data Center Hosting Business and the HPC Hosting Business. These segments represent management's view of the business for which separate financial information is

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available and evaluated regularly by the Chief Operating Decision Maker ("CODM"), which is the Company's Chief Executive Officer.

The Company's CODM evaluates performance and makes operating decisions primarily based on revenue and segment profit (loss) on a consolidated basis and for each of the Company's reportable segments. Operating results by segment include costs or expenses directly attributable to each segment, which include selling, general, and administrative expenses, gain on classification of held for sale and loss on abandonment of assets. The Company derives the segment results from its internal management reporting system. The accounting policies the Company uses to derive reportable segment results are the same as those used for external reporting purposes. Segment revenues and segment profit are regularly reviewed by the CODM and compared against historical results, forecast and budget information in order to make decisions about how to allocate capital and other resources to each segment.

The Company does not allocate loss on change in fair value of debt or income tax expense to these segments for internal reporting purposes, as the Company does not believe that allocating these expenses is beneficial in evaluating segment performance. The "Other" includes corporate related items not allocated to reportable segments for purposes of making operating decisions or assessing financial performance.

In accordance with applicable accounting guidance, the results of the Cloud Services Business are presented as discontinued operations in the unaudited condensed consolidated statements of operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. See "Note 5 - Discontinued Operations" for operations and segment results for the Cloud Services Business.

The following tables present segment information, including revenue by segment and segment profit (loss) for the three months ended August 31, 2025 and August 31, 2024 (in thousands):

Three Months Ended August 31, 2025			
	Data Center Hosting Business		HPC Hosting Business
Revenue	\$	37,921	\$ 26,296
Related party revenue		—	—
Total segment revenue		37,921	26,296
Costs and expenses			
Cost of revenues		30,409	25,184
Selling, general and administrative		965	1,894
Loss on abandonment of assets		512	1,240
Total costs and expenses		31,886	28,318
Segment profit (loss)	\$	6,035	\$ (2,022)

Three Months Ended August 31, 2024			
	Data Center Hosting Business		HPC Hosting Business
Revenue	\$	32,923	\$ —
Related party revenue		1,926	—
Total segment revenue		34,849	—
Costs and expenses			
Cost of revenues		22,406	23
Selling, general and administrative		772	2,926
Gain on classification of held for sale		(24,808)	—
Loss on abandonment of assets		628	—
Total costs and expenses		(1,002)	2,949
Segment profit (loss)	\$	35,851	\$ (2,949)

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The following table presents a reconciliation to net (loss) income from continuing operations before income tax expense (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Segment profit		
Data Center Hosting Business	\$ 6,035	\$ 35,851
HPC Hosting Business	(2,022)	(2,949)
Total segment profit	4,013	32,902
Other ⁽¹⁾	(26,306)	(7,609)
Operating (loss) income	(22,293)	25,293
Interest expense, net	3,946	2,959
Loss on change in fair value of debt	—	6,422
Net (loss) income from continuing operations before income tax expense	\$ (26,239)	\$ 15,912

⁽¹⁾ Other includes corporate related items not allocated to reportable segments

We also provide the following additional segment disclosures (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Depreciation and amortization:		
Data Center Hosting Business	\$ 3,391	\$ 3,359
HPC Hosting Business	698	722
Other ⁽¹⁾	63	62
Total depreciation and amortization ⁽²⁾	\$ 4,152	\$ 4,143

⁽¹⁾ Other includes corporate related items not allocated to reportable segments.

⁽²⁾ Includes amortization of the finance lease right-of-use assets.

Information on segment assets and a reconciliation to consolidated assets are as follows (in thousands):

	August 31, 2025	May 31, 2025
Data Center Hosting Business	\$ 132,357	\$ 141,764
HPC Hosting Business	1,862,047	1,363,341
Total segment assets	1,994,404	1,505,105
Cloud Services Business (Discontinued operations)	310,006	304,466
Other ⁽¹⁾	94,585	60,519
Total assets	\$ 2,398,995	\$ 1,870,090

⁽¹⁾ Other includes corporate related items not allocated to reportable segments.

16. Loss Per Share

Basic net income (loss) per share ("EPS") of common stock is computed by dividing a 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.

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Potentially dilutive securities are excluded from the computation of diluted net loss per share as their inclusion would be anti-dilutive. The table below shows the calculation for earnings per share:

	Three Months Ended	
	August 31, 2025	August 31, 2024
Net loss	\$ (16,926)	\$ (4,247)
Preferred dividends	(1,576)	(44)
Net loss attributable to common stockholders	<u>\$ (18,502)</u>	<u>\$ (4,291)</u>
Net (loss) income attributable to common stockholders:		
Continuing operations	\$ (27,823)	\$ 15,868
Discontinued operations	9,321	(20,159)
Net loss	<u>\$ (18,502)</u>	<u>\$ (4,291)</u>
Basic and diluted net (loss) income per share attributable to common stockholders:		
Continuing operations	\$ (0.11)	\$ 0.11
Discontinued operations	0.04	(0.14)
Basic and diluted net loss per share	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>
Basic and diluted weighted average number of shares outstanding	255,892,902	149,099,336

As of August 31, 2025 and August 31, 2024, the Company had approximately 14.6 million and 6.4 million shares, respectively, of granted but unvested restricted stock awards, performance stock units, and restricted stock units that would have a potentially dilutive effect on earnings per share.

As of August 31, 2025 and August 31, 2024, the Company had approximately 4.4 million and 9.7 million shares, respectively, associated with the Company's preferred stock which have been excluded from the calculation of earnings per share because the effect of those shares would be antidilutive. As of August 31, 2024, the Company had approximately 8.3 million shares associated with the Yorkville Convertible Debt which have been excluded from the calculation of earnings per share because the effect of those shares would be antidilutive. Additionally, the Company had approximately 25.5 million and 12.3 million warrants outstanding as of August 31, 2025 and August 31, 2024, respectively, which have been excluded from the calculations of earnings per share because the effect of those shares would be antidilutive. Lastly, if the Company's Convertible Notes were converted into shares of the Company's common stock as of August 31, 2025, approximately 46.1 million shares were excluded from the calculations of earnings per share because the effect of those shares would be antidilutive.

17. Subsequent Events

Promissory Note

On September 9, 2025, APLD FAR-01 LLC, a subsidiary of the Company, entered into a promissory note (the "Promissory Note") with Macquarie Equipment Capital, Inc., a Delaware corporation (the "Lender"). The Promissory Note provides for a principal sum of (a) \$50 million (the "Initial Loan"), which was drawn on the Closing Date, plus (b) subject to the mutual consent of the Company and the Lender, additional loans in an aggregate principal amount not to exceed \$25 million (the "Additional Loans" and together with the Initial Loan, the "Loan").

The Loan shall bear interest at 8.0% per annum, unless an Event of Default (as defined therein) has occurred and is continuing, in which case, the Secured Obligations (as defined therein) shall bear interest at the sum of 8.0% per annum plus an additional 1.50% per month (the "Post-Default Rate"). From the Closing Date until the date that is twelve months following the Closing Date (the "PIK Period"), accrued interest will be paid in kind, with such payment in kind being capitalized to principal monthly and at such other times as may be specified in the Promissory Note. After the PIK Period, accrued interest will be paid in cash, provided that (i) the Post-Default Rate interest is payable in cash on demand and (ii)

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accrued interest on any principal amount repaid or prepaid is payable on the date of such repayment or prepayment. The Promissory Note matures on the earliest of (i) the date of acceleration of the Loan, (ii) February 1, 2026, if the 200 MW Lease Execution (as defined therein) has not occurred on or before October 31, 2025, or (iii) September 9, 2027. The Loan will accelerate and the Company must mandatorily prepay the full outstanding principal balance of the Promissory Note, together with accrued interest to the date of prepayment on the principal amount prepaid and any other amounts then due and payable, upon the occurrence of any of the following conditions: (a) a Change of Control (as defined therein), (b) within ninety (90) days following the occurrence of the 200 MW Lease Execution, and (c) within thirty (30) days following a Qualifying Preference Share Issuance (as defined therein).

The Company may voluntarily prepay all or part of the Promissory Note at any time with no less than three (3) business days' notice with accrued interest to the date of prepayment on the principal amount prepaid, so long as, with respect to the portion of the Loan then being prepaid, in each case, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return that equals or exceeds 1.10 to 1.00. The same 1.10x return hurdle applies to repayment at maturity. Amounts repaid under the Promissory Note will not be available to be re-borrowed.

Proceeds of the Loan under the Promissory Note will be used, in part, to (i) pay transaction costs, (ii) pay transaction expenses in connection with the Note Documents (as defined therein), (iii) fund the purchase of the financed properties located on the Company's campus in Harwood, ND ("Polaris Forge 2"), including all associated closing costs, title fees, and legal expenses, (iv) finance improvements to the Polaris Forge 2 properties, (v) fund the purchase of the Transformers (as defined therein) and other equipment expected to be installed and used for the improvements of the Polaris Forge 2 properties, (v) to pay any other costs, fees, expenses, or amounts related to or in connection with the development and construction of Polaris Forge 2, and (vi) for general corporate working capital purposes.

In connection with the Loan, (i) APLD FAR-01 LLC, APLD FAR Holdings LLC ("Intermediate Holdings"), a Delaware limited liability company, as parent of the APLD FAR-01 LLC, and APLD FAR-02 LLC ("FAR-02"), a Delaware limited liability company, as a subsidiary of Intermediate Holdings, have entered into a guarantee and collateral agreement, as grantors thereunder, in favor of the Lender (the "Guarantee and Collateral Agreement") pursuant to which the APLD FAR-01 LLC, Intermediate Holdings, and FAR-02 pledged a continuing security interest in substantially all of their respective assets except for Excluded Assets (as defined in the Guarantee and Collateral Agreement) and (ii) the Company provided a guarantee (the "Parent Guarantee") in favor of the Lender that includes certain covenants that limit the Company's ability to (a) transfer or dispose of any Collateral (as defined in the Guarantee and Collateral Agreement) without the prior written consent of the Lender, (b) grant certain liens upon or with respect to the Collateral, and (c) allow APLD FAR-01 LLC and its subsidiaries to sell or otherwise transfer assets to their affiliates, subject to certain specified exceptions in each case. APLD FAR-01 LLC will also grant mortgages to the Lender over certain properties.

Series G Preferred Stock Offering

On September 11, 2025, the Company entered into the second amendment (the "Second Amendment") to the PEPA, dated April 30, 2025, by and between the Company and the investors signatory thereto, as amended by the First Amendment, dated August 14, 2025, in order to increase its access to capital to fund the continued construction and development of its Polaris Forge 1 data center campus in Ellendale, North Dakota and other general corporate purposes.

The Second Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of Series G Convertible Preferred Stock from \$300 million to \$450 million. In connection with the Second Amendment, on September 11, 2025, the Company filed an amendment (the "Second CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended by the First CoD Amendment. The Second CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the number of shares authorized for issuance as Series G Preferred Stock from 156,000 to 204,000 shares.

On September 25, 2025, the Company filed an amendment (the "Third CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended. The Third CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the Floor Price (as set forth in Section 1.5(c)(i) of the Certificate of Designation) to \$22.00 from \$12.50.

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For the Three Months Ended August 31, 2025

Since the execution of the Second Amendment, 204,000 shares of Series G Preferred Stock have been issued for aggregate gross proceeds of \$200.0 million, of which all 204,000 shares of Series G Preferred Stock have been converted into an aggregate of approximately 10.2 million shares of common stock.

On October 7, 2025, the Company entered into the third amendment (the “Third Amendment”) to the PEPA, dated April 30, 2025, by and between the Company and the investors signatory thereto, as amended by the First Amendment and the Second Amendment, in order to increase its access to capital to fund the continued construction and development of its Polaris Forge I data center in Ellendale, North Dakota. The Third Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of the Series G Preferred Stock from \$450.0 million to \$590.0 million.

Amended and Restated Unit Purchase Agreement

As previously disclosed, on January 13, 2025, APLD HPC Holdings LLC (formerly, APLD ELN-02 Holdings LLC), an indirect wholly owned subsidiary of the Company, entered into a Unit Purchase Agreement (the “Unit Purchase Agreement” or “UPA”) for its HPC Hosting Business with MIP VI HPC Holdings, LLC, which is an affiliate of funds and investment vehicles managed by entities within Macquarie Asset Management (“MAM”). On February 11, 2025, APLD ELN-02 Holdings LLC novated and assigned its rights, title and interests and duties, liabilities and obligations under the UPA to APLD HPC TopCo LLC, an indirect wholly-owned subsidiary of the Company (“TopCo 1”). On October 3, 2025, the Company, TopCo 1, APLD HPC TopCo 2 LLC, an indirect wholly-owned subsidiary of the Company (the “Subsidiary Issuer”), and MIP HPC Holdings, LLC (formerly, MIP VI HPC Holdings, LLC) (the “Purchaser”) entered into an Amended and Restated Unit Purchase Agreement (the “A&R UPA”).

On October 6, 2025, all conditions to the Initial Closing (as defined in the A&R UPA) were satisfied and the Initial Closing occurred. At the Initial Closing, the Subsidiary Issuer sold to the Purchaser 112,500 Preferred Units in the Subsidiary Issuer at a price per Preferred Unit of \$1,000, for an aggregate purchase price of \$112.5 million, and for no additional consideration, the Subsidiary Issuer agreed to issue to the Purchaser such number of Common Units of the Subsidiary Issuer representing, in the aggregate, seven and a half percent (7.5%) of the fully diluted common equity of the Subsidiary Issuer as of immediately following the Initial Closing. The proceeds of the Initial Closing will be used to pay, among other things, construction and development costs of Polaris Forge 1 and transaction expenses. MAM has the right to invest up to an additional \$4.9 billion under the A&R UPA.

In addition, pursuant to the A&R UPA, on October 6, 2025, the Company issued to the designated affiliates of the Purchaser, warrants to purchase an aggregate of 2.4 million shares of the Company’s common stock. The warrants will become exercisable upon the Purchaser funding the full \$450 million in Polaris Forge 1. Also on October 6, 2025, the Company entered into a registration rights agreement with the Purchaser, pursuant to which the Company agreed to file with the SEC a registration statement registering the resale of the shares of common stock issuable upon exercise of the warrants within 60 days of the execution of the registration rights agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. You can identify these forward-looking statements through our use of words such as “will,” “may,” “can,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “seek,” “estimate,” “continue,” “plan,” “point to,” “project,” “predict,” “could,” “intend,” “target,” “potential” and other similar words and expressions of the future. Statements that contain these words and other statements that are forward-looking in nature should be read carefully because they discuss future expectations, contain projections of future results of operations or of financial positions, or state other “forward-looking” information.

These statements are based on our management’s beliefs and assumptions, which are based on currently available information. Our actual results, and the assumptions on which we relied, could prove materially different from our expectations. You are cautioned not to place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. There are a number of important factors that could cause our actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our ability to complete construction of our HPC facilities at each of the Polaris Forge 1 and Polaris Forge 2 campuses;
- our ability to complete the negotiation and execution of the definitive transaction documents to close the sale of our Cloud Services Business that is currently held for sale and treated as discontinued operations;
- our dependence on principal customers, including our ability to execute leases with key customers, including leases for our Polaris Forge 1 and Polaris Forge 2 data center campuses;
- availability of financing to continue to grow our business;
- labor and other workforce shortages and challenges;
- power or other supply disruptions and equipment failures;
- the addition or loss of significant customers or material changes to our relationships with these customers;
- delays or denials of entitlements or permits, including zoning, siting, utility and other permits, or other delays resulting from requirements of public agencies and utility companies;
- our sensitivity to general economic conditions including changes in disposable income levels and consumer spending trends;
- our ability to timely and successfully build new hosting facilities with the appropriate contractual margins and efficiencies;
- our ability to continue to grow sales in our hosting business;
- volatility of cryptoasset prices; and
- uncertainties of cryptoasset regulation policy.

You should carefully review the risks described in Item 1A of the Company’s Annual Report on Form 10-K for the year ended May 31, 2025, which was filed with the SEC on July 30, 2025, as well as any other cautionary language in this Quarterly Report on Form 10-Q, as the occurrence of any of these events could have an adverse effect, which may be material, on our business, results of operations, financial condition or cash flows.

Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time, and it is not possible for our management to predict all risk factors and uncertainties, nor are we able to assess the impact of all of these risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements. These risks are not exhaustive.

Executive Overview

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q.

Business Overview

We are a U.S. designer, developer, and operator of high-performance, sustainably engineered data centers and colocation services for artificial intelligence (“AI”), networking, and blockchain workloads. Headquartered in Dallas, TX, and founded in 2021, the Company combines hyperscale expertise, proprietary waterless cooling, and rapid deployment capabilities to deliver secure, scalable compute at industry-leading speed and efficiency, while creating economic opportunities in underserved communities through its award-winning Polaris Forge AI Factory model. We operate in two distinct business segments, data center hosting (the “Data Center Hosting Business”) and HPC data center hosting (the “HPC Hosting Business”), as further discussed below.

During the fiscal quarter ended May 31, 2025, we determined that our Cloud Services Business met the criteria for held for sale and discontinued operations. As such, the results of the Cloud Services Business, which was previously included as a reportable segment, are presented as discontinued operations in the unaudited condensed consolidated statements of operations and have been excluded from both continuing operations and segment results for all periods presented.

Trends and Other Factors Affecting Our Business

Regulatory Environment

The regulatory landscape surrounding AI and blockchain hosting services is evolving rapidly, and we anticipate increased scrutiny and potential regulation in the near and long term. Any such developments may significantly impact our business and operations in ways that are difficult to predict.

Governments and regulatory bodies are considering measures to ensure the responsible development and deployment of AI systems, including transparency, accountability, and fairness guidelines. For example, in the U.S. Senate, committees of jurisdiction have passed several AI bills that establish industry standards and impose significant obligations in relation to the use of AI systems. On the state level, several U.S. states have considered AI legislation, which aims to reduce risk associated with the use of AI; while certain states have passed comprehensive AI legislation. On September 29, 2025, California passed the Transparency in Frontier Artificial Intelligence Act into law, which requires certain AI companies to fulfill transparency requirements and report AI-related safety incidents, among other things. In Europe, the EU AI Act has been adopted, portions of which have started to take effect this year.

The amount of energy used for AI and crypto mining has also received significant attention. For example, in January 2024, the U.S. Energy Information Administration conducted an emergency survey of electricity consumption data from cryptocurrency mining companies in the U.S. This indicates that more focus is being placed on the energy usage of these activities. It is unclear how the information collected will be used for future regulations, but it is expected that energy efficiency and sustainability will be critical factors regulating both AI data centers and cryptocurrency mining.

As a company operating at the intersection of data center and HPC hosting services, we are committed to maintaining a proactive and adaptive approach to regulatory compliance. We closely monitor legislative and regulatory developments and engage in dialogue with relevant stakeholders to ensure our business practices align with the evolving legal and regulatory framework. Despite the uncertainties posed by the changing regulatory landscape, we remain committed to delivering innovative and responsible solutions in the data center and HPC hosting markets while prioritizing compliance and risk management. However, if we fail to comply with applicable laws and regulations, we may be subject to significant liabilities, including fines and penalties, and our business, financial condition, or results of operations could be adversely affected.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our unaudited condensed consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Our critical accounting estimates are identified and described in our annual consolidated financial statements and the related notes included in our Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q.

Business Update

Data Center Hosting Business

Our Data Center Hosting Business operates data centers to provide energized space to crypto mining customers.

As of August 31, 2025, our 106 MW facility in Jamestown, North Dakota and our 180 MW facility in Ellendale, North Dakota continue to operate at full capacity.

HPC Hosting Business

Our HPC Hosting Business designs, constructs, and operates next-generation data centers, which are designed to provide massive computing power and support HPC applications within a cost-effective model.

We are currently building two HPC focused data center facilities to provide 100 MW and 150 MW, respectively, of capacity at our Polaris Forge 1 campus in Ellendale, ND. These facilities are being designed and purpose-built to host high-density GPU architecture or other HPC applications, such as artificial intelligence, natural language processing, machine learning, and additional HPC developments. The third HPC focused data center facility, which is expected to provide an additional 150MW of capacity at Polaris Forge 1, is currently in planning stages with an anticipated ready for service date in 2027.

On May 28, 2025, APLD ELN-02 LLC and APLD ELN-03 LLC, our subsidiaries, each entered into a data center lease (together, the “Data Center Leases”) with CoreWeave, Inc. (“CoreWeave”) to deliver an aggregate of 250 MW of infrastructure to host CoreWeave’s HPC operations at Polaris Forge 1. The first lease is for the full capacity of our 100 MW data center that is currently under construction, and the second lease is for the full capacity of our 150 MW data center that is also under construction. We have guaranteed the obligations of APLD ELN-02 LLC and APLD ELN-03 LLC under the respective Data Center Lease to which such subsidiary is a party.

On August 28, 2025, APLD ELN-02 C LLC, our subsidiary, entered into a third data center lease, the (“Building 4 Lease”) with CoreWeave to deliver an additional 150 MW at Polaris Forge 1, bringing the total capacity under contract at Polaris Forge 1 to 400 MW. We have guaranteed the obligations of APLD ELN-02 C LLC under the Building 4 Lease.

We recognized \$26.3 million in tenant fit-out revenue from this business segment during the three months ended August 31, 2025. We anticipate that this business segment will begin generating meaningful revenues associated with the leases once the first building within Polaris Forge 1 becomes operational, which is expected in calendar year 2025.

On August 18, 2025, we also announced that we would be breaking ground on our Polaris Forge 2 campus, a \$3 billion, 280 MW data center near Harwood, North Dakota. The project has begun and we currently anticipate reaching initial capacity in 2026 and reaching full capacity in early 2027.

Discontinued Operations

The Cloud Services Business provides high-performance computing power for AI and machine learning applications. Near the end of the fiscal third quarter 2024, this business began generating revenue. In the fourth quarter of fiscal year 2025, we determined that the Cloud Services Business met the criteria to be classified as “held for sale,” and as the sale represents a strategic shift for the Company, discontinued operations. As such, for the three months ended August 31, 2025, we have reported the Cloud Services Business as held for sale on the unaudited condensed consolidated balance sheets and discontinued operations on the unaudited condensed consolidated statement of operations. The comparative periods have been updated to present the Cloud Services Business as held for sale and discontinued operations as of June 1, 2024.

We recognized \$16.7 million in revenue from this business segment during three months ended August 31, 2025 within discontinued operations. The Cloud Services Business operates in three states: Colorado, Minnesota and Utah, by renting space at third party co-location centers and providing customers with Company-owned equipment.

Management Update

On August 1, 2025, we entered into an employment agreement with Jason Zhang, one of the Company’s founders and former directors, to serve in the role of Chief Strategy Officer of the Company.

Public Offerings and Changes to Equity

June 2025 At-the-Market Sales Agreement

On June 2, 2025, the Company entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the “June 2025 Sales Agreement”), pursuant to which, up to \$200,000,000 of shares of the Company's common stock may be issued if and when sold. As of the date of this report, the Company has issued and sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately \$196.4 million.

Series G Preferred Stock

On August 14, 2025, we entered into the first amendment (the “First Amendment”) to the Preferred Equity Purchase Agreement (the “PEPA”), dated April 30, 2025, to, among other things, (i) increase the aggregate commitment amount of the shares of Series G Convertible Preferred Stock (the “Series G Preferred Stock”) from \$150 million to \$300 million, and (ii) increase our access to capital by removing the Put Limitation (as defined in the PEPA) that had previously limited the aggregate purchase price for any Put Issuance (as defined in the PEPA) to no more than \$75 million. In connection with the First Amendment, on August 14, 2025, we filed an amendment (the “First CoD Amendment”) to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025. The First CoD Amendment amends the Series G Certificate of Designation to, among other things, (i) increase the initial Floor Price (as set forth in Section 1.5(c)(i) of the Series G Certificate of Designation) to \$12.50 from \$4.25, and (ii) change the limit below which the Floor Price may not be reduced (as set forth in Section 1.5(c)(ii) of the Series G Certificate of Designation) to \$4.33 from \$1.34. The Floor Price sets the minimum floor for the conversion price of the Series G Preferred Stock, which price may not be reduced unless we determine to do so in our discretion. The First CoD Amendment further amended the status of converted or repurchased preferred stock such that any shares of Series G Preferred Stock that have been or will be converted will be retired and resume the status of authorized but unissued shares.

As Series G Preferred Stock may be reissued, during the three months ended August 31, 2025, the Company issued and sold 180,000 shares of Series G Preferred Stock for aggregate gross proceeds of \$175.0 million with a total of 258,000 shares of Series G Preferred Stock being converted into approximately 28.2 million shares of the Company's common stock. As of August 31, 2025, no Series G Preferred Stock was issued and outstanding.

CoreWeave Warrants

On August 28, 2025, in connection with the entry into the Building 4 Lease, the Company issued to CoreWeave a warrant (the “Building 4 Warrant”) to acquire up to 8,393,611 shares of the Company's common stock at an exercise price of \$10.75 per share, subject to adjustment in accordance with the terms and conditions set forth in the Building 4 Warrant. The Building 4 Warrant is on the same Form of Warrant as the initial warrant issued to CoreWeave on May 28, 2025, in connection with the data center leases entered into for Building 2 and Building 3 on May 28, 2025.

Recent Developments

Promissory Note

On September 9, 2025, APLD FAR-01 LLC, our subsidiary, entered into a promissory note (the “Promissory Note”) with Macquarie Equipment Capital, Inc., a Delaware corporation (the “Lender”). The Promissory Note provides for a principal sum of (a) \$50 million (the “Initial Loan”), which was drawn on the Closing Date, plus (b) subject to the mutual consent of us and the Lender, additional loans in an aggregate principal amount not to exceed \$25 million (the “Additional Loans” and together with the Initial Loan, the “Loan”).

The Loan shall bear interest at 8.0% per annum, unless an Event of Default (as defined therein) has occurred and is continuing, in which case, the Secured Obligations (as defined therein) shall bear interest at the sum of 8.0% per annum plus an additional 1.50% per month (the “Post-Default Rate”). From the Closing Date until the date that is twelve months following the Closing Date (the “PIK Period”), accrued interest will be paid in kind, with such payment in kind being capitalized to principal monthly and at such other times as may be specified in the Promissory Note. After the PIK Period, accrued interest will be paid in cash, provided that (i) the Post-Default Rate interest is payable in cash on demand and (ii) accrued interest on any principal amount repaid or prepaid is payable on the date of such repayment or prepayment. The Promissory Note matures on the earliest of (i) the date of acceleration of the Loan, (ii) February 1, 2026, if the 200 MW Lease Execution (as defined therein) has not occurred on or before October 31, 2025, or (iii) September 9, 2027. The Loan will accelerate and we must mandatorily prepay the full outstanding principal balance of the Promissory Note, together with accrued interest to the date of prepayment on the principal amount prepaid and any other amounts then due and payable, upon the occurrence of any of the following conditions: (a) a Change of Control (as defined therein), (b) within

ninety (90) days following the occurrence of the 200 MW Lease Execution, and (c) within thirty (30) days following a Qualifying Preference Share Issuance (as defined therein).

We may voluntarily prepay all or part of the Promissory Note at any time with no less than three (3) business days' notice with accrued interest to the date of prepayment on the principal amount prepaid, so long as, with respect to the portion of the Loan then being prepaid, in each case, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return that equals or exceeds 1.10 to 1.00. The same 1.10x return hurdle applies to repayment at maturity. Amounts repaid under the Promissory Note will not be available to be re-borrowed.

Proceeds of the Loan under the Promissory Note will be used, in part, to (i) pay transaction costs, (ii) pay transaction expenses in connection with the Note Documents (as defined therein), (iii) fund the purchase of the financed properties located on the Company's campus in Harwood, ND ("Polaris Forge 2"), including all associated closing costs, title fees, and legal expenses, (iv) finance improvements to the Polaris Forge 2 properties, (v) fund the purchase of the Transformers (as defined therein) and other equipment expected to be installed and used for the improvements of the Polaris Forge 2 properties, (v) to pay any other costs, fees, expenses, or amounts related to or in connection with the development and construction of Polaris Forge 2, and (vi) for general corporate working capital purposes.

In connection with the Loan, (i) APLD FAR-01 LLC, APLD FAR Holdings LLC ("Intermediate Holdings"), a Delaware limited liability company, as parent of the APLD FAR-01 LLC, and APLD FAR-02 LLC ("FAR-02"), a Delaware limited liability company, as a subsidiary of Intermediate Holdings, have entered into a guarantee and collateral agreement, as grantors thereunder, in favor of the Lender (the "Guarantee and Collateral Agreement") pursuant to which the APLD FAR-01 LLC, Intermediate Holdings, and FAR-02 pledged a continuing security interest in substantially all of their respective assets except for Excluded Assets (as defined in the Guarantee and Collateral Agreement) and (ii) we provided a guarantee (the "Parent Guarantee") in favor of the Lender that includes certain covenants that limit our ability to (a) transfer or dispose of any Collateral (as defined in the Guarantee and Collateral Agreement) without the prior written consent of the Lender, (b) grant certain liens upon or with respect to the Collateral, and (c) allow APLD FAR-01 LLC and its subsidiaries to sell or otherwise transfer assets to their affiliates, subject to certain specified exceptions in each case. APLD FAR-01 LLC will also grant mortgages to the Lender over certain properties.

Series G Preferred Stock Offering

On September 11, 2025, we entered into the second amendment (the "Second Amendment") to the PEPA, dated April 30, 2025, by and between us and the investors signatory thereto, as amended by the First Amendment, dated August 14, 2025 in order to increase our access to capital to fund the continued construction and development of our Polaris Forge 1 data center campus in Ellendale, North Dakota and other general corporate purposes.

The Second Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of Series G Preferred Stock from \$300 million to \$450 million. Concurrent with the Second Amendment, the Company filed an amendment to the Certificate of Designations to increase the number of shares authorized for issuance as Series G Preferred Stock from 156,000 to 204,000 shares.

On September 25, 2025, the Company filed an amendment (the "Third CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended. The Third CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the Floor Price (as set forth in Section 1.5(c)(i) of the Certificate of Designation) to \$22.00 from \$12.50.

Since the execution of the Second Amendment, 204,000 shares of Series G Preferred Stock have been issued have been issued for aggregate gross proceeds of \$200.0 million, of which all 204,000 shares of Series G Preferred Stock have been converted into an aggregate of approximately 10.2 million shares of common stock.

On October 7, 2025, the Company entered into the third amendment (the "Third Amendment") to the PEPA, dated April 30, 2025, by and between the Company and the investors signatory thereto, as amended by the First Amendment and the Second Amendment, in order to increase its access to capital to fund the continued construction and development of its Polaris Forge I data center in Ellendale, North Dakota. The Third Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of the Series G Preferred Stock from \$450.0 million to \$590.0 million.

Amended and Restated Unit Purchase Agreement

As previously disclosed, on January 13, 2025, APLD HPC Holdings LLC (formerly, APLD ELN-02 Holdings LLC), an indirect wholly owned subsidiary of the Company, entered into a Unit Purchase Agreement (the “Unit Purchase Agreement” or “UPA”) for its HPC Hosting Business with MIP VI HPC Holdings, LLC, which is an affiliate of funds and investment vehicles managed by entities within Macquarie Asset Management (“MAM”). On February 11, 2025, APLD HPC Holdings LLC novated and assigned its rights, title and interests and duties, liabilities and obligations under the UPA to APLD HPC TopCo LLC, an indirect wholly-owned subsidiary of the Company (“TopCo 1”). On October 3, 2025, the Company, TopCo 1, APLD HPC TopCo 2 LLC, an indirect wholly-owned subsidiary of the Company (the “Subsidiary Issuer”), and MIP HPC Holdings, LLC (formerly, MIP VI HPC Holdings, LLC) (the “Purchaser”) entered into an Amended and Restated Unit Purchase Agreement (the “A&R UPA”).

On October 6, 2025, all conditions to the Initial Closing (as defined in the A&R UPA) were satisfied and the Initial Closing occurred. At the Initial Closing, the Subsidiary Issuer sold to the Purchaser 112,500 Preferred Units in the Subsidiary Issuer at a price per Preferred Unit of \$1,000, for an aggregate purchase price of \$112.5 million, and for no additional consideration, the Subsidiary Issuer agreed to issue to the Purchaser such number of Common Units of the Subsidiary Issuer representing, in the aggregate, seven and a half percent (7.5%) of the fully diluted common equity of the Subsidiary Issuer as of immediately following the Initial Closing. The proceeds of the Initial Closing will be used to pay, among other things, construction and development costs of Polaris Forge 1 and transaction expenses. MAM has the right to invest up to an additional \$4.9 billion under the A&R UPA.

In addition, pursuant to the A&R UPA, on October 6, 2025, the Company issued to the designated affiliates of the Purchaser, warrants to purchase an aggregate of 2.4 million shares of the Company’s common stock. The warrants will become exercisable upon the Purchaser funding the full \$450 million in Polaris Forge 1. Also on October 6, 2025, the Company entered into a registration rights agreement with the Purchaser, pursuant to which the Company agreed to file with the SEC a registration statement registering the resale of the shares of common stock issuable upon exercise of the warrants within 60 days of the execution of the registration rights agreement.

Results of Operations

Comparative Results for the Three Months Ended August 31, 2025 and August 31, 2024:

The following table sets forth key components of the results of operations (in thousands) during the three months ended August 31, 2025 and August 31, 2024.

	Three Months Ended	
	August 31, 2025	August 31, 2024
Revenue:		
Revenue	\$ 64,216	\$ 32,923
Related party revenue	—	1,926
Total revenue	64,216	34,849
Costs and expenses:		
Cost of revenues	55,606	22,743
Selling, general and administrative ⁽¹⁾	29,152	10,993
Gain on classification as held for sale ⁽²⁾	—	(24,808)
Loss on abandonment of assets	1,751	628
Total costs and expenses	86,509	9,556
Operating (loss) income	(22,293)	25,293
Interest expense, net	3,946	2,959
Loss on change in fair value of debt	—	6,422
Net (loss) income from continuing operations before income tax expense	(26,239)	15,912
Income tax expense	8	—
Net (loss) income from continuing operations	(26,247)	15,912
Net income (loss) from discontinued operations	9,321	(20,159)
Net loss	(16,926)	(4,247)
Preferred dividends	(1,576)	(44)
Net loss attributable to common stockholders	\$ (18,502)	\$ (4,291)
Net loss attributable to common stockholders		
Continuing operations	\$ (27,823)	\$ 15,868
Discontinued operations	9,321	(20,159)
Net loss	\$ (18,502)	\$ (4,291)
Basic and diluted net loss per share attributable to common stockholders		
Continuing operations	\$ (0.11)	\$ 0.11
Discontinued operations	0.04	(0.14)
Basic and diluted net loss per share	\$ (0.07)	\$ (0.03)
Basic and diluted weighted average number of shares outstanding	255,892,902	149,099,336

Adjusted Amounts ⁽³⁾				
Adjusted operating (loss) income	\$	(3,616)	\$	2,164
Adjusted operating margin		(6)	%	6
Adjusted net loss attributable to common stockholders	\$	(7,570)	\$	(795)
Adjusted net loss attributable to common stockholders per diluted share	\$	(0.03)	\$	(0.01)
Other Financial Data ⁽³⁾				
EBITDA	\$	(19,716)	\$	22,970
as a percentage of revenues		(31)	%	66
Adjusted EBITDA	\$	537	\$	6,262
as a percentage of revenues		1	%	18

⁽¹⁾ Includes related party selling, general and administrative expense of \$0.1 million for each of the three months ended August 31, 2025 and August 31, 2024, respectively. See Note 6 - Related Party Transactions for further discussion of related party transactions.

⁽²⁾ Includes \$25 million received in connection with the sale of our Garden City facility once conditional approval requirements were met and escrowed funds were released during the three months ended August 31, 2024.

⁽³⁾ Adjusted Amounts and Other Financial Data are non-GAAP performance measures. A reconciliation of reported amounts to adjusted amounts can be found in the "Non-GAAP Measures and Reconciliation" section of Management's Discussion and Analysis.

Commentary on Results of Operations Comparative Results for the Three Months Ended August 31, 2025 compared to the Three Months Ended August 31, 2024

Revenue

Revenue increased \$31.3 million, or 95%, from \$32.9 million for the three months ended August 31, 2024 to \$64.2 million for the three months ended August 31, 2025. Approximately \$26.3 million of the increase was due to revenue generated related to tenant fit-out services associated with our HPC Hosting Business. The remaining \$5.0 million increase in revenue is related to the Data Center Hosting Business and is due to performance improvements compared to the three months ended August 31, 2024.

Related party revenue decreased \$1.9 million, or 100%, from \$1.9 million for the three months ended August 31, 2024 to no related party revenue for the three months ended August 31, 2025, driven by certain related parties terminating their contracts during the first fiscal quarter of 2025.

Cost of revenues

Cost of revenues increased \$32.9 million, or 144%, from \$22.7 million for the three months ended August 31, 2024 to \$55.6 million for the three months ended August 31, 2025. The increase was primarily driven by an increase of \$25.0 million in expenses associated with tenant fit-out services for our HPC Hosting Business, an increase of \$7.2 million in energy costs associated with our Data Center Hosting Business, and an increase of \$0.6 million in other expenses directly attributable to generating revenue.

Selling, general and administrative expense

Selling, general and administrative expense increased \$18.2 million, or 165%, from \$11.0 million for the three months ended August 31, 2024 to \$29.2 million for the three months ended August 31, 2025. The change in selling, general and administrative expense is categorized as follows:

- approximately \$16.6 million increase in stock based compensation primarily due to accelerated vesting of certain employee stock awards; and
- approximately \$3.9 million increase in personnel expenses for employee costs and other costs attributable to supporting the growth of the business.

These increases were partially offset by a \$2.3 million decrease in professional service expenses primarily related to a decrease in legal services during the three months ended August 31, 2025 compared to the three months ended August 31, 2024.

Loss on abandonment of assets

Loss on abandonment of assets increased \$1.1 million, or 179%, from \$0.6 million for the three months ended August 31, 2024 to \$1.8 million for the three months ended August 31, 2025. This was driven by the write down of assets to their fair value upon disposal.

Interest expense, net

Interest expense, net increased \$1.0 million, or 33%, from \$3.0 million for the three months ended August 31, 2024, to \$3.9 million for the three months ended August 31, 2025. The increase was primarily driven by a \$1.4 million increase in loan interest due to loan activity during the three months ended August 31, 2025. These increases were partially offset by a \$0.5 million increase in interest income due to an increase in funds held in money market accounts.

Net (loss) income from discontinued operations

Net (loss) income from discontinued operations increased \$29.5 million, or 146%, from a net loss of \$20.2 million for the three months ended August 31, 2024 to a net income of \$9.3 million for the three months ended August 31, 2025 and represents the income statement activity related to the Cloud Services Business. The Cloud Services Business had an increase of \$28.3 million in operating income for the comparative periods and a decrease in interest expense of \$1.1 million for the comparative periods.

Comparative Segment Data for the Three Months Ended August 31, 2025 and August 31, 2024:

The following table sets forth our operating profit (loss) for each of our segments for the three months ended August 31, 2025 and August 31, 2024 (in thousands):

	Three Months Ended	
	August 31, 2025	August 31, 2024
Segment profit (loss)		
Data Center Hosting Business	\$ 6,035	\$ 35,851
HPC Hosting Business	(2,022)	(2,949)
Total segment profit	<u>\$ 4,013</u>	<u>\$ 32,902</u>

Commentary on Segment Data Comparative Results for the Three Months Ended August 31, 2025 compared to the Three Months Ended August 31, 2024**Data Center Hosting Business**Operating Profit

Data Center Hosting Business operating profit decreased \$29.8 million, or 83%, from a profit of \$35.9 million for the three months ended August 31, 2024 to a profit of \$6.0 million for the three months ended August 31, 2025. This decrease was primarily due to a \$24.8 million gain on classification of held for sale related to the sale of the Garden City facility during the three months ended August 31, 2024, with no such gain recorded in the current year comparative period. Additionally, cost of revenues increased by approximately \$8.0 million for the three months ended August 31, 2025 compared to the prior period, primarily due to an increase of 17% in power cost along with other operating expenses.

HPC Hosting BusinessOperating Loss

HPC Hosting Business operating loss decreased \$0.9 million, or 31%, from a loss of \$2.9 million for the three months ended August 31, 2024 to a loss of \$2.0 million for the three months ended August 31, 2025. The change is primarily due to revenue generated related to tenant fit-out services, net of expenses.

Non-GAAP Measures

To supplement our unaudited condensed consolidated financial statements presented under GAAP, we are presenting certain non-GAAP financial measures. We are providing these non-GAAP financial measures to disclose additional information to facilitate the comparison of past and present operations by providing perspective on results absent one-time or significant non-cash items. We utilize these measures in the business planning process to understand expected operating

performance and to evaluate results against those expectations. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our business operating results regarding factors and trends affecting our business and provide a reasonable basis for comparing our ongoing results of operations.

These non-GAAP financial measures are provided as supplemental measures to our performance measures calculated in accordance with GAAP and therefore, are not intended to be considered in isolation or as a substitute for comparable GAAP measures. Further, these non-GAAP financial measures have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. Because of the non-standardized definitions of non-GAAP financial measures, we caution investors that the non-GAAP financial measures as used by us in this Quarterly Report on Form 10-Q have limits in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. Further, investors should be aware that when evaluating these non-GAAP financial measures, these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, from time to time in the future there may be items that we may exclude for purposes of our non-GAAP financial measures and we may in the future cease to exclude items that we have historically excluded for purposes of our non-GAAP financial measures. Likewise, we may determine to modify the nature of the adjustments to arrive at our non-GAAP financial measures. Investors should review the non-GAAP reconciliations provided below and not rely on any single financial measure to evaluate our business.

Adjusted Operating (Loss) Income, Adjusted Net Loss from Continuing Operations Attributable to Common Stockholders, and Adjusted Net Loss from Continuing Operations Attributable to Common Stockholders per Diluted Share

“Adjusted Operating (Loss) Income” and “Adjusted net loss from continuing operations attributable to common stockholders” are non-GAAP financial measures that represent operating (loss) income and net (loss) income from continuing operations attributable to common stockholders, respectively. Adjusted Operating (Loss) Income is Operating (loss) income excluding stock-based compensation, non-recurring repair expenses, diligence, acquisition, disposition and integration expenses, litigation expenses, loss on abandonment of assets, gain on classification of held for sale, accelerated depreciation and amortization, restructuring expenses and other non-recurring expenses that Management believes are not representative of the Company’s expected ongoing costs. Adjusted net loss from continuing operations attributable to common stockholders is Adjusted Operating (Loss) Income further adjusted for the loss on change in fair value of debt and preferred dividends. We define “Adjusted net loss from continuing operations attributable to common stockholders per diluted share” as Adjusted net loss from continuing operations attributable to common stockholders divided by weighted average diluted share count.

EBITDA and Adjusted EBITDA

“EBITDA” is defined as earnings before interest expense, net, income tax expense, and depreciation and amortization. “Adjusted EBITDA” is defined as EBITDA adjusted for stock-based compensation, non-recurring repair expenses, diligence, acquisition, disposition and integration expenses, litigation expenses, gain on classification of held for sale, loss on abandonment of assets, loss on change in fair value of debt, preferred dividends, restructuring expenses and other non-recurring expenses that Management believes are not representative of our expected ongoing costs.

Reconciliation of GAAP to Non-GAAP Measures

\$ in thousands	Three Months Ended	
	August 31, 2025	August 31, 2024
Adjusted operating (loss) income		
Operating (loss) income (GAAP)	\$ (22,293)	\$ 25,293
Stock-based compensation	14,446	(2,383)
Non-recurring repair expenses ⁽¹⁾	173	32
Diligence, acquisition, disposition and integration expenses ⁽²⁾	1,196	2,876
Litigation expenses ⁽³⁾	190	407
Loss on abandonment of assets	1,751	628
Gain on classification of held for sale	—	(24,808)
Accelerated depreciation and amortization ⁽⁴⁾	—	45
Restructuring expenses ⁽⁵⁾	431	—
Other non-recurring expenses ⁽⁶⁾	490	74
Adjusted operating (loss) income (Non-GAAP)	\$ (3,616)	\$ 2,164
Adjusted operating margin	(6)%	6 %
Adjusted net loss from continuing operations attributable to common stockholders		
Net (loss) income from continuing operations attributable to common stockholders (GAAP)	\$ (27,823)	\$ 15,868
Stock-based compensation	14,446	(2,383)
Non-recurring repair expenses ⁽¹⁾	173	32
Diligence, acquisition, disposition and integration expenses ⁽²⁾	1,196	2,876
Litigation expenses ⁽³⁾	190	407
Loss on abandonment of assets	1,751	628
Gain on classification of held for sale	—	(24,808)
Accelerated depreciation and amortization ⁽⁴⁾	—	45
Loss on change in fair value of debt ⁽⁷⁾	—	6,422
Preferred dividends	1,576	44
Restructuring expenses ⁽⁵⁾	431	—
Other non-recurring expenses ⁽⁶⁾	490	74
Adjusted net loss from continuing operations attributable to common stockholders (Non-GAAP)	\$ (7,570)	\$ (795)
Adjusted net loss from continuing operations attributable to common stockholders per diluted share (Non-GAAP)	\$ (0.03)	\$ (0.01)
EBITDA and Adjusted EBITDA		
Net (loss) income from continuing operations attributable to common stockholders (GAAP)	\$ (27,823)	\$ 15,868
Interest expense, net	3,946	2,959
Income tax expense	8	—
Depreciation and amortization ⁽⁴⁾	4,153	4,143
EBITDA (Non-GAAP)	\$ (19,716)	\$ 22,970
Stock-based compensation	14,446	(2,383)
Non-recurring repair expenses ⁽¹⁾	173	32
Diligence, acquisition, disposition and integration expenses ⁽²⁾	1,196	2,876
Litigation expenses ⁽³⁾	190	407
Gain on classification of held for sale	—	(24,808)
Loss on abandonment of assets	1,751	628

Loss on change in fair value of debt ⁽⁷⁾	—	6,422
Preferred dividends	1,576	44
Restructuring expenses ⁽⁵⁾	431	—
Other non-recurring expenses ⁽⁶⁾	490	74
Adjusted EBITDA (Non-GAAP)	<u>\$ 537</u>	<u>\$ 6,262</u>

⁽¹⁾ Represents costs incurred for the non-recurring repair and replacement of equipment at our Data Center Hosting facilities.

⁽²⁾ Represents legal, accounting and consulting costs incurred in association with certain discrete transactions and projects.

⁽³⁾ Represents non-recurring litigation expense associated with our defense of class action lawsuits and legal fees related to matters with certain former employees. We do not expect to incur these expenses on a regular basis.

⁽⁴⁾ Represents the acceleration of expense related to assets that were abandoned by us due to operational failure or other reasons. Depreciation and amortization in this amount is included in Depreciation and Amortization expense within our calculation of EBITDA, and therefore is not added back as a management adjustment in our calculation of Adjusted EBITDA.

⁽⁵⁾ Represents non-recurring expenses associated with employee separations.

⁽⁶⁾ Represents expenses that are not representative of our expected ongoing costs.

⁽⁷⁾ Represents loss on change in fair value of debt due to adjustments to the fair value of the Yorkville Convertible Debt.

Sources of Liquidity

As of August 31, 2025, we had unrestricted cash and cash equivalents of \$73.9 million and funds restricted for construction expenditures of \$2.9 million. Historically, we have incurred losses and have relied on equity and debt financings to fund our operations. We have primarily generated cash in the last 12 months from the proceeds of our term loans, issuances of common stock, preferred stock, convertible promissory notes, senior unsecured convertible notes, debt facilities and the receipt of contractual deposits and revenue payments from customers.

We believe that existing cash balances, cash flows from operations, existing debt facilities, and access to capital markets will provide sufficient liquidity to meet our debt obligations, including any repayment of debt or refinancing of debt, working capital needs, planned capital expenditures, and other contractual obligations, for at least the next twelve months.

Recent Financing Activities

See Note 7 - Debt in the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on our term loans and other debt instruments.

June 2025 At-the-Market Sales Agreement

On June 2, 2025, the Company entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the “June 2025 Sales Agreement”), pursuant to which, up to \$200,000,000 of shares of the Company's common stock may be issued if and when sold. As of the date of this report, the Company has issued and sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately \$196.4 million.

Series G Convertible Preferred Stock

On April 30, 2025, we entered into the Preferred Equity Purchase Agreement (the “PEPA”) with certain investors for the issuance and sale of up to 156,000 shares of Series G Convertible Preferred Stock (the “Series G Preferred Stock”) in a transaction. The shares of the Series G Preferred Stock may be put to the investors from time to time at our discretion during the period commencing on April 30, 2025 (the “Commitment Date”) and terminating on the earlier of (i) the 36-month anniversary of the Commitment Date or (ii) such date as there ceases to be a sufficient number of authorized but unissued shares of common stock remaining under the Exchange Cap (as defined in the PEPA).

On August 14, 2025, we entered into the First Amendment to, among other things, (i) increase the aggregate commitment amount of the shares of Series G Preferred Stock from \$150 million to \$300 million, and (ii) increase its access to capital by removing the Put Limitation (as defined in the PEPA) that had previously limited the aggregate purchase price for any Put Issuance (as defined in the PEPA) to no more than \$75 million.

During the three months ended August 31, 2025, the Company issued and sold 180,000 shares of Series G Preferred Stock for aggregate gross proceeds of \$175.0 million. Additionally, during the three months ended August 31, 2025, a total of 258,000 shares of Series G Preferred Stock were converted into approximately 28.2 million shares of our common stock.

During the three months ended August 31, 2025, we received \$39.4 million in payments for future data center hosting services.

Material Contractual Obligations

In the ordinary course of business, we enter into contractual arrangements that require future cash payments. The following table sets forth information regarding our anticipated future cash payments under our contractual obligations as of August 31, 2025 (in thousands):

	Payments Due by Period						
	Total	Remainder of FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Thereafter
Debt obligations ⁽¹⁾	867,020	7,867	386,193	7,715	3,209	35	462,001
Interest on debt obligations ⁽²⁾	94,346	13,934	42,031	13,153	12,680	12,548	—
Operating lease obligations ⁽³⁾	965	573	365	27	—	—	—
Financing lease obligations ⁽⁴⁾	12,116	12,101	14	1	—	—	—
Power commitments ⁽⁵⁾	40,120	20,942	19,178	—	—	—	—
Preferred share dividends ⁽⁶⁾	36,237	4,727	6,302	6,302	6,302	6,302	6,302

⁽¹⁾ Debt obligations presented in the table reflect scheduled principal payments related to our outstanding debt as described in Note 7 to the unaudited condensed consolidated financial statements for further discussion.

⁽²⁾ Estimated interest payments on our debt obligations include estimated future interest payments based on the terms of the debt agreements. See Note 7 to the unaudited condensed consolidated financial statements for further discussion.

⁽³⁾ Operating lease obligations include future minimum payments for our operating leases.

⁽⁴⁾ Financing lease obligations include future minimum payments for our finance leases. We have entered into various leases which are executed but not yet commenced with total minimum payments of approximately \$16.6 million and terms of 1.5 years to 2.0 years.

⁽⁵⁾ Power commitments represents our obligation related to the energy services agreement for our Jamestown, North Dakota co-hosting facility payable. See Note 14 to the unaudited condensed consolidated financial statements for further discussion.

⁽⁶⁾ Preferred share dividends represent estimated future dividend payments per year in accordance with preferred stock that has been issued. The estimated future dividend payments will continue until preferred stock is redeemed.

Funding Requirements

We have experienced net losses through the period ended August 31, 2025. Our transition to profitability is dependent on the successful operation of our business.

We expect to have sufficient liquidity, including cash on hand, payments from customers, access to debt financing, and access to public capital markets, to support ongoing operations and meet our working capital needs for at least the next 12 months and all of our known requirements and plans for cash. However, we may be unable to raise additional funds or enter into such arrangements when needed on favorable terms, or at all, which would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our ongoing operations and development plans. 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.

We expect that our general and administrative expenses and our operating expenditures will continue to increase as we continue to expand our operations. We believe that the significant investments in property and equipment will remain throughout fiscal year 2026 as we continue construction of our HPC hosting facilities.

Summary of Cash Flows

The following table provides information about our net cash flow for the three months ended August 31, 2025 and August 31, 2024, respectively.

\$ in thousands	Three Months Ended	
	August 31, 2025	August 31, 2024
Net cash used in operating activities	\$ (82,023)	\$ (75,890)
Net cash used in investing activities	(249,420)	(32,606)
Net cash provided by financing activities	322,236	163,365
Net (decrease) increase in cash and cash equivalents	(9,207)	54,869
Cash, cash equivalents, and restricted cash at beginning of period, including cash from discontinued operations	123,318	31,688
Cash, cash equivalents, and restricted cash at end of period, including cash from discontinued operations	114,111	86,557
Less: Cash, cash equivalents, and restricted cash from discontinued operations	7	9
Cash, cash equivalents, and restricted cash from continuing operations	\$ 114,104	\$ 86,548

Commentary on the change in cash flows between the Three Months Ended August 31, 2025 and Three Months Ended August 31, 2024

Operating Activities

The net cash used in operating activities increased by \$6.1 million, or 8%, from net cash used in operating activities of \$75.9 million for the three months ended August 31, 2024 to net cash used in operating activities of \$82.0 million for the three months ended August 31, 2025. The increase was primarily driven by an increase in accounts receivable due to tenant fit-out services revenue as well as a decrease in depreciation and amortization due to the Cloud Services Business being classified as held for sale during the three months ended August 31, 2025. These impacts were partially offset by an increase in stock based compensation expense due to awards granted between the comparative periods as well as a decrease in gain on classification of held for sale as there was no gain on classification of held for sale during the three months ended August 31, 2025 and a decrease in deferred revenue reflecting timing differences between revenue recognition and new customer invoicing during the three months ended August 31, 2025 when compared to the three months ended August 31, 2024.

Investing Activities

The net cash used in investing activities increased by \$216.8 million, or 665%, from \$32.6 million for the three months ended August 31, 2024, to \$249.4 million for the three months ended August 31, 2025. This increase was primarily due to an increase of approximately \$194.6 million in investments in property and equipment during the three months ended August 31, 2025 as our payments in the current periods for construction of the Polaris Forge 1 data center facilities outpaced the comparative period construction payments. The remaining increase in net cash used in investing activities was due to there being no proceeds from sale of assets during the three months ended August 31, 2025, compared to the three months ended August 31, 2024.

Financing Activities

The net cash provided by financing activities increased by \$158.9 million, or 97%, from \$163.4 million for the three months ended August 31, 2024 to \$322.2 million for the three months ended August 31, 2025. The primary reason for the change was an increase in the receipt of net proceeds from offerings of our common and preferred stock of approximately \$274.0 million during the three months ended August 31, 2025. Also contributing to the increase was a decrease of \$12.0 million in repayments of long-term debt and payments of deferred financing costs during the three months ended August 31, 2025 compared to the three months ended August 31, 2024. These increases were partially offset by decreases of \$104.9 million in borrowings of long term debt and \$12.0 million from SAFE agreements for equity in Applied Digital Cloud Corporation, a wholly-owned subsidiary of the Company during the three months ended August 31, 2025, compared to the three months ended August 31, 2024 as well as increases in repayment of finance leases of \$3.9 million, tax payments for restricted stock upon vesting of \$4.5 million, and issuance of preferred stock dividends of \$1.5 million during the three months ended August 31, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our exposure to market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our Annual Report on Form 10-K for the fiscal year ended May 31, 2025.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer and principal accounting officer), as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of August 31, 2025, have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

In connection with the preparation of our consolidated financial statements for the fiscal year ended May 31, 2025, we previously identified a material weakness in the design of our internal controls as we did not design and maintain effective controls around the accounting and assessment of complex financial instruments.

During the quarter ended August 31, 2025, we completed our testing and evaluation of the newly designed and implemented controls around the accounting and assessment of complex financial instruments and determined that as of August 31, 2025, the controls have been in place and have operated effectively for a sufficient period of time for management to conclude the material weakness has been remediated. Remediation measures included hiring additional qualified accounting personnel, as well as engaging with a third-party consultant to assist with analyzing and documenting the treatment of complex financial instruments.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting, other than the remediation steps described above, that occurred during the three months ended August 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings.

The Company, Wes Cummins, the Company's Chief Executive Officer, and David Rench, the Company's then Chief Financial Officer, have been named as defendants in a putative securities class action lawsuit in the matter styled, *McConnell v. Applied Digital Corporation, et al.*, Case No. 3:23-cv-1805, filed in August 2023 in the U.S. District Court for the Northern District of Texas (the "Securities Lawsuit"). Specifically, the complaint asserts claims pursuant to Section 10(b) and 20(a) of the Securities and Exchange Act of 1934 based on allegedly false or misleading statements regarding the company's business, operations, and compliance policies, including claims that the Company overstated the profitability of its Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Company's board of directors was not "independent" within the meaning of Nasdaq listing rules. On May 22, 2024, the court appointed lead plaintiff and approved lead counsel, and on July 22, 2024, Lead Plaintiff filed an amended complaint which asserts the same claims based on similar allegations in the original complaint. On September 20, 2024, the defendants filed a motion to dismiss the amended complaint. On November 20, 2024, Lead Plaintiff filed his opposition to the Motion to Dismiss. On January 3, 2025, the defendants filed their reply in further support of the Motion to Dismiss. On September 8, 2025, the Court issued an order staying the Securities Lawsuit and administratively closing it pending resolution of the Motion to Dismiss. See discussion in "Note 14 - Commitments and Contingencies".

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in the Securities Lawsuit. If an unfavorable action were to occur, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

Derivative Lawsuit

On November 15, 2023, a derivative action was filed in the matter styled, *Weich v. Cummins, et al.*, Case No. A-23-881629-C in the District Court of Clark County, Nevada (the "Derivative Lawsuit"). The Weich complaint named as defendants certain members of the Company's Board of Directors and its Chief Executive Officer Wesley Cummins and purports to name the Company's then Chief Financial Officer David Rench as a defendant. The complaint asserted claims for breach of fiduciary duties, corporate waste and unjust enrichment based upon allegations that the defendants caused or allowed the Company to make materially false and misleading statements regarding the Company's business, operations, and compliance policies. Specifically, the complaint alleged that the Company overstated the profitability of the Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Board was not "independent" within the meaning of Nasdaq listing rules. On February 27, 2024, the derivative plaintiff filed an amended complaint asserting the same claims as the original complaint.

On June 5, 2024, following briefing and argument on the defendants' motion to dismiss the Derivative Lawsuit, the Court entered an order granting the defendants' motion without prejudice and dismissing all claims against all defendants, including the Company, on the grounds that the plaintiff failed to plead (1) demand futility as to each of plaintiff's claims or (2) a claim for breach of fiduciary duty. The order dismissed all claims against all defendants, including the Company. The plaintiff can seek leave to file an amended complaint but to date has not done so.

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in this action. If an unfavorable action were to occur, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

There are no other pending lawsuits that could reasonably be expected to have a material adverse effect on the results of the Company's consolidated operations.

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes to the risk factors associated with our business previously disclosed in the "Risk Factors" section in Part I, Item 1A, of our Annual Report on 2025 Form 10-K for the fiscal year ended May 31, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information*Series G Preferred Stock Offering*

On October 7, 2025, we entered into the third amendment (the “Third Amendment”) to the PEPA, dated April 30, 2025, by and between the Company and the investors signatory thereto, as amended by the First Amendment and Second Amendment, in order to increase its access to capital to fund the continued construction and development of its Polaris Forge I data center in Ellendale, North Dakota.

The Third Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of the Series G Preferred Stock from \$450.0 million to \$590.0 million. In connection with the Third Amendment, B. Riley Securities, Inc. acted as sole placement agent to the Company and is entitled to a cash fee equal to 2% of the gross cash proceeds received pursuant to the Third Amendment.

The offer and sale of the Series G Preferred Stock pursuant to the Third Amendment, and the shares of common stock issuable upon the conversion of the Series G Preferred Stock, is and will be made in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

The foregoing description of the Third Amendment is qualified in its entirety by reference to the full text of the Third Amendment, a form of which is attached hereto as Exhibit 10.5 and is incorporated in its entirety by reference herein.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	<u>Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on August 14, 2025 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 15, 2025).</u>
3.2	<u>Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on September 11, 2025 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 12, 2025).</u>
10.1	<u>Sales Agreement, dated June 2, 2025, by and among Applied Digital Corporation, Northland Securities, Inc. and Wells Fargo, Securities, LLC (Incorporated by reference to Exhibit 1.2 of the Company's Registration Statement on Form S-3, filed with the SEC on June 3, 2025).</u>
10.2*^#	<u>Employment Agreement, dated August 1, 2025, by and between Applied Digital Corporation and JasonZhang</u>
10.3	<u>Form of First Amendment to Preferred Equity Purchase Agreement, dated August 14, 2025, by and between the Company and the investors signatory thereto (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 15, 2025).</u>
10.4^	<u>Building 4 Datacenter Lease, dated August 28, 2025, by and between APLD ELN-02 C LLC and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on September 3, 2025).</u>
10.5*^	<u>Third Amendment to Preferred Equity Purchase Agreement, dated October 7, 2025, by and between the Company and the investors signatory thereto</u>
31.1*	<u>Chief Executive Officer's Certificate Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Chief Financial Officer's Certificate Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

^ The schedules to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

Management compensatory agreement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, Texas on October 9, 2025.

APPLIED DIGITAL CORPORATION

By: /s/ Wes Cummins
Name: Wes Cummins
Title: Chief Executive Officer, Secretary and Treasurer
(Principal Executive Officer)

By: /s/ Saidal Mohmand
Name: Saidal Mohmand
Title: Chief Financial Officer (Principal Financial Officer and
Principal Accounting Officer)

Applied Digital Corporation

Employment Agreement

This Employment Agreement (this “Agreement”), dated as of August 1, 2025, is made by and between Applied Digital Corporation, a Nevada corporation (the “Company”), and Jason Zhang (“Executive”). The Company and Executive are together referred to herein as the “Parties” or individually referred to as a “Party”.

WHEREAS, pursuant to the terms of that certain offer letter dated February 4, 2025, between the parties (the “Offer Letter”), Executive currently handles special projects on behalf of the Company;

WHEREAS, it is the desire of the Company to assure itself of the continued services of Executive following the date hereof (the “Effective Date”) on the terms herein provided by entering into this Agreement; and

WHEREAS, it is the desire of Executive to provide continued services to the Company following the Effective Date on the terms herein provided.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Employment.

(a) General. Effective on the Effective Date, the Company shall continue to employ Executive pursuant to the terms of this Agreement and Executive shall remain in the continued employ of the Company, for the period and in the positions set forth in this Section 1, and subject to the other terms and conditions herein.

(b) Employment Term. The term of employment under this Agreement shall commence on the Effective Date and, unless terminated earlier as provided in Section 3 below, end on the three (3)-year anniversary of the Effective Date (the “Initial Term”). At the expiration of the Initial Term, the Agreement will automatically renew for successive additional terms of one (1) year (each a “Renewal Term” and, together with the Initial Term, the “Term”), unless notice of non-renewal is given in writing by either Party to the other Party at least ninety (90) days prior to the expiration of the Initial Term or any successive Renewal Term (a “Non-Renewal Notice”). Notwithstanding the foregoing, either Party may terminate Executive’s employment under this Agreement at any time upon sixty (60) days’ prior written notice to the other Party (other than in the event of (x) a termination of Executive by the Company for Cause, in which case no such notice shall be required, and (y) a resignation from the Company with Good Reason, in which case notice shall be given as set forth in the definition of Good Reason), provided that the Company may set a termination date at any time between the date of notice and the date such resignation or termination (as applicable) would otherwise be effective by making a payment of the corresponding portion of the Annual Base Salary (as defined below) in lieu of any part of the notice period that the Company does not require Executive to serve.

(c) Positions. During the Term, Executive shall serve as the Co-Founder and Chief Strategy Officer of the Company with such duties as determined by the Chief Executive Officer of the Company (the

“CEO”), or the CEO’s designee. Executive shall report directly to the CEO, or the CEO’s designee. At the Company’s request, Executive shall during the Term serve the Company and its subsidiaries in such other capacities in addition to the foregoing as the Company shall designate, provided that such additional capacities are consistent with Executive’s position as the Company’s Co-Founder and Chief Strategy Officer. In the event that Executive serves in any one or more of such additional capacities, Executive’s compensation shall not be increased on account of such additional services.

(d) Duties. During the Term, Executive shall devote substantially all of Executive’s working time, attention and efforts to the business and affairs of the Company except during any paid vacation or other excused absence periods. Executive shall not engage in outside business activities (including serving on outside boards or committees) during the Term without the prior written consent of the Board of Directors of the Company (the “Board”) (which the Board may grant or withhold); *provided* that Executive shall be permitted to (i) manage Executive’s personal, financial and legal affairs, and (ii) serve on the board of directors of other corporations or for-profit entities and engage in advisory work or services for non-profit organizations, in each case, subject to compliance with this Agreement and the Policies (as defined below), and provided that such activities do not conflict with or materially interfere with Executive’s performance of Executive’s duties and responsibilities hereunder. Executive agrees to observe and comply with the rules and policies of the Company as adopted by the Company from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to Executive (each, a “Policy”).

(e) Location. During the Term, Executive shall perform his duties hereunder principally in Seattle, Washington. As an accommodation to Executive’s remote work location, Executive acknowledges that he will be expected to travel frequently in furtherance of the performance of his duties and agrees to do so as needed and as directed.

2. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary at a rate of \$600,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employment. Such annual base salary shall be reviewed annually by the Board for increase and, if increased, shall not be decreased (such annual base salary, as it may be adjusted from time to time, the “Annual Base Salary”). Notwithstanding the foregoing, a reduction in Executive’s Annual Base Salary of up to ten percent (10%) shall be permitted to the extent (i) such reduction is in connection with a Company-wide cost reduction program, and (ii) the percentage reduction in Executive’s Annual Base Salary is no greater than the percentage reduction applicable to other senior executives of the Company (a “Permitted Reduction”); *provided, however*, no Permitted Reduction shall be permitted within the eighteen (18) month period following consummation of a Change in Control (as defined below).

(b) True-Up. The Company shall pay Executive a true-up (the “True-Up”) in an amount equal to the difference between (i) the amount of base salary that would have been payable to Executive for the period from March 1, 2025 through the Effective Date, had Executive’s base salary been increased to the Annual Base Salary effective March 1, 2025, and (ii) the aggregate actual amount of base salary paid to the Executive with respect to such period (disregarding withholdings and deductions). The amount of the True-Up shall be determined by the Company, and the True-Up shall be payable to Executive within thirty (30) days of the Effective Date, subject to Executive’s continued employment with the Company through the date of payment.

(c) Target Annual Performance Bonus. With respect to each completed fiscal year of the Company during the Term, Executive will be eligible to receive an annual performance bonus (the “Annual Bonus”) with a target amount of seventy-five percent (75%) of the Annual Base Salary (the “Target Bonus”) and a maximum amount of one-hundred-fifty percent (150%) of the Annual Base Salary. Actual payout of the Annual Bonus shall be based on the achievement of Company annual financial metrics to be determined by the Board or the Compensation Committee thereof (the “Committee”). Any Annual Bonus earned will be paid at the same time annual bonuses are paid to other senior executives of the Company generally, subject to Executive’s continuous employment through the last day of the fiscal year with respect to which such Annual Bonus relates, unless otherwise set forth in Section 4 hereof, but in no event later than September 30th following the fiscal year to which the Annual Bonus relates.

(d) Equity Awards. Executive will be eligible for grants of annual equity awards (the “Equity Awards”), subject to approval by the Board or the Committee, and such vesting and other terms and conditions of the Company equity plan under which the applicable Equity Awards are granted and an award agreement to be provided by the Company and entered into with Executive with respect to each Equity Award. The Equity Awards are expected to be subject to fifty percent (50%) time-based vesting and fifty percent (50%) performance-based vesting, as determined by the Board or the Committee.

(e) Benefits. During the Term, Executive shall be eligible to participate in employee benefit plans, programs and arrangements as the Company may from time to time offer to provide to its senior executives, consistent with the terms thereof and as such plans, programs and arrangements may be amended from time to time. Notwithstanding the foregoing, nothing herein is intended, or shall be construed, to require the Company to institute or continue any, or any particular, plan or benefit and the Company reserves the right to change, alter, or terminate any benefit plan or benefit at any time (including, without limitation, contribution levels).

(f) Paid Time Off. During the Term, Executive shall be entitled to paid time off in accordance with the Policies, which Policies currently provide for flexible paid time off.

(g) Business Expenses. During the Term, the Company shall reimburse Executive for reasonable out-of-pocket business expenses incurred by Executive in the performance of Executive’s duties to the Company in accordance with the Company’s expense reimbursement Policy, as in effect from time to time.

3. Termination.

(a) At-Will Employment. Except for the notice requirements set forth in Section 1(b) hereof, the Company and Executive acknowledge that Executive’s employment is and shall continue to be “at-will”, as defined under applicable law. This means that, except as provided in such Section, such employment is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, for any or no particular reason or cause. It also means that Executive’s job duties, title, and responsibility and reporting level, work schedule, compensation, and benefits, as well as the Company’s personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time as determined by the Company (subject to any ramification such changes may have under Section 4 below, or any other governing documents of the Company or its subsidiaries or Affiliates). This “at-will” nature of Executive’s employment shall remain unchanged during Executive’s tenure as an employee and may not be changed, except in an express writing signed by Executive and a representative of the Company duly authorized by the Board. If Executive's employment terminates for

any lawful reason, Executive shall not be entitled to any payments, benefits, damages, awards, or other compensation other than as provided in Section 4 of this Agreement.

(b) Circumstances. Executive's employment hereunder may be terminated by the Company or Executive, as applicable, under the following circumstances:

- (i) *Death*. Executive's employment hereunder shall terminate upon Executive's death.
- (ii) *Disability*. If Executive has incurred a Disability the Company may terminate Executive's employment for Disability.
- (iii) *Termination for Cause*. The Company may terminate Executive's employment for Cause.
- (iv) *Termination without Cause*. The Company may terminate Executive's employment without Cause.
- (v) *Resignation from the Company with Good Reason*. Executive may resign Executive's employment with the Company with Good Reason.
- (vi) *Resignation from the Company without Good Reason*. Executive may resign Executive's employment with the Company without Good Reason.
- (vii) *Company Non-Renewal of the Term*. Executive's employment may terminate as a result of non-renewal of the then-applicable Term by the Company in accordance with Section 1(b).
- (viii) *Executive Non-Renewal of the Term*. Executive's employment may terminate as a result of non-renewal of the then-applicable Term by Executive in accordance with Section 1(b).

(c) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to Section 3(b)(i) above) during the Term shall be communicated by a written notice (a "Notice of Termination") to the other Party hereto indicating the specific termination provision in this Agreement relied upon and specifying a Date of Termination. The failure by either party to set forth in the Notice of Termination any fact or circumstance shall not waive any right of the party hereunder or preclude the party from asserting such fact or circumstance in enforcing the party's rights hereunder.

(d) Date of Termination. For purposes of this Agreement, "Date of Termination" shall mean the date of the termination of Executive's employment with the Company, which, if Executive's employment is terminated as a result of Executive's death, will be the date of Executive's death, and otherwise shall be the date specified in a Notice of Termination.

(e) Deemed Resignation. Unless otherwise determined by the Board and mutually agreed with Executive, upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all director, officer and employee positions, if any, then held with the Company or any of its subsidiaries or Affiliates.

4. Obligations upon a Termination of Employment.

(a) Company Obligations upon Termination for any reason. Upon termination of Executive's employment pursuant to any of the circumstances listed in Section 3(b) above, Executive (or Executive's

estate, as applicable) shall be entitled to receive: (i) Executive's Annual Base Salary and accrued but unused paid time off, if any, earned through the Date of Termination, but not yet paid to Executive; (ii) any Annual Bonus earned as of the Date of Termination, but not yet paid to Executive, for any preceding fiscal year of the Company, payable at the time such Annual Bonus would have been paid pursuant to Section 2(c) hereof, had employment not terminated; (iii) any expenses owed to Executive pursuant to Section 2(g) above; and (iv) any amounts owed to Executive with respect to periods prior to the Date of Termination but not yet paid to Executive (A) under this Agreement, or (B) with respect to any employee benefit plans, programs, arrangements or policies of the Company or any subsidiary or Affiliate or any other applicable plan, program, arrangement policy or other agreement with the Company or any subsidiary or Affiliate thereof (including, without limitation, pursuant to any indemnification agreement, deferred compensation, retirement, equity and long-term incentive plan, program, policy, arrangement or agreement), in each case, which amounts shall be payable in accordance with the terms and conditions of such plans, programs, arrangements, policies or other agreements (collectively, the "Accrued Obligations"). Except as otherwise expressly required by law or as specifically provided herein, all of Executive's rights to salary, severance benefits, bonuses and other compensatory amounts or benefits hereunder (if any) shall cease upon the termination of Executive's employment hereunder.

(b) Executive's Obligations upon Termination.

(i) *Cooperation.* At any time following termination of employment for any reason, Executive shall provide Executive's reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment hereunder; *provided* that the Company shall reimburse Executive for Executive's reasonable, pre-approved out of pocket costs and expenses on the same basis as when Executive was the Co-Founder and Chief Strategy Officer, and shall indemnify Executive in accordance with Section 9(b) below as if Executive provided such cooperation as an officer.

(ii) *Return of Company Property.* Executive hereby acknowledges and agrees that all Company Property and equipment furnished to, or prepared by, Executive in the course of, or incident to, Executive's employment, belongs to the Company and with respect to physical property shall be promptly returned to the Company upon termination of Executive's employment and at such other time(s) as may be determined by the Company (and will not be kept in Executive's possession or delivered to anyone else), and with respect to digital property shall be permanently deleted. For purposes of this Agreement, "Company Property" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), keys, building card keys, company credit cards, computer hardware and software, laptop computers, tablets, docking stations, cellular and portable telephone equipment, and all other proprietary information relating to the business of the Company or its subsidiaries or Affiliates. Following termination of employment, except as may be required by applicable law Executive shall not retain any written or other tangible material containing any proprietary information of the Company or its subsidiaries or Affiliates.

(c) Termination due to Executive's Death or Disability, by the Company for Cause, Resignation by Executive without Good Reason or Non-Renewal of the Term by Executive. If Executive's employment terminates pursuant to Section 3(b)(i), Section 3(b)(ii), Section 3(b)(iii), Section 3(b)(vi), or Section 3(b)(viii) hereof, then Executive shall receive only the Accrued Obligations set forth in Section 4(a) above, subject to Section 9(n) hereof.

(d) Severance Payments upon a Termination without Cause, Resignation with Good Reason or Non-renewal of the Term by the Company. If Executive's employment terminates pursuant to Section 3(b)(iv),

Section 3(b)(v), or Section 3(b)(vii) hereof, then, subject to Executive's delivery to the Company and non-revocation (if applicable) of an executed waiver and release of claims substantially in the form attached hereto as Exhibit A (the "Release") that becomes effective and irrevocable within sixty (60) days of the Date of Termination in accordance with Section 9(n)(vi) below, and Executive's continued compliance with the terms and conditions of (i) this Agreement (including, without limitation, Section 5 below), (ii) that certain Employee Non-Disclosure, Invention Assignment and Restrictive Covenants Agreement dated February 4, 2025 (as amended, restated, or otherwise modified from time to time, the "Covenants Agreement"), (iii) Exhibit B of the Offer Letter, and (iv) the Release, Executive shall receive, in addition to the payments and benefits set forth in Section 4(a) above, and subject to Section 9(n) below, the following:

(i) an amount in cash equal to nine (9) months (the "Cash Severance") (or in the event of a Change in Control Termination, fifteen (15) months (the "CIC Cash Severance") of Executive's then-existing Annual Base Salary, payable, less applicable withholdings and deductions in the form of salary continuation in regular installments over the nine (9)-month period following the date of Executive's termination of employment in accordance with the Company's normal payroll practices with the first of such installments to commence on the first regular payroll date following the date the Release becomes effective and irrevocable or as otherwise provided in Section 9(n)(vi) below (or in the event of a Change in Control Termination, payment in a lump sum within ten (10) days of the later of (A) the Date of Termination, and (B) the effectiveness of the Release); *provided, however*, that if the Cash Severance payments have commenced prior to the consummation of a Change in Control, then the excess of the CIC Cash Severance over the actual aggregate amount of the Cash Severance previously paid to Executive (disregarding withholdings and deductions) shall be paid to Executive in a lump sum on or within thirty (30) days following the date on which the Change in Control is consummated (and, for clarity, no further Cash Severance or CIC Cash Severance payments shall be made to Executive) (the "Cash Severance Acceleration"). Notwithstanding the foregoing, (A) to the extent the CIC Cash Severance (or any portion thereof) constitutes "nonqualified deferred compensation" for purposes of Section 409A, the Cash Severance Acceleration shall only apply to the CIC Cash Severance (or applicable portion thereof) in the event the applicable Change in Control constitutes a "change in control event" for purposes of Section 409A (using the minimum permissible thresholds thereunder) (the "Acceleration Limit") and (B) if the Date of Termination occurs after the date of a Change in Control, then the CIC Cash Severance (or any portion thereof) that constitutes "nonqualified deferred compensation" for purposes of Section 409A will be paid in a lump-sum only if the applicable Change in Control constituted a "change in control event" for purposes of Section 409A (using the minimum permissible thresholds thereunder). Any CIC Cash Severance that is not subject to the Cash Severance Acceleration or that may not be paid in a lump sum pursuant to clause (B) of the preceding sentence shall, in any case, instead be paid to Executive in installments in accordance with the terms and conditions of this Section 4(d)(i). To the maximum extent permitted by Section 409A, for purposes of the Acceleration Limit, when determining which portion of the CIC Cash Severance is exempt from Section 409A pursuant to Treasury Regulation 1.409A-1(b)(9)(iii), or any successor regulation, such exemption shall apply to the CIC Cash Severance in reverse chronological order, beginning with the CIC Cash Severance Payments scheduled to be paid the furthest in time from the consummation of such Change in Control.

(ii) an amount equal to one hundred percent (100%) of Executive's Annual Bonus for the fiscal year in which Executive's termination of employment occurs, calculated based on actual performance for the entire fiscal year, in each case, if such amount is reasonably determinable as of the date such payment would otherwise be made in accordance with the terms of this Section 4(d)(ii) (with negative discretion being applied to Executive no less favorably than to other actively employed senior executives of the Company), and if such amount is not reasonably determinable by the Company as of the date such

payment would otherwise be made, an amount equal to one hundred percent (100%) of the Target Bonus. Payment pursuant to this clause (ii) shall be made in a lump sum within ten (10) days following the later of the date that the Annual Bonus would have been paid pursuant to Section 2(c) hereof, had employment not terminated, and the effectiveness of the Release;

(iii) accelerated vesting of fifty percent (50%) of all unvested equity awards held by Executive (or in the event of a Change in Control Termination, accelerated vesting of one hundred percent (100%) of such equity awards), with accelerated vesting of any such equity awards that vest based on the achievement of performance metrics measured based on achievement of one hundred percent (100%) of target (or, in the event of a Change in Control Termination, if achievement of the applicable performance metrics is reasonably determinable as of the date of termination, based on achievement of the greater of (1) one hundred percent (100%) of target, and (2) actual achievement of the performance metrics) (this clause (iii), the “Accelerated Vesting”);

(iv) to the extent Executive holds any stock options or stock appreciation rights with respect to shares of common stock of the Company, par value \$0.001 per share, the post-termination exercise period (if any) with respect to such stock options or stock appreciation rights shall terminate on the latest date on which such stock option or stock appreciation right, as applicable, would have expired by its original terms (but, for avoidance of doubt, such stock options and stock appreciation rights shall be subject to earlier termination in accordance with the terms and conditions thereof and any plan governing such options or stock appreciation rights);

(v) subject to Executive’s timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), the Company shall offer continued coverage under the Company’s group health plan at active employee rates until nine (9) months following the Date of Termination (or, in the event of a Change in Control Termination, fifteen (15) months following the Date of Termination) (the “COBRA Assistance”), which COBRA Assistance shall automatically terminate on the earliest of (A) the date that Executive becomes eligible for coverage under the group health plan of another employer, or (B) the date Employer or its Affiliates could otherwise be subject to a penalty or in violation of any requirement of applicable law due to the COBRA Assistance, as determined by the Company. Employer shall directly pay or reimburse Executive for Employer’s portion of the amount COBRA premium pursuant to the COBRA Assistance, as determined by the Company. In the event Employer provides the COBRA Assistance through reimbursement, Executive shall remit to the Company on a monthly basis and within thirty (30) days of the date of payment, paid invoices for each such monthly COBRA premium for which Executive seeks reimbursement and such reimbursement (to the extent required pursuant to this Section 4(d)(v)) shall be made to Executive within thirty (30) days following Executive’s delivery to Employer of each such invoice.

(vi) The severance payments and benefits provided to Executive pursuant to Section 4(d) hereof are in lieu of, and not in addition to, any benefits to which Executive may otherwise be entitled under any Company severance plan, policy or program, and Executive acknowledges and agrees that Executive shall have no rights or entitlements to any benefits or payments under any such plan, policy or program. Without limitation of the foregoing, notwithstanding anything in any agreement or arrangement evidencing any equity award held by Executive (or any transferee) to the contrary, including, without limitation, any restricted stock unit or performance stock unit award agreement, whether entered into prior to or on or after the date hereof, the Accelerated Vesting shall be in lieu of any severance, termination (including accelerated vesting), or similar benefit for which Executive (or any transferee) may be eligible pursuant to any such agreement or arrangement.

(e) No Mitigation. Executive shall have no duty to mitigate the amount of any payment or benefit provided for under Section 4(d) of this Agreement by seeking other employment (including self-employment) or service, and the amount of any payment or benefit provided for under Section 4(d) of this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or service.

(f) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 4(b)(i), 4(b)(ii), 5 through 9 of this Agreement, and Exhibit B of the Offer Letter, will survive the termination of Executive's employment and the termination of the Term for any reason.

5. Restrictive Covenants.

(a) Confidentiality. Executive agrees, during Executive's employment with the Company and at all times thereafter, not to, directly or indirectly, use (for Executive's own benefit or another Person) or disclose any Confidential Information, for so long as it shall remain proprietary or protectable as confidential or trade secret information, except as may be necessary for the performance of Executive's Company duties or as expressly authorized in writing by the Company.

(i) For purposes of this Agreement, "Confidential Information" means confidential non-public or proprietary information or trade secrets disclosed to or learned by Executive as a consequence of Executive's employment or service with the Company, including without limitation any third-party information that the Company treats as confidential, and any information learned by Executive as a result of Executive's employment or service with the Company. Confidential Information includes, but is not limited to, the following types of information and other information of a similar nature: (i) the set-up of the Company's production techniques, designs, concepts, drawings, ideas, intellectual property, inventions, specifications, models, research, development, processes, procedures, trade secrets, know-how, new product or new technology information, designs, product designs, customer names and other information related to customers, employee information, pricing policies, financial information, business plans, computer programs (whether in source code or object code), strategies, methods, systems, inventions, production method and sources, marketing and sales information, information received from others that the Company is obligated to treat as confidential or proprietary, (ii) information related to cloud products and services that provide high-performance computing power for artificial intelligence applications (including, without limitation, large language model training, inference, and graphics rendering, including, without limitation, books and records), statements (financial or otherwise), organizational and governing documents, software programs, applications and data bases, lists of (and agreements, contracts, terms, arrangements and negotiations with) existing or potential counterparties (including, without limitation, lenders, investors, customers, lessors, landlords, employees, sales representatives, independent or other contractors and other commercial partners and service providers), analyses, reports, studies and research (industry, market, product or otherwise), forecasts, projections, pipelines, budgets, memoranda, compilations, and (iii) and any other technical, operating, financial and other business information that has commercial value, relating to the Company, its business, potential business, operations or finances, or the business of the Company's customers, of which Executive may have acquired or developed knowledge or of which Executive may in the future acquire or develop knowledge of during Executive's work for the Company, or from Executive's colleagues while working for the Company.

(ii) Confidential Information shall not include information that (i) is now or later becomes publicly available or generally known to the industry (other than as a result of a breach of this Agreement), (ii) is independently developed by Executive outside the scope of Executive's employment and without

reference to any Confidential Information; (iii) is lawfully obtained from a third party outside the scope of Executive's employment without restriction on use or disclosure or (iv) information that is otherwise required to be and has been disclosed under applicable laws, regulations or judicial or regulatory process, or upon the request of a regulatory authority. Executive agrees that Executive will maintain at Executive's workstation or other places under Executive's control only such Confidential Information that Executive has a current need to know for Company business purposes, and that Executive will return to the Company or otherwise properly dispose of all Confidential Information once Executive's need to know no longer exists. Executive agrees that Executive will not make copies (electronic or otherwise) of information unless Executive has a need for such copies in connection with Executive's work at the Company.

(b) Non-Competition. During the Restricted Period, Executive will not, directly or indirectly, for Executive's own benefit or for the benefit of any other individual or entity other than the Company: (i) operate, conduct, or engage in, or prepare to operate, conduct, or engage in the Business; (ii) own, finance, or invest in (except as the passive investor in not more than two percent (2%) of the outstanding stock of a publicly-held company) any Business, or (iii) participate in, render services to, or assist any Person that engages in or is preparing to engage in the Business in any capacity (whether as an employee, consultant, contractor, partner, officer, director, advisor or otherwise), in each case of clauses (i), (ii) or (iii), in the Restricted Territory. It shall not be a violation of this paragraph for Executive to be involved with a non-competing division or unit of a larger enterprise, provided that Executive has no involvement with the competing division or unit of such larger enterprise.

(c) Non-Solicitation of Company Personnel. During the Restricted Period, Executive will not, directly or indirectly, for Executive's own benefit or for the benefit of any other individual or entity: (i) employ or hire any Company Personnel in any capacity (whether as an employee, contractor, consultant or otherwise); (ii) solicit or attempt to solicit for employment or hire any Company Personnel in any capacity; (iii) entice or induce any Company Personnel to leave his or her or their employment or service with the Company; or (iv) otherwise negatively interfere with the Company's relationship with any Company Personnel. Notwithstanding the foregoing, a general solicitation or advertisement for job opportunities that Executive may publish without targeting any Company Personnel shall not be considered a violation of this Section 5(c).

(d) Non-Solicitation of Company Customers. During the Restricted Period, Executive will not, directly or indirectly, for Executive's own benefit or for the benefit of any other individual or entity: (i) solicit business from any Company Customer that is, or offer to provide products or services to any Company Customer that are, similar to any product or service provided or that could be provided by the Company or that are otherwise competitive with the Business; (ii) cause or encourage any Company Customer to reduce or cease doing business with the Company, or (iii) otherwise negatively interfere with the Company's relationships with any Company Customer.

(e) Non-Disparagement. Executive agrees that Executive shall not, at any time during or after the Term, disparage the Company, any of its products, services or practices, or any of its directors, officers, employees, customers, agents, representatives, or equity holders and their respective Affiliates, either orally or in writing, at any time; *provided, that* Executive may confer in confidence with Executive's legal representatives and make truthful statements as required by law or upon the request of any regulatory authority.

(f) Invention Assignment. Executive (i) will promptly disclose all Inventions (as defined below), in full detail, to persons authorized by the Company, and (ii) will not disclose any Invention to anyone other

than persons authorized by the Company or by law, without the Company's express prior written instruction to do so. All Inventions will be deemed "work made for hire" as that term is used in the U.S. Copyright Act and belong solely to the Company from conception. Executive hereby expressly disclaims all interest in all Inventions. To the extent that title to any Invention or any materials comprising or including any Invention is found not be a "work made for hire" as a matter of law, Executive hereby irrevocably assigns to the Company all of Executive's right, title, and interest to that Invention. At any time during or after the Term that the Company requests, Executive will sign whatever written documents of assignment are necessary to formally evidence Executive's irrevocable assignment to the Company of any Invention. At all times during or after the Term, Executive will assist the Company in obtaining, perfecting, maintaining and renewing patent, copyright, trademark, and other appropriate protection for any Invention, in the United States and in any other country, at the Company's expense. In the event that the Company is unable to secure Executive's signature on any such document, Executive hereby irrevocably designates and appoints the Company and each of its duly authorized officers and agents as Executive's agent and attorney-in-fact, to act for and on Executive's behalf, to sign and file any such document and to do all other lawful acts to further the prosecution, issuance and enforcement of patents, copyrights or other rights or protections with the same force and effect as if Executive had signed such documents. To the extent any copyrights are assigned under this Agreement, Executive hereby irrevocably waives to the extent permitted by applicable law, any and all claims Executive may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure, and withdrawal and any other rights that may be known as "moral rights" with respect to all Inventions and all intellectual property rights therein.

(i) For purposes of this Agreement, "Inventions" means: (A) contributions and inventions, discoveries, creations, developments, improvements, works of authorship and ideas (whether or not they are patentable or copyrightable) of any kind that are or were, since the date of commencement of Executive's employment with the Company, conceived, created, developed or reduced to practice by Executive, alone or with others, while employed by the Company that are either: (1) conceived during regular working hours or at Executive's place of work, whether located at Company, Affiliate or customer facilities, or at Executive's own facilities; or (2) regardless of whether they are conceived or made during regular working hours or at Executive's place of work, are directly or indirectly related to the Company's Business or potential business, result from tasks assigned to Executive by the Company, or are conceived or made with the use of the Company's resources, facilities or materials; and (B) any and all patents, patent applications, copyrights, trade secrets, trademarks, domain names and other intellectual property rights, worldwide, with respect to any of the foregoing.

(ii) The term "Inventions" specifically excludes any invention that: (i) by law, Executive cannot be required to assign; or (ii) inventions Executive developed entirely on Executive's own time without using any Company equipment, supplies, facilities or trade secret information, unless (A) the invention related at the time of conception or reduction to practice of the invention to (x) the Company's Business, or (y) the Company's actual or demonstrably anticipated research or development, or (B) the invention results from any work performed by Executive for the Company. Nevertheless, if Executive believes any invention, work of authorship or other matter created by Executive during the Term is not within the definition of Inventions, Executive will disclose it to the Company so that the Company may make an assessment of whether it falls within the definition of Invention within this Agreement.

(g) Tolling Period. Without limiting the Company's ability to seek other remedies available at law or in equity, if Executive violated any of the provisions of Sections 5(b) through 5(d), the Restricted Period shall be extended by one day with respect to each covenant for each day that Executive is in violation of

the provisions of such covenant, so as to give the Company the full benefit of the bargained-for length of forbearance.

(h) Advance Notice. As soon as reasonably practicable following acceptance of any other employment or service relationship during the Restricted Period following Executive's termination of employment (and in any event at least ten (10) business days prior to commencement of such relationship), Executive shall provide written notice of such relationship to the Company.

(i) Interpretation. In the event the terms of this Section 5 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. For purposes of this Section 5 and the defined terms referenced herein, references to the "Company" shall include the Company and its subsidiaries and controlled Affiliates.

(j) Acknowledgements. Executive acknowledges and agrees that the covenants contained in this Section 5: (i) are necessary to protect the Company's legitimate interests, including, without limitation, trade secrets, confidential and proprietary information and goodwill, and are no greater than required to protect such interests, (ii) are not unduly harsh or oppressive and do not impose undue hardship on Executive, and (iii) are reasonable, including, without limitation, in duration and geographic scope, and such geographic scope reflects the territory in which Executive currently has (and will in the future have) contact with Company Customers and other material business relations of the Company. Executive recognizes and acknowledge that a breach of the covenants contained in this Section 5 will cause irreparable damage to the Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that in the event of a breach of any of the covenants contained in this Section 5, in addition to any other remedy which may be available at law or in equity, the Company will be entitled to seek specific performance and injunctive relief (without requirement to post a bond or other security).

6. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any of its subsidiaries or Affiliates or to any successor to all or substantially all of the business or the assets of the Company or any subsidiary or Affiliate thereof (by merger or otherwise), provided that such successor expressly agrees to perform each and all obligations of the Company set forth herein. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective permitted successors and assigns. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and any applicable employee benefit plan, program, or arrangement, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. Certain Definitions. For purposes of this Agreement:

(a) Affiliate. "Affiliate" shall mean, with respect to any particular Person means (a) any other Person controlling, controlled by or under common control with such particular Person, where "control" means

the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise, (b) any Person that is an officer, partner, member or trustee of, or serves in a similar capacity with respect to, the specified Person and (c) any member of the immediate family of the specified Person (which shall include parents, children and siblings, both by-blood and in-law).

(b) Business. “Business” shall mean, directly or indirectly, (i) the business of (A) acquiring, owning, operating, managing and monetizing digital infrastructure solution businesses for high performance computing applications and (B) acquiring real estate and design, developing and operating thereon data centers to provide digital infrastructure solutions for high performance computing applications, and (ii) a person or division or unit of a larger enterprise engaged in the same, similar, or other additional lines of business in which the Company engages or has taken active steps to engage based on discussions or actions taken by or among senior management or the Board during Executive’s employment up to the Date of Termination.

(c) Cause. “Cause” shall mean any of the following events:

(i) (A) Executive’s indictment for or conviction of, or plea of guilty or nolo contendere to (1) a felony, or (2) a crime involving dishonesty, fraud or moral turpitude, or (B) or Executive engaging in any embezzlement, financial misappropriation or fraud, related to his employment with, or provision of services to, the Company or any subsidiary or Affiliate;

(ii) Executive’s willful and intentional breach of Executive’s obligations to the Company or any of its subsidiaries or Affiliates or pursuant to this Agreement (including, but not limited to, Section 5 hereof or any other restrictive covenant obligation);

(iii) Executive’s willful misconduct in connection with Executive’s performance of his duties for the Company or any subsidiary or Affiliate, which is materially harmful to the Company or any subsidiary or Affiliate;

(iv) Executive’s violation of any U.S. federal securities laws, rules or regulations;

(v) Executive’s material violation of any Policy or any other policy or procedure of the Company or subsidiary or Affiliate provided to Executive, including without limitation, a material violation of the Company’s Code of Business Conduct and Ethics and the Company’s or subsidiary’s or Affiliate’s policies on harassment, discrimination, or substance abuse;

(vi) Executive’s gross negligence which is materially harmful to the Company or any of its subsidiaries or Affiliates;

(vii) Executive’s commission of any act of sexual or other harassment or discrimination;

(viii) Executive’s willful refusal to follow the reasonable and lawful directive of the Company or the Board related to performance of Executive’s duties, which directive is consistent with normal business practice; or

(ix) Executive’s breach of Exhibit B of the Offer Letter in any respect.

Executive shall be given written notice by the Board of its intention to terminate him for Cause within one hundred and twenty (120) days of the later of (A) the Company learning of such event or events giving

rise to such termination for Cause, and (B) the Company completing its investigation of such event or events giving rise to such termination for Cause. With respect to clauses (ii), (iii), (v), (vi) or (viii), Executive must be given fifteen (15) days to cure such event or events giving rise to such termination for Cause (to the extent curable). In addition, termination for Cause requires a vote of a majority of the members of the Board (determined without including Executive), at a meeting of the Board held for such purpose, where Executive and Executive's counsel had an opportunity, on at least fifteen (15) days' notice (other than in the event of a termination pursuant to clause (i)(A) of the definition thereof), to be heard before the Board.

(d) Change in Control Termination. "Change in Control Termination" shall mean Executive's employment is terminated by the Company without Cause, or by Executive for Good Reason: (i) within eighteen (18) months following consummation Change in Control, (ii) at a time when the Company is party to an agreement, the consummation of which would result in the occurrence of a Change in Control (whether or not a Change in Control actually occurs), if such Change in Control has not been terminated or abandoned as of the Date of Termination, or (iii) or within ninety (90) days prior to the Company's entrance into an agreement described in the foregoing clause (ii). A "Change in Control Termination" shall include a termination during any of the foregoing time periods due to Company non-renewal of the then-applicable Term, provided that the Non-Renewal Notice is delivered to Executive by the Company during any of the foregoing time periods, and Executive's Date of Termination also occurs during such time periods.

(e) Change in Control. A "Change in Control" shall be deemed to have occurred if any one of the following events shall occur, in a single transaction or in a series of related transactions:

(i) Any Person becomes the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of shares of Common Stock representing more than 50% of the total number of votes that may be cast for the election of directors of the Company; or

(ii) The consummation of any (a) merger, consolidation, acquisition, reorganization, statutory share exchange or other business combination in which either the Company or any of its subsidiaries is a party, (b) sale or other disposition of all or substantially all of the Company's assets, in one or a series of related transactions, or (c) a combination of the foregoing transactions (each, a "Transaction"), other than a Transaction (A) involving only the Company and one or more of its now or hereafter existing subsidiaries, (B) immediately following which the shareholders of the Company immediately prior to the Transaction continue to hold a majority of the voting power in the resulting or surviving entity, or (C) following which the Incumbent Directors at the time of the execution of the initial agreement or other action of the Board providing for such Transaction continue to constitute a majority of the directors of the resulting or surviving entity; or

(iii) Within any twelve (12)-month period beginning on or after the Effective Date, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board (or the board of directors of any successor to the Company); provided that any director who was not a director as of the date hereof shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually or by prior operation of the foregoing unless such election, recommendation or approval was the result of an actual or threatened election contest of the type contemplated by Rule 14a-11 promulgated under the Exchange Act or any successor provision; or

(iv) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

(v) Any other transaction or event that the Board determines is a Change in Control in its sole discretion.

Notwithstanding the foregoing, no event or condition shall constitute a Change in Control to the extent that, if it were, a penalty tax would be imposed under Section 409A of the Code; provided that, in such a case, the event or condition shall continue to constitute a Change in Control to the maximum extent possible (e.g., if applicable, in respect of vesting without an acceleration of distribution) without causing the imposition of such penalty tax.

(f) Code. “Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder.

(g) Company Customer. “Company Customer” shall mean, as of any specified date, any individual or entity who, as of such date, (i) is an existing customer, client, supplier, licensor, distributor, vendor or other business relation of the Company of whom Executive learned, with whom Executive had business contact or about whom Executive obtained proprietary information at any time during Executive’s employment or engagement with the Company, or (ii) is a prospective customer, client, supplier, licensor, distributor, vendor or other business relation, of the Company of whom Executive learned, with whom Executive had business contact, or about whom Executive obtained proprietary information as part of a solicitation of business on behalf of the Company at any time during the one (1) year period prior to Executive’s termination of employment or engagement with the Company.

(h) Company Personnel. “Company Personnel” shall mean means any individual or entity that is or was at any time during the six (6)-month period prior to Executive’s solicitation or other activity prohibited by Section 5(c), employed or engaged (whether as an employee, consultant, independent contractor or in any other capacity) by the Company or any of its subsidiaries.

(i) Disability. “Disability” shall mean Executive becomes physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive’s duties.

(j) Good Reason. “Good Reason” shall mean any one of the following, that occurs without Executive’s prior written consent:

(i) a material reduction in Executive’s authorities, duties, responsibilities, position, or title;

(ii) a material reduction by the Company in Executive’s Annual Base Salary or Target Bonus (other than a Permitted Reduction);

(iii) the relocation of Executive’s principal place of employment by more than thirty-five (35) miles from its location as of the Effective Date (excluding travel in accordance with Section 1(e) of this Agreement); or

(iv) a material breach by the Company of any provision of this Agreement or any written equity award agreement to which Executive and the Company are a party.

Notwithstanding the foregoing, no Good Reason will have occurred unless and until: (A) Executive has provided the Company, within one hundred and twenty (120) days of the date Executive knows or should have known of the Good Reason event, written notice reasonably summarizing the applicable facts and circumstances underlying such finding of Good Reason; (B) the Company or the successor company fails to cure such condition within thirty (30) days after receiving such written notice (the "Cure Period") or, in the event that such grounds cannot be corrected within the Cure Period, the Company has not taken all reasonable steps within the Cure Period to correct such grounds as promptly as practicable thereafter, and (C) Executive's resignation based on such Good Reason is effective within thirty (30) days after the expiration of the Cure Period.

(k) Person. "Person" shall mean an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, association or other entity or a governmental entity.

(l) Restricted Period. "Restricted Period" shall mean the period of Executive's employment and twelve (12) months following the termination of Executive's employment for any reason.

(m) Restricted Territory. "Restricted Territory" shall mean (i) the United States of America (including each city, county, parish, district, municipality and state therein), or (ii) any other country, state, province, territory, city, county, parish, district, municipality or other locality in which (A) Executive provided services or had a material presence or influence at any time during Executive's employment or engagement with the Company or (B) the Company is engaged in or has plans to engage in (based on discussions or actions taken by or among senior management or the Board) the Business as of the termination of Executive's employment or engagement with the Company.

8. Parachute Payments.

(a) Notwithstanding any other provisions of this Agreement or any other agreement between the Parties, in the event that any payment or benefit by the Company or otherwise to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (all such payments and benefits, including the payments and benefits under Section 4 above, being hereinafter referred to as the "Total Payments"), would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code (the "Excise Tax") or would not be deductible by the Company or any of its subsidiaries or Affiliates pursuant to Section 280G of the Code (the "Deduction Loss"), then the Total Payments shall be reduced (in the order provided in Section 8(b) below) to the minimum extent necessary to avoid the imposition of the Excise Tax on the Total Payments and the Deduction Loss, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of the Excise Tax to which Executive would be subject in respect of such unreduced Total Payments). Executive shall execute any waiver or other documentation and take all other actions requested by the Company to acknowledge the reduction pursuant to this Section 8(a).

(b) The Total Payments shall be reduced in the following order: (i) reduction on a pro-rata basis of any cash severance payments that are exempt from Section 409A of the Code ("Section 409A"), (ii) reduction on a pro-rata basis of any non-cash severance payments or benefits that are exempt from Section 409A, (iii) reduction on a pro-rata basis of any other payments or benefits that are exempt from Section 409A, and (iv) reduction of any payments or benefits otherwise payable to Executive on a pro-

rata basis or such other manner that complies with Section 409A; *provided*, in case of subclauses (ii), (iii) and (iv), that reduction of any payments attributable to the acceleration of vesting of Company equity awards shall be first applied to Company equity awards that would otherwise vest last in time.

(c) The Company will make all determinations regarding the application of this Section 8, which determinations shall be final, binding and conclusive the Company, Executive, and all other interested Persons.

In the event it is later determined that to implement the objective and intent of this Section 8, (i) a greater reduction in the Total Payments should have been made, the excess amount shall be returned promptly by Executive to the Company or (ii) a lesser reduction in the Total Payments should have been made, the excess amount shall be paid or provided promptly by the Company to Executive, except to the extent the Company reasonably determines would result in imposition of a penalty tax under Section 409A.

9. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the State of Texas without reference to the principles of conflicts of law of the State of Texas or any other jurisdiction that would result in application of the laws of a jurisdiction other than the State of Texas, and where applicable, the laws of the United States.

(b) Indemnification. The Company agrees that, to the extent permitted by applicable law, if Executive is made a party (or witness) or is threatened to be made a party (or witness) to any claim, investigation, audit, action, suit, arbitration or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that Executive is or was or otherwise in connection with Executive's service as a director, officer or employee of the Company, or its subsidiaries or Affiliates, Executive shall be indemnified and held harmless by the Company, and its subsidiaries or Affiliates, against, and, subject to the delivery by Executive of a customary undertaking with respect to advanced expenses, shall receive expense advancement for, all reasonable costs, charges and expenses incurred or suffered by Executive in connection therewith (including reasonable legal fees). Notwithstanding anything to the contrary in this Section 9(b), no indemnification may be made to Executive or on Executive's behalf hereunder (i) if a court of competent jurisdiction determines in a final, non-appealable order that Executive is not entitled to indemnification under applicable law or the terms of this Agreement, or (ii) with respect to any claims in a Proceeding where such claims are brought by (A) the Company or its subsidiaries or Affiliates, or their respective directors or officers in their capacities as such, other than related to a shareholder derivative action, or (B) by Executive (or Executive's successors or assigns) ((A) and (B), together, the "Excluded Matters"). Without limitation of the foregoing, during the Term and for no less than six (6) years following the Date of Termination, the Company shall maintain directors & officers' insurance coverage (and any other insurance policies the Company may maintain generally for the benefit of its directors and officers) for Executive in his roles, and such coverage shall be maintained on terms and conditions no less favorable than such coverage is provided to other senior executives and officers of the Company (other than the CEO), as applicable; provided, however, Executive shall not be entitled to any coverage with respect to any Excluded Matter.

(c) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(d) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by email or certified or registered mail, postage prepaid, as follows:

(i) If to the Company, to:

Applied Digital Corporation
3811 Turtle Creek Blvd., Suite 2100
Dallas, TX 75219
Attn: Mark Chavez
Email: machavez@applieddigital.com

With a copy (which shall not constitute notice) to:

Lowenstein Sandler LLP
1251 Avenue of the Americas, 18th Floor
New York, NY 10020
Attn: Steven E. Siesser
Email: ssiesser@lowenstein.com

(ii) If to Executive, to the last address that the Company has in its personnel records for Executive;

With a copy (which shall not constitute notice) to:

Sterlington, PLLC
One World Trade Center, 85th Floor
New York, NY 10007
Attn: Jeremy L. Goldstein
Email: Jeremy.Goldstein@sterlingtonlaw.com; notices@sterlingtonlaw.com

or

(iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(e) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile or PDF shall be deemed effective for all purposes.

(f) Entire Agreement. The terms of this Agreement are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof and supersede all prior understandings and agreements, whether written or oral, including without limitation, the Offer Letter; *provided*, that nothing in this Agreement shall supersede, modify or otherwise affect (i) Exhibit B of the Offer Letter, which Exhibit B shall continue in full force and effect in accordance with the terms thereof, and (ii) any restrictive covenant, invention assignment or confidentiality obligations imposed under any Policy, or any other agreement between Executive and the Company or any of its Affiliates, including, without limitation, the Covenants Agreement, and in the event of any conflict between any such restrictive covenant, invention assignment or confidentiality obligation, including the Covenants Agreement, and this Agreement, the provisions which are broadest (including, without limitation, with respect to scope and duration), or otherwise most favorable to the Company, shall control. The Parties further intend that this Agreement shall constitute the complete and exclusive statement of their terms and

that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

(g) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized representative of the Company. By an instrument in writing similarly executed, Executive or a duly authorized representative of the Company may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(h) Construction. This Agreement shall be deemed drafted equally by both the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections, or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (i) the plural includes the singular and the singular includes the plural; (ii) “and” and “or” are each used both conjunctively and disjunctively; (iii) “any”, “all”, “each”, or “every” means “any and all”, and “each and every”; (iv) “includes” and “including” are each “without limitation”; (v) “herein”, “hereof”, “hereunder” and other similar compounds of the word “here” refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (vi) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the Persons referred to may require. All determinations, interpretations, exercises of authority, or similar rights or actions by the Board or the Company hereunder shall be made by the Board or the Company, as applicable, in its sole and absolute discretion.

(i) Arbitration. Any controversy, claim or dispute arising out of or relating to this Agreement, shall be settled solely and exclusively by a binding arbitration process administered by JAMS in Dallas County, Texas. Such arbitration shall be conducted in accordance with the then-existing Employment Arbitration Rules before a sole arbitrator. The Company and Executive will each be responsible for their own attorneys’ fees and expenses incurred in connection with any such arbitration. The decision arrived at by the arbitrator shall be binding upon all parties to the arbitration and no appeal shall lie therefrom, except as provided by the Federal Arbitration Act. These arbitration procedures are intended to be the exclusive method of resolving any claim or dispute arising out of or related to this Agreement, including the applicability of this Section; provided, however, that any party seeking injunctive relief in connection with a breach or anticipated breach of the Agreement will do so in a state or federal court of competent jurisdiction within Dallas, Texas, to which courts Executive hereby submits to jurisdiction and accepts venue therein as convenient. Neither an application for temporary emergency relief, nor a court’s consideration of granting such relief shall (i) constitute a waiver of the right to pursue arbitration under this provision or (ii) delay the appointment of the arbitrator(s) or the progress of arbitration proceedings. EXECUTIVE KNOWINGLY, VOLUNTARILY AND EXPRESSLY WAIVES ANY AND ALL RIGHTS TO INITIATE, PARTICIPATE IN, OR RECEIVE MONEY OR ANY OTHER FORM OF RELIEF FROM ANY CLASS, COLLECTIVE OR REPRESENTATIVE PROCEEDING AND AGREES EACH ARBITRATION PROCEEDING SHALL PROCEED ON AN INDIVIDUALIZED BASIS. THE PARTIES ACKNOWLEDGE AND AGREE THAT THEY ARE WAIVING THEIR RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR RELATED TO EXECUTIVE’S EMPLOYMENT OR THE TERMINATION THEREOF.

(j) Enforcement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the Term, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(k) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges that the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(l) Whistleblower Protections and Defend Trade Secrets Act Disclosure. Notwithstanding anything to the contrary contained herein, (i) nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies), and (ii) this Agreement is not intended to, and shall not, in any way prohibit, limit or otherwise interfere with Executive's protected rights under federal, state or local law to, without notice to the Company: (A) communicate or file a charge with or provide information to a government regulator, such as, by way of example and not limitation, the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other self-regulatory organization; (B) participate in an investigation or proceeding conducted by a government regulator; (C) receive an award paid by a government regulator for providing information; or (D) otherwise engage in activity protected by applicable whistleblower laws. Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (A) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (B) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(m) Recoupment of Erroneously Awarded Compensation. In accordance with the Nasdaq Stock Exchange listing standards and the requirements thereunder, the Company has adopted a clawback policy (the "Clawback Policy"). Executive acknowledges and agrees that as set forth in such Clawback Policy: (i) Executive shall be bound by and abide by the terms of the Clawback Policy as it currently exists; (ii) the Clawback Policy may be amended or restated from time to time, and Executive shall be bound by and abide by the terms of the Clawback Policy as it may change over time; (iii) Executive shall cooperate and shall promptly return any incentive-based compensation that the Company determines is subject to recoupment under the Clawback Policy; and (iv) any incentive-based or other compensation paid to Executive under any agreement or arrangement with the Company which is subject to recovery under any

law, government regulation or stock exchange listing requirement will be subject to such deductions and clawback as may be required by such law, government regulation or stock exchange listing requirement.

(n) Section 409A.

(i) *General.* The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A, the Company may (but is not obligated to), take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A.

(ii) *Separation from Service.* Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that is considered nonqualified deferred compensation under Section 409A and is designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a "Separation from Service").

(iii) *Specified Employee.* Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (A) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service with the Company or (B) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) *Expense Reimbursements.* To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31st of the year following the year in which the expense was incurred; *provided*, that Executive submits Executive's reimbursement request in accordance with applicable Policies (if any), the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) *Installments.* Executive's right to receive any installment payments under this Agreement, including without limitation any continuation salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A.

(vi) *Release.* Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of Executive's termination of employment are subject to

Executive's execution and delivery of a Release: (A) if Executive fails to execute the Release on or prior to the Release Expiration Date or timely revokes Executive's acceptance of the Release thereafter, Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release; and (B) in any case where Executive's Date of Termination and the Release Expiration Date (and any applicable revocation period) plus the first regularly scheduled payroll date thereafter fall in two separate taxable years, any payments required to be made to Executive that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes hereof, "Release Expiration Date" shall mean the date that is at least twenty-one (21) days following the date upon which the Company timely delivers the Release to Executive or, in the event that Executive's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967, as amended), the date that is at least forty-five (45) days following such delivery date. To the extent that any payments of nonqualified deferred compensation (within the meaning of Section 409A) due under this Agreement as a result of Executive's termination of employment are delayed pursuant to this Section 9(n)(vi), such amounts shall be paid in a lump sum on the first payroll date following the date that Executive executes and does not revoke the Release (and the applicable revocation period has expired) or, in the case of any payments subject to Section 9(n)(vi)(B), on the first payroll period to occur in the subsequent taxable year, if later.

10. Prior Employment.

Executive represents and warrants that Executive's acceptance of continued employment with the Company has not breached, and the continued performance of Executive's duties hereunder will not breach, any duty owed by Executive to any prior employer or other Person. Executive further represents and warrants to the Company that (a) the continued performance of Executive's obligations hereunder will not violate any agreement between Executive and any other Person; (b) Executive is not bound by the terms of any agreement with any previous employer or other Person to refrain from competing, directly or indirectly, with the business of such previous employer or other Person that would be violated by Executive entering into this Agreement or providing continued services to the Company pursuant to the terms of this Agreement; and (c) Executive's continued performance of Executive's duties under this Agreement will not require Executive to, and Executive shall not, rely on in the continued performance of Executive's duties or disclose to the Company or any other Person or induce the Company in any way to use or rely on any trade secret or other confidential or proprietary information or material belonging to any previous employer of Executive.

11. Expenses. The Company shall reimburse Executive up to \$35,000 for legal fees incurred by Executive in connection with the negotiation, preparation and execution of this Agreement and related agreements, subject to Executive's submission of appropriate documentation of such fees and expenses to the Company.

12. Executive Acknowledgement.

Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and year first above written.

APPLIED DIGITAL CORPORATION

By: /s/ Wes Cummins
Name: Wes Cummins
Title: Chief Executive Officer

EXECUTIVE

/s/ Jason Zhang
Jason Zhang

THIRD AMENDMENT TO PREFERRED EQUITY PURCHASE AGREEMENT

THIS THIRD AMENDMENT TO PREFERRED EQUITY PURCHASE AGREEMENT (this “Amendment”), dated October 7, 2025, is entered into by and among the investment entities named on the signature pages hereto (each, an “Investor” and collectively, the “Investors”) and **APPLIED DIGITAL CORPORATION**, a company incorporated under the laws of the State of Nevada (the “Company”). Capitalized terms used in this Amendment and not otherwise defined herein have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

WHEREAS, the Investors and Company are parties to that certain Preferred Equity Purchase Agreement, dated as of April 30, 2025, as amended by that certain First Amendment, dated as of August 14, 2025 and that certain Second Amendment, dated as of September 11, 2025 (as amended, restated, supplemented or otherwise modified from time to time, the “Purchase Agreement”), pursuant to which, the Company issued and sold shares of the Preferred Stock to the Investors;

WHEREAS, Section 12.02 of the Purchase Agreement provides that any provision of the Purchase Agreement may be amended by an instrument in writing signed by the Parties; and

WHEREAS, the Parties desire to amend the Purchase Agreement on the terms and conditions hereafter set forth.

NOW, THEREFORE, in exchange for good and valuable consideration, the sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. Amendments to the Purchase Agreement. The Purchase Agreement is hereby amended as follows:

1.1 The first recital to the Purchase Agreement is hereby amended to remove the reference to “\$450 million” and replace it with “\$590 million”.

1.2 The definition of “Commitment Amount” is hereby amended to remove the reference to “\$450,000,000” and replace it with “\$590,000,000”.

1.3 Annex I is hereby amended and restated in its entirety as attached hereto.

2. Miscellaneous.

2.1 Ratification of Purchase Agreement; Full Force and Effect; Conflicts. Other than as expressly modified pursuant to this Amendment, all of the terms, conditions and other provisions of the Purchase Agreement are hereby ratified and confirmed and shall continue to be in full force and effect in accordance with their respective terms. No reference to this Amendment need be made in any instrument or document making reference to the Purchase Agreement, and any reference to the Purchase Agreement in any such instrument or document shall be deemed a reference to the Purchase Agreement as amended hereby. This Amendment shall apply and be effective only with respect to the provisions of the Purchase Agreement specifically referred to herein.

2.2 Other Matters. The provisions of Article IX (Choice of Law/Jurisdiction), Article XI (Notices), Section 12.01 (Counterparts), Section 12.02 (Entire Agreement; Amendments), Section 12.04 (Expenses) and Section 12.06 (Brokerage) of the Purchase Agreement shall apply *mutatis mutandis* to this Amendment.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to the Preferred Equity Purchase Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

COMPANY:

APPLIED DIGITAL CORPORATION

By: _____

Name: Saidal L. Mohmand

Title: Chief Financial Officer

[Signature Page to the Third Amendment to the Preferred Equity Purchase Agreement]

[Signature Page to the Third Amendment to the Preferred Equity Purchase Agreement]

[INVESTOR SIGNATURE PAGES TO THIRD AMENDMENT TO THE PREFERRED EQUITY PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Third Amendment to the Preferred Equity Purchase Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

Name of Investor: _____

Signature of Authorized Signatory of Investor: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: _____

Address for Notice to Investor:

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

I, Wes Cummins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Digital Corporation for the quarter ended August 31, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 9, 2025

By: /s/ Wes Cummins

Name: Wes Cummins

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

I, Saidal Mohmand, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Applied Digital Corporation for the quarter ended August 31, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 9, 2025

By: /s/ Saidal Mohmand

Name: Saidal Mohmand

Chief Financial Officer (Principal Financial and Accounting Officer)

SECTION 906 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended August 31, 2025 of Applied Digital Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wes Cummins, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 9, 2025

By: /s/ Wes Cummins
Name: Wes Cummins
Chief Executive Officer
(Principal Executive Officer)

SECTION 906 CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the quarter ended August 31, 2025 of Applied Digital Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Saidal Mohmand, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 9, 2025

By: /s/ Saidal Mohmand
Name: Saidal Mohmand
Chief Financial Officer
(Principal Financial and Accounting Officer)